

# Appendix 4D

## Half-year report

Name of entity

**Centro Retail Australia comprising Centro Retail Limited, Centro Retail Trust, Centro DPF Holding Trust and Centro Australia Wholesale Fund**

ABN or equivalent company reference

Half yearly  
(tick)

Preliminary  
final (tick)

Half-year ended ('current period')

**Centro Retail Limited 90 114 757 783**

✓

**31 December 2011**

(Previous corresponding half-year: 31 December 2010)

### Results for announcement to the market

	31.12.11 \$'000	31.12.10 <sup>(1)</sup> \$'000	% Change
Revenue	48,188	2	n/m
Statutory net loss attributable to members of Centro Retail Australia	(100,057)	-	n/m
Underlying earnings <sup>(2)</sup>	21,969	-	n/m
Please refer to the Review of operations within the Directors' report for commentary on the results.			
The financial report for the period ended 31 December 2011 comprises results and transactions of Centro Retail Limited (the parent) for six months and those of Centro Retail Trust, Centro Australia Wholesale Fund, Centro DPF Holding Trust and their controlled entities, and the assets and liabilities acquired by Centro Retail Limited pursuant to the schemes of arrangement, for one month only.			
<sup>(1)</sup> Centro Retail Limited has been identified as the parent of Centro Retail Australia as required by accounting standards. As such, the comparatives shown are those of Centro Retail Limited. Prior to the formation of Centro Retail Australia Centro Retail Limited was for the most part inactive. <sup>(2)</sup> Underlying earnings is a financial measure which represents the profit/(loss) under Australian Accounting Standards adjusted for certain unrealised and non-cash items, reserve transfers, capital transactions and other non-core items. The inclusion of underlying earnings as a measure of profitability of Central Retail Australia provides investors with the same basis that is used internally for evaluating operating segment performance. Underlying earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare. A reconciliation of Central Retail Australia's statutory profit/(loss) to underlying earnings is provided in Note 4 Segment Information of Central Retail Australia's 31 December 2011 half year financial report.			
n/m – not meaningful			
Dividends (distributions)	Amount per security (distribution from Trusts)	Amount per security (dividend from Company)	Record date for determining entitlements to the dividend (in the case of a trust, distribution)
Final distribution	-	-	-
Previous corresponding period	-	-	-

# **CENTRO RETAIL LIMITED**

**Comprising Centro Retail Limited (ABN 90 114 757 783) and its controlled entities (including Centro Retail Trust – ARSN 104 931 928, Centro Australia Wholesale Fund – ARSN 122 223 974 and Centro DPF Holding Trust – ARSN 153 269 759) which are known as the ASX listed stapled entity, Centro Retail Australia**

**Financial Report  
For the Half-Year Ended  
31 December 2011**

## **Directors of Centro Retail Limited**

Dr Bob Edgar (Chairman)  
Clive Appleton  
Peter Day  
Tim Hammon  
Charles Macek  
Fraser MacKenzie  
Debra Stirling

## **Chief Executive Officer**

Steven Sewell

## **Secretaries of Centro Retail Limited**

Elizabeth Hourigan  
Dimitri Kiriacoulacos

## **Auditor**

Ernst & Young  
Ernst & Young Building  
8 Exhibition Street  
Melbourne Victoria 3000

## **Security Registrar**

Link Market Services Limited  
Level 1, 333 Collins Street  
Melbourne Victoria 3000

## **Directors' Report**

The Directors of Centro Retail Limited present their half-year financial report of Centro Retail Australia for the half-year ended 31 December 2011.

### **Centro Retail Australia**

The ASX listed entity, Centro Retail Australia (the Group or CRF) consists of Centro Retail Limited (the Company or CRL) and its controlled entities which, for statutory reporting purposes, includes Centro Retail Trust (CRT), Centro Australia Wholesale Fund (CAWF) and Centro DPF Holding Trust (DHT) (collectively known as the Trusts). Although separate entities, the securities of each are permanently stapled to ensure that they are traded as a single interest.

CRF is an Australian Real Estate Investment Trust (A-REIT) with direct Australian retail property investments totalling \$4.5 billion and is a fund and property manager of, and co-investor in a market-leading syndicate business with additional retail property assets under management of approximately \$2.4 billion.

CRF was formed by the stapling of CRL, CRT, CAWF and DHT through schemes of arrangement that were approved by the Supreme Court of New South Wales on 1 December 2011 (the Aggregation).

As CRF is a stapled entity, none of the stapling entities exercises control over the other. However, accounting standards require that a parent be identified for a consolidated entity. Accordingly, CRL has been identified as the parent of CRF and presents the consolidated position and results of CRF. As such, the comparatives shown at 30 June 2011 and 31 December 2010 as appropriate, are those of CRL. Prior to the formation of CRF, CRL was for the most part inactive and provided Directors' services to Centro Retail Trust (CER). The date of Aggregation for accounting purposes of CRF is 1 December 2011, being the date that the schemes were approved by the Supreme Court of New South Wales and when all the risks and rewards passed to CRF securityholders. Accordingly the financial report for the period ended 31 December 2011 comprises results and transactions of CRL (the parent) for six months and those of CRT, CAWF, DHT and their controlled entities, and the assets and liabilities acquired by CRL pursuant to the schemes of arrangement, for one month.

By virtue of being a stapled security, the interests of members in CRT, CAWF and DHT (i.e. the non-parent entities) are presented as non-controlling interests in the income statements and balance sheets, rather than as attributable to owners of the parent. This is because CRT, CAWF and DHT are not owned by CRL, but by securityholders directly. This presentation has no impact on the net profit and equity attributable to members of Centro Retail Australia as the owners of CRL are also the owners of CRT, CAWF and DHT.

### **Directors**

The following persons were Directors of CRL from 1 July 2011 to 14 December 2011.

Peter Day (Chairman)

Bill Bowness

Anna Buduls

Paul Cooper

Michael Humphris

Fraser MacKenzie

Ms Buduls, Mr Bowness, Mr Cooper, Mr Humphris retired from the board on 14 December 2011. Mr Day retired as Chairman of the board, however remains a director of CRL.

On the formation of Centro Retail Australia, the Responsible Entity of CRT, CAWF and DHT changed from Centro MCS Manager Limited to Centro Retail Australia Limited. The change in Responsible Entity was effective 14 December 2011.

The following persons were Directors of Centro Retail Limited and Centro Retail Australia Limited as RE of the Trusts from 14 December 2011 and up to the date of this report unless otherwise stated:

Dr Bob Edgar (Chairman) (appointed 14 December 2011)

Robert Tsenin (Chief Executive Officer, and Managing Director retired 21 February 2012)

Clive Appleton (appointed 15 December 2011)

Peter Day

Tim Hammon (appointed 15 December 2011)

Charles Macek (appointed 15 December 2011)

Fraser MacKenzie

Debra Stirling (appointed 15 December 2011)

### **Company Secretaries**

The Company Secretaries are Elizabeth Hourigan and Dimitri Kiriacoulacos.

### **Principal Activities**

The principal activities of the Group during the half-year were property investment, property management, development and leasing, and funds management.

### **Review of Operations**

#### **(a) Statutory Financial Results and Basis of Presentation of Statutory Half-year Financial Report**

CRF's business comprises direct interests in 43 properties in Australia (valued at \$4.5 billion), investments in Centro MCS Syndicates (valued at \$0.5 billion) and the operations of its property and funds management services business (valued at \$0.2 billion).

For the one month of operation since Aggregation, CRF generated total revenue of \$48.2 million and incurred a loss of \$100.1 million. The loss for the period arose from the stamp duty payable on Aggregation of \$52.8 million and recognition of the Class Action True Up Securities (CATS) liability of \$65.8 million (Refer Note 11 to the Financial Report for further detail on the CATS liability). The net profit of CRF before stamp duty and CATS liability expense was \$18.5 million. The underlying earnings for one month since Aggregation of \$22.0 million was \$1.1 million higher than the forecast for the month of December 2011 on which the Disclosure Document<sup>1</sup> was based.

### **Portfolio Analysis**

The CRF property portfolio comprises direct interests in properties, investments in Centro MCS Syndicates and equity accounted investments. The portfolio analysis reviews the shopping centre portfolio of CRF for the six months ended 31 December 2011, despite CRF only commencing on 1 December 2011 through the stapling of CRL, CAWF, CRT, and DHT. Prior to 1 December 2011 the CRF portfolio was largely held by the aggregating funds.

The CRF portfolio comprises a high quality Australian retail portfolio and has remained resilient over the past few years despite operating in a capital constrained environment. The portfolio remains close to full occupancy at 99.6%, with leasing continuing to be solid as evidenced by average rental growth of 5.3% on speciality lease renewals during the last six months.

Comparable net operating income growth on stabilised properties was 3.7% for the six month period, with annual retail sales growth moderating to 1.6%.

The CRF portfolio value increased by \$33.5 million for the six months to 31 December 2011, largely driven by NOI growth with capitalisation rates remaining stable. This increase in portfolio value was recognised by the stapled entities immediately prior to Aggregation and therefore does not form part of the one month result of CRF.

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<sup>1</sup> Refers to the Centro Retail Disclosure Document dated 5 October 2011 updated for the Supplemental on 4 and 21 November 2011. Comparison is made to the pro forma forecast earnings information – alternative basis of preparation Table 7.12 on page 113.

## **Events occurring after the end of the Reporting Period**

### **(a) Appointment of Chief Executive Officer**

On 3 January 2012, CRF announced that Mr Steven Sewell would be appointed Chief Executive Officer of CRF, replacing Mr Robert Tsenin who had announced his intention to retire. Upon Mr Tsenin's retirement, Mr Sewell became Chief Executive Officer on 22 February 2012.

### **(b) Chief Financial Officer succession**

On 21 February 2011, CRF announced that it was proposing to implement a succession plan under which it will undertake a search for a Chief Financial Officer to join incoming Chief Executive Officer, Mr Steven Sewell.

Mr Chris Nunn, currently Group Chief Financial Officer has indicated that he will not participate in the process but will continue in the role of CFO until CRF has identified and appointed a new candidate, and that he will assist with a smooth transition to his replacement.

### **(c) Acquisition of units in Centro MCS 6**

On 31 January 2012, as part of the rollover process of Centro MCS 6 (CMCS 6), CRF acquired 17.8 million units from unitholders who elected to exit the syndicate, for cash consideration of \$28.4 million. This acquisition increased CRF's total ownership in CMCS 6 from 16.4% to 62.2%, which resulted in CRF obtaining control of CMCS 6 with effect from 31 January 2012. By obtaining control, CRF will be required to consolidate the results of CMCS 6 from 31 January 2012. CMCS 6's sole asset is Centro Brandon Park, which was valued at \$110.1 million at 31 December 2011.

### **(d) Sale of Centro Lansell and Perth City Central**

CRF completed the sales of its interest in Perth City Central and Centro Lansell on 24 January 2012 and on 31 January 2012 respectively. Perth City Central was sold at a value of \$57.0 million (CRF's share being \$28.5 million), and Centro Lansell was sold at a value of \$32.5 million. Both values were in line with the 31 December 2011 carrying value.

The investments in Centro Lansell and Perth City Central have been presented in the Balance Sheet at 31 December 2011 as a current asset described as "Non-current assets classified as held for sale."

### **(e) Change of Centro MCS Syndicate responsible entity**

Relief was granted by the Australian Securities and Investment Commission ("ASIC") on 7 February 2012 from the requirement to hold investor meetings to approve the change of responsible entity for each of the Centro MCS Syndicates from Centro MCS Manager Limited to Retail Responsible Entity Limited, both 100% owned subsidiaries of CRF.

If no meeting is requested by investors in each Centro MCS Syndicate, the change of responsible entity from Centro MCS Manager Limited to Retail Responsible Entity Limited is expected to occur at the end of March 2012.

Except for the matters discussed above, no other matter or circumstance has arisen in the interval between 31 December 2011 and the date hereof that has significantly affected or may significantly affect:

- (i) the Group's operations in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the Group's state of affairs in future financial years.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

**Rounding of Amounts to the Nearest Thousand Dollars**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Half-year Financial Report. Amounts in the Directors' Report and Half-year Financial Report have been rounded off, in accordance with that class order, to the nearest thousand dollars or in certain cases, to the nearest dollar.

Signed at Melbourne on 28 February 2012 in accordance with a resolution of the Directors.

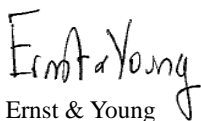
A handwritten signature in blue ink, appearing to read 'B. Edgar', with a stylized flourish at the end.

**Dr Bob Edgar**

Chairman

## **Auditor's Independence Declaration to the Directors of Centro Retail Limited**

In relation to our review of the half-year financial report of Centro Retail Australia for the half-year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized signature of 'Ernst & Young' in a cursive script.

Ernst & Young

A stylized signature of 'B R Meehan' in a cursive script.

B R Meehan  
Partner  
Melbourne  
28 February 2012

## Income Statements for the half-year ending 31 December 2011

	Notes	Centro Retail Limited and its Controlled Entities	
		31.12.11 \$'000	31.12.10 <sup>(1)</sup> \$'000
<b>REVENUE</b>			
Property ownership revenue		41,643	-
Services revenue		2,779	-
Distribution revenue		2,904	-
Interest revenue		862	2
<b>Total Revenue</b>		<b>48,188</b>	<b>2</b>
Share of net profits of associates and joint venture partnerships accounted for using the equity method	6(b)	3,388	-
Fair value adjustment on financial assets at fair value through profit or loss	6(c)	(643)	-
Other income		1,576	592
Borrowing costs		(14,205)	-
Direct property expenses		(10,826)	-
Employee benefits expenses		(4,863)	-
Other expenses from ordinary activities		(3,627)	(594)
Net movement on mark to market of derivatives		(2,080)	-
Movement in net assets attributable to puttable interests in consolidated finite life trusts		(687)	-
Discount on acquisition of puttable interests in consolidated finite life trusts		2,315	-
Fair value adjustment on financial liabilities at fair value through profit or loss	11	(65,838)	-
Stamp duty payable on Aggregation		(52,755)	-
<b>LOSS BEFORE INCOME TAX EXPENSE</b>		<b>(100,057)</b>	<b>-</b>
Income tax benefit/(expense)		-	-
<b>NET LOSS AFTER TAX</b>		<b>(100,057)</b>	<b>-</b>
Net loss attributable to non-controlling interests:			
Other stapled entities of Centro Retail Australia		(97,515)	-
<b>NET LOSS ATTRIBUTABLE TO MEMBERS OF CENTRO RETAIL LIMITED</b>		<b>(2,542)</b>	<b>-</b>
Basic loss per share in Centro Retail Limited (cents)	13	(0.19)	-
Diluted loss per share in Centro Retail Limited (cents)	13	(0.19)	-
<b>Net loss attributable to members of Centro Retail Australia analysed by amounts attributable to:</b>			
Centro Retail Limited members		(2,542)	-
Other stapled entities of Centro Retail Australia		(97,515)	-
<b>NET LOSS ATTRIBUTABLE TO MEMBERS OF CENTRO RETAIL AUSTRALIA</b>		<b>(100,057)</b>	<b>-</b>
Basic loss per stapled security in Centro Retail Australia (cents)	13	(7.46)	-
Diluted loss per stapled security in Centro Retail Australia (cents)	13	(7.46)	-

The above Income Statements should be read in conjunction with the accompanying notes.

<sup>(1)</sup> Comparatives represent those of Centro Retail Limited which was for the most part inactive in the prior year.



## Statements of Comprehensive Income for the half-year ending 31 December 2011

	Centro Retail Limited and its Controlled Entities	
	31.12.11 \$'000	31.12.10 <sup>(1)</sup> \$'000
<b>NET LOSS</b>	<b>(100,057)</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(100,057)</b>	<b>-</b>
Total comprehensive loss for the half-year attributable to non-controlling interests:		
Other stapled entities of Centro Retail Australia	(97,515)	-
<b>TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF CENTRO RETAIL LIMITED</b>	<b>(2,542)</b>	<b>-</b>
Total comprehensive loss attributable to members of Centro Retail Australia analysed by amounts attributable to:		
Centro Retail Limited members	(2,542)	-
Other stapled entities of Centro Retail Australia	(97,515)	-
<b>TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF CENTRO RETAIL AUSTRALIA</b>	<b>(100,057)</b>	<b>-</b>

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

<sup>(1)</sup> Comparatives represent those of Centro Retail Limited which was for the most part inactive in the prior year.

## Balance Sheets as at 31 December 2011

		Centro Retail Limited and its Controlled Entities	
	Notes	31.12.11 \$'000	30.06.11 <sup>(1)</sup> \$'000
<b>CURRENT ASSETS</b>			
Cash assets and cash equivalents		141,026	37
Receivables and other assets	5	124,707	19
Derivative financial instruments	9	1,095	-
Non-current assets classified as held for sale	6	75,708	-
Financial assets carried at fair value through profit or loss	6	80,599	-
<b>Total current assets</b>		<b>423,135</b>	<b>56</b>
<b>NON-CURRENT ASSETS</b>			
Receivables and other assets	5	34,667	-
Investments accounted for using the equity method	6	495,859	-
Financial assets carried at fair value through profit or loss	6	223,283	-
Investment property	6	4,198,085	-
Intangible assets	7	199,735	-
Plant and equipment		3,558	-
<b>Total non-current assets</b>		<b>5,155,187</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>5,578,322</b>	<b>56</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		68,046	56
Provisions	8	146,755	-
Interest bearing liabilities	10	59,350	-
Derivative financial instruments	9	4,415	-
<b>Total current liabilities</b>		<b>278,566</b>	<b>56</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	8	4,387	-
Interest bearing liabilities	10	1,784,763	-
Derivative financial instruments	9	2,181	-
Financial liabilities carried at fair value through profit or loss	11	65,838	-
Puttable interests in consolidated finite life trusts		89,142	-
<b>Total non-current liabilities</b>		<b>1,946,311</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>2,224,877</b>	<b>56</b>
<b>NET ASSETS</b>		<b>3,353,445</b>	<b>-</b>

The above Balance Sheets should be read in conjunction with the accompanying notes.

<sup>(1)</sup> Comparatives represent those of Centro Retail Limited which was for the most part inactive in the prior year.

## Balance Sheets as at 31 December 2011 (continued)

	Centro Retail Limited and its Controlled Entities	
	31.12.11 \$'000	30.06.11 <sup>(1)</sup> \$'000
<b>EQUITY</b>		
<b>Equity attributable to members of Centro Retail Limited</b>		
Contributed equity	-	-
Accumulated losses	(2,542)	-
<b>Total equity attributable to members of Centro Retail Limited</b>	<b>(2,542)</b>	<b>-</b>
<b>Equity attributable to non-controlling interests :</b>		
Other stapled entities of Centro Retail Australia		
Contributed equity	3,453,502	-
Accumulated losses	(97,515)	-
<b>Total equity attributable to non-controlling interests</b>	<b>3,355,987</b>	<b>-</b>
<b>Equity attributable to members of Centro Retail Australia:</b>		
Centro Retail Limited members	(2,542)	-
Other stapled entities of Centro Retail Australia	3,355,987	-
<b>TOTAL EQUITY ATTRIBUTABLE TO MEMBERS OF CENTRO RETAIL AUSTRALIA</b>	<b>3,353,445</b>	<b>-</b>

The above Balance Sheets should be read in conjunction with the accompanying notes.

<sup>(1)</sup> Comparatives represent those of Centro Retail Limited which was for the most part inactive in the prior year.

## Statements of Changes in Equity for the half-year ended 31 December 2011

	Centro Retail Limited and its Controlled Entities		
	Contributed equity	Accumulated losses	Total
	\$'000	\$'000	\$'000
At 1 July 2010	-	-	-
Net loss for the half-year	-	-	-
Other Comprehensive income	-	-	-
Total comprehensive loss <sup>(2)</sup>	-	-	-
<b>At 31 December 2010 <sup>(1)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>
At 1 July 2011	-	-	-
Arising on Aggregation	3,453,502	-	3,453,502
Net loss for the half-year	-	(100,057)	(100,057)
Total comprehensive loss <sup>(2)</sup>	-	(100,057)	(100,057)
<b>At 31 December 2011</b>	<b>3,453,502</b>	<b>(100,057)</b>	<b>3,353,445</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

<sup>(1)</sup> Comparatives represent those of Centro Retail Limited which was for the most part inactive in the prior year.

<sup>(2)</sup> For accounting purposes CRL is the identified parent of CRF. As a result, under AASB 127, CAWF, DHT and CRT are considered as non controlling interests. The analysis of total comprehensive income between CRL and non controlling interests is as follows:

	31.12.11	31.12.10 <sup>(1)</sup>
	\$'000	\$'000
Total comprehensive loss attributable to Centro Retail Limited	(2,542)	-
Total comprehensive loss attributable to non controlling interest:		
Other stapled entities of Centro Retail Australia	(97,515)	-
Total comprehensive loss	(100,057)	-

## Cash Flow Statements

### for the half-year ending 31 December 2011

		Centro Retail Limited and its Controlled Entities	
	Notes	31.12.11 \$'000	31.12.10 <sup>(1)</sup> \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of Goods and Services Tax)		52,372	596
Payments to suppliers and employees (inclusive of Goods and Services Tax)		(15,015)	(588)
Distributions received from associates and managed investments		2,225	-
Interest and other income received		1,671	-
Interest paid/derivative settlements		(23,481)	2
Deferred debt cost paid		(10,228)	-
<b>Net cash inflow from operating activities</b>		<b>7,544</b>	<b>10</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Arising on Aggregation	3	88,086	-
Payments for plant and equipment		(6)	-
Payments for other investments/redemptions		(48,921)	-
Proceeds from disposal of property investments		37,961	-
Payments for development of property investments		(4,196)	-
<b>Net cash inflow from investing activities</b>		<b>72,924</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		1,594,975	-
Repayments of borrowings		(1,514,852)	-
Acquisition of puttable interests in consolidated finite life trusts		(19,354)	-
Distributions paid to puttable interests in consolidated finite life trusts		(248)	-
<b>Net cash inflow from financing activities</b>		<b>60,521</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>140,989</b>	<b>10</b>
Cash and cash equivalents at the beginning of the half-year		37	66
<b>Cash and cash equivalents at 31 December</b>		<b>141,026</b>	<b>76</b>

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

<sup>(1)</sup> Comparatives represent those of Centro Retail Limited which was for the most part inactive in the prior year.

## Notes to and Forming Part of the Consolidated Financial Statements for the half-year ended 31 December 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation of Financial Statements

This general purpose financial report for the half-year reporting period ended 31 December 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

Centro Retail Australia (CRF) was formed by the stapling of Centro Retail Limited (the Company or CRL), Centro Retail Trust (CRT), Centro Australia Wholesale Fund (CAWF), Centro DPF Holding Trust (DHT) (collectively known as the Trusts) through schemes of arrangement that were approved by the Supreme Court of New South Wales on 1 December 2011 (the Aggregation).

The financial statements of CRF reflect the consolidation of CRL, CRT, CAWF, DHT, and their controlled entities. For the purposes of preparing the consolidated financial statements, CRL is identified as the parent entity of CRF as required by AASB 3 *Business Combinations* and AASB 127 *Consolidated and Separate Financial Statements*. As such, the comparatives shown are those of CRL. Prior to the formation of CRF, CRL was for the most part inactive and provided Directors' services to Centro Retail Trust.

The date of Aggregation for accounting purposes of CRF is 1 December 2011, being the date that the schemes were approved by the Supreme Court of New South Wales and when all the risks and rewards passed to CRF securityholders. Accordingly the financial report for the period ended 31 December 2011 comprises results and transactions of CRL (the parent) for six months and those of the Trusts and their controlled entities, and the assets and liabilities acquired by CRL pursuant to the scheme of arrangement, for one month.

The Articles of Association of the Company and the Constitutions of the Trusts ensure that shares in the Company and units in the Trusts are "stapled" together and are traded on the Australian Securities Exchange together, effectively as a "stapled security" (under the symbol CRF).

The Half-year Financial Report does not include all the notes normally included in an annual financial report. Accordingly, this Report is to be read in conjunction with any public announcements made by Centro Retail Australia during the half-year in accordance with the continuous disclosure obligations of the Corporations Act 2001 and the Australian Securities Exchange.

The Half-year Financial Report has been prepared on a going concern basis.

#### (i) Historical cost convention

These financial statements have been prepared on an historical cost basis, except for available-for-sale financial assets, certain financial assets and liabilities (including derivative instruments) and investment property which have all been recognised at fair value.

#### (ii) Significant accounting judgement and estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

The Group has not elected to early adopt any new Australian Accounting Standards that have been issued but are not yet effective.

#### (iii) Presentation of members interests in CRT, CAWF and DHT

Under AASB 127, given that CRL is the parent of CRF, members' interests in CRT, CAWF and DHT are presented as non-controlling interests, rather than as attributable to owners of the parent, representing the fact that CRT, CAWF and DHT are not owned by CRL, but by securityholders directly. However, the net profit attributable to members of Centro Retail Australia is not impacted as, by virtue of the stapling arrangement, the owners of CRL are also owners of CRT, CAWF and DHT.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Principles of consolidation

These Group financial statements comprise the consolidated accounts of Centro Retail Limited, Centro Retail Trust, Centro Australia Wholesale Fund, Centro DPF Holding Trust and their controlled entities as defined by AASB 127 *Consolidated and Separate Financial Statements*, with Centro Retail Limited identified as the parent for the Group.

Controlled entities are those entities over which the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Where control of an entity is obtained during a financial year, its results are included in the Income Statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed and de-consolidated from the date that control ceased.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer Note 1(d)).

The effect of all transactions between entities in the Group is eliminated in full. Non-controlling interests in the results and equity of controlled entities are shown separately in the Income Statement and Balance Sheet respectively. Investments in subsidiaries are accounted for at cost by Centro Retail Limited. If the Group loses control of a subsidiary it:

- Derecognises the assets (including any goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings, as appropriate.

### (c) Investments in associates and joint ventures

Associates are those entities over which the Group exercises significant influence, but not control. Investments in joint ventures are those entities in which the Group has a contractual arrangement that establishes joint control over the economic activities of the entity.

Investments in associates are accounted for in the Group's financial statements using the equity method. Under the equity method, the Group's share of the post-acquisition profits or losses of associates is recognised in the consolidated Income Statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment.

Investments in joint ventures are accounted for using the equity method in the consolidated financial statements.

### (d) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from any goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed, for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operation or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred to the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Combination of businesses under common control

The Group accounts for combination of businesses under common control using the “pooling-of-interests” method. Under the pooling-of-interests method, the assets and liabilities contributed by entities under common control are transferred to the receiving entity at their carrying value at the date of transfer (although adjustments are recorded to achieve uniform accounting policies where necessary).

Specifically, intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the acquiree in accordance with applicable accounting standards. No goodwill is recognised from the combination of businesses under common control. Any differences between the acquirer's cost of investment and the acquiree's equity is recognised directly in equity and presented separately within equity as a common control reserve. Non-controlling interests are measured as a proportionate share of the book values of the related assets and liabilities. Expenses of the combination are written off immediately in the income statement. Comparative amounts are not restated, rather comparative information is presented only from the date of the combination of businesses under common control.

### (f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the revenue have been resolved. Revenue is recognised for the following activities:

#### (i) Property ownership revenue

As the owner of a number of shopping centres, the Group derives rental revenue from the leasing of these properties. Lease income is recognised on a straight-line basis over the lease term. Contingent rental revenue is recognised on an accruals basis as earned.

#### (ii) Services revenue

- *Property, leasing and development management*

Property management and leasing fees are generated from existing properties and development fees are derived in respect of new developments and redevelopments. Fees are in accordance with generally accepted commercial terms and conditions.

Fee revenue is recognised on an accruals basis as earned and when it can be reliably measured.

- *Funds management*

The Group derives fees from the establishment and ongoing management of managed investment vehicles. Funds management revenue is recognised on an accruals basis as earned.

#### (iii) Distribution revenue

Distributions are recognised as revenue when the right to receive payment is established.

#### (iv) Interest revenue

Interest revenue is recognised on a time proportion basis using the effective interest method.

### (g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Income tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables and payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Collectability of trade and other debtors is reviewed on an ongoing basis. Debts which are individually known to be uncollectible are written off when identified. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

### (j) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are carried at amortised cost and are not discounted due to their short term nature.

### (k) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and risks specific to the liability. The increase in the provision arising from the passage of time is recognised in finance costs.

#### (i) *Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for annual leave are recognised as a provision for employee benefits and are measured based on the amounts expected to be paid when the liabilities are settled. Amounts due to be settled within twelve months of the reporting date are classified as current liabilities. Non accumulating sick leave is expensed as the leave is taken and measured at the rates paid or payable.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Provisions and employee benefits (continued)

#### (ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits (current) and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits (non-current) and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### (iii) Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other payables unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

#### (iv) Distributions

A provision is made for the amount of any distribution declared, determined or publicly recommended by the Directors on or before the end of the reporting period but not distributed at balance date.

### (l) Investment properties

The Group's investment properties are initially measured at cost including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Group.

Subsequent to initial recognition as assets, investment properties are revalued to fair value. Directors assess fair value of property investments at each reporting date and obtain independent valuations on a regular basis to assist in assessing fair value.

Changes in fair values are recorded in the Income Statement in the period in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

### (m) Other financial assets and financial liabilities

#### (i) Classification

Subsequent to initial recognition, the Group classifies financial assets and financial liabilities into the following categories. The classification depends on the purpose for which the financial instruments were acquired.

#### *Financial assets or financial liabilities at fair value through profit or loss*

These include financial assets and financial liabilities that are held for trading purposes and those designated as financial assets or liabilities at fair value through profit or loss on initial recognition.

Financial assets that are held for trading include investments in listed and unlisted equity instruments. Financial liabilities that are designated at fair value through profit and loss include the value of the CATS liability.

Financial assets and financial liabilities designated at fair value through profit or loss at initial recognition, are those that are managed and their performance evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Other financial assets and financial liabilities (continued)

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets and will be discounted to present value. Loans and receivables are included in receivables in the Balance Sheet.

#### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

#### *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable securities, are non-derivatives that are either designated in this category or not classified in any of the other categories.

#### *(ii) Recognition and derecognition*

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets and financial liabilities are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

#### *(iii) Subsequent measurement*

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the Income Statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments deferred in equity are recycled to the Income Statement.

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. The fair value of units or interests in unlisted property managed investment schemes is determined by reference to the fair value of the scheme's net assets, as advised by the relevant responsible entity at each reporting period.

#### *(iv) Impairment*

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Assets and disposal groups held for sale/discontinued operations

Non-current assets and disposal groups (Cash Generating Units (CGU's)) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale that are investment properties are stated at fair value. All other assets held for sale are stated at the lower of carrying value and fair value less costs to sell. Non-current assets classified as held for sale are presented separately from the other assets in the Balance Sheet.

A disposal group is a part of the Group's business that:

- it has disposed of or classified as held for sale and that represents a major line of its business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of such a line of business or area of operations.

The results of disposal groups are presented separately on the face of the Income Statement and the assets and liabilities are presented separately on the Balance Sheet. The comparative Income Statement is re-presented as if the disposal group had been discontinued from the start of the comparative year.

### (o) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. A change in the fair value of any derivative instrument that does not qualify for hedge accounting is immediately recognised in the Income Statement. No derivatives within the financial instruments are currently designated into a hedging relationship and therefore all movements in fair value have been taken to the Income Statement.

### (p) Fair value estimation

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are valued at bid prices, while financial liabilities are valued at asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker / dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on the manager's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date.

The fair value of derivatives that are not exchange traded is estimated at the amount that the entity would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (e.g. appropriate yield curve) and the current credit worthiness of the counterparties. Specifically, the fair value of a forward exchange contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates on the valuation date. The fair value of interest rate swaps and cross currency interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at balance sheet date taking into account current interest rates, foreign exchange rates and the current credit worthiness of swap counterparties.

Investments in other unlisted funds are recorded at the exit price as reported by the managers of the funds.

### (q) Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months subsequent to the reporting date.

### (r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. All other borrowing costs are expensed to the income statement using the effective interest rate method. Borrowing costs consist of interest and other costs that an entity incurs in connection with borrowing funds. Other costs, for example, establishment fees incurred, are deferred on the balance sheet as deferred debt costs under interest bearing liabilities and amortised as part of borrowing costs using the effective interest rate method.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Contributed equity

Ordinary stapled securities are classified as equity.

Incremental costs directly attributable to the issue of new stapled securities are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new stapled securities, preference units or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

### (t) Earnings per security

#### (i) Basic earnings per security

Basic earnings per security is determined by dividing the net profit after income tax attributable to members of the Group, excluding any costs of servicing equity other than ordinary securities or preference units, by the weighted average number of stapled securities and their equivalents outstanding during the reporting period, adjusted for bonus elements in securities issued during the period.

#### (ii) Diluted earnings per security

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security by taking into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary securities and the weighted average number of securities assumed to have been issued for no consideration in relation to dilutive potential ordinary securities.

### (u) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

### (v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (being the Executive Committee) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

### (w) Puttable interests in consolidated finite life trusts

Puttable interests in consolidated finite life trusts represent those instruments which can be redeemed by the holder at the cessation of the trust and are essentially non-controlling interests in managed investment schemes consolidated by the Group.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) Changes in accounting policies

CRF has adopted the following amendments to Australian Accounting Standards as of 1 July 2011:

- *AASB 2010-6 Amendments to Australian Accounting Standards- Disclosures on transfers of financial assets and Amendments to AASB 7*

The amendment enhances the disclosure requirements for transfers of financial assets and is intended to improve financial statement users' understanding of financial asset transfer transactions, including risks associated with the transferor. These amendments have no material effect on the amounts recognised or disclosures in the half-year financial report.

- *AASB 124 Related party disclosures*

The amendment simplifies the definition of a related party and clarifies whether the following relationships are related party:

(i) a subsidiary and an associate with the same investor as related parties of each other,

(ii) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other and

(iii) whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

The amendment also provides partial exemption from the disclosure requirements for government-related entities. These amendments have no material effect on the amounts recognised or disclosures in the half year financial report.

- *AASB 2010-5 Amendments to Australian Accounting Standards, AASB 2010-3 and AASB 2010-4 Amendments to Australian Accounting Standards arising from the annual improvements project*

These pronouncements make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. These amendments have no material effect on the amounts recognised or disclosures in the half year financial report.

- *AASB 2009-12 Amendments to Australian Accounting Standards*

This pronouncement is an amendment to AASB 8 and requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. This Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. These amendments have no material effect on the amounts recognised or disclosures in the half year financial report.

## 2. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of financial statements requires estimates and assumptions concerning the application of accounting policies to be made by the Group. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

### (a) Investment property values (refer Note 6)

Investment properties are carried at their fair value. Valuations are based on either an independent valuation or a Directors' valuation which is supported by the extrapolation of independent valuations on similar properties. Valuations are determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets and availability of similar properties, vacancy rates, market rents and capitalisation and discount rates. Refer to Note 6(d) for further information regarding investment property valuations.

## 2. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (CONTINUED)

### (b) Fair value of mark to market derivatives and other financial instruments

Management uses its judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For mark to market derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

#### *Class Action True-up Securities (CATS) (refer Note 11)*

On Aggregation, 908 million CATS were issued to certain unitholders to provide some compensation in the event that Centro Retail Group (formerly the ASX listed stapled entity comprising Centro Retail Trust and Centro Retail Limited known as CER) is found liable to pay an amount in relation to the CER Class Action Litigation. CATS holders are entitled to receive further issues of CRF securities or cash payments (at the discretion of CRF) after the CER Class Action Litigation is resolved, settled or a final judgement is given, up to caps set out in the terms of issues of the CATS. The CATS meet the definition of financial liabilities rather than equity as they will result in the issue of a variable number of shares to CATS holders or payment of cash upon settlement. Cash settlement could only be made however, if all the necessary consents are received.

The CATS have been designated at fair value through profit or loss on initial recognition as they are managed on a fair value basis, and it also provides more relevant information to users regarding impact of the CATS on the financial position and results of CRF.

On Aggregation, the fair value of the CATS was nil as there was no consideration received or receivable upon their issue.

Since Aggregation, CRF is not aware of any trades that have taken place in the CATS. Management has solicited feedback from the market on current bid prices which management believes, in the absence of actual trades, represents the best estimate of fair value. Additional disclosures regarding the CATS are included in Note 11.

Given CRF has the option to settle the CATS liability by issuing new CRF securities, the CATS liability is classified as non-current.

### (c) Intangible assets (refer Note 7)

At 31 December 2011, the Group carries a value for goodwill of \$199.7 million. The recoverable amount of the goodwill has been determined based on the fair value less costs to sell. The Directors believe that the value of the goodwill under the Implementation Agreement that was executed as part of the formation of CRF is the best estimation of fair value less costs to sell. As at 31 December 2011, this amount equals the carrying amount therefore, no impairment has been recognised.

### (d) Litigation (refer Note 15)

The Group is subject to ongoing litigation as disclosed in Note 15. The proceedings are being vigorously defended and no amount has been provided for in the Half-year Financial Report.

### (e) Formation of Centro Retail Australia (refer Note 3)

On 1 December 2011, the Supreme Court of New South Wales approved the schemes of arrangement necessary to effect the formation of Centro Retail Australia (CRF) and lodged with the Australian Securities and Investments Commission (ASIC) on 2 December 2011. Trading of CRF securities commenced on 5 December 2011 on a deferred settlement basis. The legal Aggregation Implementation date was 14 December 2011.

#### *(i) Parent company of CRF*

In preparing the consolidated accounts of CRF, AASB 3 and AASB 127 requires a parent to be identified for CRF. CRL has been identified as the parent of CRF on the basis that the directors and management of CRF are employed by CRL and its subsidiaries, and the financial and operating policies of CRF are governed by CRL.

#### *(ii) Date of Aggregation*

For accounting purposes, the date of Aggregation was determined to be 1 December 2011. This was the date that all substantive conditions precedent under the Implementation Agreement to effect the formation of CRF through Aggregation were satisfied and when all the risks and rewards passed to CRF securityholders. The half-year accounts of CRF therefore reflect the results of the accounting parent, CRL, for the half-year ended 31 December 2011, combined with the results of CRT, CAWF, DHT and their controlled entities from 1 December 2011 only.

## 2. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (CONTINUED)

### (e) Formation of Centro Retail Australia (refer Note 3) (continued)

#### (iii) *Accounting for the formation of CRF as a common control transaction*

The formation of CRF is a combination of businesses under common control because CRL and CRT (previously stapled as Centro Retail Trust or CER), CAWF and DHT were all controlled by the same party since 2008, and the control was not considered transitory.

The pooling of interest method has been applied in accounting for the formation of CRF. Had the formation of CRF been accounted for using the acquisition method, the financial position and financial result of CRF for the period ended 31 December 2011 would not be materially different to the financial position and financial result of CRF using the pooling of interest method adopted.

### (f) Deferred taxes

As at 31 December 2011 CRF has deferred tax liabilities of \$16.8 million which are currently fully offset by deferred tax assets arising from future tax losses which have not been recognised. Future tax losses largely arise from deductions currently claimable under "rights to future income" provisions in the current tax legislation.

The Federal Government has announced its intention to amend these provisions, which, should the changes come into law, would result in CRF losing these deductions and its corresponding deferred tax assets. CRF continues to use the deductions arising from the provision in determining its deferred tax assets until such time as the amendment of the provisions is substantially enacted. In the absence of these tax deductions, at 31 December 2011, CRF would have recognised a deferred tax expense of \$9.5 million on the reversal of its deferred tax assets.



### 3. AGGREGATION TO FORM CENTRO RETAIL AUSTRALIA

On 1 December 2011, the Supreme Court of New South Wales approved the schemes of arrangement necessary to effect the formation of Centro Retail Australia (CRF). While the legal Aggregation implementation date was 14 December 2011, the accounting date of Aggregation is 1 December 2011 being the date that all requisite approvals had been obtained and all the risks and rewards passed to CRF securityholders.

CRF was formed by the stapling of CRL, CRT, CAWF and DHT as well as the acquisition of certain assets and liabilities, including the services business, from Centro Properties Group, and certain property and managed fund investments from Centro MCS Syndicates (the Aggregation). As discussed in Note 2(e), the pooling of interest method has been used to account for the formation of CRF which is a combination of businesses under common control. All the assets and liabilities were transferred at their carrying amounts at 1 December 2011. There was no difference between the consideration received or paid and the carrying amounts of assets transferred or received among the aggregating funds.

The carrying amount of the assets and liabilities of the entities aggregating to form CRF (excluding the parent CRL) on 1 December 2011 were as follows:

	Notes	01.12.11 \$'000
<b>Assets</b>		
Cash		88,086
Non-current assets classified as held for sale	6(a)	113,669
Equity accounted investments	6(b)	583,589
Financial assets carried at fair value through profit or loss	6(c)	304,525
Investment property	6(d)	4,194,190
Intangible assets	7	199,735
Other assets		193,076
<b>Total assets</b>		<b>5,676,870</b>
<b>Liabilities</b>		
Borrowings		1,876,060
Puttable interests in consolidated finite life trusts		111,838
Other liabilities		235,470
<b>Total liabilities</b>		<b>2,223,368</b>
<b>Net assets</b>		<b>3,453,502</b>
Contributed equity		3,453,502
<b>Total equity</b>		<b>3,453,502</b>

## 4. SEGMENT INFORMATION

AASB 8 *Operating Segments* requires a 'management approach' to identifying and presenting segment information, that is, segment information is presented on the same basis as that used for internal reporting purposes. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (the Chief Operating Decision Maker or CODM) in assessing performance and in determining the allocation of resources. There are no comparatives as CRF commenced on 1 December 2011.

### Operating segments

Operating segments have been identified as investment activities and services business activities as follows:

- *Investment activities*

CRF has investments in direct ownership of properties in Australia as well as unlisted funds. The CODM reviews its investments based on its percentage ownership held irrespective of whether it controls the investment or not.

- *Services business activities*

The Group's services business generates revenues in the form of fees from two main areas: 1) property management, leasing and development; and 2) funds management. The Group provides personnel, systems and facilities to deliver these services to the shopping centres and managed funds.

The CODM monitors segment performance using segment income. Segment income for investment activities is the Group's percentage share of net operating income from properties, syndicates and other investments. The CODM also monitors the Group's performance using underlying earnings – which is consistent with the performance measure used in the Australian REIT sector. Underlying earnings is a financial measure which represents the profit/(loss) under Australian Accounting Standards adjusted for certain unrealised and non-cash items, reserve transfers, capital transactions and other non-core items. The inclusion of underlying earnings as a measure of profitability of Central Retail Australia provides investors with the same basis that is used internally for evaluating operating segment performance. Underlying earnings is used by the CODM and the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare. .

Overheads comprises corporate office overhead costs incurred. Borrowing costs include interest expense on borrowings, interest income and amortisation of deferred debt costs. Both overheads and borrowings costs are not allocated to individual segments, but are included in order to arrive at underlying earnings and facilitate reconciliation to the Group's net loss for the period.

### Accounting policies

The accounting policies used by the Group in reporting segment information are the same as those detailed in Note 1 to this report for the half year ended 31 December 2011 except as detailed below.

### Segment income

For the preparation of financial statements, results are consolidated and certain income streams eliminated where the Group has control of an entity. However, operating results used for internal reporting represent equity accounted or 'ownership share' results. Information relating to direct property investment income represents CRF's ownership share of the net operating income from its investments and services business income represents revenue generated from services provided to Centro MCS Syndicates. This format of reporting is regularly used by the CODM to make operational decisions about allocating resources to operating segments.

#### 4. SEGMENT INFORMATION (CONTINUED)

The segment results comprise one month segment result for CRF. No comparatives are disclosed as this is the first segment report for CRF since its formation on 1 December 2011.

Centro Retail Limited and its Controlled Entities	
	Segment Income Statement 31.12.11 \$'000
Direct property investment income	29,073
Managed fund investment income	4,959
<b>Investment income</b>	<b>34,032</b>
Property management, development and leasing	1,059
Funds management	2,199
<b>Services income</b>	<b>3,258</b>
<b>Total segment income</b>	<b>37,290</b>
Overheads, net of recoveries	(2,961)
	<b>34,329</b>
Depreciation and amortisation	(99)
	<b>34,230</b>
Borrowing costs	(12,261)
<b>Underlying earnings</b>	<b>21,969</b>
Non-distributable items:	
Fair value adjustment on financial liabilities carried at fair value through profit or loss	(65,838)
Fair value adjustment on financial assets carried at fair value through profit or loss	(643)
Amortisation of historical deferred debt costs paid for by stapled entities prior to Aggregation	(384)
Discount on acquisition of puttable interests	1,998
Mark-to-market movements on derivatives	(2,123)
Undistributed losses in consolidated syndicates, net of declared distributions	(1,466)
Litigation defence costs	(771)
Aggregation transaction costs	(52,755)
Straight line of rent and lease amortisation	(44)
<b>Net loss</b>	<b>(100,057)</b>

#### 4. SEGMENT INFORMATION (CONTINUED)

##### Reconciliation of total segment income to the income statement

The following is a reconciliation of total segment income to total revenue per the income statement. Segment income is the share of net operating income of investments properties and distributions received from managed fund investments. Therefore, to reconcile to total revenue per the income statement, we deduct the distributions received, intra-group revenues, add back expenses deducted in determining net operating income from properties and add back interest revenue not included in segment income, as shown below.

	Centro Retail Limited and its Controlled Entities
	31.12.11 \$'000
<b>Total segment income</b>	<b>37,290</b>
Less:	
Net property income from equity accounted investments not shown in revenue per the income statement	(5,063)
Distribution income from consolidated managed fund investments included in managed fund investment income	(2,053)
Intra-group services income from consolidated managed funds eliminated on consolidation	(480)
Add:	
Revenue from consolidated direct property investments	1,305
Expenses directly attributable to direct property investments deducted in determining segment income	11,128
Revenue from consolidated managed fund investments	5,199
Interest revenue not included in segment income	862
<b>Total revenue per income statement</b>	<b>48,188</b>

##### Segment balance sheet

The CODM reviews the financial position of the Group using a balance sheet prepared under an alternative basis of preparation. This provides the CODM with a snapshot of CRFs actual economic interests in all of its investments, excluding interests held by external parties (classified as puttable interests) on a line by line basis.

The segment balance sheet is adjusted for the following items:

- Centro MCS Syndicate investments are recognised as "Managed fund investments" regardless of the level of ownership held by Centro Retail Australia. The investment value is calculated based on the ownership interest attributable to Centro Retail Australia multiplied by the net asset value per unit for each CMCS Syndicate.
- Investments held in joint ventures and associates are reported on a "look-through" or gross basis, to reflect the gross property value of the underlying investment property. Any borrowings and interest rate swap derivatives of the equity accounted investments are also grossed up and separately recorded on the balance sheet of Centro Retail Australia.

#### 4. SEGMENT INFORMATION (CONTINUED)

Set out below is the balance sheet of CRF prepared in accordance with Australian Accounting Standards together with the adjustments required to arrive at the segment balance sheet prepared on the alternative basis of presentation as reviewed by the CODM.

No comparatives are disclosed as this is the first segment report for CRF since its formation on 1 December 2011.

	Statutory basis	Reverse consolidation of CMCS Syndicates	Reverse eliminations of CMCS Syndicate	Recognise Equity Accounted Investments at Gross Values	Segment balance sheet
As at 31 December 2011	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>					
Cash	141,026	(17,301)	-	-	123,725
Non-current assets held for sale	75,708	(15,065)	-	-	60,643
Managed fund investments	80,599	-	3,613	-	84,212
Other	125,802	(8,743)	11,375	(3,587)	124,847
<b>Total current assets</b>	<b>423,135</b>	<b>(41,109)</b>	<b>14,988</b>	<b>(3,587)</b>	<b>393,427</b>
<b>Non-current assets</b>					
Investment property	4,198,085	(451,855)	(87,514)	-	3,658,716
Equity accounted investments	495,859	(84,942)	112,115	238,387	761,419
Managed fund investments	223,283	-	178,132	-	401,415
Intangible assets	199,735	-	-	-	199,735
Other	38,225	-	-	-	38,225
<b>Total non-current assets</b>	<b>5,155,187</b>	<b>(536,797)</b>	<b>202,733</b>	<b>238,387</b>	<b>5,059,510</b>
<b>Total assets</b>	<b>5,578,322</b>	<b>(577,906)</b>	<b>217,721</b>	<b>234,800</b>	<b>5,452,937</b>
<b>Current liabilities</b>					
Borrowings	59,350	(17,785)	8,435	14,500	64,500
Other	219,216	(12,841)	2,748	-	209,123
<b>Total current liabilities</b>	<b>278,566</b>	<b>(30,626)</b>	<b>11,183</b>	<b>14,500</b>	<b>273,623</b>
<b>Non-current liabilities</b>					
Borrowings	1,784,763	(256,458)	4,877	220,300	1,753,482
Puttable interests in consolidated finite life trust	89,142	(89,142)	-	-	-
Other	72,406	(201,680)	201,661	-	72,387
<b>Total non-current liabilities</b>	<b>1,946,311</b>	<b>(547,280)</b>	<b>206,538</b>	<b>220,300</b>	<b>1,825,869</b>
<b>Total liabilities</b>	<b>2,224,877</b>	<b>(577,906)</b>	<b>217,721</b>	<b>234,800</b>	<b>2,099,492</b>
<b>Net assets</b>	<b>3,353,445</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,353,445</b>

## 5. RECEIVABLES AND OTHER ASSETS

	Centro Retail Limited and its Controlled Entities	
	31.12.11 \$'000	30.06.11 \$'000
<b>Current</b>		
Trade receivables	35,507	19
Related party trade receivables <sup>(i)</sup>	29,967	-
Less: impairment provision on trade receivables <sup>(iii)</sup>	(2,680)	-
	62,794	
Related party loans <sup>(ii)</sup>	37,555	-
Less: impairment provision on related party loans <sup>(iii)</sup>	(15,336)	-
	22,219	-
Accrued rollover, performance, windup and deferred RE fees from related parties	39,694	-
<b>Total current receivables and other assets</b>	<b>124,707</b>	<b>19</b>
<b>Non-current</b>		
Related party loans <sup>(ii)</sup>	34,667	-
<b>Total non-current receivables and other assets</b>	<b>34,667</b>	<b>-</b>
<b>Total receivables and other assets</b>	<b>159,374</b>	<b>19</b>

<sup>(i)</sup> Related party trade receivables relate to outstanding Responsible Entity fees, fund management fees and other service fees that are outstanding from non-consolidated Centro MCS syndicates at 31 December 2011. These trade receivables are provided on the same terms as trade receivables with non related parties.

<sup>(ii)</sup> Related party loans owed by non consolidated Centro MCS syndicates. These loans are provided at market interest rates, and callable on demand but providing reasonable notice. Related party loans expected to be repaid within 12 months after the reporting period are classified as current. All other related party loans are classified as non-current.

<sup>(iii)</sup> Impairment provisions on receivables and related party loans are made where there is objective evidence of the non-collectability of the receivable. It is the Group's policy to raise a provision for impairment on related party loans when the Loan-to-Value Ratio of the debtor exceeds 80%.

## 6. INVESTMENTS

	Centro Retail Limited and its Controlled Entities	
	31.12.11 \$'000	30.06.11 \$'000
<b>Included in the balance sheet as:</b>		
Non-current assets classified as held for sale (6a)	75,708	-
Investments accounted for using the equity method (6b)	495,859	-
Financial assets carried at fair value through profit or loss (6c)	303,882	-
Investment property (6d)	4,198,085	-
	<b>5,073,534</b>	<b>-</b>

	31.12.11 \$'000	30.06.11 \$'000
<b>(a) Non-current assets classified as held for sale</b>		
Centro Lansell <sup>(1)</sup>	32,354	-
Perth City Central <sup>(1), (3)</sup>	28,289	-
Centro Woodlands <sup>(2)</sup>	15,065	-
	<b>75,708</b>	<b>-</b>

<sup>(1)</sup> As at 31 December 2011, these investment properties were classified as non-current assets held for sale because they were subject to unconditional sale contracts. The sale of Perth City Central and Centro Lansell were settled on 24 January 2012 and 31 January 2012 respectively.

<sup>(2)</sup> Centro Woodlands is owned by Centro MCS 30 which is consolidated by CRF. The RE of the syndicate intends to wind up the syndicate after disposing of Centro Woodlands which is currently being marketed. As a result, the property is classified as held for sale.

<sup>(3)</sup> 50% held by CRF and 50% held by Centro MCS 28

	Notes	31.12.11 \$'000	31.12.10 \$'000
Movements for the half-year of non-current assets held for sale:			
Opening balance at beginning of the period		-	-
Arising on Aggregation	3	113,669	-
Disposal during the period		(37,961)	-
<b>Closing balance</b>		<b>75,708</b>	<b>-</b>

## 6. INVESTMENTS (CONTINUED)

	31.12.11 \$'000	30.06.11 \$'000
<b>(b) Investments accounted for using the equity method</b>		
Centro Bankstown <sup>(1)</sup>	278,641	-
Centro Emerald Market <sup>(2)</sup>	7,633	-
Centro Emerald Village <sup>(2)</sup>	12,767	-
Centro Lutwyche <sup>(1)</sup>	15,504	-
Centro Roselands <sup>(1)</sup>	90,844	-
Tuggeranong Hyperdome <sup>(3)</sup>	40,119	-
Victoria Gardens Shopping Centre <sup>(3)</sup>	50,351	-
	<b>495,859</b>	-

<sup>(1)</sup> 50% owned directly and 50% owned by a non-consolidated Centro MCS Syndicate

<sup>(2)</sup> 50% owned through a consolidated Centro MCS Syndicate and 50% owned by a non-consolidated Centro MCS Syndicate

<sup>(3)</sup> 50% owned directly and 50% owned by external party

	Notes	31.12.11 \$'000	31.12.10 \$'000
Movements for the half-year for investments accounted for using the equity method:			
Opening balance at the beginning of the period		-	-
Arising on Aggregation	3	583,589	-
Share of net profits of equity accounted investments		3,388	-
Distribution of net income from equity accounted investments		(3,538)	-
Refinance of interest bearing liabilities <sup>(1)</sup>		(88,000)	-
Additional investment during the period		420	-
<b>Closing balance</b>		<b>495,859</b>	-

<sup>(1)</sup> The borrowings of certain equity accounted investments were held in entities that were consolidated by the Group. Therefore the equity accounted investment did not include its proportion of borrowings. Upon the refinance of the Group's borrowings on 15 December 2011, borrowings related to equity accounted investments have been refinanced in the entities which hold the investment properties. As a result, the equity accounted investments have been reduced by these borrowings.



## 6. INVESTMENTS (CONTINUED)

	31.12.11 \$'000	30.06.11 \$'000
<b>(c) Financial assets carried at fair value through profit or loss</b>		
Centro MCS 4	10,884	-
Centro MCS 5	16,146	-
Centro MCS 6	10,125	-
Centro MCS 8 <sup>(1)</sup>	3,111	-
Centro MCS 9	8,018	-
Centro MCS 10	6,786	-
Centro MCS 11 <sup>(1)</sup>	6,346	-
Centro MCS 14	12,312	-
Centro MCS 15	8,021	-
Centro MCS 16 <sup>(1)</sup>	2,084	-
Centro MCS 17 <sup>(1)</sup>	6,472	-
Centro MCS 18	8,569	-
Centro MCS 19 UT	8,371	-
Centro MCS 19 N/ZI <sup>(1)</sup>	4,008	-
Centro MCS 20	3,346	-
Centro MCS 21 <sup>(1)</sup>	46,444	-
Centro MCS 22 <sup>(1)</sup>	6,275	-
Centro MCS 23 <sup>(1)</sup>	4,821	-
Centro MCS 28	68,284	-
Centro MCS 33	33,622	-
Centro MCS 34	20,917	-
External investments	7,882	-
Others <sup>(1)</sup>	1,038	-
	<b>303,882</b>	-
Classified as follows:		
Current assets <sup>(1)</sup>	80,599	-
Non-current assets	223,283	-
	<b>303,882</b>	-

<sup>(1)</sup> The above investments carried at fair value through profit or loss are classified as current as the Responsible Entity of these investments has indicated its intention to wind-up the funds within the next twelve months.

	Notes	31.12.11 \$'000	31.12.10 \$'000
Movements for the half-year of financial assets carried at fair value through profit or loss:			
Opening balance at the beginning of the period		-	-
Arising on Aggregation	3	304,525	-
Fair value losses during the period arising on valuation of financial assets carried at fair value through profit or loss		(643)	-
<b>Closing balance</b>		<b>303,882</b>	-

## 6. INVESTMENTS (CONTINUED)

	31.12.11 \$'000	30.06.11 \$'000
<b>(d) Investment property</b>		
Centro Albany	26,887	-
Centro Albury <sup>(1)</sup>	54,465	-
Centro Armidale	39,379	-
Centro Arndale	97,056	-
Centro Box Hill South	108,810	-
Centro Buranda	34,305	-
Centro Colonnades	298,499	-
Centro Cranbourne	121,574	-
Centro Galleria	620,322	-
Centro Gladstone Home <sup>(1)</sup>	26,005	-
Centro Glenorchy <sup>(1)</sup>	18,999	-
Centro Goulburn	48,023	-
Centro Halls Head	29,318	-
Centro Indooroopilly <sup>(1)</sup>	44,181	-
Centro Karingal	180,169	-
Centro Karratha <sup>(2)</sup>	95,144	-
Centro Lavington	59,015	-
Centro Maddington <sup>(1)</sup>	92,223	-
Centro Mandurah	237,392	-
Centro Mildura	88,037	-
Centro Monier Village <sup>(1)</sup>	12,703	-
Centro Mornington	55,105	-
Centro Mount Gambier	34,505	-
Centro Nepean <sup>(1)</sup>	102,978	-
Centro North Shore	17,503	-
Centro Oakleigh <sup>(1)</sup>	43,487	-
Centro Oxenford <sup>(1)</sup>	21,599	-
Centro Raymond Terrace <sup>(1)</sup>	27,111	-
Centro Somerville	38,506	-
Centro Springwood	52,008	-
Centro Taigum	79,956	-
Centro The Glen	412,687	-
Centro Toombul	214,195	-
Centro Tweed	73,220	-
Centro Victoria Park	23,009	-
Centro Warnbro	51,325	-
Centro Warriewood	134,619	-
Centro Warrnambool	11,498	-
Centro Warwick	127,827	-
Centro Westside	34,607	-
Centro Whitehorse (Box Hill North)	61,882	-
Carried forward	3,950,133	-

## 6. INVESTMENTS (CONTINUED)

	31.12.11 \$'000	30.06.11 \$'000
<b>(d) Investment property (continued)</b>		
Brought forward	3,950,133	-
Centro Whitsundays	48,562	-
Centro Wodonga	42,708	-
Goldfields Plaza	19,670	-
Katherine Oasis Shopping Centre	24,741	-
Keilor Land	8,768	-
Sunshine Marketplace <sup>(1)</sup>	89,003	-
Tweed Supermarket <sup>(1)</sup>	14,500	-
	<b>4,198,085</b>	-

<sup>(1)</sup> Owned through consolidated Centro MCS Syndicates

<sup>(2)</sup> 50% owned directly and 50% owned through consolidated Centro MCS Syndicates

	Notes	31.12.11 \$'000	31.12.10 \$'000
Movements for the half-year of Investment property:			
Opening balance at beginning of period		-	-
Arising on Aggregation	3	4,194,190	-
Capital expenditure during the period		4,197	-
Straight-lining of rent adjustment		(44)	-
Tenant allowance amortisation		(258)	-
<b>Closing balance</b>		<b>4,198,085</b>	-

### Investment Property valuation basis

Investment properties are carried at fair value. 35 of the 43 CRF directly owned properties and 9 of the 14 properties owned through Centro MCS Syndicates consolidated by CRF were independently valued between 15 October 2011 and 10 December 2011 by members of the Australian Property Institute. The Board of CRF and Centro MCS Manager (RE of the Centro MCS Syndicates) have reviewed these valuations and determined that they are appropriate to use as at 31 December 2011 (adjusted upwards for capital expenditure incurred) as there has been no material changes to the operating conditions which would impact these appraisals. The remaining 13 properties were fair valued based on directors' valuations which are based on the assumptions on growth rates, occupancy and cap rates used in the independent valuations of similar properties, adjusted for any factors specific to the actual property.

An increase/decrease in the adopted property capitalisation rates of 0.25%, assuming a 50% gearing in the underlying investments, across the entire Australian property portfolio would impact net assets by approximately \$170.0 million and impact net tangible assets attributable to members of Centro Retail Limited by approximately \$0.13 per stapled security.

## 7. INTANGIBLE ASSETS

		Centro Retail Limited and its Controlled Entities	
		31.12.11	30.06.11
		\$'000	\$'000
	Notes		
Goodwill		199,735	-
Movements:			
Balance at the beginning of the period		-	-
Arising on Aggregation	3	199,735	-
Closing balance		199,735	-

Goodwill represents the value of the Services Business which provides property management, development, leasing and funds management services to the Group and various managed funds.

### Impairment tests for intangible assets

Goodwill and other intangible assets and impairment losses recognised on intangible assets are allocated to the Group's cash-generating units (CGUs), as presented below.

		Centro Retail Limited and its Controlled Entities	
		31.12.11	30.06.11
		\$'000	\$'000
Funds management		82,523	-
Property, leasing and development		117,212	-
<b>Total</b>		<b>199,735</b>	<b>-</b>

The recoverable amount of a CGU is determined as the higher of the value in use and fair value less cost to sell. CRF has determined the recoverable amount of a CGU based on fair value less costs to sell.

The Board believes that the value of the goodwill under the Implementation Agreement that was executed as part of the formation of CRF is the best estimation of fair value less costs to sell. As at 31 December 2011, this amount equals the carrying amount therefore, no impairment has been recognised.

## 8. PROVISIONS

		Centro Retail Limited and its Controlled Entities	
		31.12.11	30.06.11
		\$'000	\$'000
Employee benefits		7,707	-
Provision for distributions		2,213	-
Provision for estimated stamp duty <sup>(1)</sup>		141,222	-
<b>Total provisions</b>		<b>151,142</b>	<b>-</b>
Classified as:			
Current		146,755	-
Non-current <sup>(2)</sup>		4,387	-

<sup>(1)</sup> This comprises \$52.8 million stamp duty payable on Aggregation, and \$88.5 million provision for other stamp duty matters as discussed in Note 15(c).

<sup>(2)</sup> This comprises long term employee provisions

## 9. DERIVATIVE FINANCIAL INSTRUMENTS

	Centro Retail Limited and its Controlled Entities	
	31.12.11 \$'000	30.06.11 \$'000
<b>Derivative assets</b>		
Interest rate swap contracts	1,095	-
<b>Total derivative assets</b>	<b>1,095</b>	<b>-</b>
Classified as follows:		
Current	1,095	-
Non-current	-	-
<b>Derivative liabilities</b>		
Interest rate swap contracts	6,596	-
<b>Total derivative liabilities</b>	<b>6,596</b>	<b>-</b>
Classified as follows:		
Current	4,415	-
Non-current	2,181	-

The majority of bank borrowings of the Group are at variable interest rates. To mitigate the interest rate risk arising from these variable interest rate borrowings, CRF has entered into a number of interest rate swaps. Refer to Note 10 (e) and (f) for details on the use of derivatives and effectiveness in mitigating interest rate risk for the Group.

## 10. INTEREST BEARING LIABILITIES

	Centro Retail Limited and its Controlled Entities	
	31.12.11 \$'000	30.06.11 \$'000
Secured bank borrowings	1,871,325	-
Deferred debt costs <sup>(1)</sup>	(27,212)	-
<b>Interest bearing liabilities</b>	<b>1,844,113</b>	<b>-</b>
Classified as follows		
Current	59,350	-
Non-current	1,784,763	-
<b>Total interest bearing liabilities</b>	<b>1,844,113</b>	<b>-</b>

<sup>(1)</sup> Represents costs incurred and deferred on the Balance Sheet as deferred debt costs under interest bearing liabilities. These costs are amortised to the Income Statement as part of borrowing costs using the effective interest rate method.

## 10. INTEREST BEARING LIABILITIES (CONTINUED)

	Centro Retail Limited and its Controlled Entities	
	31.12.11 \$'000	30.06.11 \$'000
<b>Financing arrangements</b>		
The Group has access to the following lines of credit:		
Interest bearing liabilities	2,017,825	-
<b>Total facilities available at end of period</b>	<b>2,017,825</b>	<b>-</b>
Facilities utilised at end of period	1,871,325	-
Facilities not utilised at end of period	146,500	-
<b>Total facilities not utilised at end of period</b>	<b>146,500</b>	<b>-</b>

**(a) Defaults on debt obligations**

At 31 December 2011, the Group had no defaults on debt obligations.

**(b) Breaches of lending covenants**

At 31 December 2011, the Group had no breaches of lending covenants.

**(c) Assets pledged as security**

Security provided is standard for a loan of this nature including mortgages or real property, mortgages over shares and units in each property owner, fixed and floating charges and guarantees.

**(d) Maturity profile of interest bearing liabilities**

	Centro Retail Limited and its Controlled Entities				
	Less than 1 year	1 to 3 years	Greater than 3 years	Total contractual cash outflows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000
Interest bearing liabilities	59,350	1,371,975	440,000	1,871,325	1,844,113

**(e) Hedging policy for interest rate risk**

Centro Retail Australia's interest rate risk arises from the variable interest rate borrowings. Policies and limits are implemented in respect of the use of derivative instruments to hedge the cash flows subject to interest rate risks. The proportion of hedging reduces with term to maturity. CRF's hedging policy has been approved by the Board and is monitored by management. CRF's hedging policy does not permit derivatives to be entered into for speculative purposes.

## 10. INTEREST BEARING LIABILITIES (CONTINUED)

### (f) Interest rate risk sensitivity

The Group manages its cash flow interest-rate risk exposure by using floating-to-fixed interest rate swaps. Under the terms of floating-to-fixed interest rate swaps, the Group agrees to exchange, at specified intervals (mainly monthly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to an agreed notional principal amount.

As at the balance date, the Group (which includes consolidated Centro MCS syndicates) had the following exposure to cash flow interest rate risk:

	Centro Retail Limited and its Controlled Entities	
	31.12.11 \$'000	30.06.11 \$'000
Total interest bearing liabilities	1,844,113	-
Less fixed rate borrowings and deferred debt costs	(218,388)	-
Variable rate borrowings	1,625,725	-
Less: Related party loan receivables at variable rate	(48,714)	-
Net variable rate borrowings exposed to cash flow interest rate risk	1,577,011	-
Less: Notional value of outstanding interest rate swap contracts	(1,356,731)	-
<b>Net exposure to cash flow interest rate risk</b>	<b>220,280</b>	<b>-</b>

### Centro Retail Limited and its Controlled Entities' Sensitivity

While interest rates can move up or down, a parallel shift in the forward interest rate curve of +/- 25bps, assuming the net exposure remains unchanged for the next 12 months, will increase/decrease the Group's cash interest cost for the next 12 months by \$551,000. This sensitivity analysis should not be considered a projection.

## 11. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Centro Retail Limited and its Controlled Entities	
	31.12.11 \$'000	30.06.11 \$ '000
CATS liability	65,838	-

On Aggregation to form CRF, 908 million CATS were issued to CAWF and DHT Unitholders, to Centro Direct Property Fund and Centro Properties Group, in respect of certain asset transfers. CATS will entitle their holders to the issue of additional units in CRF or cash payment should CRL and CRT (previously stapled as CER) be liable to pay certain amounts in respect of the CER Class Action Litigation described in Note 15 which has been brought against them. The number of New Stapled Securities to be issued, or cash to be paid to CATS holders, is limited to the number of securities equal to 6.9% of the number of CRF securities on issue immediately following Aggregation (or its cash equivalent) (the Cap). The settlement of the CATS using cash is at CRF's discretion and is subject to necessary consents being received.

The CATS meet the definition of a financial liability as they will be settled by the issue of a variable number of shares or a cash payment. The CATS liability is classified as a financial liability at fair value through profit or loss. At 31 December 2011, the fair value of the CATS liability is \$65.8 million or 7.25 cents per CATS. This is based on the average bid prices obtained from the market. The highest bid price was \$95.3 million or 10.5 cents per CATS, and the lowest bid price was \$36.3 million or 4 cents per CATS. To date, CRF is not aware of any trades occurring at any of the bid prices obtained.

The potential liability arising from the CER Class Action Litigation is not known. The Cap is not an estimate of potential liability and the Cap may be more or less than the aggregate liability (if any) that might be realised as a result of the CER Class Action Litigation. As a result, there is no assurance that the CATS will compensate their holders for all liability that might arise as a result of the CER Class Action Litigation. The maximum number of CRF securities that could be issued arising from the CATS based on the net asset value of CRF at 31 December 2011 would be 92.6 million.

Any further issues of CRF Securities or cash payments to the holders of CATS will dilute Net Asset Value (NAV) per CRF Security and/or the interests of the then current holders of CRF Securities. The extent of any dilution from such issues of CRF Securities or the making of cash payments is not currently known but is limited by the Cap.

Please refer to Notes 13 and 14 for details of the potential impact of the CATS on EPS and NTA.



## 12. CONTRIBUTED EQUITY

	Centro Retail Limited and its Controlled Entities	
	31.12.11 Number '000	31.12.10 Number '000
Number of stapled securities issued:		
Opening	-	-
Arising on Aggregation	1,340,723	-
At 31 December	1,340,723	-
	\$'000	\$'000
Paid up capital		
– Ordinary	3,453,502	-

### (a) Ordinary stapled securities

An ordinary stapled security comprises one share in Centro Retail Limited, and one unit in each of Centro Retail Trust, Centro Australia Wholesale Fund and Centro DPF Holding Trust. Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Group or Trusts in proportion to the number of securities held.

## 13. LOSS PER SECURITY

	Centro Retail Limited and its Controlled Entities	
	31.12.11 Cents	31.12.10 Cents
Basic loss per share in Centro Retail Limited - cents	(0.19)	-
Diluted loss per share in Centro Retail Limited - cents	(0.19)	-
Basic loss per security in Centro Retail Australia - cents	(7.46)	-
Diluted loss per security in Centro Retail Australia - cents	(7.46)	-
	\$'000	\$'000
<b>(a) Reconciliation of earnings used in calculating earnings per security (basic and diluted)</b>		
Net loss attributable to members of Centro Retail Limited	(2,542)	-
Net loss attributable to members of Centro Retail Australia	(100,057)	-
	Number '000	Number '000
<b>(b) Weighted average number of securities</b>		
Basic weighted average number of securities on issue for the period	1,340,723	-

### Impact of CATS

If the CATS are settled for the maximum amount as described in Note 11 by issuing the CRF securities, the loss per security would increase by 1.90 cents to 9.36 cents. This does not take into consideration the impact of any cash settlement of the class action litigation itself as this amount is not known.

## 14. NET TANGIBLE ASSET BACKING

	Centro Retail Limited and its Controlled Entities	
	31.12.11	30.06.11
Basic net tangible asset backing per security		
Net assets	3,353,445	-
Less: Intangible assets	(199,735)	-
<b>Net tangible assets attributable to members of Centro Retail Australia (\$'000)</b>	<b>3,153,710</b>	<b>-</b>
Number of securities outstanding at the end of the period used in the calculation of net tangible asset backing per security	1,340,723	-
Net tangible asset backing per security – basic (\$)	2.35	-

### Impact of CATS

If the CATS are settled for the maximum amount as described in Note 11 by issuing the CRF securities, the net asset value per security would decrease from \$2.50 to \$2.39. The net tangible asset backing of \$2.35 would decrease by \$0.10 to \$2.25. This does not take into consideration the impact of any cash settlement of the class action litigation itself as this amount is not known.

## 15. CONTINGENT LIABILITIES

### (a) Litigation

In May 2008 two separate representative proceedings were commenced in the Federal Court against Centro Retail Limited and Centro MCS Manager Limited, as the responsible entity of Centro Retail Trust, (together, CER). One proceeding is being conducted by Maurice Blackburn and the other by Slater & Gordon. The statements of claim in each proceeding allege that CER engaged in misleading or deceptive conduct and/or breached continuous disclosure obligations in relation to:

- the classification of certain liabilities as non-current liabilities in CER's consolidated financial statements, which were published in CER's Preliminary Financial Report and Annual Report for the year ended 30 June 2007, and in the Explanatory Memorandum for the proposed merger of Centro Shopping America Trust (CSF) and Centro Retail Trust, lodged with ASX on 14 September 2007;
- CER's operating distributable profit per security (DPS) forecasts for the 2008 financial year;
- the refinancing of the United States joint venture debt due in December 2007; and
- the treatment of Super LLC's debts and the issue of consolidation of Super LLC's financial statements in CER's Preliminary Financial Report and Annual Report for the year ended 30 June 2007 and the Explanatory Memorandum for the proposed merger of CSF and Centro Retail Trust lodged with ASX on 14 September 2007.

Similar proceedings were commenced against Centro Properties Limited and CPT Manager Limited.

The claims have been made on behalf of persons or entities who acquired CER stapled securities, in the instance of the Maurice Blackburn conducted proceeding, between 7 August 2007 to 15 February 2008 and, in the instance of the Slater & Gordon conducted proceeding, between 17 July 2007 to 28 February 2008.

In late 2010 PricewaterhouseCoopers (PwC), CER's former auditor, was added as a respondent to the proceeding conducted by Maurice Blackburn. The claimant group represented by Slater & Gordon also commenced a new representative proceeding against PwC.

In November 2010 a further representative proceeding was commenced by Maurice Blackburn on behalf of CSF security holders against PricewaterhouseCoopers Securities Limited (PwCS). This proceeding relates to alleged misleading and deceptive statements in the "Investigating Accountants Report on Financial Forecasts" prepared by PwCS in connection with the proposed merger between CSF and Centro Retail Trust. CER has been joined by PwCS to this further proceeding.

In February 2012 Centro Retail Australia Limited, the new responsible entity for Centro Retail Trust, was added as a necessary party to the proceedings.

In all claims the applicants seek unspecified damages, declarations, interests and costs.

## 15. CONTINGENT LIABILITIES (CONTINUED)

### (a) Litigation (continued)

In each of the representative proceedings to which it is a party, CER has cross claimed against PwC and PwC has cross claimed against CER and also against persons who were directors and/or officers of CER at the relevant time. These directors and/or officers have sought indemnity from CER pursuant to deeds of indemnity that had been entered into with them, as is common practice for publicly listed companies.

The proceedings are being vigorously defended (with defences filed). The parties are completing various interlocutory steps ordered by the Court with a view to a trial commencing on 5 March 2012.

No amount has been provided for in the financial report, however the financial effect of this contingent liability may be material if it becomes an actual liability.

### (b) Guarantees

Bank guarantees of \$5 million each have been arranged by the Group in the name of Centro Retail Australia Limited and Centro MCS Manager Limited to guarantee obligations under Australian Financial Services Licence and responsible entity requirement.

A bank guarantee of \$45 million has been issued by CAWF as security for the Tuggeranong Hyperdome Property Facility.

### (c) Other Contingent liabilities

The Victorian, South Australian and New South Wales State Revenue Offices are investigating or have made assessments in relation to the acquisition of certain property interests and the establishment of certain funds. The total value of these assessments and investigations, including duty, penalties and interest, is estimated at \$89.5 million. While CRF and its stamp duty advisors consider that no stamp duty is payable, a provision of \$88.5 million has been raised against these matters at 31 December 2011.

### (d) Contingent Commitments

CRF is a co-investor in some of its managed funds. In recognition of the potential liquidity requirements of co-investors in its unlisted managed funds, CRF has provided exit mechanisms to investors at the then net asset backing of the relevant fund. A summary of these exit mechanisms are detailed below.

- (i) Centro MCS 37 includes a limited liquidity mechanism for investors. CMCS 37 investors have a limited exit opportunity annually from 30 June 2009 onwards. Based on current net asset backing and external ownership interest, this arrangement may result in CRF acquiring annually up to one million units in CMCS 37 at the then net asset backing. Based on 31 December 2011 values, the gross commitment to CRF would be approximately \$0.7 million per annum.
- (ii) CMCS syndicates managed by CRF have fixed investment periods. The constitutions of certain syndicates provide investors in those syndicates with a Flexible Exit Mechanism ("FEM"). Towards the end of the investment period, the constitutions provide that the FEM must be triggered or the Responsible Entity may choose to terminate the syndicate if in the best interest of investors.

This FEM entitles investors to put their units in the syndicate to CRF at the then net asset value. In the 12 months ending 31 December 2012, CRF may be obligated to acquire up to \$103.7 million of units in syndicates (based on 31 December 2011 values). As noted above, if the Responsible Entity of the syndicate deems that it is in the best interests of investors to sell the assets of the syndicate, the assets can be sold and the syndicate wound-up. This would eliminate the obligation for CRF to acquire any units in such syndicates.

## 16. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

### (a) Appointment of Chief Executive Officer

On 3 January 2012, CRF announced that Mr Steven Sewell would be appointed Chief Executive Officer of CRF, replacing Mr Robert Tsenin who had announced his intention to retire. Upon Mr Tsenin's retirement, Mr Sewell became Chief Executive Officer on 22 February 2012.

### (b) Chief Financial Officer succession

On 21 February 2011, CRF announced that it was proposing to implement a succession plan under which it will undertake a search for a Chief Financial Officer to join incoming Chief Executive Officer, Mr Steven Sewell.

Mr Chris Nunn, currently Group Chief Financial Officer has indicated that he will not participate in the process but will continue in the role of CFO until CRF has identified and appointed a new candidate, and that he will assist with a smooth transition to his replacement.

### (c) Acquisition of units in Centro MCS 6

On 31 January 2012, as part of the rollover process of Centro MCS 6 (CMCS 6), CRF acquired 17.8 million units from unitholders who elected to exit the syndicate, for cash consideration of \$28.4 million. This acquisition increased CRF's total ownership in CMCS 6 from 16.4% to 62.2%, which resulted in CRF obtaining control of CMCS 6 with effect from 31 January 2012. By obtaining control, CRF will be required to consolidate the results of CMCS 6 from 31 January 2012. CMCS 6's sole asset is Centro Brandon Park, which was valued at \$110.1 million at 31 December 2011.

### (d) Sale of Centro Lansell and Perth City Central

CRF completed the sales of its interest in Perth City Central and Centro Lansell on 24 January 2012 and on 31 January 2012 respectively. Perth City Central was sold at a value of \$57.0 million (CRF's share being \$28.5 million), and Centro Lansell was sold at a value of \$32.5 million. Both values were in line with the 31 December 2011 carrying value.

The investments in Centro Lansell and Perth City Central have been presented in the Balance Sheet at 31 December 2011 as a current asset described as "Non-current assets classified as held for sale."

### (e) Change of Centro MCS Syndicate responsible entity

Relief was granted by the Australian Securities and Investment Commission ("ASIC") on 7 February 2012 from the requirement to hold investor meetings to approve the change of responsible entity for each of the Centro MCS Syndicates from Centro MCS Manager Limited to Retail Responsible Entity Limited, both 100% owned subsidiaries of CRF.

If no meeting is requested by investors in each Centro MCS Syndicate, the change of responsible entity from Centro MCS Manager Limited to Retail Responsible Entity Limited is expected to occur at the end of March 2012.

Except for the matters discussed above, no other matter or circumstance has arisen in the interval between 31 December 2011 and the date hereof that has significantly affected or may significantly affect:

- (i) the Group's operations in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the Group's state of affairs in future financial years.

## Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 42 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001, the Constitutions of the Trusts and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

A handwritten signature in blue ink, appearing to read 'B. Edgar', with a stylized flourish at the end.

**Dr Bob Edgar**  
Chairman

Signed in Melbourne, 28 February 2012

## To the members of Centro Retail Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Centro Retail Australia (the 'Group'), which comprises the balance sheets as at 31 December 2011, and the income statements, the statements of comprehensive income, statements of changes in equity and cash flow statements for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Centro Retail Limited (the 'Company') and the entities it controlled at the half-year end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Centro Retail Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

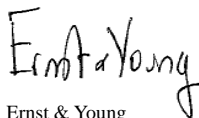
#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

#### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Centro Retail Australia is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



B R Meehan  
Partner  
Melbourne  
28 February 2012

## Control gained over entities having material effect

Name of entity (or group of entities)

On 1 December 2011, the Supreme Court of New South Wales approved the schemes of arrangement necessary to effect the formation of Centro Retail Australia (CRF).

Consolidated loss after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired

(100,057)

Date from which such profit has been calculated

1 December 2011

Profit loss tax of the controlled entity (or group of entities) for the whole of the previous corresponding period

-

## Loss of control of entities having material effect

Name of entity (or group of entities)

N/A

Consolidated profit (loss) after tax of the controlled entity (or group of entities) for the current period to the date of loss of control

N/A

Date to which the profit (loss) has been calculated

N/A

Consolidated profit (loss) after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period

N/A

Contribution to consolidated profit (loss) from sale of interest leading to loss of control

N/A

## Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable

-

Record date to determine entitlements to the dividend (distribution) (i.e., on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHESS approved)

-

If it is a final dividend, has it been declared?

N/A

## Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
<b>Interim distribution to ordinary security holders:</b>			
<i>Current year</i>			
Distribution from Trust		-	-¢
Dividend from Company	-¢	-	-¢
Total distribution	<u>-¢</u>		
<i>Previous year</i>			
Distribution from Trust	-¢	-	-¢
Dividend from Company	<u>-¢</u>	-	-¢
Total distribution	-¢		

The dividend or distribution plans shown below are in operation.

### Distribution Reinvestment Plan

The last date(s) for receipt of election notices for the dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions).



## Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	Current period	Previous corresponding period
	<b>\$A'000</b>	<b>\$A'000</b>
Profit before tax	<b>3,388</b>	-
Income tax	-	-
<b>Profit after tax</b>	<b>3,388</b>	-
Extraordinary items net of tax	-	-
<b>Net profit</b>	<b>3,388</b>	-
Adjustments	-	-
<b>Share of net profit of associates and joint venture entities</b>	<b>3,388</b>	-

## Material interests in entities which are not controlled entities [to be updated]

The economic entity has an interest (that is material to it) in the following entities. *(Where the interest was acquired or disposed of during either the current or previous corresponding period, the date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy") is shown below.)*

<b>Name of entity</b>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
<b>Equity accounted associates and joint venture entities</b>	<b>Current period</b>	Previous corresponding period	<b>Current period</b>	Previous corresponding period
	<b>%</b>	<b>%</b>	<b>\$A'000</b>	<b>\$A'000</b>
Bankstown Partnership	<b>50%</b>	-	<b>1,770</b>	-
Emerald Market	<b>50%</b>	-	-	-
Emerald Village	<b>50%</b>	-	<b>114</b>	-
Centro Lutwyche Sub Trust	<b>50%</b>	-	<b>219</b>	-
Roselands Investment Trust	<b>50%</b>	-	<b>896</b>	-
Tuggeranong Town Centre Trust	<b>50%</b>	-	<b>289</b>	-
Perth City Central	<b>50%</b>	-	<b>14</b>	-
Victoria Gardens Retail Trust No.1	<b>50%</b>	-	<b>86</b>	-
<b>Total</b>			<b>3,388</b>	

## Compliance statement

This report is based on accounts to which one of the following applies.

(Tick one)

- |                          |  |                                     |  |
|--------------------------|--|-------------------------------------|--|
| <input type="checkbox"/> | The accounts have been audited.  | <input checked="" type="checkbox"/> | The accounts have been subject to review.                  |
| <input type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/>            | The accounts have <i>not</i> yet been audited or reviewed. |

The entity has a formally constituted audit committee.



Sign here:

Date: 28 February 2012

(Chairman)

Print name: Dr Bob Edgar