
CENTRO
DIRECT PROPERTY FUND



FINANCIAL REPORT

2010

Centro Direct Property Fund and Controlled Entities

ARSN 099 728 971

Responsible Entity
Centro MCS Manager Limited

ABN 69 051 908 984

Financial report
for the year ended 30 June 2010

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This financial report covers Centro Direct Property Fund ("Centro DPF", "the Fund", "the Trust" or "the Parent") and its controlled entities ("the Group" or "Centro DPF Group"). The financial report is presented in Australian currency.

Centro Direct Property Fund is a trust, incorporated and domiciled in Australia. The registered office and principal place of business is:

Centro Direct Property Fund
3rd Floor, Centro The Glen
235 Springvale Road
Glen Waverley VIC 3150

A description of the nature of Centro DPF Group's operations and its principal activities are included in the Directors' report on page 2, which does not form part of this financial report.

The financial report was authorised for issue by the Directors of the Responsible Entity on 15 September 2010. The Responsible Entity has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our reporting is timely, complete and available globally at minimum cost. All press releases, financial reports and other information are available on our website: www.centro.com.au

Responsible Entity	Centro MCS Manager Limited A.B.N. 69 051 908 984 3rd Floor, Centro The Glen 235 Springvale Road Glen Waverley, VIC 3150 Telephone: (03) 8847 0000
Directors of the Responsible Entity	Peter Day (Chairman) (Appointed 1 October 2009) William Bowness (Appointed 6 October 2009) Paul Cooper (Chairman until 30 September 2009) Jim Hall Michael Humphris (Appointed 1 October 2009) Fraser MacKenzie (Appointed 1 October 2009) Graham Goldie (Retired 1 October 2009) Sam Kavourakis (Retired 1 October 2009) Peter Wilkinson (Retired 1 October 2009)
Secretaries of the Responsible Entity	Elizabeth Hourigan Dimitri Kiriacoulacos (Appointed 1 April 2010) Paul Flanigan
Auditor	Ernst & Young Ernst & Young Building 8 Exhibition Street Melbourne, VIC 3000
Security Registry	Link Market Services Limited Level 4, 333 Collins Street Melbourne, VIC 3000

Directors' report

The Directors of Centro MCS Manager Limited, the Responsible Entity, present their report on Centro Direct Property Fund ("Centro DPF", "the Fund", "the Trust" or "the Parent") and its controlled entities ("the Group" or "Centro DPF Group") for the year ended 30 June 2010.

Responsible Entity

Pursuant to the Managed Investments Act, which came into effect on 1 July 1998, Centro MCS Manager Limited was appointed and registered as the Responsible Entity of Centro DPF Group on 6 March 2002.

Directors

The following persons were directors of Centro MCS Manager Limited during the whole of the financial year and up to the date of this report (unless otherwise stated):

Peter Day (Chairman) (Appointed 1 October 2009)
William Bowness (Appointed 6 October 2009)
Paul Cooper (Chairman until 30 September 2009)
Jim Hall
Michael Humphris (Appointed 1 October 2009)
Fraser MacKenzie (Appointed 1 October 2009)
Graham Goldie (Retired 1 October 2009)
Sam Kavourakis (Retired 1 October 2009)
Peter Wilkinson (Retired 1 October 2009)

Secretary: Elizabeth Hourigan

Dimitri Kiriacoulacos was appointed Alternate Company Secretary on 1 April 2010 and Paul Flanigan continues as Assistant Company Secretary.

Principal activities

The principal activity of Centro DPF Group during the course of the year was investment in unlisted property trusts managed by the Centro Properties Group, investment in listed property securities, and investment in other unlisted property trusts.

There was no significant change in the nature of these activities during the year.

Review of operations

Centro DPF Group recorded a net profit after tax of \$18.685 million for the year ended 30 June 2010 (2009: \$696.393 million net loss). During the year Centro DPF recorded a basic distributable income of 3.15 cents (2009: 5.21 cents) per unit as disclosed in note 14.

As at the date of this report Centro DPF Group remains suspended for applications and withdrawals.

Distributions attributable to unitholders

Centro DPF Group

Distributions paid or payable to unitholders for the year totalled \$57.742 million (2009: \$94.830 million). Distributions paid or to be paid since 1 July 2009 are as follows:

Quarter	Cents per unit	Date paid
June 2009	0.95	11 August 2009
September 2009	0.95	11 November 2009
December 2009	0.85	10 February 2010
March 2010	<u>0.80</u>	11 May 2010
Total paid/payable to unitholders	<u>3.55</u>	

Distributions attributable to unitholders (continued)

Subsequent to the end of the year, a distribution payment of 0.82 cents per unit was declared by the Responsible Entity (RE) for the quarter ended 30 June 2010. This distribution was paid on 10 August 2010. As a result of this distribution payment being declared by the RE after 30 June 2010, no provision is included in the 30 June 2010 financial report for this distribution.

The tax components of the annual distribution are set out below:

	Cents per unit
Taxable income	1.33
Foreign sourced income	0.03
Capital gains	0.47
Deferred tax component	1.18
Tax free component (CGT concession)	0.41
Net distribution paid/payable to unitholders	3.42

For tax purposes the net distribution paid/payable is comprised of the following quarters: September 2009, December 2009, March 2010 and June 2010, including income and capital distributions.

Significant changes in the state of affairs

During the year the following significant changes in the state of affairs occurred:

- The continued downward trend in property markets resulted in a 2.56% devaluation across the Fund's investment portfolio.

Matters subsequent to the end of the financial year

On 13 August 2010, Centro DPF sold its investment in DNZ Property Trust for \$3.116 million. The carrying value of DNZ at 30 June 2010 was \$3.286 million.

Except for the matters discussed above, no other matter or circumstance has arisen in the interval between 30 June 2010 and the date hereof that has significantly affected, or may significantly affect:

- (a) the Centro DPF Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Centro DPF Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on the likely developments in the operations of Centro DPF Group has not been included in the report because the Directors believe it would be likely to result in unreasonable prejudice to the Centro DPF Group.

Environmental regulation

Centro DPF Group's operations are not subject to any particular or significant environmental regulations under a law of the Commonwealth, State or Territory.

Other information

Centro DPF Group Issued Units

During the year ended 30 June 2010, no units were issued (2009: nil) and 226,494 units were redeemed due to hardship claims (2009: nil). At 30 June 2010, total units on issue were 1,626,353,346 (2009: 1,626,579,840 units).

Centro DPF Group Total Assets

At 30 June 2010 Centro DPF Group total assets were \$1.261 billion (2009: \$1.303 billion).

Fees paid to and interests held in Centro DPF Group by the Responsible Entity or its related entities

Fees paid to the Responsible Entity and its related entities out of Centro DPF Group during the year are disclosed in note 18.

No fees were paid out of Centro DPF Group to the directors of the Responsible Entity during the year.

The interests in Centro DPF Group held by the Responsible Entity or its related entities as at the end of the year are disclosed in note 18.

Remuneration report

Key Management Personnel ('KMP') are defined in AASB 124 *Related Party Disclosures* as those having the authority and responsibility for planning, directing and controlling the activities of the Centro DPF Group. The Responsible Entity meets the definition of KMP as it has authority in relation to the activities of the Centro DPF Group.

Centro Properties Group controls Centro DPF Group's Responsible Entity, Centro MCS Manager Limited and also provides funds management and other related services.

Fees paid to the Responsible Entity for these services during the year totalled \$5.727 million (2009: \$ 7.622 million).

Indemnification and Insurance of Directors and Officers

The Responsible Entity must indemnify the Directors on a full indemnity basis and to the extent permitted by law, against all losses or liabilities incurred by the Directors as an officer of the Responsible Entity or of a related body corporate provided that the loss or liability does not arise out of misconduct including lack of good faith.

During the financial year the Responsible Entity insured its Directors, Secretaries and Officers against liability to third parties and for costs incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors or Officers of Centro MCS Manager Limited. This excludes a liability which arises out of a wilful breach of duty or improper use of inside information. The premium also insures the Responsible Entity for any indemnity payments it may make to its Officers in respect of costs and liabilities incurred. Disclosure of the premium payable is prohibited under the conditions of the policy.

Proceedings on behalf of the Trust

No person has applied for leave of Court to bring proceedings on behalf of the Responsible Entity or the Trusts, or to intervene in any proceedings to which the Responsible Entity is a party for the purpose of taking responsibility on behalf of the Trusts for all or any part of those proceedings.

Meetings of directors

The following table sets out the numbers of meetings of Directors of Centro MCS Manager Limited, the Responsible Entity of the Fund (including meetings of committees of Directors), held during the year ended 30 June 2010 and the number of meetings attended by each Director.

Centro MCS Manager Limited	Board Meetings	Audit & Risk* Management Committee Meetings	Risk* Committee Meetings	Audit* Committee Meetings	Compliance Committee Meetings	Finance Committee Meetings
Number of meetings held:	34	9	2	3	5	1
Number of meetings attended/eligible to attend by:						
Peter Day (Chairman) (Appointed 1 October 2009)	23/24	#	#	#	#	#
William Bowness (Appointed 6 October 2009)	20/21	#	2/2	#	4/4	#
Paul Cooper (Chairman until 30 September 2009)	31/34	#	#	#	4/4	#
Jim Hall	33/34	9/9	2/2	3/3	1/1	1/1
Michael Humphris (Appointed 1 October 2009)	22/24	3/3	#	3/3	2/4	1/1
Fraser MacKenzie (Appointed 1 October 2009)	21/24	3/3	1/2	1/1	#	1/1
Graham Goldie (Retired 1 October 2009)	7/10	6/6	#	#	1/1	#
Sam Kavourakis (Retired 1 October 2009)	10/10	6/6	#	#	#	#
Peter Wilkinson (Retired 1 October 2009)	9/10	#	#	#	1/1	#

Not a member of the relevant committee

* The Audit and Risk Committees were separated from the 91st meeting on 3 February 2010.

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 6.

Rounding of amounts to the nearest thousand dollars

The Centro DPF Group 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 Financial Report. Amounts in the Directors' Report and 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 in accordance with a resolution of the Board of Directors.



J. Hall
Director

Melbourne
15 September 2010



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Auditor's Independence Declaration to the Directors of Centro MCS Manager Limited

In relation to our audit of the financial report of Centro Direct Property Fund and Controlled Entities for the financial year ended 30 June 2010, 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 handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'D.J. Shewring'.

D.J. Shewring
Partner
Melbourne
15 September 2010

**Centro Direct Property Fund
Statement of comprehensive income
For the year ended 30 June 2010**

		Centro DPF Group	
		30 June	30 June
		2010	2009
		\$'000	\$'000
Notes			
	Net profit/(loss) for the year	18,685	(696,393)
	Total comprehensive income/(loss) for the year	<u>18,685</u>	<u>(696,393)</u>
	Total comprehensive income/(loss) for the year is attributable to:		
	Unitholders of the Fund	<u>18,685</u>	<u>(696,393)</u>
		<u>18,685</u>	<u>(696,393)</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Centro Direct Property Fund
Balance sheet
As at 30 June 2010

		Centro DPF Group			
		30 June	30 June	1 July	
		2010	2009	2008	
Notes		\$'000	\$'000	\$'000	
ASSETS					
Current assets					
	Cash and cash equivalents	5	4,138	5,043	5,301
	Trade and other receivables	6	9,135	16,580	12,432
	Derivative financial instruments	7	18	183	284
	Total current assets		<u>13,291</u>	<u>21,806</u>	<u>18,017</u>
Non-current assets					
	Financial assets at fair value through profit or loss	8	1,248,076	1,280,980	2,082,021
	Total non-current assets		<u>1,248,076</u>	<u>1,280,980</u>	<u>2,082,021</u>
	Total assets		<u>1,261,367</u>	<u>1,302,786</u>	<u>2,100,038</u>
LIABILITIES					
Current liabilities					
	Trade and other payables	10	2,123	3,830	5,577
	Total current liabilities		<u>2,123</u>	<u>3,830</u>	<u>5,577</u>
Non-current liabilities					
	Trade and other payables		-	-	1,283
	Net assets attributable to Centro PPF	19	4,867	5,342	8,342
	Total non-current liabilities		<u>4,867</u>	<u>5,342</u>	<u>9,625</u>
	Total liabilities		<u>6,990</u>	<u>9,172</u>	<u>15,202</u>
	Net assets		<u>1,254,377</u>	<u>1,293,614</u>	<u>2,084,836</u>
EQUITY					
	Units issued	11	2,175,933	2,176,113	2,196,445
	Accumulated losses		(921,556)	(882,499)	(111,609)
	Total equity		<u>1,254,377</u>	<u>1,293,614</u>	<u>2,084,836</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Centro Direct Property Fund
Statement of changes in equity
For the year ended 30 June 2010

Centro DPF Group	Notes	Units issued \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2008		<u>2,196,445</u>	<u>(111,609)</u>	<u>2,084,836</u>
Net loss for the year		-	(696,393)	(696,393)
Other comprehensive income/(loss)		-	-	-
Total comprehensive loss for the year		<u>-</u>	<u>(696,393)</u>	<u>(696,393)</u>
Transactions with owners in their capacity as owners:				
Distributions provided for or paid	14	-	(74,497)	(74,497)
Return of capital	11	(20,332)	-	(20,332)
Balance at 30 June 2009		<u>2,176,113</u>	<u>(882,499)</u>	<u>1,293,614</u>
Centro DPF Group				
	Notes	Units issued \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2009		2,176,113	(882,499)	1,293,614
Net profit for the year		-	18,685	18,685
Other comprehensive income/(loss)		-	-	-
Total comprehensive income for the year		<u>-</u>	<u>18,685</u>	<u>18,685</u>
Transactions with owners in their capacity as owners:				
Hardship redemptions	11	(180)	-	(180)
Distributions provided for or paid	14	-	(57,742)	(57,742)
Balance at 30 June 2010		<u>2,175,933</u>	<u>(921,556)</u>	<u>1,254,377</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Centro Direct Property Fund
Cash flow statement
For the year ended 30 June 2010

		Centro DPF Group	
		30 June	30 June
		2010	2009
Notes		\$'000	\$'000
Cash flows from operating activities			
	Cash receipts from operations	64,510	87,811
	Cash payments from operations	(7,982)	(9,353)
	Interest received	194	434
	Net cash inflow from operating activities	<u>56,722</u>	<u>78,892</u>
15			
Cash flows from investing activities			
	Proceeds from disposal of investments	115	16,962
	Payments for units in listed and unlisted property trusts	-	(1,282)
	Net cash inflow from investing activities	<u>115</u>	<u>15,680</u>
Cash flows from financing activities			
	Distributions paid	(57,742)	(94,830)
	Net cash outflow from financing activities	<u>(57,742)</u>	<u>(94,830)</u>
Net decrease in cash and cash equivalents			
		(905)	(258)
	Cash and cash equivalents at the beginning of the financial year	5,043	5,301
5			
	Cash and cash equivalents at the end of the financial year	<u>4,138</u>	<u>5,043</u>
5			

The above cash flow statement should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for the consolidated entity consisting of Centro Direct Property Fund ("Centro DPF", "the Fund", "the Trust" or "the Parent") and its controlled entities ("the Group" or "Centro DPF Group").

(a) Statement of compliance with International Financial Reporting Standards

This general purpose financial report complies with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year except as detailed in note 1(r). When the presentation or classification of items in the financial report is amended comparative amounts are also reclassified unless it is impractical. Centro DPF has made all comparative amount amendments.

The financial report for the year ended 30 June 2010 has been prepared on a going concern basis.

Historical cost convention

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

Significant accounting estimates, judgements and assumptions

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Centro DPF 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.

Centro DPF Consolidated has recognised an asset for a guarantee from Centro Property Trust ("CNP") supporting the Centro DPF Group's investment in Centro Retail Investment Trust. The value of the guarantee is material and is disclosed in note 8 of the financial report. The financial statements of CNP include a significant uncertainty in relation to CNP's going concern. Whilst the financial statements of CNP have been prepared on a going concern basis, the Group is in a net liability position, remains reliant on the agreement of its lenders to extend, refinance or restructure certain loan facilities beyond existing expiry dates and the provision of certain loan covenant waivers. Should CNP not continue as a going concern, a significant uncertainty exists in relation to the ability of the Centro DPF Group to realise the value of the financial guarantee as stated in the financial statements.

(c) Principles of consolidation

These financial statements comprise the consolidated accounts of Centro Direct Property Fund and its controlled entities.

Controlled entities are those entities over which Centro Direct Property Fund 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 Centro Direct Property Fund's 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Centro DPF Group. The effects of all transactions between entities in the Centro DPF Group are eliminated on consolidation.

(i) Subsidiaries

Investments in subsidiaries are accounted for at fair value in the individual financial statements of Centro Direct Property Fund.

1 Summary of significant accounting policies (continued)

(d) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination.

Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Centro DPF Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the controlled entity acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Centro DPF 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 Centro DPF 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. Centro DPF bases its estimates on historical results, taking into consideration the type of investment, the type of transaction and the specifics of each arrangement.

(i) Distribution revenue

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

(ii) Interest revenue

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

(f) Income tax

Under current income tax legislation no income tax is payable by the Centro DPF Group provided the taxable income is fully distributed to unitholders or the unitholders become presently entitled to all the taxable income.

(g) 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 and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(h) 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 a provision for impairment.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are 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 Centro DPF Group will not be able to collect all amounts due according to the original terms of the receivables.

1 Summary of significant accounting policies (continued)

(i) 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. The Group's derivatives do not qualify for hedge accounting.

A change in the fair value of any derivative instrument that does not qualify for hedge accounting is immediately recognised in the income statement. For the year ended 30 June 2010, no derivative financial instruments were designated into a hedging relationship and therefore all movements in fair value have been taken to the income statement.

(j) Financial assets

The Centro DPF Group has classified its investments as financial assets at fair value through profit or loss. The classification depends on the purpose for which the investments were acquired.

Classification

Investments in unlisted equity instruments are designated as financial assets at fair value through profit or loss.

Financial assets designated at fair value through profit or loss at inception, are those that are managed and their performance evaluated on a fair value basis in accordance with the Centro DPF Group's documented investment strategy. The Centro DPF 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. These include financial assets that are not held for trading purposes which may be sold.

Recognition and derecognition

Purchases and sales of investments are recognised on trade date - the date on which the Centro DPF Group commits to purchase or sell the asset. Financial assets 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 Centro DPF Group has transferred substantially all the risks and rewards of ownership.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the income statement.

Subsequent measurement

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.

Units in listed property related vehicles are valued at the last quoted sale price as at close of business on the reporting date. Gains or losses arising from changes in the fair value of the financial asset at fair value through profit or loss category are recognised in the income statement in the period in which they arise.

(k) Fair value estimation

The carrying amounts of the Fund's assets and liabilities at the balance sheet date approximate their fair values.

The fair value of units or interest 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 date. In some instances the responsible entity may provide two valuations for the scheme being Net Tangible Assets (NTA) and Net Asset Backing (NAB) which represents Centro MCS' estimate of the fair market value of the investment. Centro DPF Group carries all unlisted investments at the lower of NTA and NAB. Refer to note 1 (n) for further details.

Centro DPF Group's investment in Centro Retail Investment Trust (CRIT) is carried at CRIT's NTA value which represents the combination of underlying unit price of CER and the fair value of the guarantee from Centro which covers any shortfall between the unit price and NTA. Details of the CRIT investment and its carrying value can be found in note 8(a).

Units in listed property related vehicles are valued at the last quoted sale price as at close of business on the reporting date.

1 Summary of significant accounting policies (continued)

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 arms 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 management'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.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to Centro DPF Group prior to the end of the financial year 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.

(m) Units issued

Ordinary units are classified as equity.

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

(n) Net tangible asset backing per unit

(i) Basic net tangible asset backing per unit

Basic net tangible asset backing per unit is determined by dividing the net assets attributable to unitholders (excluding intangible assets) by the number of units outstanding at balance date.

(ii) Adjusted net tangible asset backing per unit

Adjusted net tangible asset backing per unit adjusts the figures used in the determination of basic net tangible asset backing per unit by taking into account any equity notes.

(o) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of Centro DPF Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Australian dollars, which is the presentation currency of the Centro DPF Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non monetary items, such as equities classified as available for sale financial assets, are included in the available-for-sale reserve in equity.

1 Summary of significant accounting policies (continued)

(p) Distributable income per unit

(i) Basic distributable income per unit

Basic distributable income per unit is determined by dividing the distributable income before tax by the weighted average number of equivalent units outstanding during the year.

(ii) Adjusted distributable income per unit

Adjusted distributable income per unit adjusts the figures used in the determination of basic distribution per unit by taking into account amounts unpaid on units and equivalents and any reduction in distributable income per unit that will arise as a result of conversion to, calling of or subscription for unit capital.

(q) 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 reporting date.

(r) Changes in accounting policy

From 1 July 2009 Centro DPF Group has adopted the following Standards and Interpretations, mandatory for annual reporting periods beginning on or after 1 January 2009. Adoption of these standards and interpretations did not have any effect on the financial position or performance of Centro DPF Group.

- AASB 8 *Operating Segments*, including the early adoption of AASB 2009-5 *Further amendments arising from the second annual improvements project* as it applies to AASB 8
- Revised AASB 101 *Presentation of Financial Statements*
- Revised AASB 132 *Financial instruments: Presentation*
- Revised AASB 127 *Consolidated and Separate Financial Statements*
- Revisions to the *Corporations Act 2001* in regard to Parent Entity disclosures

The amending standards which introduce the changes to these standards have also been adopted from 1 July 2009.

(i) Operating Segments

Centro DPF Group has applied the new segment reporting standard, AASB 8, from 1 July 2009.

The units in Centro DPF Group are currently not publicly traded and therefore Centro DPF Group does not currently fall within the scope of AASB 8. Consequently, segment reporting disclosures are not required.

(ii) Presentation of Financial Statements

The Centro DPF Group has applied the revised AASB 101 from 1 July 2009.

The revised standard requires the presentation of a statement of comprehensive income and requires changes to the statement of changes in equity, but does not affect any of the amounts recognised in the financial statements.

The revised AASB 101 also introduces the requirement to disclose a third balance sheet as at the beginning of the comparative period when an entities applies an accounting policy retrospectively.

(iii) Financial instruments: Presentation

The Centro DPF Group has applied the revised AASB 132 from 1 July 2009, being the first annual reporting period since its mandatory application.

The revised standard requires the presentation of net assets attributable to unitholders as equity and not a liability as was previously required, where certain criteria are met.

The Centro DPF Group has obligations arising on liquidation and constitutional arrangements that meet the requirements of the AASB 132 amendment and the discretion judged to be available to the Responsible Entity regarding payment of distributions meet the necessary criteria and therefore unitholders' funds have been presented as equity.

1 Summary of significant accounting policies (continued)

The adoption of the revised AASB 132 has not resulted in a change to the value of the units or on the obligations to redeem the units. Under its constitution, units in the fund can be redeemed based on the daily published closing price and are redeemed using liquid funds, however the fund remains closed for applications and withdrawals.

Comparative information has been re-presented in conformity with the transitional requirements of the revised AASB 132.

(iv) Consolidated and Separate Financial Statements

The Centro DPF Group has applied the revised AASB 127 from 1 July 2009.

The revised AASB 127 introduces terminology changes, namely controlling interest (previously parent interests) and non-controlling interest (previously minority interests) and introduced changes to accounting for transactions with non-controlling interests.

(v) Parent Entity disclosures

The Group has applied Corporations Act 2001 amendments requiring an entity to prepare either consolidated financial statements, where required by accounting standards or, individual entity financial statements if the accounting standards do not require the preparation of consolidated financial statements. The Group has presented consolidated financial statements along with summarised parent entity information in compliance with these changes.

(s) Accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Centro DPF Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9

AASB 9 is applicable for annual reporting periods beginning on or after 1 January 2013 and is available for early adoption. AASB 9 addresses the current classification and measurement models of financial assets in AASB 139 *Financial Instruments: Recognition and measurement* with a new model. Under this new model, financial assets that are debt instruments with certain characteristics are measured at amortised cost. All other financial assets are measured at fair value. For equity instruments, an option is available to recognise all fair value changes in other comprehensive income. These changes may impact the classification and measurement of financial assets held by the Centro DPF Group. The Centro DPF Group is still assessing the impacts of this standard.

(ii) Revised AASB 124 Related Party Disclosures

The amended AASB 124 is applicable for annual reporting periods beginning on or after 1 January 2011, and requires prior period disclosures to be revised accordingly. The amendment provides simplification of the definition of a related party, clarifying its intended meaning and eliminating inconsistencies in the definition. The Centro DPF Group will apply the amended standard from 1 July 2011 and its effects are not expected to have an impact on the related party disclosures of the Centro DPF Group.

(iii) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements

AASB 1053 is applicable for annual reporting periods beginning on or after 1 July 2013 and is available for early adoption. AASB 1053 introduces a differential reporting framework with Tier 1 and Tier 2 reporting requirements for preparing general purpose financial statements. Whilst the recognition, measurement and presentation requirements will remain unchanged under the second tier, there will be substantially reduced disclosures in relation to these requirements for entities that do not have public accountability (as defined by the standard). The Centro DPF Group is still assessing the appropriateness of application of Tier 2 reporting requirements and the impacts of this standard.

(iv) AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

AASB 2009-5 is applicable for annual reporting periods beginning on or after 1 January 2010, with specific application dates for each of the standards it amends. The amendments are part of the IASB's second annual improvements project and introduce various changes that are not expected to have a material impact on the Centro DPF Group's financial statements. The Centro DPF Group will apply the amended standard from 1 July 2010.

1 Summary of significant accounting policies (continued)

(v) *AASB 2009-12 Amendments to Australian Accounting Standards*

AASB 2009-12 is applicable for annual reporting periods beginning on or after 1 January 2011. The amendments introduced by AASB 2009-12 are primarily editorial amendments and changes in terminology and are not expected to have a material impact on the Centro DPF Group's financial statements. The Centro DPF Group will apply the amended standard from 1 July 2011.

(vi) *Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments*

Interpretation 19 is applicable for annual reporting periods beginning on or after 1 July 2010. The Interpretation requires an entity to measure equity instruments issued to a creditor to extinguish a financial liability at the fair value of the equity instruments issued, or the fair value of the liability exchanged, whichever is more reliably determinable. The difference between the carrying amount of the financial liability extinguished and the initial measurement of the amount of the equity instruments issued is required to be recognised in the Income Statement. This Interpretation will only impact extinguishments that occur from 1 July 2010. The Centro DPF Group will apply this Interpretation from 1 July 2010.

(vii) *AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2010-3 is applicable for annual reporting periods beginning on or after 1 July 2010, with specific application dates for each of the standards it amends. The amendments are part of the IASB's third annual improvements project and introduce various changes that are not expected to have a material impact on the Centro DPF Group's financial statements. The Centro DPF Group will apply the amended standard from 1 July 2010.

(viii) *AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2010-4 is applicable for annual reporting periods beginning on or after 1 January 2011, with specific application dates for each of the standards it amends. The amendments are part of the IASB's third annual improvements project and introduce various changes that are not expected to have a material impact on the Centro DPF Group's financial statements. The Centro DPF Group will apply the amended standard from 1 July 2011.

(t) Rounding of amounts

Centro DPF Group 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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars (\$'000), or in certain cases, the nearest dollar.

2 Significant accounting estimates and judgements

The preparation of financial statements requires estimates and assumptions concerning the application of accounting policies to be made by the Centro DPF 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.

Investment Property Values

The global market for many types of real estate has been severely affected by the recent volatility in global financial markets. The lower levels of liquidity and volatility in the banking sector have translated into a general weakening of market sentiment towards real estate and the number of real estate transactions has significantly reduced.

The primary factor impacting unit values in Centro DPF Group's underlying investments is property valuations. A number of these funds are highly geared, which has magnified the negative impact to unit values from the property revaluations. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

The availability of liquidity to property trusts has started to increase over the last six months leading to a greater number of real estate transactions taking place in this time. However the volume of sales of property assets, particularly premium assets, is still lower than experienced historically. There is still a shortage of comparable market evidence relating to pricing assumptions and market drivers compared to 'normal' levels. This means that some uncertainty remains in regard to valuations and the assumptions applied to valuation inputs. The period of time needed to negotiate a sale in this environment may also be prolonged.

2 Significant accounting estimates and judgements (continued)

The fair value of investment property in Centro DPF Group's underlying syndicate and wholesale funds has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimate of fair value as at the balance sheet date, the current market uncertainty means that if investment property is sold in future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the financial statements.

Fair value of mark to market derivatives and other financial instruments

Management uses their 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. Details of assumptions used and of the end results of sensitivity analysis regarding these assumptions are provided in note 16.

Centro Retail Investment Trust Financial Guarantee

Centro DPF Consolidated has recognised an asset for a guarantee from Centro Property Trust supporting Centro DPF Consolidated's investment in Centro Retail Investment Trust. The value of the guarantee is material and is disclosed in note 8. The financial statements of CNP includes an uncertainty regarding going concern. Whilst the financial statements of CNP have been prepared on a going concern basis, the Group remains reliant on the support of its lenders through extension or refinancing of certain loan facilities beyond existing expiry dates and the provision of certain covenant waivers for the continuation of its investment. Should CNP not continue as a going concern, a significant uncertainty exists in relation to the ability of Centro DPF Consolidated to realise the value of the financial guarantee as stated in the financial statements.

3 Retrospective accounting changes

(a) Revised AASB 132 Financial Instruments: Presentation

From 1 July 2009 the Centro DPF Group was required to apply the revised AASB 132 *Financial Instruments: Presentation* as detailed in Note 1(r)(iv) above.

As a consequence of adopting the revised accounting standards, the Centro DPF Group was required to change the presentation of net assets attributable to unitholders as equity and not as a liability as was previously required, where certain criteria are met.

(b) Impact on unitholders of Centro DPF Group

The changes detailed above have had a significant impact on the presentation of the financial results but have not changed the net assets or results attributable to the unitholders of Centro DPF Group.

The affected financial statement line items for the prior period have been revised to comply with the adoption of revised accounting standards and the changes in accounting policy, as detailed below.

Extract of Income Statement for the year ended 30 June 2009

Centro DPF Group	Revised 30 June 2009 \$'000	30 June 2009 \$'000
Net loss for the year	(696,393)	-
Net loss before finance costs attributable to unitholders	<u>-</u>	<u>(696,393)</u>
Financing costs		
Distributions to unitholders#	<u>-</u>	<u>(74,497)</u>
	(696,393)	(770,890)
Decrease in net assets attributable to unitholders	<u>-</u>	<u>770,890</u>
Net loss and reserve movements attributable to unitholders	(696,393)	-
Net loss for the year is attributable to:		
Unitholders of Centro Direct Property Fund	<u>(696,393)</u>	<u>-</u>
	(696,393)	-

Now shown in equity as distribution.

3 Retrospective accounting changes (continued)

Extract of Balance Sheet as at 30 June 2009

Centro DPF Group	Revised 30 June 2009 \$'000	30 June 2009 \$'000	Revised 1 July 2008 \$'000	1 July 2008 \$'000
Total liabilities (excluding net assets attributable to unitholders)	3,830	3,830	6,860	6,860
Net assets attributable to unitholders (liability)	-	1,293,614	-	2,084,836
Net assets attributable to Centro PPF (liability)	<u>5,342</u>	<u>5,342</u>	<u>8,342</u>	<u>8,342</u>
Total liabilities	<u>9,172</u>	<u>1,302,786</u>	<u>15,202</u>	<u>2,100,038</u>
Net assets	<u>1,293,614</u>	<u>-</u>	<u>2,084,836</u>	<u>-</u>
Equity				
Units issued	2,176,113	-	2,196,445	-
Accumulated losses	<u>(882,499)</u>	<u>-</u>	<u>(111,609)</u>	<u>-</u>
Total equity	<u>1,293,614</u>	<u>-</u>	<u>2,084,836</u>	<u>-</u>

4 Parent entity financial information

(a) Parent entity

The parent entity of the Centro DPF Group is Centro Direct Property Fund.

(b) Financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Centro DPF	
	30 June 2010 \$'000	30 June 2009 \$'000
Income statement information		
Net profit/(loss) attributable to unitholders of Centro Direct Property Fund	<u>18,685</u>	<u>(696.393)</u>
Comprehensive income information		
Total comprehensive income/(loss) attributable to unitholders of Centro Direct Property Fund	<u>18,685</u>	<u>(696.393)</u>
Balance sheet		
Current assets	13,291	21,806
Non-current assets	<u>1,243,209</u>	<u>1,275,638</u>
Total assets	<u>1,256,500</u>	<u>1,297,444</u>
Current liabilities	<u>2,123</u>	<u>3,830</u>
Total liabilities	<u>2,123</u>	<u>3,830</u>
Equity attributable to unitholders of Centro Direct Property Fund		
Units issued	2,175,933	2,176,113
Accumulated losses	<u>(921,556)</u>	<u>(882,499)</u>
	<u>1,254,377</u>	<u>1,293,614</u>

4 Parent entity financial information (continued)

(c) Guarantees

Centro Direct Property Fund has not entered into any guarantees in the current or previous financial year.

(d) Contingent liabilities

The Victorian State Revenue Office (SRO) has commenced investigations into the establishment of Centro Australia Wholesale Fund (CAWF) and the subsequent acquisition of units by the Centro Direct Property Fund.

Management has received an assessment on the 49.9% acquisition of CAWF by DPF in 2006, for approximately \$16.7m (\$14m plus interest and penalties). Management and its stamp duty advisors believe that there are good arguments to support its position that no Victorian stamp duty liability arises in respect of DPF's acquisition of units in CAWF and have objected against the assessment.

In addition to any direct assessment to DPF, the SRO is also expected to raise an assessment of \$38.5m on the establishment of CAWF (\$31m plus interest and penalties). As DPF owns 49.9% of CAWF, a further \$19.2m of duty may be effectively attributable to DPF.

SA Revenue has indicated that it thinks that double duty is payable in respect of SA shopping centres transferred into CAWF on its creation (potential exposure \$32.5m). As DPF owns 49.9% of CAWF an additional \$16.2m may be attributable to DPF. No assessment has been raised yet and management are in discussions with SA Revenue.

Management considers that there are good arguments to support its position that no Victorian and SA stamp duty arises in respect of the establishment of CAWF.

The SRO has accepted a stay on payment of any assessed duty until such time as all objections and appeals are finalised.

(e) Contractual commitments

Centro Direct Property Fund does not have any contractual commitments as at 30 June 2010 (2009: none).

5 Current assets - Cash and cash equivalents

	Centro DPF Group	
	30 June	30 June
	2010	2009
	\$'000	\$'000
Cash at bank and on hand	3,460	751
Cash deposit account	<u>678</u>	<u>4,292</u>
	<u>4,138</u>	<u>5,043</u>

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:

	Centro DPF Group	
	30 June	30 June
	2010	2009
	\$'000	\$'000
Balances as above	<u>4,138</u>	<u>5,043</u>
Balances per statement of cash flows	<u>4,138</u>	<u>5,043</u>

6 Current assets - Trade and other receivables

	Centro DPF Group	
	30 June	30 June
	2010	2009
	\$'000	\$'000
Net trade receivables		
Investment revenue receivable	8,499	15,453
Interest receivable	13	-
Amount receivable from related parties	623	1,105
Other receivables	-	22
Total trade and other receivables	<u>9,135</u>	<u>16,580</u>

(a) Impaired trade receivables

There are no impaired trade receivables for the Centro DPF Group in 2010 or 2009.

(b) Past due but not impaired

There are no amounts past due but not impaired for the Centro DPF Group in 2010 or 2009.

(c) Related party receivables

As at 30 June 2010 \$0.623 million (2009: \$1.105 million) was receivable from Centro Properties Group. This amount was received by Centro DPF Group from Centro Properties Group subsequent to the end of the year.

7 Derivative financial instruments

	Centro DPF Group	
	30 June	30 June
	2010	2009
	\$'000	\$'000
Current assets		
(i) Forward foreign exchange contracts	<u>18</u>	<u>183</u>
Total current derivative financial instrument assets	<u>18</u>	<u>183</u>

(i) Forward foreign exchange contracts

Centro DPF Group has a derivative to which CPT Manager Limited as the Responsible Entity of Centro Property Trust is the counter party. This has been recorded at a fair value of \$0.018 million (2009: \$0.183 million) and is carried as an asset on Centro DPF Group's balance sheet. In the event that CPT Manager Limited as the Responsible Entity of Centro Property Trust becomes insolvent then Centro DPF Group will be exposed to changes in the foreign exchange rate and may be required to seek alternative arrangements.

8 Non-current assets - Financial assets at fair value through profit or loss

	Centro DPF Group	
	30 June	30 June
	2010	2009
	\$'000	\$'000
Centro Retail Investment Trust Financial Guarantee (a)	156,035	145,113
Centro Retail Investment Trust (excluding financial guarantee)	19,645	12,155
Listed securities		
Australian listed securities	8,596	5,669
Unlisted securities		
Australasian property trusts	1,063,800	<u>1,118,043</u>
Total financial assets	<u>1,248,076</u>	<u>1,280,980</u>

The reconciliation below details the movements for the year:

Opening balance at 1 July	1,280,980	2,082,021
Disposals (sale and redemption)	(115)	(16,999)
Fair value loss on financial assets at fair value through profit or loss	<u>(32,789)</u>	<u>(784,042)</u>
Closing balance at 30 June	<u>1,248,076</u>	<u>1,280,980</u>

(a) CRIT Investment and associated Financial Guarantee

Centro DPF Group's investment in Centro Retail Investment Trust (CRIT) delivers an exposure primarily to the underlying Australian assets and liabilities of the ASX listed Centro Retail Trust (CER). As at 30 June 2010, CRIT represented 13.93% (30 June 2009: 12.07%) of Centro DPF Group's total assets. Centro Property Trust has provided a guarantee to Centro DPF Group which provides for Centro DPF Group to sell the CRIT investment to Centro Property Trust at the value of the Net Asset Backing (NAB) of the CRIT investment upon the expiry of the initial investment term in 2014 or on the occurrence of a "liquidity" or "trigger" event. If Centro Property Trust does not acquire the CRIT investment from Centro DPF Group, then Centro Property Trust's guarantee underwrites any shortfall between the actual disposal value and NAB prevailing at the time.

Centro DPF's policy has been to value its investment in CRIT at CRIT's NTA. This represents the combined value of the investment in CRIT units which reflects the underlying unit price of CER and the fair value of the guarantee from Centro which covers the shortfall between the unit price and NAB. At 30 June 2010, the value of Centro DPF's investment in CRIT has been written down to the total net asset value of CRIT. This is lower than the value directly attributable to Centro DPF and reflects the negative equity in Centro Direct Property Fund International's (Centro DPF's) investment in CRIT. Centro DPF's exposure to CRIT is limited to its investment and in the event of a CRIT wind up, Centro DPF does not expect to be able to obtain a higher value than the net assets within CRIT.

At 30 June 2010, the Responsible Entity has assessed the fair value of the Centro DPF Group financial guarantee as \$156.035 million (30 June 2009: \$145.113 million), which represents the difference between CER's unit price at 30 June 2010 and CER's Net Tangible Assets at 30 June 2010 which reflects DPF's portion of the CRIT lookthrough to the reported value of the underlying assets and liabilities of CER, rather than NAB.

9 Investments in associates

All associates were incorporated in Australia and are domiciled in Australia. Information relating to associates is set out below:

Name of entity	Principal activity	Ownership interest	
		30 June 2010 %	30 June 2009 %
<i>Unlisted</i>			
Centro MCS 2	Property Investment	-	27.39
Centro MCS 3	Property Investment	49.32	49.32
Centro MCS 4	Property Investment	34.48	34.48
Centro MCS 5	Property Investment	22.93	22.93
Centro MCS 5 Koja	Property Investment	28.79	28.79
Centro MCS 10 UT	Property Investment	29.91	29.91
Centro MCS 14	Property Investment	23.40	23.40
Centro MCS 14 UT	Property Investment	26.63	26.63
Centro MCS 15 UT	Property Investment	24.56	24.56
Centro MCS 16	Property Investment	25.43	25.43
Centro MCS 16 UT *	Property Investment	50.03	50.03
Centro MCS 18 UT	Property Investment	27.74	27.74
Centro MCS 19 NZ	Property Investment	33.12	33.12
Centro MCS 21 RHT	Property Investment	21.54	21.54
Centro MCS 21 RPT	Property Investment	47.94	47.94
Centro MCS 22 KPIT	Property Investment	21.19	21.19
Centro MCS 23 PIS	Property Investment	38.53	38.53
Centro MCS 23 PPS	Property Investment	23.61	23.61
Centro MCS 24 LMIT	Property Investment	49.47	49.47
Centro MCS 24 LMPT	Property Investment	24.18	24.18
Centro MCS 25	Property Investment	49.81	49.81
Centro MCS 26	Property Investment	32.39	32.39
Centro MCS 27 IT *	Property Investment	56.22	56.22
Centro MCS 27 PT	Property Investment	32.86	32.86
Centro MCS 28	Property Investment	28.87	28.87
Centro MCS 33	Property Investment	38.31	38.31
Centro MCS 34	Property Investment	40.11	40.11
Centro MCS 37	Property Investment	47.23	47.23
Centro Australia Wholesale Fund	Property Investment	49.90	49.90
Centro Direct Property Fund International	Property Investment	27.48	27.48
Centro Retail Investment Trust	Property Investment	23.39	23.39

* Due to the trust structure of each respective underlying investment, Centro DPF does not have the power to govern the fund and operating process of the fund so as to obtain benefits from its activities.

Investments in associates are accounted for at fair value through profit or loss in accordance with note 1(j).

10 Current liabilities - Trade and other payables

	Centro DPF Group	
	30 June	30 June
	2010	2009
	\$'000	\$'000
Trade payables	18	310
Related parties payables	<u>2,105</u>	<u>3,520</u>
Total trade and other payables	<u>2,123</u>	<u>3,830</u>

11 Units issued

The reconciliation below details the movements for the year:

	Centro DPF Group		
	30 June	30 June	1 July
	2010	2009	2008
	No. '000	No. '000	\$'000
Number of units			
Opening balance at 1 July	1,626,580	1,626,580	969,304
Issued during the year	-	-	100,478
Hardship redemptions	(227)	-	-
Redeemed during the year	-	-	(48,673)
Units fully paid up during the year	-	-	<u>605,471</u>
Closing balance at 30 June	<u>1,626,353</u>	<u>1,626,580</u>	<u>1,626,580</u>

The reconciliation below details the movements for the year:

	Centro DPF Group		
	30 June	30 June	1 July
	2010	2009	2008
	\$'000	\$'000	\$'000
Opening balance at 1 July	2,176,113	2,196,445	2,118,445
Issued during the year	-	-	150,615
Return of capital	-	(20,332)	-
Hardship redemption	(180)	-	-
Repayment of unitholders funds	-	-	(72,360)
Equity raising costs	-	-	<u>(245)</u>
Closing balance at 30 June	<u>2,175,933</u>	<u>2,176,113</u>	<u>2,196,455</u>

Units are of equal value and unitholders are entitled to share in the income of Centro DPF Group in proportion to their unitholding. Unitholders are also entitled to vote at meetings. Unitholders' liability is limited to equity invested.

Units participate in distributions and the proceeds on winding up of Centro DPF Group in proportion to the number of units held.

12 Accumulated losses

Centro DPF Group	
30 June	30 June
2010	2009
\$'000	\$'000

Movements in accumulated losses were as follows:

Opening balance at 1 July	(882,499)	(111,609)
Net profit/(loss) for the year	18,685	(696,393)
Distributions paid	<u>(57,742)</u>	<u>(74,497)</u>
Closing balance at 30 June	<u>(921,556)</u>	<u>(882,499)</u>

13 Net tangible asset backing (NTA)

Centro DPF Group	
30 June	30 June
2010	2009

Net assets attributable to unitholders (\$'000)	<u>1,254,377</u>	<u>1,293,614</u>
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(a) Basic

Number of units

Number of units outstanding at the end of the year used in the calculation of basic net tangible asset backing per unit ('000)

	1,626,353	1,626,580
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Basic NTA (\$)

	<u>0.77</u>	<u>0.80</u>
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(b) Adjusted

Number of units

Number of units outstanding at the end of the year used in the calculation of adjusted net tangible asset backing per unit ('000)

	1,626,353	1,626,580
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Adjusted NTA (\$)

	<u>0.77</u>	<u>0.80</u>
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14 Distributable income

Calculation of distributable income

The Directors of the Responsible Entity do not consider it appropriate to use profit under Australian Accounting Standards to determine distributions to unitholders.

Distributable income is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards adjusted for certain unrealised, non-cash items and reserve transfers. Per the Trust Constitution, the adjustments and therefore the amount distributed to unitholders are at the discretion of the Responsible Entity.

The table below outlines the adjustments to profit under Australian Accounting Standards to determine the amount the Directors believe should be available for distribution. The Directors use this amount as guidance for distribution determination.

The adjustments made to profit under Australian Accounting Standards in order to solely determine distributable income may change from time to time depending on future changes to accounting standards.

	Centro DPF Group	
	30 June	30 June
	2010	2009
	\$'000	\$'000
Net profit/(loss) for the year	18,685	(696,393)
Adjusted for:		
Fair value loss on financial assets at fair value through profit or loss	32,789	784,042
Centro PPF's share of fair value adjustments	(475)	(2,963)
Net movement on mark to market of derivatives	<u>165</u>	<u>101</u>
Distributable income	51,164	84,787
(Undistributed income)/repayment of unitholders funds	<u>6,578</u>	<u>(10,290)</u>
Distribution paid/payable	<u>57,742</u>	<u>74,497</u>

	Centro DPF Group	
	30 June	30 June
	2010	2009
(a) Basic		
Distributable income attributable to unitholders used in calculating basic distributable income per unit (\$'000)	<u>51,164</u>	<u>84,787</u>
Weighted average number of units on issue for the year (being the weighted average number of units outstanding during the year) ('000)	<u>1,626,489</u>	<u>1,626,580</u>
Basic distributable income per unit (cents)	<u>3.15</u>	<u>5.21</u>
(b) Adjusted		
Distributable income attributable to unitholders used in calculating adjusted distributable income per unit (\$'000)	<u>51,164</u>	<u>84,787</u>
Weighted average number of units on issue for the year (being the weighted average number of units outstanding during the year) ('000)	<u>1,626,489</u>	<u>1,626,580</u>
Adjusted distributable income per unit (cents)	<u>3.15</u>	<u>5.21</u>

15 Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	Centro DPF Group	
	30 June	30 June
	2010	2009
	\$'000	\$'000
Net profit/(loss) for the year	18,685	(696,393)
Net movement on mark to market of derivatives	165	101
Centro PPF's share of fair value adjustments	(475)	(2,963)
Fair value loss on financial assets at fair value through profit or loss	32,789	784,042
Decrease/(increase) in assets		
Trade and other receivables	7,445	(4,148)
Increase/(decrease) in liabilities		
Trade and other payables	(1,707)	(1,747)
Hardship redemption payments	(180)	-
Net cash inflow/(outflow) from operating activities	<u>56,722</u>	<u>78,892</u>

16 Financial risk management

This note details the requirements of AASB 7 *Financial Instrument Disclosures*, which mandates disclosures regarding only financial assets and financial liabilities.

The Centro DPF Group's activities expose it to a variety of financial risks; market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Centro DPF Group. The Centro DPF Group uses derivative financial instruments such as foreign exchange contracts to manage certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board and subject to periodic review. Group Treasury identifies, evaluates and manages financial risks in close co-operation with the Fund's management. Group Treasury reports to the Board at least quarterly on the Centro DPF Group's derivative and debt positions and compliance with policy.

Centro DPF Group holds the following financial instruments:

	Centro DPF Group	
	30 June	30 June
	2010	2009
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	4,138	5,043
Trade and other receivables	9,135	16,580
Financial assets at fair value through profit or loss	1,248,076	1,280,980
Derivative financial instruments	18	183
	<u>1,261,367</u>	<u>1,302,786</u>
Financial liabilities		
Trade and other payables	2,123	3,830
Net assets attributable to Centro PPF	<u>4,867</u>	<u>5,342</u>
	<u>6,990</u>	<u>9,172</u>

16 Financial risk management (continued)

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and unit prices, will affect future cash flows or the fair value of financial instruments.

(i) Foreign currency risk

Foreign currency risk arises when transactions of assets and liabilities are denominated in a currency other than the entity's functional currency. The functional currency of the entity is Australian Dollars.

Centro DPF Group invests in an unlisted property trust in New Zealand and is exposed to foreign exchange arising from currency exposures to the New Zealand (NZ) dollar.

Group Treasury is responsible for managing foreign currency risk and primarily uses forward contracts to manage this risk.

Centro DPF Group's risk policy is to hedge 90% to 100% of anticipated transactions in NZ dollars.

The Centro DPF Group's notional exposure to foreign currency risk at the reporting date was as follows:

	Centro DPF Group	
	30 June 2010 NZD \$'000	30 June 2009 NZD \$'000
Financial assets/(liabilities)		
Forward exchange contracts	<u>8.700</u>	<u>9.300</u>
	<u>8.700</u>	<u>9.300</u>

Sensitivity analysis

The table below discloses the impact that a change in the foreign exchange spot rate as at the balance date will have on the Centro DPF Group's post-tax profit or loss for the year and/or equity (excluding retained profits). A decrease in the Australian Dollar (AUD) against the New Zealand Dollar (NZD) is represented by -15% and an increase by +10% (2009: -15%, +10%).

The Group's exposure to other currency movements is not material.

Management considers these sensitivities are reasonable having regard to historic movements of the exchange rate between these two currencies over the past five years. The sensitivities have been reassessed by management during the financial year in light of the current economic environment.

Centro DPF Group

	Foreign currency risk			
	-15%			+10%
30 June 2010	Post tax profit or (loss) \$'000	Equity \$'000	Post tax profit or (loss) \$'000	Equity \$'000
Financial assets				
Derivative financial instruments	<u>(1,201)</u>	-	<u>640</u>	-
Total increase/ (decrease)	<u>(1,201)</u>	-	<u>640</u>	-

Centro DPF Group

	Foreign currency risk			
	-15%			+10%
30 June 2009	Post tax profit or (loss) \$'000	Equity \$'000	Post tax profit or (loss) \$'000	Equity \$'000
Financial assets				
Derivative financial instruments	<u>(1,242)</u>	-	<u>640</u>	-
Total increase/ (decrease)	<u>(1,242)</u>	-	<u>640</u>	-

16 Financial risk management (continued)

(ii) Price risk

Centro DPF Group is exposed to price risk. This arises from investments held by Centro DPF Group classified as financial assets at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Responsible Entity (RE) of Centro DPF Group seeks to mitigate this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board.

The Centro DPF Group's exposure to price risk at balance date was as follows:

	30 June 2010 \$'000	30 June 2009 \$'000
Financial assets - fair value through profit or loss	<u>1,248,076</u>	<u>1,280,980</u>

Sensitivity analysis

The table below summarises the impact of increases/decreases of the unit prices on post tax profit or (loss) for the year and on equity (excluding retained profits). The analysis is based on the assumption that the unit prices had increased/decreased by -10%/+5% (2009: -10%/+5%).

Management considers these sensitivities are reasonable having regard to historic and forecast movements in the unit prices of its investments. The sensitivities have been reassessed by management during the financial year in light of the current economic environment.

Centro DPF Group

	Price risk			
	-10%		+5%	
30 June 2010	Post tax profit or (loss) \$'000	Equity \$'000	Post tax profit or (loss) \$'000	Equity \$'000
Financial assets				
Financial assets - fair value through profit or loss	<u>(124,808)</u>	-	<u>62,404</u>	-
Total increase/ (decrease)	<u>(124,808)</u>	-	<u>62,404</u>	-

Centro DPF Group

	Price risk			
	-10%		+5%	
30 June 2009	Post tax profit or (loss) \$'000	Equity \$'000	Post tax profit or (loss) \$'000	Equity \$'000
Financial assets				
Financial assets - fair value through profit or loss	<u>(128,098)</u>	-	<u>64,049</u>	-
Total increase/ (decrease)	<u>(128,098)</u>	-	<u>64,049</u>	-

(iii) Interest rate risk

The Centro DPF Group is not exposed to any significant concentrations of interest rate risk.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Centro DPF Group. These counterparties include, but are not limited to entities within the Centro Properties Group and banks.

Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to Centro DPF Group, after allowing for appropriate set offs which are legally enforceable.

Centro DPF Group has no significant concentrations of credit risk with the exception of the CRIT guarantee from Centro Properties outlined in note 8(a). Cash transactions are limited to high credit quality financial institutions.

16 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that Centro DPF Group will not be able to meet its financial obligations as they fall due. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 120 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Prudent liquidity risk management involves maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions.

Centro DPF Group manages liquidity risk by continuously monitoring forecast and actual cashflows and matching the maturity profiles of financial assets and liabilities. Centro DPF Group hold a large portion of their investments in direct property where there is not an immediate liquid market, however the underlying investment properties of these funds are stable and management expect that sufficient cash flows will be generated and available to meet cash outflow liabilities arising from the day to day operations of Centro DPF Group.

Maturities of financial liabilities

The tables below analyse the Centro DPF Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swap contracts the cash flows have been estimated using forward interest rates and spot foreign exchange rates applicable at the balance date.

Centro DPF Group - At 30 June 2010	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total contractual cash flows	Carrying Amount assets/ (liabilities)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives							
Trade and other payables	(2,123)	-	-	-	-	(2,123)	(2,123)
Net assets attributable to Centro PPF	-	-	-	-	(4,867)	(4,867)	(4,867)
Total non-derivatives	(2,123)	-	-	-	(4,867)	(6,990)	(6,990)
Derivatives							
FECs (i)	(16)	-	-	-	-	(16)	18
Total derivatives	(16)	-	-	-	-	(16)	18
Centro DPF Group - At 30 June 2009							
	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total contractual cash flows	Carrying Amount assets/ (liabilities)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives							
Trade and other payables	(3,830)	-	-	-	-	(3,830)	(3,830)
Net assets attributable to Centro PPF	-	-	-	-	(5,342)	(5,342)	(5,342)
Total non-derivatives	(3,830)	-	-	-	(5,342)	(9,172)	(9,172)
Derivatives							
FECs (i)	(22)	(22)	(201)	-	-	(245)	183
Total derivatives	(22)	(22)	(201)	-	-	(245)	183

(i) Forward foreign exchange contracts represent the pay legs only. As such, the contractual cash flows detailed above do not correlate to the carrying amount.

16 Financial risk management (continued)

(d) Fair value estimation

The net fair value of financial assets and financial liabilities of the Centro DPF Group approximate their carrying value.

AASB 7 introduces the concept of a fair value hierarchy which requires entities to classify fair value measurements of its financial assets and liabilities based on how observable the inputs to the fair value measurement are.

The Centro DPF Group uses various methods in estimating the fair value of a financial instrument. The methods used comprise the following inputs:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; or
- Level 3 - inputs are not based on observable market data (unobservable inputs).

The classification of the Centro DPF Group's financial assets and liabilities are summarised below.

Centro DPF Group - as at 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Assets			
Centro Retail Investment Trust Financial Guarantee (a)	-	-	156,035
Centro Retail Investment Trust (excluding financial guarantee)	-	-	19,645
Australian listed securities	8,596	-	-
Australasian property trusts	-	-	1,063,799
Derivative financial instruments	-	18	-
Total assets	<u>8,596</u>	<u>18</u>	<u>1,239,479</u>
Liabilities			
Net assets attributable to Centro PPF	-	-	4,867
Total liabilities	<u>-</u>	<u>-</u>	<u>4,867</u>

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the current financial year.

16 Financial risk management (continued)

Reconciliation of Level 3 fair value movements

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 as shown above:

Centro DPF Group - At 30 June 2010

	Opening balance at 1 July \$'000	Gains and losses recognised in profit or loss \$'000	Additions/ (disposals) \$'000	Closing balance at 30 June \$'000	Total gain or loss stated in the table above for assets held at the end of the period \$'000
Assets					
Centro Retail Investment Trust Financial Guarantee (a)	145,113	10,922	-	156,035	10,922
Centro Retail Investment Trust (excluding financial guarantee)	12,155	7,490	-	19,645	7,490
Australasian property trusts	<u>1,118,043</u>	<u>(54,129)</u>	<u>(115)</u>	<u>1,063,799</u>	<u>(54,244)</u>
Total assets	<u>1,275,311</u>	<u>(35,717)</u>	<u>(115)</u>	<u>1,239,479</u>	<u>(35,832)</u>
Liabilities					
Net assets attributable to Centro PPF	<u>5,342</u>	<u>(475)</u>	<u>-</u>	<u>4,867</u>	<u>(475)</u>
Total liabilities	<u>5,342</u>	<u>(475)</u>	<u>-</u>	<u>4,867</u>	<u>(475)</u>
Total increase/(decrease)	<u>1,269,969</u>	<u>(35,242)</u>	<u>(115)</u>	<u>1,234,612</u>	<u>(35,357)</u>

The following table shows the sensitivity of the fair value of Level 3 financial instruments to changes in key assumptions:

Centro DPF Group - At 30 June 2010	Carrying amount \$'000	Effect of reasonably possible alternative assumptions	
		+	-
	\$'000	\$'000	\$'000
Assets			
Centro Retail Investment Trust ⁽ⁱ⁾	175,680	(34,210)	34,210
Australasian property trusts ⁽ⁱⁱ⁾	<u>1,063,799</u>	<u>(66,736)</u>	<u>71,306</u>
Total assets	<u>1,239,479</u>	<u>(100,946)</u>	<u>105,516</u>
Liabilities			
Net assets attributable to Centro PPF ⁽ⁱⁱ⁾	<u>4,867</u>	<u>(314)</u>	<u>335</u>
Total liabilities	<u>4,867</u>	<u>(314)</u>	<u>335</u>

⁽ⁱ⁾ For the purpose of the sensitivity analysis, Centro DPF Group's investment in Centro Retail Investment Trust includes the financial guarantee. The sensitivity has been calculated by changing capitalisation rates of the underlying property investment valuations by 25 bps and assuming gearing of 50%.

⁽ⁱⁱ⁾ The sensitivity has been calculated by changing capitalisation rates of the underlying property investment valuations by 25 bps and assuming gearing of 50%.

17 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices:

	Centro DPF Group	
	30 June	30 June
	2010	2009
	\$	\$
(a) Audit services		
PricewaterhouseCoopers		
Audit and review of financial reports	-	60,843
Ernst & Young		
Audit and review of financial reports	<u>60,484</u>	<u>27,192</u>
Total remuneration for audit services	<u>60,484</u>	<u>88,035</u>

18 Related party transactions

(a) Parent entities

The parent entity within the Group is Centro Direct Property Fund. Centro Direct Property Fund is controlled by Centro Property Trust, which is controlled by the ultimate Australian parent entity, Centro Properties Limited, who together with its associates controls 53.66% (2009: 53.65%) of the units of Centro Direct Property Fund.

(b) Associates

Interests in associates are set out in note 9.

(c) Key Management Personnel

Key Management Personnel ('KMP') are defined in AASB 124 *Related Party Disclosures* as those having the authority and responsibility for planning, directing and controlling the activities of the Centro DPF Group. The Responsible Entity meets the definition of KMP as it has authority in relation to the activities of the Centro DPF Group.

Centro Properties Group controls Centro DPF Group's Responsible Entity, Centro MCS Manager Limited and also provides funds management and other related services.

Fees paid to the Responsible Entity for these services during the year totalled \$5.727 million (2009: \$7.622 million).

18 Related party transactions (continued)

(d) Transactions with related parties

	Centro DPF Group	
	30 June 2010	30 June 2009
	\$	\$
Fees charged to the Responsible Entity:		
<i>Centro MCS Manager Limited - other related party</i>		
Management fee rebates	1,466,560	2,391,941
Income support	-	1,200,000
	<u>1,466,560</u>	<u>3,591,941</u>
Fees charged by the Responsible Entity in accordance with the provisions of the Centro DPF Group Constitution for the period:		
<i>Centro MCS Manager Limited - other related party</i>		
Responsible Entity management fees	7,193,508	10,028,502
Accounting fees	31,000	83,291
Legal and compliance fees	61,440	54,172
Deferred management fees	-	1,282,500
	<u>7,285,948</u>	<u>11,448,465</u>
Other transactions:		
Distributions received from:		
Associates	50,889,665	84,991,623
Other related parties	5,776,303	5,997,333
	<u>56,665,968</u>	<u>85,333,950</u>
Other income received from:		
Centro MCS Manager Limited - other related party	349,757	416,161
Centro Property Trust - parent	211,266	143,394
	<u>561,023</u>	<u>559,555</u>
Distributions paid on ordinary units to:		
Centro Property Trust - parent	30,978,491	39,967,144
Other related parties	2,838,103	3,661,600
	<u>33,816,593</u>	<u>43,628,744</u>
Return of capital paid to:		
Centro Property Trust - parent	-	10,908,251
Other related parties	-	999,345
	<u>-</u>	<u>11,907,596</u>

18 Related party transactions (continued)

(e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Centro DPF Group	
	30 June	30 June
	2010	2009
	\$	\$
<i>Distributions receivable from:</i>		
Associates	7,012,951	13,849,272
Other related parties	<u>1,236,415</u>	<u>1,373,483</u>
	<u>8,249,366</u>	<u>15,222,755</u>
 <i>Other receivables from:</i>		
Centro MCS Manager Limited - other related party	104,527	104,760
Other related parties	<u>518,308</u>	<u>1,000,561</u>
	<u>622,835</u>	<u>1,105,321</u>
 <i>Payables to:</i>		
Centro MCS Manager Limited - other related party		
Deferred consideration payable	-	1,282,500
Management fees	<u>1,087,201</u>	<u>2,169,897</u>
	<u>1,087,201</u>	<u>3,452,397</u>

(f) Terms and conditions

Units issued to related parties are on the same terms and conditions as all other issued units.

Outstanding balances are unsecured and are repayable in cash.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

19 Net assets attributable to Centro PPF

Net assets attributable to Centro Pooled Property Fund ("Centro PPF") relates to jointly held investments in uncontrolled investment trusts by Centro DPF and Centro PPF. At 30 June 2010 net assets attributable to Centro PPF were \$4.867 million (2009: \$5.342 million). Centro PPF is an unregistered managed investment scheme.

20 Commitments

The Directors are not aware of any capital, lease or remuneration commitments in existence at the reporting date which have not been recognised as liabilities.

21 Contingencies

The Victorian State Revenue Office (SRO) has commenced investigations into the establishment of Centro Australia Wholesale Fund (CAWF) and the subsequent acquisition of units by the Centro Direct Property Fund.

Management has received an assessment on the 49.9% acquisition of CAWF by DPF in 2006, for approximately \$16.7m (\$14m plus interest and penalties). Management and its stamp duty advisors believe that there are good arguments to support its position that no Victorian stamp duty liability arises in respect of DPF's acquisition of units in CAWF and have objected against the assessment.

In addition to any direct assessment to DPF, the SRO is also expected to raise an assessment of \$38.5m on the establishment of CAWF (\$31m plus interest and penalties). As DPF owns 49.9% of CAWF, a further \$19.2m of duty may be effectively attributable to DPF.

SA Revenue has indicated that it thinks that double duty is payable in respect of SA shopping centres transferred into CAWF on its creation (potential exposure \$32.5m). As DPF owns 49.9% of CAWF an additional \$16.2m may be attributable to DPF. No assessment has been raised yet and management are in discussions with SA Revenue.

Management considers that there are good arguments to support its position that no Victorian and SA stamp duty arises in respect of the establishment of CAWF.

The SRO has accepted a stay on payment of any assessed duty until such time as all objections and appeals are finalised.

22 Events occurring after the reporting period

On 13 August 2010, Centro DPF sold its investment in DNZ Property Trust for \$3.116 million. The carrying value of DNZ at 30 June 2010 was \$3.286 million.

Except for the matters discussed above, no other matter or circumstance has arisen in the interval between 30 June 2010 and the date hereof that has significantly affected, or may significantly affect:

- (a) the Centro DPF Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Centro DPF Group's state of affairs in future financial years.

The Directors of the Responsible Entity, Centro MCS Manager Limited, declare that:

- (a) the financial statements and notes of Centro Direct Property Fund and its controlled entities ("Centro DPF Group") set out on pages 7 to 38 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001*, its Constitution and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of Centro DPF Group's financial position as at 30 June 2010 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date; and
- (b) In the Directors' opinion there are reasonable grounds to believe that Centro DPF Group will be able to pay its debts as and when they become due and payable; and
- (c) The financial statements and notes also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



J. Hall
Director

Melbourne
15 September 2010



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Independent auditor's report to the unitholders of Centro Direct Property Fund and Controlled Entities

We have audited the accompanying financial report of Centro Direct Property Fund and Controlled Entities (the 'Trust'), which comprises the balance sheet as at 30 June 2010, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Centro MCS Manager Limited, the Responsible Entity of the Trust are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of Centro MCS Manager Limited a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

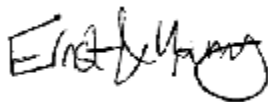
Auditor's Opinion

In our opinion:

1. the financial report of Centro Direct Property Fund and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Inherent Uncertainty Regarding Recoverability of Investment Value

Without qualification to the conclusion expressed above, attention is drawn to Note 1(b) in the financial statements which highlights Centro Direct Property Fund has recognised an asset for a guarantee from Centro Properties Group supporting Centro Direct Property Fund's investment in Centro Retail Investment Trust. The value of the guarantee is material to the Centro Direct Property Fund financial report. The financial statements of Centro Properties Group include a significant uncertainty in relation to Centro Property Group's going concern. Whilst the financial statements have been prepared on a going concern basis, the Centro Properties Group is in a net liability position, remains reliant on the support of its lenders to extend, refinance or restructure certain loan facilities beyond existing expiry dates and the provision of certain loan covenant waivers. Should Centro Properties Group not continue as a going concern, a significant uncertainty exists in relation to the ability of Centro Direct Property Fund to realise the value of the financial guarantee as stated in the financial statements.

A handwritten signature in black ink, appearing to read "Ernst & Young".

Ernst & Young

A handwritten signature in black ink, appearing to read "D.J. Shewring".

D.J Shewring
Partner
Melbourne
15 September 2010