



Centro Direct Property Fund
Financial Report 2007



**Centro Direct Property Fund and
Centro Direct Property Fund and Controlled Entities
ARSN 099 728 971**

**Financial Reports
Year Ended 30 June 2007**

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
Brian Healey (Chairman)
Andrew Scott (Chief Executive Officer)
Graham Goldie
Sam Kavourakis
Peter Wilkinson
Jim Hall
Paul Cooper

Secretary of the Responsible Entity
Elizabeth Hourigan

Auditor
PricewaterhouseCoopers
2 Southbank Boulevard
Southbank, VIC 3006

Security Registry
Link Market Services Limited
Level 4, 333 Collins Street
Melbourne, VIC 3000

REPORT OF THE DIRECTORS OF THE RESPONSIBLE ENTITY
CENTRO MCS MANAGER LIMITED

The Directors of Centro MCS Manager Limited, the Responsible Entity, present this report on the Centro Direct Property Fund ("Centro DPF Parent") and Centro Direct Property Fund and Controlled Entities ("Centro DPF Consolidated") for the financial year ended 30 June 2007.

Responsible Entity

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

Directors

The name of each person who has been a director of Centro MCS Manager Limited, during the year and to the date of this report is:

B. Healey	A.T. Scott
P.G. Goldie	S. Kavourakis
L.P. Wilkinson	J. Hall
D.D.H. Graham (retired 20/10/06)	P. Cooper (appointed 1/10/06)

Secretary: Elizabeth Hourigan

Principal Activities

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

No significant change in the nature of these activities occurred during the financial year.

Review of Operations

Centro DPF Consolidated recorded a net profit attributable to unitholders before financing costs of \$207.124 million for the year ended 30 June 2007 (2006: \$86.687 million). Gross assets at year end amounted to \$2.440 billion (2006: \$734.041 million). During the year Centro DPF Consolidated recorded a distributable income of 6.44 cents per unit (2006: 9.85 cents per unit) as disclosed in note 17, page 27.

During the financial year Centro DPF Consolidated invested a total of \$1.563 billion in listed and unlisted property funds. The major acquisitions during the year were investments in Centro Australia Wholesale Fund, Centro Direct Property Fund International, Centro MCS 3, Centro Retail Trust, and the Centro Retail Investment Trust for a combined cost of \$1.474 billion. The investments acquired were funded through cash payment or Centro DPF issuing units and equity notes, in return for the investments in these entities.

REPORT OF THE DIRECTORS OF THE RESPONSIBLE ENTITY
CENTRO MCS MANAGER LIMITED

Distributions attributable to unitholders

Final distribution of 2.34 cents per unit has been declared for the quarter ended 30 June 2007. Distributions paid/payable to unitholders for the period totalled \$71.701 million. The distribution paid or to be paid since the start of the period are as follows:

Month	Cents per unit	Date paid
September 2006	2.21	31 October 2006
December 2006	2.34	31 January 2007
March 2007	2.34	30 April 2007
30 June 2007	2.34	31 July 2007
Total paid to investors	<u>9.23</u>	

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

	Cents per unit
Tax deferred component	9.23
Net distribution to Centro DPF unitholders	<u>9.23</u>

Significant Changes in the State of Affairs

No significant changes in Centro DPF Consolidated's state of affairs occurred during the year.

Matters Subsequent to the End of the Financial Year

No matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of Centro DPF Consolidated, the results of those operations, or the state of affairs of Centro DPF Consolidated in subsequent financial years.

Likely Developments and Expected Results of Operations

Information on likely developments in Centro DPF Consolidated's operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to Centro DPF Consolidated.

Environmental Regulation

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

Other Information

Centro DPF Consolidated issued units

During the year 563,007,000 units were issued (June 2006 – 220,442,000 units) and 71,332,000 units were redeemed during the year (June 2006 – 15,857,083). At 30 June 2007, total units on issue were 969,304,000 (June 2006 – 477,629,000 units).

REPORT OF THE DIRECTORS OF THE RESPONSIBLE ENTITY
CENTRO MCS MANAGER LIMITED

Key Statistics

The ex distribution price at 30 June 2007 was \$1.4821 (June 2006: \$1.3553).

The Management Expense Ratio ("MER") at 30 June 2007 was 0.76% (June 2006: 0.73%).

Fees paid to and interests held in Centro DPF Consolidated by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Centro DPF Consolidated during the year are disclosed in note 22(e) on page 35 of the financial statements.

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

The number of interests in Centro DPF Consolidated held by the Responsible Entity or its related entities as at the end of the financial year are disclosed in note 22(e) on page 36 of the financial statements.

Key Management Personnel Remuneration Report

No key management personnel are remunerated by the entity or entities under the control of Centro DPF.

Meeting of Directors

Centro MCS Manager Limited	Board Meetings Attended /Eligible to attend	Board Audit & Risk Management Committee Meetings Attended /Eligible to attend	Compliance Committee Meetings Attended /Eligible to attend	Remuneration Committee Meetings Attended /Eligible to attend	Board Sub-Committee Meetings Attended /Eligible to attend	Nomination Committee Meetings Attended /Eligible to attend
Number of meetings held	13	2	4	n/a	6	n/a
Number of meetings attended by:						
B. Healey	13/13	#	#	n/a	6/6	n/a
A.T. Scott	13/13	#	#	n/a	6/6	n/a
P. G. Goldie	13/13	#	4/4	n/a	#	n/a
D. D. H. Graham ##	3/4	#	#	n/a	#	n/a
P. Cooper ###	9/10	1/1	1/1	n/a	#	n/a
S. Kavourakis	13/13	2/2	2/2	n/a	1/1	n/a
L. P. Wilkinson	12/13	#	4/4	n/a	#	n/a
J. Hall	13/13	2/2	4/4	n/a	#	n/a

Not a member of the Committee.

Retired on 20/10/06

P. Cooper was appointed on 1/10/06

REPORT OF THE DIRECTORS OF THE RESPONSIBLE ENTITY
CENTRO MCS MANAGER LIMITED

Insurance of Directors and Officers

The Responsible Entity paid a premium to insure its Directors, Secretary and Executive 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 of the Responsible Entity. 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. The Officers of Centro MCS Manager Limited covered by the insurance policy include the Directors during the year; B. Healey, A. T. Scott, P.G. Goldie, S. Kavourakis, L. P. Wilkinson, J. Hall, P. Cooper, D. D. H. Graham, and the Secretary; E. Hourigan.

Rounding of Amounts

Centro DPF Consolidated is of the class specified in ASIC Class Order 98/100 and accordingly amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Auditors Independence Declaration

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

Signed in accordance with a resolution of the Board of Directors:



Director _____

Melbourne, 6 September 2007

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
Website: www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Auditor's Independence Declaration

As auditor for the audit of Centro Direct Property Fund for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Centro Direct Property Fund and the entities it controlled during the year.



Peter Fekete
Partner
PricewaterhouseCoopers

Melbourne
6 September 2007

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

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This financial report covers Centro Direct Property Fund ("Centro DPF Parent") and Cento Direct Property Fund and controlled entities ("Centro DPF Consolidated"). The financial report is presented in the Australian currency.

Centro DPF Parent is a unit trust domiciled in Australia. Its registered office and principal place of business is:

3rd floor, Centro The Glen Shopping Centre
235 Springvale Road
Glen Waverley
Victoria 3150

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations on pages 1-4 of the directors' report which is not part of this financial report.

The financial report was authorised for issue by the directors of the Responsible Entity on the 6 September 2007. The Responsible Entity has the power to amend and reissue the financial report.

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

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**BALANCE SHEETS
AS AT 30 JUNE 2007**

Parent			Notes	Consolidated	
30 Jun 06	30 Jun 07			30 Jun 07	30 Jun 06
\$'000	\$'000			\$'000	\$'000
		Current assets			
8,389	20,951	Cash and cash equivalents	18	20,951	8,389
14,979	51,180	Trade and other receivables	7	51,180	14,979
322	-	Derivative financial instruments	8	-	322
23,690	72,131	Total current assets		72,131	23,690
		Non-current assets			
702,731	2,359,463	Financial assets at fair value through profit and loss	9	2,368,019	710,351
702,731	2,359,463	Total non-current assets		2,368,019	710,351
726,421	2,431,594	Total assets		2,440,150	734,041
		Current liabilities			
5,431	47,609	Trade and other payables	10	47,609	5,431
-	308	Derivative financial instruments	8	308	-
797	14,168	Interest payable on equity notes	12	14,168	797
10,556	22,682	Provisions	11	22,682	10,556
16,784	84,767	Total current liabilities		84,767	16,784
		Non-current liabilities			
36,071	839,879	Interest bearing liabilities	13	839,879	36,071
3,848	2,565	Other payables	14	2,565	3,848
39,919	842,444	Total non-current liabilities		842,444	39,919
56,703	927,211	Total liabilities (excluding net assets attributable to unitholders)		927,211	56,703
-	-	Net assets attributable to minority interests (liability)	16	8,556	7,620
669,718	1,504,383	Net assets attributable to unitholders (liability)	15	1,504,383	669,718
726,421	2,431,594	Total liabilities		2,440,150	734,041
-	-	Net assets		-	-
-	-	Unitholders' funds		-	-

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

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007**

Parent			Consolidated	
30 Jun 06	30 Jun 07		30 Jun 07	30 Jun 06
\$'000	\$'000	Notes	\$'000	\$'000
349,002	-		-	349,002
(349,002)	-	Total equity at the beginning of the year	-	349,002
		Adjustment on adoption of AASB 132 and		
-	-	AASB 139, net of tax, to:	-	(349,002)
		- Contributed equity	-	-
-	-	- Reserves	-	-
		Restated total equity at the beginning		
-	-	of the year	-	-
-	-	Net income/expense recognised directly	-	-
		in equity		
		Net profit and reserve movements		
-	-	attributable to unitholders	-	-
-	-	Total recognised income and expense	-	-
		for the year		
-	-	Transactions with unitholders in their		
		capacity as unitholders:		
-	-	Distributions provided for or paid	-	-
-	-	Total equity at the end of the year	-	-
		Total recognised income and expense for		
		the year is attributable to:		
-	-	Unitholders of the parent entity	-	-
-	-		-	-

In accordance with *AASB132 Financial Instruments: Disclosure and Presentation*, unitholders' funds are classified as a liability effective.

Distributions paid/(payable) to unitholders during the period have been excluded from the above statements as they are deemed to be a finance cost due to the classification of unitholders funds as a liability.

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

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Parent			Notes	Consolidated	
30 Jun 06	30 Jun 07			30 Jun 07	30 Jun 06
\$'000	\$'000			\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
31,677	50,006	Cash receipts from operations		50,006	31,677
(6,261)	(6,355)	Cash payments from operations		(6,355)	(6,261)
1,843	1,199	Interest received		1,199	1,843
464	133	Commissions received		133	464
27,723	44,983	Net cash inflow from operating activities	18(b)	44,983	27,723
CASH FLOWS FROM INVESTING ACTIVITIES					
-	32,230	Receipts from disposal of investments		32,230	-
(113,171)	(115,920)	Payments for units in listed & unlisted property trusts		(115,920)	(113,171)
(113,171)	(83,690)	Net cash outflow from investing activities		(83,690)	(113,171)
CASH FLOWS FROM FINANCING ACTIVITIES					
135,140	235,816	Proceeds from issues of units		235,816	135,140
(20,542)	(102,720)	Payments for redemptions of units		(102,720)	(20,542)
(5,000)	-	Payments for redemptions of equity notes		-	(5,000)
(24,090)	(51,897)	Distributions paid to unitholders		(51,897)	(24,090)
(3,235)	(29,930)	Interest payable on borrowing costs		(29,930)	(3,235)
(565)	-	Establishment costs		-	(565)
81,708	51,269	Net cash inflow from financing activities		51,269	81,708
(3,740)	12,562	Net increase/(decrease) in cash and cash equivalents		12,562	(3,740)
12,129	8,389	Cash and cash equivalents at the beginning of the year		8,389	12,129
8,389	20,951	Cash and cash equivalents at the end of the year	18(a)	20,951	8,389

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

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. STATEMENT OF 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 separate financial statements for Centro Direct Property Fund as an individual entity and the consolidated entity consisting of Centro Direct Property Fund and its controlled entities ("Centro DPF Consolidated" or "Group").

(a) 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, Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Centro DPF Consolidated comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Disclosure and Presentation*.

Early adoption of standards

Centro DPF Consolidated has not chosen to early adopt any standards.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the consolidated entity (refer note 1(c)).

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS 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 3.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. STATEMENT OF ACCOUNTING POLICIES – Continued

(b) Principles of Consolidation

A controlled entity is any entity controlled by the Centro Direct Property Fund (Centro DPF). Control exists where Centro DPF has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Centro DPF to achieve the objectives of Centro DPF.

These consolidated financial statements incorporate the assets and liabilities of all controlled entities of Centro DPF as at 30 June 2007 and the results of all controlled entities for the year then ended.

Transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation.

Where control of an entity is obtained during a financial year, its results are included in the consolidated 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.

Minority interest in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(c) Acquisitions of Assets

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, units issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where units are issued in an acquisition, the value of the units is their price per the daily unit pricing model as at the date of exchange. Transaction costs arising on the issue of units are recognised in unitholders funds.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary 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.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. STATEMENT OF ACCOUNTING POLICIES – Continued

(d) Other Financial Assets

Investments predominately comprise interests in listed and unlisted property based managed investment schemes and listed property related vehicles.

The entity has classified its investments as financial assets at fair value through profit and loss. The entity uses this designation as the investments are managed and their performance evaluated on a fair value basis in accordance with the entity's documented risk management and investment strategy.

Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Investments at fair value through profit and loss are re-valued regularly to ensure the carrying amount of each investment is recorded at its fair value at the reporting date.

The fair value of units or interests in unlisted property managed investment schemes is determined by reference to the net asset backing of each scheme, as advised by the relevant responsible entity at each reporting period.

Units in listed property related vehicles are valued at the last quoted sale price as at close of business on the reporting date less an appropriate allowance for costs expected to be incurred in realising the investment.

The entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. When an asset is identified as being impaired the carrying value of the asset is adjusted accordingly.

(e) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Centro DPF Consolidated designates derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking various hedge transaction is documented. Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items are also documented.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 8. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months, it is classified as a current asset or liability when the remaining maturity of the hedge item is less than 12 months. Trading derivatives are classified as a current asset or liability.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. STATEMENT OF ACCOUNTING POLICIES – Continued

(e) Derivatives – continued

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in unitholders funds. The gains or losses relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in unitholders funds are transferred to the income statement in the years when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in unitholders funds is transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(f) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using valuation techniques. The fair value of interest-rate swaps are calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at balance sheet date.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. STATEMENT OF ACCOUNTING POLICIES – Continued

(g) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of Centro DPF Consolidated 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 functional currency and presentation currency of Centro DPF Consolidated.

(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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in unitholders' funds as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit and loss are reported as part of the fair value gain or loss.

(h) Revenue Recognition

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

Distribution revenue is recognised when the right to receive a distribution has been established.

Interest revenue is recognised on a proportional basis taking into account interest rates applicable to financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(i) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at fair value less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. STATEMENT OF ACCOUNTING POLICIES – Continued

(j) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Centro DPF Consolidated prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) 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.

(l) Rounding of Amounts

Centro DPF Consolidated is of a kind referred to in Class Order 98/0100, 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, unless otherwise stated.

(m) Borrowings

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

Borrowings are classified as current liabilities unless the trust has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(n) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are incurred for the construction of any qualifying asset capitalised during the period of time that it is required to complete and prepare the asset for its intended use.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity’s outstanding borrowings during the year.

(o) Net Assets Attributable to Unitholders (Issued Units)

Issued units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance sheet date if unitholders exercised their right to put the units back to the Fund. The Fund's redemption price should not materially differ to the proportionate fund net asset value as the valuation methods used in calculating the daily unit price (redemption price) are consistent with those applied in the financial statements.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. STATEMENT OF ACCOUNTING POLICIES – Continued

(p) Income Tax

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

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

(r) Distributions Per Unit

- (i) Basic distribution per unit is determined by dividing the distributable income before tax by the weighted average number of equivalent units outstanding during the period, adjusted for bonus elements in units issued during the year.
- (ii) Diluted distribution per unit adjusts the figures used in the determination of basic distribution per unit by taking into account amounts unpaid on units and equivalents and any reduction in distributions per unit that will arise as a result of conversion to, calling of or subscription for unit capital.

(s) 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.

Diluted 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 amounts unpaid on units.

(t) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current year.

(u) Distributions (finance costs)

Provision is made for the amount of any distribution declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at reporting date.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. STATEMENT OF ACCOUNTING POLICIES – Continued

(v) Segment Reporting

A business segment is defined for a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different to that of the business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those segments operating in other economic environments.

(w) New accounting standards and Australian Accounting Interpretations

Certain new accounting standards and Australian Accounting Interpretations have been published that are not mandatory for 30 June 2007 reporting periods. Centro DPF Consolidated's assessment of the impact of these new standards and interpretations is set out below.

- (i) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB1, AASB4, AASB 1023 & AASB 1038].

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. Centro DPF Consolidated has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statement, but will impact the type of information disclosed in relation to Centro DPF Consolidated's financial instruments.

2. FINANCIAL RISK MANAGEMENT

Centro DPF Consolidated's activities expose it to a variety of financial risks; market risk (including price risk), credit risk and liquidity risk. Centro DPF Consolidated's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Centro DPF Consolidated.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risks.

(a) Market Risk

(i) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

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

Forward contracts, transacted with Group Treasury, are used to manage foreign exchange risk. Group Treasury is responsible for managing exposures in the foreign currency by using external forward currency contracts.

Centro DPF Consolidated's risk management policy is to hedge 92% of anticipated transactions in NZ dollars.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

2. FINANCIAL RISK MANAGEMENT – Continued

(a) Market Risk - continued

(ii) Price Risk

Centro DPF Consolidated is exposed to equity securities price risk. This arises from investments held by Centro DPF Consolidated and classified on the balance sheet either as financial assets or at fair value through profit or loss. Centro DPF Consolidated ensures that it invests in only stable property based investments and listed blue chip entities in order to manage price risk. Centro DPF Consolidated is not exposed to commodity price risk.

(iii) Fair Value Interest Rate Risk

Centro DPF Consolidated is not exposed to such risk.

(b) Credit Risk

Centro DPF Consolidated has no significant concentrations of credit risk. Centro DPF Consolidated has policies in place to ensure that it only invests in reputable entities with appropriate credit histories. Cash transactions are limited to high credit quality financial institutions. Centro DPF Consolidated has policies that limit the amount of credit exposure to any one financial institution.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Cash Flow and Fair Value Interest Rate Risk

Centro DPF has issued equity notes to investors. The interest rate on these is equal to the distribution rate. For the purposes of unit pricing and determining distributable income equity notes are classified as unitholders' funds. Centro DPF holds no other significant interest-bearing assets or liabilities, therefore its income and operating cash flows are not materially exposed to changes in market interest rates.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Centro DPF Consolidated makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results, however there are no estimates or assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Parent			Consolidated	
30 Jun 06	30 Jun 07		30 Jun 07	30 Jun 06
\$'000	\$'000		\$'000	\$'000
4. <u>BORROWING COSTS</u>				
Borrowing costs expense:				
3,167	43,301	- Interest on equity notes	43,301	3,167
2	74	- Bank interest and charges	74	2
3,169	43,375		43,375	3,169
5. <u>RESPONSIBLE ENTITY'S FEES</u>				
Responsible entity's fees:				
2,968	8,521	- Manager's fees	8,521	2,968
3,764	8,883	- Performance fee paid to Manager	8,883	3,764
6,732	17,404		17,404	6,732
6. <u>EARNINGS DISTRIBUTION</u>				
35,023	71,701	Total Gross Distribution	71,701	35,023
Centro DPF cash distribution				
Of the total net cash distribution by Centro DPF 100% is tax deferred (2006: 42.92%).				
7. <u>TRADE AND OTHER RECEIVABLES (CURRENT)</u>				
8,626	38,055	Investment income receivable	38,055	8,626
87	271	Interest receivable	271	87
6,266	3,004	Amounts receivable from related parties	3,004	6,266
-	9,850	Return of Capital from Investments	9,850	-
14,979	51,180	Total current receivables	51,180	14,979
8. <u>DERIVATIVE FINANCIAL INSTRUMENTS (CURRENT)</u>				
322	(308)	Derivative Financial Instruments	(308)	322

Refer to note 20 for further disclosures.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Parent			Consolidated	
30 Jun 06	30 Jun 07		30 Jun 07	30 Jun 06
\$'000	\$'000		\$'000	\$'000
9. <u>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS</u>				
(a) Carrying amount				
702,731	2,359,463	Investments	2,368,019	710,351
<u>Reconciliation of the periods' movements in financial assets at fair value through profit and loss</u>				
385,107	702,731	Opening balance	710,351	388,684
333,621	1,563,150	Additions for the period (at cost)	1,563,150	340,504
(69,863)	(66,386)	Disposals for the period at fair value	(66,386)	(73,511)
53,866	169,818	Revaluation increment for the year	170,754	54,674
-	(9,850)	Return of capital from investments	(9,850)	-
<u>702,731</u>	<u>2,359,463</u>	Balance of investments carried forward	<u>2,368,019</u>	<u>710,351</u>

Centro DPF designates its investments in associates as financial assets at fair value through profit and loss at acquisition in accordance with AASB 128 *Investments in Associates* and AASB 132 *Financial Instruments: Disclosure and Presentation*. In accordance with the disclosure requirements in these standards, information relating to associates is disclosed in note 9(b).

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

**9. FINANCIAL ASSETS AT FAIR VALUE
THROUGH PROFIT AND LOSS -
Continued**

All associates were incorporated in and are domiciled in Australia. A list of these associates is included below:

(b) Investments in associates:

Name of associates	Principal activity	Ownership Interest 2007 %	Ownership Interest 2006 %
Centro MCS 2	Property Investment	27.10	17.26
Centro MCS 3	Property Investment	49.32	12.94
Centro MCS 5	Property Investment	21.92	9.03
Centro MCS 10 UT	Property Investment	28.38	26.08
Centro MCS 15 UT	Property Investment	23.95	23.48
Centro MCS 16	Property Investment	25.29	24.60
Centro MCS 16 UT	Property Investment	50.03 *	46.90
Centro MCS 18 UT	Property Investment	25.53	17.05
Centro MCS 19 NZ	Property Investment	32.46	30.49
Centro MCS 21 RHT	Property Investment	21.09	20.70
Centro MCS 21 RPT	Property Investment	47.91	47.72
Centro MCS 22 KPIT	Property Investment	21.93	20.29
Centro MCS 23 PIS	Property Investment	37.15	36.68
Centro MCS 23 PPS	Property Investment	24.86	24.14
Centro MCS 24 LMIT	Property Investment	49.47	49.21
Centro MCS 24 LMPT	Property Investment	22.90	21.43
Centro MCS 25	Property Investment	40.28	39.11
Centro MCS 26	Property Investment	31.92	31.50
Centro MCS 27 IT	Property Investment	56.22 *	49.90
Centro MCS 27 PT	Property Investment	32.80	33.20
Centro MCS 28	Property Investment	28.68	28.11
Centro MCS 33	Property Investment	38.27	37.86
Centro MCS 34	Property Investment	39.99	39.64
Woodlands	Property Investment	23.35	15.16
Centro MCS 37	Property Investment	47.21	-
Centro Australia Wholesale Fund	Property Investment	49.90	-
Centro Direct Property Fund International	Investment in unlisted property trusts and listed securities	38.92	36.82

* Due to each respective trust's structure of the underlying investments, Centro DPF does not have the capacity to dominate the decision-making in relation to the financial and operating policies of the trust so that the trust operates to achieve the objectives of Centro DPF.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

**9. FINANCIAL ASSETS AT FAIR VALUE
THROUGH PROFIT AND LOSS - Continued**

	30 Jun 07	30 Jun 06
<u>(c) Summarised financial information of associates:</u>	\$'000	\$'000
Current Assets	184,378	59,894
Non-current Assets	6,632,598	2,138,673
Total Assets	<u>6,816,976</u>	<u>2,198,567</u>
Current Liabilities	219,976	101,927
Non-current Liabilities	2,276,061	692,433
Total Liabilities*	<u>2,496,037</u>	<u>794,360</u>
Revenues	682,647	310,846
Expenses**	(172,766)	(88,497)
Net profit from ordinary activities	<u>509,881</u>	<u>222,349</u>

* Centro DPF's associates (with the exception of Centro Australia Wholesale Fund) are finite life trusts which classify their unitholders' funds as a liability. Total liabilities before net assets attributable to unitholders are shown above.

** Total expenses before finance costs (distributions paid).

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Parent			Consolidated	
30 Jun 06	30 Jun 07		30 Jun 07	30 Jun 06
\$'000	\$'000		\$'000	\$'000
10. <u>TRADE AND OTHER PAYABLES (CURRENT)</u>				
		Trade payables to		
5,431	46,203	- Related entities	46,203	5,431
-	1,406	- Others	1,406	-
5,431	47,609		47,609	5,431

Other Payables to Related Parties

Amounts payable to related entities includes a \$8.883 million performance fee payable to the Responsible Entity.

The performance fee is derived where the capital value of the Fund, as measured by the increase in the unit price from one year end to the next, increases by more than 6%. The fee is calculated at 10% of the increase above 6% multiplied by the gross asset value of the Fund.

This is calculated at the end of each year and paid in arrears in the form of additional units.

11. PROVISIONS (CURRENT)

10,556	22,682	Provision for distribution	22,682	10,556
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12. INTEREST PAYABLE (CURRENT)

797	14,168	Interest payable on equity notes	14,168	797
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The interest rate is the same as the distribution rate on Ordinary Units. For 2007 the distribution rate is 9.23 cents per unit (2006: 8.78 cents per unit).

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Parent			Consolidated	
30 Jun 06	30 Jun 07		30 Jun 07	30 Jun 06
\$'000	\$'000		\$'000	\$'000
13. <u>INTEREST BEARING LIABILITIES (NON-CURRENT)</u>				
Equity Notes				
40,138	36,071	Opening balance	36,071	40,138
-	833,522	Issued during the period	833,522	-
(4,067)	(29,714)	Redemptions during the period	(29,714)	(4,067)
36,071	839,879	Balance at end	839,879	36,071

Refer to note 20 for further information on equity notes.

As at 30 June 2007, there are 605,470,736 equity notes on issue.

14. OTHER PAYABLES (NON-CURRENT)

3,848	2,565	Deferred consideration payable	2,565	3,848
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The deferred consideration payable to Centro relates to the investment interests acquired on 1 April 2004. This will be paid over a five year period in five equal instalments commencing from July 2005. The payments are contingent on Centro maintaining a relevant interest in the Fund of at least 25% over the period.

The current portion of this obligation is included in the Current Payables as set out in Note 10 above.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Parent
30 Jun 06 30 Jun 07

Consolidated
30 Jun 07 30 Jun 06

**15. NET ASSETS ATTRIBUTABLE TO
UNITHOLDERS**

Movements in number of units and net assets attributable to unitholders during the year were as follows:

'000	'000	Number of partly paid units	'000	'000
40,138	36,071	Opening balance	36,071	40,138
-	590,474	Issued during the period	590,474	-
(4,067)	(21,074)	Redemptions during the period	(21,074)	(4,067)
<u>36,071</u>	<u>605,471</u>	Balance at end	<u>605,471</u>	<u>36,071</u>

During the financial year, 590.474 million units partly paid to 1 cent were issued and 21.074 million partly paid units were redeemed.

'000	'000	Number of fully paid units	'000	'000
273,044	477,629	Opening balance	477,629	273,044
220,442	563,007	Issued during the period	563,007	220,442
(15,857)	(71,332)	Redeemed during the period	(71,332)	(15,857)
<u>477,629</u>	<u>969,304</u>	Balance at end	<u>969,304</u>	<u>477,629</u>

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

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

\$'000	\$'000		\$'000	\$'000
349,002	669,718	Opening balance	669,718	349,002
289,668	801,962	Units issued during the year	801,962	289,668
(20,616)	(102,720)	Units redeemed during the year	(102,720)	(20,616)
51,664	135,423	Undistributed profits to unitholders	135,423	51,664
<u>669,718</u>	<u>1,504,383</u>	Balance at end	<u>1,504,383</u>	<u>669,718</u>

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Parent			Consolidated	
30 Jun 06	30 Jun 07		30 Jun 07	30 Jun 06
\$'000	\$'000		\$'000	\$'000
16. <u>MINORITY INTEREST</u>				
Interest in:				
-	-	Net assets attributable to minority interest	8,556	7,620
-	-		<u>8,556</u>	<u>7,620</u>
17. <u>DISTRIBUTABLE INCOME</u>				
Net profit from ordinary activities attributable to unitholders				
<u>86,687</u>	<u>207,124</u>		<u>207,124</u>	<u>86,687</u>
Adjusted for:				
(53,866)	(169,818)	Revaluation of financial assets at fair value through profit and loss	(170,755)	(54,674)
3,764	8,883	Performance fee	8,883	3,764
-	-	Minority interests share of fair value adjustment of financial assets or fair value through profit and loss	937	808
(322)	630	Fair value movement in financial instruments	630	(322)
<u>36,263</u>	<u>46,819</u>	Distributable income	<u>46,819</u>	<u>36,263</u>
(1,240)	-	Undistributed profits	-	(1,240)
-	24,882	Repayment of unitholders' funds	24,882	-
<u>35,023</u>	<u>71,701</u>	Distribution paid/payable	<u>71,701</u>	<u>35,023</u>
Basic				
Weighted average number of units on issue for the period (being the weighted average number of units outstanding during the year)				
368,246	727,293		727,293	368,246
<u>9.85</u>	<u>6.44</u>	Distribution per unit (cents)	<u>6.44</u>	<u>9.85</u>
Diluted				
Weighted average number of units on issue for the period (being the weighted average number of units outstanding during the year used in the calculation basic distributions per unit adjusted for amounts unpaid on units).				
404,528	1,097,872	Diluted distribution per unit treats equity notes as if they were issued units.	1,097,872	404,528
<u>9.75</u>	<u>8.21</u>	Distribution per unit (cents)	<u>8.21</u>	<u>9.75</u>

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Parent			Consolidated	
30 Jun 06	30 Jun 07		30 Jun 07	30 Jun 06
\$'000	\$'000		\$'000	\$'000
18. <u>CASH FLOW INFORMATION</u>				
(a) Reconciliation of cash and cash equivalents				
2,034	2,888	Cash at bank	2,888	2,034
6,355	18,063	Cash deposit account	18,063	6,355
8,389	20,951	Cash and cash equivalents	20,951	8,389
(b) Reconciliation of net operating profit to net cash inflow from operating activities				
86,687	207,124	Net profit from ordinary activities for the year	207,124	86,687
Add/(subtract) non-cash items:				
(53,866)	(169,818)	Fair value adjustment of assets at fair value through profit and loss	(170,755)	(54,674)
(322)	630	Fair value movement in financial instruments	630	(322)
(1,163)	-	Gain/(loss) on sale of associates	-	(1,163)
-	(18,777)	Distributions reinvested	(18,777)	-
3,167	43,301	Equity note interest expense	43,301	3,167
-	-	Minority interest non-distributable profit	937	808
34,503	62,460		62,460	34,503
(7,685)	(30,649)	Increase in assets: - Receivables	(30,649)	(7,809)
905	13,172	Increase in liabilities: - Payables	13,172	1,029
27,723	44,983	Net cash inflow from operating activities	44,983	27,723
(c) Non-cash investing and financing activities				
\$'000	\$'000		\$'000	\$'000
149,214	1,359,365	Acquisition of financial assets through in-specie transfer – refer to note 18(c)(i)	1,359,365	149,214
3,232	3,858	Payment of performance fee through issuance of units to Responsible Entity – refer to note 18(c)(ii)	3,858	3,232
5,274	18,777	Acquisition of additional units in financial assets through Distribution/Dividend Reinvestment Plan – refer to note 18(c)(iii)	18,777	5,274
6,248	7,679	Units issued to external investors through DPF Dividend Reinvestment Plan – refer to note 18(c)(iv)	7,679	6,248
163,968	1,389,679	Total Non-Cash investing and financing activities	1,389,679	163,968

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Parent
30 Jun 06 30 Jun 07

Consolidated
30 Jun 07 30 Jun 06

18. CASH FLOW INFORMATION - Continued

**(c) Non-cash investing and financing activities
– continued**

(i) During the financial year, the DPF issued units in exchange for investments in the following financial assets:

- Centro MCS 3
- Centro Australia Wholesale Fund
- Centro Retail Investment Trust

(ii) During the year, the DPF paid the financial year performance fee to the responsible entity. The payment of the fee was made through issuance of units in the DPF to the responsible entity.

(iii) During the year the DPF participated in the DPFI and CER distribution reinvestment plans. As a result, the distribution receivable was exchanged for an increase in the investment in these entities.

(iv) The DPF operates a distribution reinvestment plan (DRP), which allows unitholders to request to have their income distributions reinvested in the DPF and be issued with further Ordinary Units based on a unit price applicable when the distribution is paid. DRP units are issued at the withdrawal price on the distribution payment date.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Parent			Consolidated	
30 Jun 06	30 Jun 07		30 Jun 07	30 Jun 06
\$	\$		\$	\$
19. <u>NET TANGIBLE ASSET BACKING</u>				
1.40	1.55	Basic	1.55	1.40
'000	'000	Number of units	'000	'000
Number of units outstanding at the end of the year used in the calculation of basic net tangible asset backing per unit.				
477,629	969,304	The basic NTA stated above treats equity notes as a liability.	969,304	477,629
1.37	1.49	Diluted	1.49	1.37
'000	'000	Number of units	'000	'000
Number of units outstanding at the end of the year used in the calculation of diluted net tangible asset backing per unit.				
513,700	1,574,775	The diluted NTA treats equity notes as if they were issued units.	1,574,775	513,700

20. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

Centro DPF's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate on classes of financial assets and financial liabilities, is as follows:

\$'000	\$'000	(b) Financial Assets	\$'000	\$'000
Variable Interest Rate	Variable Interest Rate		Variable Interest Rate	Variable Interest Rate
8,389	20,951	Cash (i)	20,951	8,389

(i) The interest rate applicable to cash at bank and on hand at balance date was as follows for Centro DPF Consolidated:

- 5.75% for operations account (2006: 5.20%)
- 6.20% for cash deposit account (2006: 5.70%)

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Parent			Consolidated	
30 Jun 06	30 Jun 07		30 Jun 07	30 Jun 06
\$'000	\$'000		\$'000	\$'000
20. <u>FINANCIAL INSTRUMENTS – Continued</u>				
Variable Interest Rate	Variable Interest Rate	(c) Financial Liabilities	Variable Interest Rate	Variable Interest Rate
36,071	839,879	Equity Notes (i)	839,879	36,071

The interest rate is the same as the distribution rate on Ordinary units, 9.23% (2006: 8.78%).

Equity Notes comprise a partly paid ordinary unit (paid up to 1 cent) ('PPU') and an unsecured subordinated debt obligation ('DO') owed by the Fund to the holder (being Centro or entities it manages or controls).

Equity Notes are payable 10 years after issue. The Manager may choose to repay the DOs at an earlier date. The holder of the Equity Notes may choose to use the proceeds of repayment of the DO to pay up the PPUs.

(d) Net Fair Values

The net fair value of cash and cash equivalents and non interest bearing monetary financial assets and liabilities of Centro DPF approximates their carrying amounts. The net fair value of interest bearing liabilities at amortised cost approximates their carrying amount. The net fair value of other monetary financial assets and liabilities is based upon market prices where a market exists or is determined by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

20. FINANCIAL INSTRUMENTS – Continued

(e) Foreign exchange contracts – cash flow hedges

Centro DPF's exposure to fluctuations in foreign exchange is hedged through the use of forward exchange contracts to sell New Zealand dollars. The contracts are timed to mature when distributions from New Zealand investments are paid to cover the investment in New Zealand entities. The foreign exchange contracts are arranged with ANZ.

	BUY Australian Dollars 30 Jun 07 \$'000	Average Exchange rate 30 Jun 07 Cents
Less than 1 year	523,834	1.1454
1 – 2 years	523,834	1.1454
2 – 3 years	523,834	1.1454
3 – 4 years	392,875	1.1454

As these contracts are hedging anticipated future distributions and equity investments, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction provided the underlying transaction is still expected to occur as originally designated. Amounts receivable on open contracts are included in receivables.

(f) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the year end to recognised financial assets is the carrying amount as disclosed in the Balance Sheet and notes to the financial statements. Centro DPF does not have any material credit risk exposure to a single debtor or group of debtors under financial instruments entered into by Centro DPF.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

21. SEGMENT INFORMATION

Business Segment

Centro DPF Consolidated operates wholly within the retail property investment segment.

Geographical Segment

Centro DPF Consolidated invests in entities that hold property investments in various geographical locations. These include Australia, New Zealand and the United States of America.

Year end 2007	Segment revenues from external parties \$'000	Segment assets \$'000	Acquisitions of investments in segment assets \$'000	Disposals of investments in segment assets \$'000
Australia	268,321	2,426,484	1,562,866	76,236
New Zealand	3,577	12,986	83	-
United States of America	121	680	201	-
Total	272,019	2,440,150	1,563,150	76,236

Year end 2006	Segment revenues from external parties \$'000	Segment assets \$'000	Acquisitions of investments in segment assets \$'000	Disposals of investments in segment assets \$'000
Australia	98,145	723,548	313,029	-
New Zealand	455	10,086	5,180	-
United States of America	17	407	15,412	69,863
Total	98,617	734,041	333,621	69,863

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

22. RELATED PARTY DISCLOSURES

(a) Parent Entity

The parent entity within the Group is Centro Direct Property which is also the ultimate Australian parent entity.

(b) Associates

Refer to note 9 for listing of associates.

(c) Investments in controlled entities

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

Name of Entity	Country of Incorporation	Equity Holding
Centro Direct Property Holding Trust	Australia	100%
Centro DPF Holding Trust No. 3	Australia	100%
Centro DPF Sub Trust No. 1	Australia	100%
Centro DPF Sub Trust No. 2 (Roselands)	Australia	100%
Centro DPF Sub Trust No. 3	Australia	100%
Centro DPF Sub Trust No. 4	Australia	100%
Centro DPF Holding Trust No. 4	Australia	100%
CPT Investment Trust	Australia	95%
Centro Synd. #8 Holding Trust	Australia	95%
CIPS Fund Holding Trust	Australia	95%
Centro Prop Securities Holding Trust	Australia	95%
Centro Synd. #6 Holding Trust	Australia	95%
Roselands Investment Holding Trust	Australia	95%
Centro DPF CMCS32 Holding Trust	Australia	95%

(d) Key Management Personnel

The key management personnel of Centro MCS Manager Limited, the responsible entity for Centro DPF Consolidated, are/were:
B.Healey, A.T Scott, P. Cooper, P.G Goldie, S. Kavourakis, J. Hall, D. D. H. Graham, and L.P. Wilkinson.

No transactions occurred between the key management personnel and the entity during the year.

Key management personnel are paid by the Responsible Entity and its associates. Payments made from Centro DPF Consolidated do not include any amounts attributable to the compensation of key management personnel.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Parent			Consolidated	
30 Jun 06	30 Jun 07		30 Jun 07	30 Jun 06
\$	\$		\$	\$
22. <u>RELATED PARTY DISCLOSURES -</u>				
<u>Continued</u>				
(e) Information on Related Parties Transactions				
The following transactions occurred with related parties:				
Fees charged to the Responsible Entity:				
<i>Centro Properties Limited and related entities:</i>				
13,473,404	2,116,074	Distribution revenue	2,116,074	13,473,404
204,197	647,859	Management fee rebate	647,859	204,197
Fees charged by the Responsible Entity in accordance with the provisions of the Centro DPF Constitution for the period:				
2,967,681	8,520,695	Management fees	8,520,695	3,217,676
24,000	31,928	Accounting fees	31,928	24,000
-	72,781	Interest costs	72,781	-
160,883	569,739	Custodian fees	569,739	160,883
562,690	-	Establishment costs	-	562,690
1,282,500	1,282,500	Deferred consideration paid	1,282,500	1,282,500
3,167,020	23,573,798	Interest on equity notes	23,573,798	3,167,020
3,858,223	8,883,008	Performance fees	8,883,008	3,858,223
<i>MCS Property Services Pty Limited:</i>				
50,071	63,000	Legal and compliance fees	63,000	50,071
<i>MCS Capital:</i>				
76,998	271,721	Management fee	271,721	76,998
Other transactions:				
<i>Centro Properties Limited and related entities:</i>				
13,945,825	31,842,748	Distributions on ordinary units	31,842,748	13,945,825
-	5,902,561	Other amount payable*	5,902,561	-
-	27,028,549	Deferred consideration payable	27,028,549	-

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

Parent			Consolidated	
30 Jun 06	30 Jun 07		30 Jun 07	30 Jun 06
\$	\$		\$	\$
22. <u>RELATED PARTY DISCLOSURES -</u>				
<u>Continued</u>				
(e) Information on Related Parties				
Transactions - continued				
The following balances are outstanding at the reporting date in relation to transactions with related parties:				
36,070,853	255,683,288	Unsecured equity notes	255,683,288	36,070,853
-	5,902,561	Other amount payable*	5,902,561	-
3,608,637	11,037,861	Distributions payable on ordinary units	11,037,861	3,608,637
797,166	4,304,309	Interest payable on equity notes	4,304,309	797,166
3,858,224	8,883,008	Performance fee payable	8,883,008	3,858,224
5,130,000	30,876,049	Deferred consideration payable	30,876,049	5,130,000

* Represents distributions received/receivable from Centro Retail Investment Trust which are payable to Centro Properties Limited

Units held by the Responsible Entity or its related entities at the reporting date:

Fully paid ordinary units (Centro Properties Limited and related entities)	80,896,576	80,896,576
Fully paid ordinary units (Retail Co-Investment Trust)	25,300,405	25,300,405
Fully paid ordinary units (Centro Premium Fund No. 1)	29,346,799	-
Fully paid liquidity units (Centro Properties Limited and related entities)	390,806,871	82,390,173
Partly paid units (Centro Properties Limited and related entities)	183,944,812	36,070,853

(f) Terms and conditions

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

Outstanding balances are unsecured and are repayable in cash.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Parent				Consolidated	
30 Jun 06	30 Jun 07			30 Jun 07	30 Jun 06
\$	\$			\$	\$
23. <u>REMUNERATION OF AUDITORS</u>					
During the year the auditor of Centro DPF Consolidated earned the following remuneration:					
Audit Services					
Remuneration for audit or review of the financial reports of Centro DPF Consolidated:					
82,096	176,054	PricewaterhouseCoopers		176,054	82,096
Taxation Services					
Taxation Compliance					
12,705	6,000	PricewaterhouseCoopers		6,000	12,705

24. EVENTS OCCURRING AFTER REPORTING DATE

No matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of Centro DPF Consolidated, the results of those operations, or the state of affairs of Centro DPF Consolidated in subsequent financial years.

25. COMMITMENTS

Centro DPF Consolidated has no capital, lease or remuneration commitments in existence at the reporting date of this report which have not been recognised as liabilities.

26. CONTINGENT LIABILITY

Centro DPF Consolidated has no contingent liabilities as at the date of this report.

**CENTRO DIRECT PROPERTY FUND AND
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

**DECLARATION BY DIRECTORS OF THE RESPONSIBLE ENTITY
CENTRO MCS MANAGER LIMITED
TO THE UNITHOLDERS OF
CENTRO DIRECT PROPERTY FUND AND CONTROLLED ENTITIES**

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

1. The Financial Statements and notes of Centro Direct Property Fund ("Centro DPF") and Centro Direct Property Fund and Controlled Entities ("Centro DPF Consolidated") as set out on pages 7 to 37 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001*, their Constitutions, other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of Centro DPF and Centro DPF Consolidated's financial position as at 30 June 2007 and their performance for the financial year ended on that day.
2. In the Directors' opinion there are reasonable grounds to believe that Centro DPF 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 of the Responsible Entity.



Director: _____

Melbourne, 6 September 2007

Independent auditor's report to the members of Centro Direct Property Fund

Report on the financial report

We have audited the accompanying financial report of Centro Direct Property Fund, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Centro Direct Property Fund (the trust) and Centro Direct Property Fund and Controlled Entities (the consolidated entity). The consolidated entity comprises the trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Responsible Entity of the trust are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, 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 control 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 control. 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website
<http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Centro Direct Property Fund (the trust), for the financial year ended 30 June 2007 included on the trust's web site. The directors of the Responsible Entity of the trust are responsible for the integrity of the trust's web site. We have not been engaged to report on the integrity of the website. The audit report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risk arising from the electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the web site.

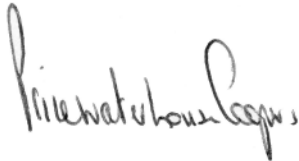
Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion on the financial report

In our opinion:

- (a) The financial report of Centro Direct Property Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the trust's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) The consolidated financial statements and notes also comply with International Financial reporting Standards as disclosed in Note 1.



PricewaterhouseCoopers



Peter Fekete
Partner

Melbourne
6 September 2007