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CENTRO  
DIRECT PROPERTY FUND



HALF YEARLY FINANCIAL REPORT

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## **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 half-year ended 31 December 2010**

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This half-year financial report covers Centro Direct Property Fund ("the Fund" or "Centro DPF") and its controlled entities ("the Group" or "Centro DPF Group"). The half-year 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 half-year financial report.

The half-year financial report was authorised for issue by the Directors of the Responsible Entity on 10 March 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](http://www.centro.com.au)

<b>Responsible Entity</b>	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
<b>Directors of the Responsible Entity</b>	Peter Day (Chairman) William Bowness Anna Buduls (Appointed 15 November 2010) Paul Cooper Jim Hall (Retired 15 November 2010) Michael Humphris Fraser MacKenzie
<b>Secretaries of the Responsible Entity</b>	Elizabeth Hourigan Dimitri Kiriacoulacos Paul Flanigan
<b>Auditor</b>	Ernst & Young Ernst & Young Building 8 Exhibition Street Melbourne, VIC 3000
<b>Security Registry</b>	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 ("the Fund" or "Centro DPF") and its controlled entities ("the Group" or "Centro DPF Group") for the half-year ended 31 December 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 the Fund on 6 March 2002.

### Directors

The following persons were Directors of Centro MCS Manager Limited during the whole of the half-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  
Jim Hall (Retired 15 November 2010)  
Michael Humphris  
Fraser MacKenzie

### 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 half-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 half-year.

### Review of operations

The Group recorded a net profit after tax of \$107.227 million for the half-year ended 31 December 2010 (2009: \$0.275 million loss). During the half-year Centro DPF recorded a basic distributable income of 1.59 cents (2009: 1.79 cents) per unit as disclosed in note 5.

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

#### *Major Restructure Developments*

Centro Properties Group has entered into discussions with Centro Retail Trust, Centro Australia Wholesale Fund, Centro Direct Property Fund and certain Australian Centro MCS syndicates to aggregate assets into a listed fund (Amalgamated Fund).

Substantial further work is required to finalise and implement a restructure. At this stage, there can be no certainty that it will occur, in precisely what form or of the composition of the entities which will ultimately form part of the Amalgamated Fund.

There have been no adjustments made in the half-year financial report associated with such a restructure.

### Distributions attributable to unitholders

#### *Centro DPF Group*

Distributions paid or payable to unitholders for the half-year totalled \$28.461 million (2009: \$30.905 million). Distributions paid or to be paid since 1 July 2010 are as follows:

Quarter	Cents per unit	Date paid
June 2010	0.82	10 August 2010
September 2010	<u>0.93</u>	10 November 2010
Total paid/payable to unitholders	<u>1.75</u>	

Subsequent to the end of the half-year, a distribution payment of 0.78 cents per unit was declared by the Responsible Entity (RE) for the quarter ended 31 December 2010. This distribution was paid on 10 February 2011. As a result of this distribution payment being declared by the RE after 31 December 2010, no provision is included in the 31 December 2010 financial report for this distribution.

**Significant changes in the state of affairs**

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

- An upward trend in property markets resulted in a 6.56% increase in fair value across the Fund's investment portfolio.
- On 16 August 2010, Centro DPF sold its investment in DNZ Property Trust for \$3.124 million and a loss of \$0.162 million.
- On 15 December 2010 the Fund received a capital distribution of \$3.424 million from Centro MCS 8.

**Matters subsequent to the end of the financial half-year**

Other than disclosed under "review of operations" above, no other matter or circumstance has arisen in the interval between 31 December 2010 and the date hereof that has significantly affected, or may significantly affect:

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

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

**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. Bowness  
Director

Melbourne  
10 March 2011



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## Auditor's independence declaration to the directors of Centro MCS Manager Limited

In relation to our review of the half-year financial report of Centro Direct Property Fund and Controlled Entities for the half-year ended 31 December 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 &amp; Young'.

Ernst & Young

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

D.J. Shewring  
Partner  
Melbourne  
10 March 2011

**Centro Direct Property Fund**  
**Income statement**  
**For the half-year ended 31 December 2010**

		<b>Centro DPF Group</b>	
		<b>31 December</b>	<b>31 December</b>
		<b>2010</b>	<b>2009</b>
Notes		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
	Revenue from investments	<b>28,600</b>	32,010
	Interest revenue	<u>142</u>	<u>90</u>
	<b>Total revenue</b>	<u><b>28,742</b></u>	<u><b>32,100</b></u>
	Other income	<b>214</b>	218
	Net fair value gain/(loss) on financial assets at fair value through profit or loss	<b>81,120</b>	(29,370)
5	Responsible entity management fees	<b>(2,912)</b>	(2,892)
	Other expenses	<b>(229)</b>	(240)
	Net movement on mark to market of derivatives	<b>454</b>	(91)
	Loss on sale of investment	<u><b>(162)</b></u>	<u>-</u>
	<b>Net profit/(loss) before income tax expense</b>	<b>107,227</b>	(275)
	Income tax expense	<u>-</u>	<u>-</u>
	<b>Net profit/(loss) for the half-year</b>	<u><b>107,227</b></u>	<u><b>(275)</b></u>
	Net profit/(loss) for the half-year is attributable to:		
	Unitholders of the Fund	<u><b>107,227</b></u>	<u><b>(275)</b></u>
		<u><b>107,227</b></u>	<u><b>(275)</b></u>

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

**Centro Direct Property Fund**  
**Statement of comprehensive income**  
**For the half-year ended 31 December 2010**

	<b>Centro DPF Group</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net profit/(loss) for the half-year</b>	<b>107,227</b>	<b>(275)</b>
<b>Total comprehensive income/(loss) for the half-year</b>	<b><u>107,227</u></b>	<b><u>(275)</u></b>
Total comprehensive income/(loss) for the half-year is attributable to:		
Unitholders of the Fund	<b><u>107,227</u></b>	<b><u>(275)</u></b>
	<b><u>107,227</u></b>	<b><u>(275)</u></b>

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

**Centro Direct Property Fund  
Balance sheet  
As at 31 December 2010**

		<b>Centro DPF Group</b>	
		<b>31 December</b>	<b>30 June</b>
		<b>2010</b>	<b>2010</b>
Notes		<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>			
<b>Current assets</b>			
	Cash and cash equivalents	7,356	4,138
	Trade and other receivables	9,676	9,165
	Derivative financial instruments	<u>472</u>	<u>18</u>
	<b>Total current assets</b>	<b><u>17,504</u></b>	<b><u>13,321</u></b>
<b>Non-current assets</b>			
	Financial assets at fair value through profit or loss	3 <u>1,323,826</u>	<u>1,248,076</u>
	<b>Total non-current assets</b>	<b><u>1,323,826</u></b>	<b><u>1,248,076</u></b>
	<b>Total assets</b>	<b><u>1,341,330</u></b>	<b><u>1,261,397</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
	Trade and other payables	<u>2,094</u>	<u>2,154</u>
	<b>Total current liabilities</b>	<b><u>2,094</u></b>	<b><u>2,154</u></b>
<b>Non-current liabilities</b>			
	Net assets attributable to Centro PPF	7 <u>6,207</u>	<u>4,867</u>
	<b>Total non-current liabilities</b>	<b><u>6,207</u></b>	<b><u>4,867</u></b>
	<b>Total liabilities</b>	<b><u>8,301</u></b>	<b><u>7,021</u></b>
	<b>Net assets</b>	<b><u>1,333,029</u></b>	<b><u>1,254,376</u></b>
<b>EQUITY</b>			
	Units issued	4 <u>2,175,819</u>	2,175,933
	Accumulated losses	<u>(842,790)</u>	<u>(921,557)</u>
	<b>Total equity</b>	<b><u>1,333,029</u></b>	<b><u>1,254,376</u></b>

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

Centro Direct Property Fund  
Statement of changes in equity  
For the half-year ended 31 December 2010

Centro DPF Group	Notes	Units issued \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Balance at 1 July 2009</b>		2,176,113	(882,499)	1,293,614
Net loss for the half-year		-	(275)	(275)
<b>Total comprehensive loss for the half-year</b>		<u>-</u>	<u>(275)</u>	<u>(275)</u>
<b>Transactions with owners in their capacity as owners:</b>				
Hardship redemptions	4	(47)	-	(47)
Distributions provided for or paid	5	-	(30,905)	(30,905)
<b>Balance at 31 December 2009</b>		<u>2,176,066</u>	<u>(913,679)</u>	<u>1,262,387</u>
Centro DPF Group	Notes	Units issued \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Balance at 1 July 2010</b>		2,175,933	(921,556)	1,254,377
Net profit for the half-year		-	107,227	107,227
<b>Total comprehensive income for the half year</b>		<u>-</u>	<u>107,227</u>	<u>107,227</u>
<b>Transactions with owners in their capacity as owners:</b>				
Hardship redemptions	4	(114)	-	(114)
Distributions provided for or paid	5	-	(28,461)	(28,461)
<b>Balance at 31 December 2010</b>		<u>2,175,819</u>	<u>(842,790)</u>	<u>1,333,029</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 half-year ended 31 December 2010**

	<b>Centro DPF Group</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Cash receipts from operations	28,292	34,528
Cash payments to suppliers	(3,185)	(4,679)
Interest received	138	92
<b>Net cash inflow from operating activities</b>	<u>25,245</u>	<u>29,941</u>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of investments	3,124	-
Return of capital from investments	3,424	-
<b>Net cash inflow from investing activities</b>	<u>6,548</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Distributions paid	(28,461)	(30,905)
Payments for hardship redemptions	(114)	(47)
<b>Net cash outflow from financing activities</b>	<u>(28,575)</u>	<u>(30,952)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,218</b>	<b>(1,011)</b>
Cash and cash equivalents at the beginning of the half-year	<u>4,138</u>	<u>5,043</u>
<b>Cash and cash equivalents at the end of the half-year</b>	<u>7,356</u>	<u>4,032</u>

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

## **1 Summary of significant accounting policies**

### **(a) Basis of preparation of half-year financial report**

This general purpose financial report for the half-year reporting period ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all the notes normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the most recent annual report for the year ended 30 June 2010 and any public announcements made by the Group during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The significant accounting policies adopted in the preparation of the half-year financial report are consistent with those followed in the preparation of the annual report for the year ended 30 June 2010. When the presentation or classification of items in the financial report are amended comparative amounts are also reclassified unless it is impractical.

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

#### *Going concern*

The financial report has been prepared on a going concern basis.

## **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.

#### *Investment Property Values*

The global market for many types of real estate has been severely affected by the volatility in global financial markets in recent years. 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 reduced significantly.

The primary factor impacting unit values in the Group's underlying investments is property valuations. 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.

The fair value of investment property in the 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.

## **2 Significant accounting estimates and judgements (continued)**

### *Centro Retail Investment Trust Financial Guarantee*

Centro DPF Group has recognised an asset for a guarantee from Centro Property Trust ("CPT") supporting the Centro DPF Group's investment in Centro Retail Investment Trust. The value of the guarantee is material and is disclosed in note 3. The financial statements of CPT include a significant uncertainty in relation to CPT's going concern. Whilst the financial statements of CPT have been prepared on a going concern basis, CPT 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 CPT 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 half-year financial statements.

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

	<b>Centro DPF Group</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2010</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Centro Retail Investment Trust (a) - financial guarantee portion	77,403	91,688
Centro Retail Investment Trust (a) - portion excluding financial guarantee	107,673	83,992
Listed securities		
Australian listed securities	12,113	8,596
Unlisted securities		
Australasian property trusts	<u>1,126,637</u>	<u>1,063,800</u>
<b>Total financial assets</b>	<b><u>1,323,826</u></b>	<b><u>1,248,076</u></b>

The reconciliation below details the movements for the half-year:

	<b>Centro DPF Group</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2010</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance at 1 July	1,248,076	1,280,980
Disposals (sale and redemption) (b)	(3,286)	(115)
Return of capital from investments (c)	(3,424)	-
Fair value gain/(loss) on financial assets at fair value through profit or loss (Note 5)	<u>82,460</u>	<u>(32,789)</u>
<b>Closing balance at 31 December</b>	<b><u>1,323,826</u></b>	<b><u>1,248,076</u></b>

#### (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 31 December 2010, CRIT represented 13.80% (30 June 2010: 13.93%) 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.

During the reporting period, the Responsible Entity has reassessed the method for allocating value between the underlying CRIT investment and the financial guarantee. The revised methodology allocates value to the underlying CRIT investment based on the proportionate share of the Australian assets and liabilities of CER compared to the total assets and liabilities of CER. Previously, the value attributed to the underlying CRIT investment was based on the initial number of notional units issued to each investor in CRIT.

The total value of the CRIT investment has not changed and therefore there has been no impact on the Income Statement or Balance Sheet for either period.

**3 Non-current assets - Financial assets at fair value through profit or loss (continued)**

The comparative values have been restated in line with the revised methodology as follows:

	30 June 2010 Restated \$'000	30 June 2010 \$'000
Centro Retail Investment Trust (a) – financial guarantee portion	91,688	156,035
Centro Retail Investment Trust (a) - portion excluding financial guarantee	<u>83,992</u>	<u>19,645</u>
	<u>175,680</u>	<u>175,680</u>

**(b) Disposals (sale and redemption)**

On 16 August 2010, Centro DPF sold its investment in DNZ Property Trust for \$3.124 million and a loss of \$0.162 million.

**(c) Return of capital from investments**

On 15 December 2010 the Fund received a capital distribution of \$3.424 million from Centro MCS 8.

#### 4 Units issued

The reconciliation below details the movements for the half-year:

	<b>Centro DPF Group</b>	
	<b>31 December 2010 No. '000</b>	<b>31 December 2009 No. '000</b>
<b>Number of units</b>		
Opening balance at 1 July	1,626,353	1,626,580
Hardship redemptions	<u>(144)</u>	<u>(58)</u>
Closing balance at 31 December	<u><b>1,626,209</b></u>	<u><b>1,626,522</b></u>

The reconciliation below details the movements for the half-year:

	<b>Centro DPF Group</b>	
	<b>31 December 2010 \$'000</b>	<b>31 December 2009 \$'000</b>
Opening balance at 1 July	2,175,933	2,176,113
Hardship redemptions	<u>(114)</u>	<u>(47)</u>
Closing balance at 31 December	<u><b>2,175,819</b></u>	<u><b>2,176,066</b></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.

## 5 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.

	<b>Centro DPF Group</b>	
	<b>31 December</b>	31 December
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
<b>Net profit/(loss) for the half-year</b>	<b>107,227</b>	<b>(275)</b>
Adjusted for:		
Fair value (gain)/loss on financial assets at fair value through profit or loss	<b>(82,460)</b>	29,835
Centro PPF's share of fair value adjustments	<b>1,340</b>	<b>(465)</b>
Net fair value (gain)/loss on financial assets at fair value through profit or loss	<b>(81,120)</b>	29,370
Net movement on mark to market of derivatives	<b>(454)</b>	91
Loss on sale of investment	<b>162</b>	-
Distributable income	<b>25,815</b>	29,186
Repayment of unitholders funds	<b>2,646</b>	1,719
Distribution paid/payable	<b>28,461</b>	30,905

	<b>Centro DPF Group</b>	
	<b>31 December</b>	31 December
	<b>2010</b>	2009

#### (a) Basic

Distributable income attributable to unitholders used in calculating basic distributable income per unit (\$'000)	<b>25,815</b>	29,186
Weighted average number of units on issue for the half-year (being the weighted average number of units outstanding during the half-year) ('000)	<b>1,626,290</b>	1,626,547
<b>Basic distributable income per unit (cents)</b>	<b>1.59</b>	1.79

#### (b) Adjusted

Distributable income attributable to unitholders used in calculating adjusted distributable income per unit (\$'000)	<b>25,815</b>	29,186
Weighted average number of units on issue for the half-year (being the weighted average number of units outstanding during the half-year) ('000)	<b>1,626,290</b>	1,626,547
<b>Adjusted distributable income per unit (cents)</b>	<b>1.59</b>	1.79

## 6 Net tangible asset backing (NTA)

	<b>Centro DPF Group</b>	
	<b>31 December 2010</b>	<b>30 June 2010</b>
<b>Net assets attributable to unitholders (\$'000)</b>	<b>1,333,029</b>	<b>1,254,377</b>
<b>(a) Basic</b>		
<b>Number of units</b>		
Number of units outstanding at the end of the half-year used in calculating basic net tangible asset backing per unit ('000)	<b>1,626,209</b>	<b>1,626,353</b>
<b>Basic NTA (\$)</b>	<b>0.82</b>	<b>0.77</b>
<b>(b) Adjusted</b>		
Net assets attributable to unitholders of Centro Direct Property Fund used in calculating adjusted net tangible asset backing per unit (\$'000)	<b>1,333,029</b>	<b>1,254,377</b>
<b>Number of units</b>		
Number of units outstanding at the end of the half-year used in calculating basic net tangible asset backing per unit ('000)	<b>1,626,209</b>	<b>1,626,353</b>
<b>Adjusted NTA (\$)</b>	<b>0.82</b>	<b>0.77</b>

## 7 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 31 December 2010 net assets attributable to Centro PPF were \$6.206 million (30 June 2010: \$4.867 million). Centro PPF is an unregistered managed investment scheme.

## 8 Contingencies

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

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

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

b) 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 indirectly attributable to DPF.

South Australian (SA) Revenue has commenced investigations into the transfer of SA shopping centres into CAWF on its creation (potential exposure \$32.5m). As DPF owns 49.9% of CAWF an additional \$16.2m may be indirectly attributable to DPF. No assessment has been raised yet.

CAWF 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.

No amounts have been provided in the financial statements for these contingencies.

## **9 Events occurring after the reporting period**

### *Major Restructure Developments*

Centro Properties Group has entered into discussions with Centro Retail Trust, Centro Australia Wholesale Fund, Centro Direct Property Fund and certain Australian Centro MCS syndicates to aggregate assets into a listed fund (Amalgamated Fund).

Substantial further work is required to finalise and implement a restructure. At this stage, there can be no certainty that it will occur, in precisely what form or of the composition of the entities which will ultimately form part of the Amalgamated Fund.

There have been no adjustments made in the half-year financial report associated with such a restructure.

Other than disclosed above, no other matter or circumstance has arisen in the interval between 31 December 2010 and the date hereof that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the 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 DPF Group set out on pages 5 to 17 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 31 December 2010 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) 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.

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



W. Bowness  
Director

Melbourne  
10 March 2011



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## To the unitholders of Centro Direct Property Fund and Controlled Entities

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Centro Direct Property Fund and Controlled Entities (the 'Trust'), which comprises the balance sheet as at 31 December 2010, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the Trust and the entities it controlled at the half-year end or from time to time during the half-year.

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

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Centro Direct Property Fund and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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

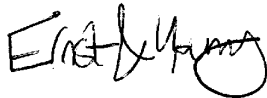
## Conclusion

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

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## Inherent Uncertainty Regarding Recoverability of Investment Value

Without qualifying the conclusion expressed above, attention is drawn to Note 2 in the half-year financial report which highlights Centro Direct Property Fund and Controlled Entities (the 'Trust') has recognised an asset for a guarantee from Centro Property Trust supporting the Trust's investment in Centro Retail Investment Trust. The value of the guarantee is material to the Trust's half-year financial report. The half-year financial report of Centro Property Trust includes a significant uncertainty in relation to Centro Property Trust's going concern. Whilst the half-year financial report of Centro Property Trust has been prepared on a going concern basis, Centro Property Trust is in a net liability position and 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 Centro Property Trust not continue as a going concern, a significant uncertainty exists in relation to the ability of the Trust to realise the value of the financial guarantee as stated in the half-year financial report.

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  
10 March 2011



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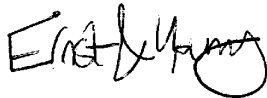
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D.J. Shewring  
Partner  
Melbourne  
10 March 2011