
CENTRO
DIRECT PROPERTY FUND INTERNATIONAL



FINANCIAL REPORT

2011

Centro Direct Property Fund International and Controlled Entities

ARSN 114 635 657

Responsible Entity
Centro MCS Manager Limited

ABN 69 051 908 984

Financial report
for the year ended 30 June 2011

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This financial report covers Centro Direct Property Fund International ("Centro DPFI", "the Fund" or "the Trust") and its controlled entities ("the Group" or "Centro DPFI Group"). The financial report is presented in Australian currency and prepared on a liquidation basis.

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

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

A description of the nature of Centro DPFI 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 14 September 2011. 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) William Bowness Anna Buduls (Appointed 15 November 2010) Paul Cooper Michael Humphris Fraser MacKenzie Jim Hall (Retired 15 November 2010)
Secretaries of the Responsible Entity	Elizabeth Hourigan Dimitri Kiriacoulacos 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 International ("Centro DPFI", "the Fund" or "the Trust") and its controlled entities ("the Group" or "Centro DPFI Group") for the year ended 30 June 2011.

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 the Fund on 12 August 2005.

The registered office and principal place of business of the Responsible Entity is 3rd floor, Centro The Glen, 235 Springvale Road, Glen Waverley, VIC 3150.

Directors

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

Peter Day (Chairman)
William Bowness
Anna Buduls (Appointed 15 November 2010)
Paul Cooper
Michael Humphris
Fraser MacKenzie
Jim Hall (Retired 15 November 2010)

Company Secretaries

The Company Secretaries of Centro MCS Manager Limited are Elizabeth Hourigan and Dimitri Kiriacoulacos. Paul Flanigan is the Assistant Company Secretary and acts as the Company Secretary as required.

Principal activities

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

Significant changes in the nature of these activities during the year are detailed below under "Significant changes in the state of affairs".

Review of operations

Centro DPFI Group

Centro DPFI Group recorded a net profit after tax of \$42.1 million for the year ended 30 June 2011 (2010: \$104.0 million net loss after tax).

The movement in net profit for the year compared to the corresponding financial year is mainly due to gains from fair value movements of the underlying investments compared to losses recorded in the prior year.

At 30 June 2011 Centro DPFI Group total assets were \$297.3 million (2010: \$281.1 million).

The total assets of Centro DPFI Group are higher than the corresponding financial year, primarily due Centro DPFI Group's investment in Centro Retail Investment Trust (CRIT) increasing by \$31.6 million. This increase is largely due to the appreciation of the Australian dollar to the US dollar, resulting in a number of out-of-the-money US equity hedges within CER closing out at nil mark to market value (in line with contractual arrangements).

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

Distributions attributable to unitholders

Distributions paid or payable to unitholders for the year totalled \$26.0 million (2010: \$26.0 million). Distributions paid or to be paid in respect of the current financial year are as follows:

Quarter	Cents per unit	Date paid
June 2010	0.31	6 August 2010
September 2010	0.86	8 November 2010
December 2010	<u>0.29</u>	8 February 2011
Total paid/payable to unitholders	<u>1.46</u>	

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

	Cents per unit
Taxable income	-
Tax deferred component	<u>1.15</u>
Net distribution per unit	<u>1.15</u>

On 26 August 2011, Centro MCS Manager Limited, the Responsible Entity for the DPFI, announced two capital distribution payments:

- A capital distribution of 13.9351 cents per unit to be paid on 2 September 2011; and
- A capital distribution of 2.3117 cents per unit to be paid on 7 September 2011.

As these amounts were declared subsequent to year end, these distribution amounts have not been provided for in the financial statements as at 30 June 2011.

Significant changes in the state of affairs

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

(a) Redemption of units in Centro America Fund

Centro MCS Manager, as Responsible Entity for the Centro Direct Property Fund International applied for all entitled securities to be redeemed through the Centro America Fund ("CAF") Limited Liquidity Facility. On 22 September 2010 Centro DPFI disposed of 9.1% of its equity in CAF for \$11.4 million cash, resulting in a loss of \$0.2 million which was recognised in the income statement.

(b) Redemption of units in Centro MCS 38

During the year ended 30 June 2011, Centro MCS 38 offered investors an annual limited exit opportunity (LEO). In line with a key objective of enhancing the liquidity of the Fund, the DPFI applied to sell all of its units. In early November 2010, DPFI received \$0.3 million representing 1,151,905 units that were accepted under the offer.

(c) Centro US assets sale

On 1 March 2011, Centro Properties Group (Centro) announced that they had entered into a binding stock purchase agreement, subject to conditions customary for a transaction of this nature, to sell its entire US management platform to BRE Retail Holdings, Inc, an affiliate of Blackstone Real Estate Partners VI, L.P. (Blackstone).

Due to the aforementioned sale, the underlying wholesale funds and syndicates into which DPFI is invested, advised that there will be no further distributions paid to investors. Accordingly, the DPFI advised in a letter to unitholders dated 10 March 2011, that it would not be paying any further income distributions to investors.

Further to this announcement, Centro MCS Manager Limited, the Responsible Entity of the Funds advised that upon settlement of the sale, the underlying wholesale funds and syndicates into which DPFI is invested are expected to be fully liquidated. The DPFI would then distribute the net cash proceeds to all investors and wind up the Fund.

Settlement of the sale occurred on 29 June 2010. Returns of capital of \$247.8 million were received from the DPFI's international syndicate investments and CAF in July 2011.

Significant changes in the state of affairs (continued)
(d) Investment in Centro Retail Investment Trust

The value of Centro DPFI Group's investment in Centro Retail Investment Trust (CRIT), including the financial guarantee, increased by \$31.6 million. Centro DPFI Group's investment in CRIT delivers an exposure to the US assets and liabilities of the ASX listed Centro Retail Trust (CER). The increase is largely due to the appreciation of the Australian dollar to the US dollar during the year ended 30 June 2011, resulting in a number of previously valued out-of-the-money US equity hedges within CER closing out at nil mark to market value (in line with contractual arrangements).

The DPFI exited its investment in CRIT for \$31.6 million subsequent to balance date as part of the CRIT exit transfer agreement as discussed below.

Matters subsequent to the end of the financial year

Receipt of capital returns from Centro MCS syndicates and CAF

In July 2011, the DPFI received \$247.8 million of capital distributions from its investments in Centro MCS 32, 35, 36, 38, 39, 40 and Centro America Unit Trust and Finance Trusts. The funds paid these capital returns following the settlement of their US assets on 29 June 2011.

CRIT exit transfer agreement

On 9 August 2011, as a part of the Implementation Agreement entered into by Centro Properties Group and a number of other Centro managed funds, the DPFI entered into a CRIT exit transfer agreement ('Transfer Agreement') to sell its units in CRIT and its direct investment holdings in CER. Under the Transfer Agreement, the DPFI transferred these interests to CPT Manager, the Responsible Entity of Centro Property Trust (CPT) on 2 September 2011. Total proceeds of \$41.1 million were received by the DPFI on 2 September 2011 (including \$31.6 million for DPFI's CRIT investment), accordingly the DPFI realised the value of these investments at the values in the financial statements for nil profit or loss.

For further details, readers should refer to the announcement of 9 August 2011 which was lodged with the Australian Securities Exchange (ASX) or can be found at www.centro.com. The announcement includes the signed Implementation Agreement (refer to Schedule 10 for the Transfer Agreement).

Capital distributions declared by the DPFI

On 26 August 2011, Centro MCS Manager Limited, as Responsible Entity for the DPFI, announced the details of two capital distributions to be paid as follows:

- A capital distribution payment on 2 September 2011, amounting to 13.9351 cents per unit, with the record date for this distribution being 23 August 2011; and
- A capital distribution payment on 7 September 2011, amounting to 2.3117 cents per unit, with the record date of this distribution being 26 August 2011.

It was also announced that the remaining capital of the Fund (post the above capital distribution payments), net of a minor amount to be retained until completion of the Fund audit and resolution of matters relating to Fund wind-up, is expected to be distributed towards the end of calendar year 2011.

Except for the matters discussed above, no events have occurred which have had a material impact on the financial position or results of the operations of the Group.

Likely developments and expected results of operations

Information on the likely developments in the operations of Centro DPFI Group, other than the matters disclosed in "Significant changes in the state of affairs" above, has not been included in the report because the Directors believe it would be likely to result in unreasonable prejudice to Centro DPFI Group.

Environmental regulation

The 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 DPFI Group Issued Units

No units were issued in the current or previous financial year. 89,367 units were redeemed due to hardship redemptions (2010: none). At 30 June 2011, total units on issue were 1,778,215,742 (2010: 1,778,305,109 units).

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

Fees paid/payable to the Responsible Entity and its related entities out of Centro DPFI Group during the year are disclosed in note 14.

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

The interest in Centro DPFI Group held by the Responsible Entity or its related entities as at the end of the year is disclosed in note 14.

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 Group. The Responsible Entity meets the definition of KMP as it has authority in relation to the activities of the Group.

Fees paid to the Responsible Entity during the year totalled \$1.3 million (2010: \$1.7 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 of the Trust, or to intervene in any proceedings to which the Responsible Entity of the Trust is a party for the purpose of taking responsibility on behalf of the Trust for all or any part of those proceedings.

The Responsible Entity of the Trust was not a party to any such proceedings during the year.

Meetings of directors

The following table sets out the numbers of meetings of Directors of Centro MCS Manager Limited, the Responsible Entity of the Group (including meetings of committees of Directors), held during the year ended 30 June 2011 and the number of meetings attended by each Director.

Centro MCS Manager Limited	Board Meetings	Risk Committee Meetings	Audit Committee Meetings	Compliance Committee Meetings	Remunerations and HR Committee Meetings	Finance Committee Meetings	Nominations Committee Meetings
Number of meetings held:	41	4	10	5	7	6	1
Number of meetings attended:							
Peter Day	41	#	#	#	7	#	1
William Bowness	38	4	#	5	7	#	1
Anna Buduls (appointed 15 November 2010)	24/24	3/3	6/10	#	#	2/4	#
Paul Cooper	40	#	#	4	#	#	1
Michael Humphris	36	#	9	2	3	5	#
Fraser MacKenzie	35	4	10	#	7	6	#
Jim Hall (retired 15 November 2010)	17/17	1/1	3/3	#	#	2/2	#

Not a member of the relevant committee

All directors were eligible to attend all meetings held during the term of their appointment, with the exception of Anna Buduls who was appointed to the Risk, Audit and Finance Committees on 2 December 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 7.

Rounding of amounts to the nearest thousand dollars

The 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.

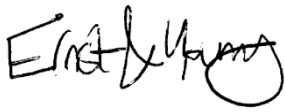


W. P. Day

Melbourne
14 September 2011

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 International and Controlled Entities for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A 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
14 September 2011

Centro Direct Property Fund International
Income statement
For the year ended 30 June 2011

		Centro DPFI Group	
		30 June	30 June
		2011	2010
Notes		\$'000	\$'000
Revenue			
	Revenue from investments	8,173	19,756
	Interest revenue	157	54
	Total revenue	<u>8,330</u>	<u>19,810</u>
	Other income	1,888	1,986
6	Fair value gain/(loss) on financial assets at fair value through profit or loss	34,026	(123,761)
	Responsible Entity management fees	(1,266)	(1,680)
	Other expenses	(294)	(332)
	Loss on sale of investment	(244)	-
6	Estimated selling and liquidation costs	<u>(300)</u>	<u>-</u>
	Net profit/(loss) before income tax expense	42,140	(103,977)
	Income tax expense	-	-
	Net profit/(loss) for the year	<u>42,140</u>	<u>(103,977)</u>
	Net profit/(loss) for the year is attributable to:		
	Unitholders of the Fund	<u>42,140</u>	<u>(103,977)</u>
		<u>42,140</u>	<u>(103,977)</u>

The above income statement has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.

Centro Direct Property Fund International
Statement of comprehensive income
For the year ended 30 June 2011

	Centro DPFI Group	
	30 June	30 June
	2011	2010
	\$'000	\$'000
Net profit/(loss) for the year	42,140	(103,977)
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the year	<u>42,140</u>	<u>(103,977)</u>
Total comprehensive income/(loss) for the year is attributable to:		
Unitholders of the Fund	<u>42,140</u>	<u>(103,977)</u>
	<u>42,140</u>	<u>(103,977)</u>

The above statement of comprehensive income has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.

Centro Direct Property Fund International
Balance sheet
As at 30 June 2011

		Centro DPFI Group	
		30 June	30 June
		2011	2010
Notes		\$'000	\$'000
ASSETS			
Current assets			
	Cash and cash equivalents	4 1,405	1,334
	Trade and other receivables	5 955	6,633
	Financial assets at fair value through profit or loss	6 294,921	-
	Total current assets	<u>297,281</u>	<u>7,967</u>
Non-current assets			
	Financial assets at fair value through profit or loss	6 -	273,160
	Total non-current assets	<u>-</u>	<u>273,160</u>
	Total assets	<u>297,281</u>	<u>281,127</u>
LIABILITIES			
Current liabilities			
	Trade and other payables	9 502	509
	Total current liabilities	<u>502</u>	<u>509</u>
	Total liabilities	<u>502</u>	<u>509</u>
	Net assets	<u>296,779</u>	<u>280,618</u>
EQUITY			
	Units issued	10 1,873,617	1,873,633
	Accumulated losses	<u>(1,576,838)</u>	<u>(1,593,015)</u>
	Total equity	<u>296,779</u>	<u>280,618</u>

The above balance sheet has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.

Centro Direct Property Fund International
Statement of changes in equity
For the year ended 30 June 2011

Centro DPFI Group	Notes	Units issued \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2009		1,873,633	(1,463,075)	410,558
Net loss for the year		-	(103,977)	(103,977)
Other comprehensive income/(loss)		-	-	-
Total comprehensive loss for the year		-	(103,977)	(103,977)
Transactions with owners in their capacity as owners:				
Distributions provided for or paid	11	-	(25,963)	(25,963)
Balance at 30 June 2010		1,873,633	(1,593,015)	280,618
Centro DPFI Group	Notes	Units issued \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2010		1,873,633	(1,593,015)	280,618
Net profit for the year		-	42,140	42,140
Other comprehensive income/(loss)		-	-	-
Total comprehensive income for the year		-	42,140	42,140
Transactions with owners in their capacity as owners:				
Hardship redemptions	10	(16)	-	(16)
Distributions provided for or paid	11	-	(25,963)	(25,963)
Balance at 30 June 2011		1,873,617	(1,576,838)	296,779

The above statement of changes in equity has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.

Centro Direct Property Fund International
Cash flow statement
For the year ended 30 June 2011

		Centro DPFI Group	
		30 June	30 June
		2011	2010
Notes		\$'000	\$'000
Cash flows from operating activities			
	Cash receipts from operations (inclusive of goods and services tax)	15,742	28,279
	Cash payments to suppliers (inclusive of goods and services tax)	(1,568)	(2,613)
	Interest received	156	54
13	Net cash inflow from operating activities	<u>14,330</u>	<u>25,720</u>
Cash flows from investing activities			
	Proceeds from disposal of investments	11,720	445
	Net cash inflow from investing activities	<u>11,720</u>	<u>445</u>
Cash flows from financing activities			
	Distributions paid	(25,963)	(25,963)
	Payments for hardship redemptions	(16)	-
	Net cash outflow from financing activities	<u>(25,979)</u>	<u>(25,963)</u>
Net increase in cash and cash equivalents			
	Cash and cash equivalents at the beginning of the financial year	71	202
4		<u>1,334</u>	<u>1,132</u>
4	Cash and cash equivalents at the end of the financial year	<u>1,405</u>	<u>1,334</u>

The above cash flow statement has been prepared on a liquidation basis and 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 Centro Direct Property Fund International ("Centro DPFI" "the Fund" or "the Trust") and its controlled entities ("the Group" or "Centro DPFI Group").

(a) Statement of compliance with International Financial Reporting Standards

This general purpose financial report complies with Australian Accounting Standards as applied under the liquidation basis of preparation. 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* as they apply on a liquidation basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars unless otherwise stated.

Liquidation basis of preparation

These accounts have been prepared on a liquidation basis.

On 1 March 2011, Centro Properties Group (Centro) announced that they had entered into a binding stock purchase agreement, subject to conditions customary for a transaction of this nature, to sell its entire US management platform to BRE Retail Holdings, Inc, an affiliate of Blackstone Real Estate Partners VI, L.P. (Blackstone).

Further to this announcement, Centro MCS Manager Limited, the Responsible Entity of the Fund advised that upon settlement of the sale, the underlying wholesale funds and syndicates into which DPFI is invested are expected to be fully liquidated. The DPFI would then distribute the net cash proceeds to all investors and wind up the Fund.

Due to the intention to wind up the Fund, the Directors of the Responsible Entity have concluded that the going concern basis of preparation (as applied in previous years) is no longer appropriate. Accordingly, the financial statements are not prepared on a going concern basis. The Directors of the Responsible Entity have applied the requirements of paragraph 25 of AASB 101 *Presentation of Financial Statements* which states that "When the financial report is not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial report is prepared and the reason why the entity is not regarded as a going concern."

Accordingly the financial statements have not been prepared on a going concern basis; rather these accounts have been prepared on a liquidation basis.

Under the liquidation basis of preparation, assets and liabilities are measured at their liquidation value. The liquidation value of the assets is the net realisable value. Net realisable value approximates the carrying amount of assets as detailed in the accounting policies noted below. The liquidation value of liabilities is their expected settlement amount as detailed in the accounting policies notes below. The liquidation value of liabilities is their expected settlement amount as detailed in the accounting policies noted below. Any gains or losses resulting from measuring assets and liabilities to the liquidation value are recognised in the income statement.

Under the liquidation basis of accounting, all assets and liabilities are classified as current.

In adopting the liquidation basis, the Directors of the Responsible Entity have continued to apply the disclosure requirements of Australian Accounting Standards to the extent they are relevant to the liquidation basis, and modified them where considered appropriate. In particular, the financial report does not include all of the disclosures required by the following standards on the basis that the disclosures are not considered relevant for decision making by users as described below:

- *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*

Given that the entire DPFI Group is considered discontinued, the disclosures under AASB 5 that separate between continuing and discontinuing operations on the Income Statement are not considered relevant to users.

1 Summary of significant accounting policies (continued)

- *AASB 7 Financial Instruments: Disclosures*

The information on exposures to financial risks are not considered relevant to users given that the financial risk exposures are not representative of the risks that will exist going forward.

- *AASB 101 Presentation of Financial Statements*

Information on capital management is not considered relevant for users to understand what is managed as capital given the disclosures on scheme of arrangement and the basis of preparation change from "going concern" to "liquidation".

The accounting policies adopted are consistent with those of the previous financial year except for changes specified related to the adoption of the liquidation basis of preparation. The Group has not adopted any new Australian Accounting Standards.

Comparative information has not been restated, and is measured and presented on a going concern basis.

Significant accounting estimates and judgements

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 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.

(c) Principles of consolidation

These financial statements comprise the consolidated accounts of Centro DPFI and its controlled entities.

The controlled entity are those entity over which the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Where control of an entity is obtained during a financial year, its results are included in the Group'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 acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(d)).

(d) Business combinations

The acquisition 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 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 Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the revenue have been resolved.

1 Summary of significant accounting policies (continued)

(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 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.

(h) Trade and other receivables

2011 - Trade and other receivables are measured at their net realisable amount. No adjustment has been recognised on the change to liquidation basis as the net realisable amount approximates the amortised cost using the effective interest method.

2010 - Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Collectability of trade and other 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 Group will not be able to collect all amounts due according to the original terms of the receivables.

(i) Financial assets

Centro DPFI Group classifies 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 Group's documented investment strategy. The Group's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Recognition and derecognition

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

Financial 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

2011 - All investments are measured at their fair value (equal to Net Asset Backing (NAB)) which is equivalent to their net realisable value.

2010 - 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.

1 Summary of significant accounting policies (continued)

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 and loss category are presented in the income statement in the period in which they arise.

(j) Fair value estimation

2011 – The Fund's assets and liabilities are measured at their net realisable amounts. No adjustments have been recognised on the change to liquidation basis from accounting policies prescribed in 2010, as the net realisable amount approximates fair value; with one exception noted below.

The fair value of units or interest in unlisted property managed investment schemes have been valued at their Net Asset Backing (NAB) under liquidation basis, as this represents the value which takes into account exit costs associated with the wind-up/liquidation of the investment.

2010 - The fair value of units or interests in unlisted property managed investment schemes was 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 DPFI Group carries all unlisted investments at the lower of NTA and NAB.

2011 and 2010 - Centro DPFI Group's investment in Centro Retail Investment Trust (CRIT) is carried at CRIT's NTA value which represents 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. Details of the CRIT investment and its carrying value can be found in note 6(a).

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

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

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

(k) Trade and other payables

2011 - Trade and other payables are measured at their anticipated settlement amount. No adjustment has been recognised on the change to liquidation basis as the anticipated settlement amount approximates the undiscounted amortised cost.

2010 - These amounts represent liabilities for goods and services provided to the 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 not discounted due to their short term nature.

(l) 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.

(m) 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.

1 Summary of significant accounting policies (continued)

(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 the effects associated with any dilutive potential ordinary units.

(n) Foreign currency translation

(i) Functional and presentation currency

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

(o) 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 distributable income per unit by including the dilutive impact of financial instruments which may be converted to ordinary units.

(p) Distributions

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

(q) Australian Accounting Standards issued but not yet effective

The Group financial report is prepared on a liquidation basis for the reasons outlined in note 1(b) above. As a result, Australian Accounting Standards currently on issue but not yet effective are not expected to have any impact on the Group.

(r) Rounding of amounts

The 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 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.

Liquidation value of assets and liabilities

As noted in the Note 1(b), the accounts have been prepared on a liquidation basis.

Under the liquidation basis of accounting, assets and liabilities are measured at liquidation value. The liquidation value of assets is their net realisable value. The liquidation value of liabilities is their estimated settlement amount. For assets, net realisable value approximates the carrying amount of assets under accounting standards, except for financial assets at fair value through profit or loss, where the net realisable value is the carrying amount under accounting standards less estimated selling and liquidation costs associated with the wind-up of the Fund. Estimated selling costs comprise professional fees for lawyers and advisors.

Investment Property Values

The Responsible Entity of DPFI does not make any significant accounting estimates, judgements or assumptions regarding investment property values held in their financial asset investments, however the primary factor impacting unit values in the Group's underlying investments is property valuations. Property valuations are determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets and availability of similar properties, vacancy rates, market rents and capitalisation and discount rates. 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.

Centro Retail Investment Trust Financial Guarantee

Centro DPFI Group has recognised an asset for a guarantee from Centro Property Trust ("CPT") supporting the Centro DPFI Group's investment in Centro Retail Investment Trust ("CRIT"). The value of the guarantee is material to DPFI and is disclosed in note 6.

On 9 August 2011, as a part of the Implementation Agreement entered into by Centro Properties Group and a number of other Centro managed funds, the DPFI entered into a CRIT exit transfer agreement ('Transfer Agreement') to sell its units in CRIT and its direct investment holdings in CER. Under the Transfer Agreement, the DPFI transferred these interests to CPT Manager, the Responsible Entity of Centro Property Trust (CPT) on 2 September 2011. Total proceeds of \$41.1 million were received by the DPFI on 2 September 2011 (including \$31.6 million for DPFI's CRIT investment), accordingly the DPFI realised the value of these investments at the values in the financial statements for nil profit or loss.

3 Parent entity financial information

(a) Parent entity

The parent entity of Centro DPFI Group is Centro Direct Property Fund International.

(b) Financial information

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

	Centro DPFI	
	30 June 2011 \$'000	30 June 2010 \$'000
Income statement information		
Net profit/(loss) attributable to members of Centro Direct Property Fund International	42,140	(103,977)
Comprehensive income information		
Total comprehensive income/(loss) attributable to members of Centro Direct Property Fund International	42,140	(103,977)
Balance sheet		
Current assets	297,281	7,967
Non-current assets	-	273,160
Total assets	297,281	281,127
Current liabilities	502	509
Total liabilities	502	509
Equity attributable to unitholders of Centro Direct Property Fund International		
Units issues	1,873,617	1,873,633
Accumulated losses	(1,576,838)	(1,593,015)
	296,779	280,618

(c) Guarantees

Centro DPFI has not entered into any guarantees in relation to the debts of its subsidiaries.

(d) Contingent liabilities

Centro DPFI does not have any contingent liabilities as at 30 June 2011 (2010: none).

(e) Contractual commitments

Centro DPFI does not have any contractual commitments as at 30 June 2011 (2010: none).

4 Current assets - Cash and cash equivalents

	Centro DPFI Group	
	30 June	30 June
	2011	2010
	\$'000	\$'000
Cash at bank and on hand	<u>1,405</u>	<u>1,334</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 DPFI Group	
	30 June	30 June
	2011	2010
	\$'000	\$'000
Balances as above	<u>1,405</u>	<u>1,334</u>
Balances per statement of cash flows	<u>1,405</u>	<u>1,334</u>

5 Current assets - Trade and other receivables

	Centro DPFI Group	
	30 June	30 June
	2011	2010
	\$'000	\$'000
Investment revenue receivable	-	5,731
Interest receivable	<u>5</u>	<u>3</u>
	5	5,734
Amounts receivable from related parties (a)	936	886
Other receivables	<u>14</u>	<u>13</u>
	<u>955</u>	<u>6,633</u>

(a) Related party receivables

As at 30 June 2011 \$1.0 million (2010: \$0.9 million) was receivable from Centro Properties Group.

6 Financial assets at fair value through profit or loss

	Centro DPFI Group	
	30 June	30 June
	2011	2010
	\$'000	\$'000
Current		
Centro Retail Investment Trust (a) - financial guarantee portion	7,540	-
Centro Retail Investment Trust (a) - portion excluding financial guarantee	24,041	-
Fixed interest unsecured loan notes	95,732	-
Listed securities	9,532	-
International property trusts	158,376	-
Estimated selling and liquidation costs	(300)	-
	<u>294,921</u>	<u>-</u>
Non-current		
Fixed interest unsecured loan notes	-	70,929
Australian listed securities	-	4,388
International property trusts	-	197,843
	<u>-</u>	<u>273,160</u>
Total financial assets at fair value through profit and loss	<u>294,921</u>	<u>273,160</u>

As a result of adopting the liquidation basis of preparation, non-current assets have been reclassified to current assets for the year ended 30 June 2011. Refer note 1(b).

The reconciliation below details the movements for the year:

	Centro DPFI Group	
	30 June	30 June
	2011	2010
	\$'000	\$'000
Opening balance at 1 July	273,160	397,366
Disposals (sale and redemption) (b)	(11,965)	(445)
Fair value gain/(loss) on financial assets at fair value through profit or loss (Note 11)	34,026	(123,761)
Estimated selling and liquidation costs	(300)	-
Closing balance at 30 June	<u>294,921</u>	<u>273,160</u>

(a) CRIT Investment and associated Financial Guarantee

Centro DPFI Group's investment in Centro Retail Investment Trust (CRIT) delivers an exposure primarily to the underlying US assets and liabilities of the ASX listed Centro Retail Trust (CER). Centro Property Trust has provided a guarantee to Centro DPFI Group which provides for Centro DPFI 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 DPFI Group, then Centro Property Trust's guarantee underwrites any shortfall between the actual disposal value and NAB prevailing at the time.

Centro DPFI'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 any shortfall between the unit price and NTA. At 30 June 2011, the value of Centro DPFI's investment in CRIT is held at \$31.6 million (30 June 2010: nil). The underlying CRIT investment is based on the proportionate share of the US assets and liabilities of CER compared to the total assets and liabilities of CER. The Responsible Entity has assessed the fair value of the guarantee as \$7.5 million, as the CER share price is less than the NTA of CRIT that relates to DPFI Group's look through interest.

6 Financial assets at fair value through profit or loss (continued)

On 9 August 2011, as a part of the Implementation Agreement entered into by Centro Properties Group and a number of other Centro managed funds, the DPFI entered into a CRIT exit transfer agreement ('Transfer Agreement') to sell its units in CRIT and its direct investment holdings in CER. Under the Transfer Agreement, the DPFI transferred these interests to CPT Manager, the Responsible Entity of Centro Property Trust (CPT) on 2 September 2011. Total proceeds of \$41.1 million were received by the DPFI on 2 September 2011 (including \$31.6 million for DPFI's CRIT investment), accordingly the DPFI realised the value of these investments at the values in the financial statements for nil profit or loss.

(b) Disposals (sale and redemption)

Centro MCS Manger, as Responsible Entity for the Centro Direct Property Fund International applied for all entitled securities to be redeemed through the Centro America Fund ("CAF") Limited Liquidity Facility. On 22 September 2010 Centro DPFI disposed of 9.1% of its equity in CAF for \$11.4 million cash, resulting in a loss of \$0.2 million being recognised in the income statement.

During the year ended 30 June 2011, Centro MCS 38 offered investors an annual limited exit opportunity (LEO). In line with a key objective of enhancing the liquidity of the Fund, the DPFI applied to sell all of its units. In early November 2010, DPFI received \$0.3 million representing 1,151,905 units that were accepted under the offer.

7 Investments in associates

All investments in associates are 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 2011 %	30 June 2010 %
<i>Unlisted</i>			
Centro MCS 32	Property Investment	49.73	49.73
Centro MCS 35	Property Investment	49.57	49.57
Centro MCS 36	Property Investment	48.33	48.33
Centro MCS 38	Property Investment	49.03	49.46
Centro MCS 39	Property Investment	35.00	35.00
Centro MCS 40	Property Investment	35.00	35.00
Centro America Fund	Property Investment	45.36	49.90
Centro Retail Investment Trust *	Property Investment	76.61	76.61

* Due to the trust structure of each respective underlying investment, Centro DPFI does not have the power to obtain greater than 50% of the economic interest of the fund or have the power to govern the financial and operating process of the fund so as to obtain benefits from its activities.

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

8 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(c):

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2011 %	2010 %
CDPFI Sub Trust No. 1	Australia	Ordinary	100.00	100.00
CDPFI Sub Trust No. 2	Australia	Ordinary	100.00	100.00

9 Current liabilities - Trade and other payables

	Centro DPFI Group	
	30 June 2011 \$'000	30 June 2010 \$'000
Related party payables	324	367
Trade payables	178	142
	<u>502</u>	<u>509</u>

10 Units issued

The reconciliation below details the movements for the year:

	Centro DPFI Group	
	30 June 2011 No. '000	30 June 2010 No. '000
Number of units		
Opening balance at 1 July	1,778,305	1,778,305
Hardship redemptions	(89)	-
Closing balance at 30 June	<u>1,778,216</u>	<u>1,778,305</u>

The reconciliation below details the movements for the year:

	Centro DPFI Group	
	30 June 2011 \$'000	30 June 2010 \$'000
Opening balance at 1 July	1,873,633	1,873,633
Hardship redemptions	(16)	-
Closing balance at 30 June	<u>1,873,617</u>	<u>1,873,633</u>

Units are of equal value and unitholders are entitled to share in the income of Centro DPFI 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 DPFI Group in proportion to the number of units held.

11 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 DPFI Group	
	30 June	30 June
	2011	2010
	\$'000	\$'000
Net profit/(loss) for the year	42,140	(103,977)
Adjusted for:		
Loss on sale of investment	244	-
Fair value (gain)/loss on financial assets at fair value through profit or loss	(34,026)	123,761
Estimated selling and liquidation costs	300	-
Distributable income	8,658	19,784
Repayment of unitholders funds	17,305	6,179
Distribution paid/payable	25,963	25,963

	Centro DPFI Group	
	30 June	30 June
	2011	2010
(a) Basic		
Distributable income attributable to unitholders used in calculating basic distributable income per unit (\$'000)	8,658	19,784
Weighted average number of units on issue for the year (being the weighted average number of units outstanding during the year) ('000)	1,778,259	1,778,305
Basic distributable income per unit (cents)	0.49	1.11
(b) Adjusted		
Distributable income attributable to unitholders used in calculating basic distributable income per unit (\$'000)	8,658	19,784
Weighted average number of units on issue for the year (being the weighted average number of units outstanding during the year) ('000)	1,778,259	1,778,305
Adjusted distributable income per unit (cents)	0.49	1.11

12 Net tangible asset backing (NTA)

	Centro DPFI Group	
	30 June 2011	30 June 2010
Net assets attributable to unitholders (\$'000)	296,779	280,618
(a) Basic		
Number of units		
Number of units outstanding at the end of the year used in calculating basic net tangible asset backing per unit ('000)	1,778,216	1,778,305
Basic NTA (\$)	0.17	0.16
(b) Adjusted		
Net assets attributable to unitholders used in calculating adjusted net tangible assets backing per unit (\$'000)	296,779	280,618
Number of units		
Number of units outstanding at the end of the year used in calculating basic net tangible asset backing per unit ('000)	1,778,216	1,778,305
Adjusted NTA (\$)	0.17	0.16

13 Cash flow information

	Centro DPFI Group	
	30 June 2011	30 June 2010
	\$'000	\$'000
Net profit/(loss) before income tax expense	42,140	(103,977)
Fair value (gain)/loss on financial assets at fair value through profit or loss	(34,026)	123,761
Loss on sale of investment	244	-
Estimated selling and liquidation costs	300	-
Decrease/(increase) in assets		
Trade and other receivables	5,679	6,535
Increase/(decrease) in liabilities		
Trade and other payables	(7)	(599)
Net cash inflow from operating activities	14,330	25,720

14 Related party transactions

(a) Parent entities

The parent entity within the Group is Centro Direct Property Fund International. Centro Direct Property Fund International is controlled by Centro Property Trust, which is controlled by the ultimate Australian parent entity, Centro Properties Limited, who together with its related parties controls 81.90% (2010: 81.90%) of the voting power of Centro Direct Property Fund International.

(b) Associates

Interests in associates are set out in note 7.

(c) Subsidiaries

Interests in subsidiaries are set out in note 8.

(d) 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 Group. The Responsible Entity meets the definition of KMP as it has authority in relation to the activities of the Group.

Fees paid/payable to the Responsible Entity during the year totalled \$1,286,424 (2010: \$1,698,770).

(e) Transactions with related parties

The following transactions occurred with related parties:

	Centro DPFI Group	
	30 June 2011	30 June 2010
	\$	\$
Fees charged to the Responsible Entity		
<i>Centro MCS Manager Limited (KMP)</i>		
Income support	-	95,061
	-	95,061
Fees charged by the Responsible Entity in accordance with the provisions of the Centro DPFI Group Constitution for the year:		
<i>Centro MCS Manager Limited (KMP)</i>		
Responsible Entity management fees	1,266,424	1,680,270
Accounting fees	20,000	18,500
	1,286,424	1,698,770
<i>Other related parties</i>		
Legal and compliance fees	49,969	26,750

14 Related party transactions (continued)

	Centro DPFI Group	
	30 June 2011	30 June 2010
	\$	\$
Other transactions		
Distribution income from:		
Associates	<u>8,173,431</u>	19,756,424
Other income received from:		
Centro MCS Manager Limited (KMP)	1,770,473	1,773,353
Centro Property Trust - parent	<u>117,941</u>	<u>117,941</u>
	<u>1,888,414</u>	1,891,294
Distributions paid on ordinary units to:		
Centro Property Trust - parent	17,087,591	17,086,862
Other related parties	<u>7,791,252</u>	<u>7,790,920</u>
	<u>24,878,843</u>	24,877,782

(f) Outstanding balances

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

	Centro DPFI Group	
	30 June 2011	30 June 2010
	\$	\$
<i>Distributions receivable from:</i>		
Associates	<u>-</u>	<u>5,731,155</u>
	<u>-</u>	<u>5,731,155</u>
<i>Other receivables from:</i>		
Centro MCS Manager Limited (KMP)	877,961	827,031
Centro Property Trust - parent	<u>58,486</u>	<u>58,486</u>
	<u>936,447</u>	885,517
<i>Payables to:</i>		
Centro MCS Manager Limited (KMP)		
Management fees	<u>323,557</u>	<u>367,341</u>
	<u>323,557</u>	367,341

The Responsible Entity or its related entities held 1,464,435,925 ordinary units in Centro DPFI as at the end of the financial year (2010: 1,464,435,925).

(g) Terms and conditions

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.

15 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor and/or its related practices:

	Centro DPFI Group	
	30 June	30 June
	2011	2010
	\$	\$
(a) Audit services		
Ernst and Young Australian Firm		
Audit and review of financial reports under the <i>Corporations Act 2001</i>	68,190	65,994

16 Commitments

There are no capital, lease or remuneration commitments in existence at the reporting date which have not been recognised as liabilities.

17 Contingencies

In the ordinary course of business, the Group may be exposed to various legal and administrative proceedings, the ultimate resolution of which, should not have a material effect on the Group's financial position, results of operations or cash flows.

18 Events occurring after the reporting period

Receipt of capital returns from Centro MCS syndicates

In July 2011, the DPFI received \$247.8 million of capital distributions from its investments in Centro MCS 32, 35, 36, 38, 39, 40 and Centro America Unit Trust and Finance Trusts. The funds paid these capital returns following the settlement of their US sale on 29 June 2011.

CRIT exit transfer agreement

On 9 August 2011, as a part of the Implementation Agreement entered into by Centro Properties Group and a number of other Centro managed funds, the DPFI entered into a CRIT exit transfer agreement ('Transfer Agreement') to sell its units in CRIT and its direct investment holdings in CER. Under the Transfer Agreement, the DPFI transferred these interests to CPT Manager, the Responsible Entity of Centro Property Trust (CPT) on 2 September 2011. Total proceeds of \$41.1 million were received by the DPFI on 2 September 2011 (including \$31.6 million for DPFI's CRIT investment), accordingly the DPFI realised the value of these investments at the values in the financial statements for nil profit or loss.

For further details, readers should refer to the announcement of 9 August 2011 which was lodged with the Australian Securities Exchange (ASX) or can be found at www.centro.com. The announcement includes the signed Implementation Agreement (refer to Schedule 10 for the Transfer Agreement).

Capital distributions declared by the DPFI

As a consequence of the capital distributions received from the DPFI's investment assets (as detailed above) on 26 August 2011, Centro MCS Manager Limited, as Responsible Entity for the DPFI, announced the details of two capital distributions to be paid as follows:

- A capital distribution payment on 2 September 2011, amounting to 13.9351 cents per unit, with the record date for this distribution being 23 August 2011; and

- A capital distribution payment on 7 September 2011, amounting to 2.3117 cents per unit, with the record date of this distribution being 26 August 2011.

It was also announced that the remaining capital of the Fund (post the above capital distribution payments), net of a minor amount to be retained until completion of the Fund audit and resolution of matters relating to Fund wind-up, is expected to be distributed towards the end of calendar year 2011.

Except for the matters discussed above, no events have occurred which have had a material impact on the financial position or results of the operations of the Group.

The Directors of the Responsible Entity, Centro MCS Manager Limited, declare that in their opinion;

- (a) the financial statements and notes of Centro DPFI Group set out on pages 8 to 29 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards as they apply on a liquidation basis, the *Corporations Regulations 2001*, its Constitution and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of Centro Direct Property Fund International's financial position as at 30 June 2011 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.
- (b) There are reasonable grounds to believe that Centro Direct Property Fund International will be able to pay its debts as and when they become due and payable; and
- (c) The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as they apply on a liquidation basis.

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



W. P. Day

Melbourne
14 September 2011

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

We have audited the accompanying financial report of Centro Direct Property Fund International and Controlled Entities (the "Trust"), which comprises the consolidated balance sheet as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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. The financial report has been prepared on a liquidation basis.

Directors' responsibility for the financial report

The directors of Centro MCS Manager Limited, the Responsible Entity of the Trust are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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 complied with 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.

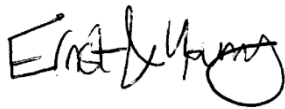
Opinion

In our opinion:

- a. the financial report of Centro Direct Property Fund International and Controlled Entities, which has been prepared on a liquidation basis, is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards as they apply on a liquidation basis and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter Regarding Liquidation Valuation Basis

Without qualifying the opinion expressed above, attention is drawn to Note 1(b) in the financial report which states that the financial report of the Trust has been prepared on a liquidation basis, given the Directors intention to wind up the Trust. The assets and liabilities of the Trust have been measured at their estimated net realisable value and expected settlement amounts respectively.

A stylized, handwritten signature of Ernst & Young, consisting of the letters 'EY' followed by a large, circular flourish.

Ernst & Young

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

D.J. Shewring
Partner
Melbourne
14 September 2011