CENTRO
DIRECT PROPERTY FUND

FINANCIAL REPORT 2011

Centro Direct Property Fund and Controlled Entities

ARSN 099 728 971

Responsible Entity
Centro MCS Manager Limited

ABN 69 051 908 984

Financial report
for the year ended 30 June 2011

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

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

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

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

The financial report was authorised for issue by the Directors of the Responsible Entity on 28 August 2011. The Responsible Entity has the power to amend and reissue the financial report.

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

Responsible Entity	Centro MCS Manager Limited A.B.N. 69 051 908 984 3rd Floor, Centro The Glen 235 Springvale Road Glen Waverley, VIC 3150 Telephone: (03) 8847 0000
Directors of the Responsible Entity	Peter Day (Chairman) William Bowness Anna Buduls (Appointed 15 November 2010) Paul Cooper Michael Humphris Fraser MacKenzie Jim Hall (Retired 15 November 2010)
Secretaries of the Responsible Entity	Elizabeth Hourigan Dimitri Kiriacoulacos Paul Flanigan
Auditor	Ernst & Young Ernst & Young Building 8 Exhibition Street Melbourne, VIC 3000
Security Registry	Link Market Services Limited Level 1, 333 Collins Street Melbourne, VIC 3000

Directors' report

The Directors of Centro MCS Manager Limited, the Responsible Entity, present their report on Centro Direct Property Fund ("Centro DPF" or "the Fund") and its controlled entities ("the Group" or "Centro DPF Group") for the year ended 30 June 2011.

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

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

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

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

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

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

Review of operations
Centro DPF Group

Centro DPF Group recorded a net profit after tax of $216.4 million for the year ended 30 June 2011 (2010: $18.7 million).

The movement in net profit for the year compared to the corresponding financial year is primarily due to favourable movements in the Net Asset Backing (NAB) of investment assets during the period, which have been driven by favourable underlying property valuations.

At 30 June 2011 Centro DPF Group total assets were $1,425.6 million (2010: $1,261.4 million).

The total assets of Centro DPF Group are higher than the corresponding financial year, primarily due to increases in the fair values of investments, driven by favourable underlying property valuations.

As at the date of this report, the Group remains suspended for applications and withdrawals, other than in respect of hardship redemptions.

Distributions attributable to unitholders
Distributions paid or payable to unitholders for the year totalled $53.2 million (2010: $57.7 million). Distributions paid or to be paid in respect of the current financial year are as follows:

Quarter	Cents per unit	Date paid
June 2010	0.82	10 August 2010
September 2010	0.93	10 November 2010
December 2010	0.78	10 February 2011
March 2011	0.74	10 May 2011
Total paid/payable to unitholders	3.27	

Distributions attributable to unitholders (continued)
Subsequent to the end of the year, a distribution payment of 0.50 cents per unit was declared by the Responsible Entity (RE) for the quarter ended 30 June 2011. This distribution was paid on 10 August 2011. As a result of this distribution payment being declared by the RE after 30 June 2011, no provision is included in the 30 June 2011 financial report for this distribution.

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

	Cents per unit
Taxable income	1.40
Foreign sourced income	0.02
Capital gains	0.07
Tax deferred component	1.37
Tax free component (CGT discount concession)	0.09
Net distribution per unit	2.95

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

(a) Signing of Implementation Agreement - restructuring milestone

On 9 August 2011, DPF entered into an agreement (“Implementation Agreement”) with Centro Properties Group (“CNP”), a majority of CNP’s senior lenders and certain CNP managed funds to create a new listed Australian retail property vehicle (“A-REIT”). This involves aggregating the assets of DPF with Centro Retail Trust (“CER”) and certain CNP managed funds, acquiring the funds and property management platform (“Services Business”) from CNP, and property and other assets from CNP and certain CNP managed funds (“Aggregation”).

A separate announcement on 29 June 2011, noted that the DPF expects to receive approximately $80 million cash proceeds from its investment in the DPFI following the sale of the assets into which DPFI invested to Blackstone Real Estate Partners VI, L.P (Blackstone). It is currently proposed that the DPF will return these proceeds to investors as a special capital distribution. Following this, the DPF will then comprise Australian investments only.

Subsequent to the receipt of proceeds from the DPFI investment, the DPF will then hold approximately 65% of its investments in CAWF and CER, which jointly own a portfolio of properties. The A-REIT will predominantly comprise 100% interest in these properties. The remaining 35% of DPF’s assets, largely comprised of investments in Centro MCS Syndicates, will all be contributed to the A-REIT by Centro DPF Holding Trust (“DPF Holding Trust”) a subsidiary of DPF. The effect of these entities contributing their assets to the A-REIT will be that 100% of the DPF’s investments will then comprise A-REIT securities.

The Aggregation is subject to numerous conditions precedent as outlined in note 20 that must be satisfied or waived in order for the Aggregation to be implemented.

If approved, DPF will initially have an interest equivalent to approximately 39% of the A-REIT stapled securities on issue.

The Aggregation will involve the stapling of the securities in each of Centro DPF Holding Trust, Centro Australian Wholesale Fund (“CAWF”) and CER (“Aggregation Funds”) to establish the A-REIT which will, subject to ASX approval, be listed on the Australian Securities Exchange.

The A-REIT will have:

- Significant platform size and scale, which is important to retaining relationships with key retailers and achieving the benefits of dealing with those retailers on a national scale;
- Simpler, transparent governance and internal management structure;
- Simplified debt structure with a sustainable level of gearing;
- An experienced and proven property management team which has effectively managed the portfolio during difficult market conditions and continued to achieve very strong property income growth over the past three years;
- The potential for strong long-term value enhancement through the strategic management of the property portfolio, including a significant development pipeline; and
- An established services business that will manage one of the largest unlisted retail property syndicate platforms in Australia.

Significant changes in the state of affairs (continued)
Aggregation will result in the DPF becoming a liquid fund and will enable the Responsible Entity (Centro MCS Manager) to offer all unitholders the opportunity to withdraw their investment from the Fund. DPF anticipates that Investors will be able to choose to withdraw their entitlement in the form of securities in the new listed A-REIT, or alternatively, request a cash exit which will be funded by the DPF Responsible Entity selling securities in A-REIT to provide cash to those investors.

The DPF's Responsible Entity ("RE") has focused on and considered a number of opportunities to liquidate some or all of the DPF's assets, mindful at all times of preserving as much value as possible. Following an in depth consideration of feasible options, the RE and the DPF Board has determined that participation in the Aggregation in respect of the DPF's Syndicate assets represents a superior outcome for unitholders, subject to the opinion of the Independent Expert.

(b) Other investment disposals and capital returns

In August 2010, Centro DPF sold its investment in DNZ Property Fund for $3.1 million, a loss of $0.2 million compared to the fair value of the investment at the date of sale.

Centro DPF received a capital distribution of $3.4 million from Centro MCS 8 in December 2010.

The Gordon Property Trust was wound up in April 2011. As a result Centro DPF received $2.0 million, a gain of $0.02 million compared to the fair value of the investment at the date of sale.

Matters subsequent to the end of the financial year

(a) Signing of Implementation Agreement - restructuring milestone

On 9 August 2011, DPF entered into an Implementation Agreement. Please refer to 'Significant changes in affairs' above for further information.

(b) Capital return

On 26 August 2011, Centro MCS Manager Limited, as Responsible Entity for the DPF, announced a capital distribution payment. The DPF will receive $79.4 million from the Centro Direct Property Fund International (DPFI) as a result of the pending wind-up of the DPFI. The DPF will make a capital distribution of 4.8820 cents per unit on 9 September 2011. The record date for this distribution will be 31 August 2011.

Except for the matters discussed above, no other matter or circumstance has arisen in the interval between 30 June 2011 and the date hereof.

Likely developments and expected results of operations
Information on the likely developments in the operations of Centro DPF Group, other than the major restructure update provided above, has not been included in the report because the Directors believe it would be likely to result in unreasonable prejudice to Centro DPF Group.

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

Other information
Centro DPF Group Issued Units

No units were issued in the current or previous financial year. 205,036 units were redeemed due to hardship claims during the year ended 30 June 2011 (2010: 226,494 units). At 30 June 2011, total units on issue were 1,626,148,310 (2010: 1,626,353,346 units).

Fees paid to and interests held in Centro DPF Group by the Responsible Entity or its related entities
Fees paid to the Responsible Entity and its related entities out of Centro DPF Group during the year are disclosed in note 16.

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

The interests in Centro DPF Group held by the Responsible Entity or its related entities as at the end of the year are disclosed in note 16.

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

Fees paid to the Responsible Entity during the year totalled $6.0 million (2010: $5.8 million).

Indemnification and Insurance of Directors and Officers

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

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

Proceedings on behalf of the Trust

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

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

Meetings of directors

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

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

Not a member of the relevant committee

All directors were eligible to attend all meetings held during the term of their appointment.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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

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

W. P .Day

Melbourne
28 August 2011

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

In relation to our audit of the financial report of Centro Direct Property Fund and Controlled Entities for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

D.J. Shewring
Partner
Melbourne
28 August 2011

	Notes	Centro DPF Group **30 June 2011 $'000**	30 June 2010 $'000
Revenue			
Revenue from investments		**53,990**	56,666
Interest revenue		**286**	197
Total revenue		**54,276**	56,863
Other income		**419**	396
Net fair value gain/(loss) on financial assets at fair value through profit or loss	12	**169,591**	(32,314)
Responsible Entity management fees		**(5,937)**	(5,727)
Other expenses		**(870)**	(368)
Net movement on mark to market of derivatives		**680**	(165)
Net loss on sale of investments		**(126)**	-
Estimated restructure and liquidation costs		**(1,600)**	-
Net profit before income tax expense		**216,433**	18,685
Income tax expense		**-**	-
Net profit for the year	12	**216,433**	18,685
Net profit for the year is attributable to:			
Unitholders of the Fund		**216,433**	18,685
		216,433	18,685

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

	Centro DPF Group	
	30 June 2011 $'000	30 June 2010 $'000
Net profit for the year	**216,433**	18,685
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**216,433**	18,685
Total comprehensive income for the year is attributable to:		
Unitholders of the Fund	**216,433**	18,685
	216,433	18,685

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

	Notes	Centro DPF Group **30 June 2011 $'000**	 30 June 2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4	**3,760**	4,138
Trade and other receivables	5	**13,696**	9,135
Derivative financial instruments	6	**-**	18
Financial assets at fair value through profit or loss	7	**1,408,158**	-
Total current assets		**1,425,614**	13,291
Non-current assets			
Financial assets at fair value through profit or loss	7	**-**	1,248,076
Total non-current assets		**-**	1,248,076
Total assets		**1,425,614**	1,261,367
LIABILITIES			
Current liabilities			
Trade and other payables	10	**2,514**	2,123
Net assets attributable to Centro PPF	17	**6,633**	-
Total current liabilities		**9,147**	2,123
Non-current liabilities			
Net assets attributable to Centro PPF	17	**-**	4,867
Total non-current liabilities		**-**	4,867
Total liabilities		**9,147**	6,990
Net assets		**1,416,467**	1,254,377
EQUITY			
Units issued	11	**2,174,769**	2,175,933
Accumulated losses		**(758,302)**	(921,556)
Total equity		**1,416,467**	1,254,377

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

Centro DPF Group	Notes	**Units issued $'000**	**Accumulated losses $'000**	**Total equity $'000**
Balance at 1 July 2009		**2,176,113**	**(882,499)**	**1,293,614**
Net profit for the year		-	18,685	18,685
Other comprehensive income/(loss)		-	-	-
Total comprehensive income for the year		**-**	**18,685**	**18,685**
Transactions with owners in their capacity as owners:				
Hardship redemptions	11	(180)	-	(180)
Distributions provided for or paid	12	-	(57,742)	(57,742)
Balance at 30 June 2010		**2,175,933**	**(921,556)**	**1,254,377**

Centro DPF Group	Notes	**Units issued $'000**	**Accumulated losses $'000**	**Total equity $'000**
Balance at 1 July 2010		**2,175,933**	**(921,556)**	**1,254,377**
Net profit for the year		-	216,433	216,433
Other comprehensive income/(loss)		-	-	-
Total comprehensive income for the year		**-**	**216,433**	**216,433**
Transactions with owners in their capacity as owners:				
Hardship redemptions	11	(164)	-	(164)
Distributions provided for or paid	12	-	(53,179)	(53,179)
Transfer from spread reserve	11	(1,000)	-	(1,000)
		(1,164)	(53,179)	(54,343)
Balance at 30 June 2011		**2,174,769**	**(758,302)**	**1,416,467**

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

	Notes	Centro DPF Group **30 June 2011 $'000**	 30 June 2010 $'000
Cash flows from operating activities			
Cash receipts from operations (inclusive of goods and services tax)		**49,849**	64,510
Cash payments to suppliers (inclusive of goods and services tax)		**(6,419)**	(7,802)
Interest received		**286**	194
Receipts from derivative settlements		**698**	-
Net cash inflow from operating activities	14	**44,414**	56,902
Cash flows from investing activities			
Proceeds from disposal of investments		**5,127**	115
Return of capital from investments		**3,424**	-
Net cash inflow from investing activities		**8,551**	115
Cash flows from financing activities			
Distributions paid		**(53,179)**	(57,742)
Payments for hardship redemptions		**(164)**	(180)
Net cash outflow from financing activities		**(53,343)**	(57,922)
Net decrease in cash and cash equivalents		**(378)**	(905)
Cash and cash equivalents at the beginning of the financial year	4	**4,138**	5,043
Cash and cash equivalents at the end of the financial year	4	**3,760**	4,138

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

1 Summary of significant accounting policies

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

(a) Statement of compliance with International Financial Reporting Standards

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

(b) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* as they apply on a liquidation basis.

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

Liquidation basis of preparation

On 9 August 2011, DPF entered into an agreement (“Implementation Agreement”) with Centro Properties Group (“CNP”), a majority of CNP’s senior lenders and certain CNP managed funds to create a new listed Australian retail property vehicle (“A-REIT”). This involves aggregating the assets of DPF with Centro Retail Trust (“CER”) and certain CNP managed funds, acquiring the funds and property management platform (“Services Business”) from CNP, and property and other assets from CNP and certain CNP managed funds (“Aggregation”).

Approximately 65% of DPF’s assets are invested into Centro Wholesale Fund (CAWF) and CER, with around 35% invested into Centro MCS domestic syndicates. The aggregation of the Australian assets into a new listed Amalgamated Fund will result in a large portion or all of the DPF’s investment assets being included in the A-REIT.

The Aggregation is subject to numerous conditions precedent as outlined in note 20 that must be satisfied or waived in order for the Aggregation to be implemented.

If Aggregation is successful, investors in the DPF will be offered the opportunity to withdraw their entitlement from the Fund, either via the entitlement of securities in the A-REIT, or alternatively, a cash exit.

If Aggregation does not take place, the Directors will continue to seek to liquidate the DPF’s underlying investments, either on market or through a vote to wind-up Centro MCS syndicates at the end of their respective terms.

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

These accounts have been prepared on a liquidation basis as the directors of the Responsible Entity intended to liquidate DPF in order to obtain liquidity for its investors.

Impact of adopting the liquidation basis of preparation on measurement, classification of assets and liabilities, and disclosures in the financial report

Under the liquidation basis of preparation, assets and liabilities are measured at their liquidation value. The liquidation value of assets is their net realisable value. Net realisable value is based on the proceeds receivable on disposal less restructure and liquidation costs as detailed in the accounting policies noted below. The liquidation value of liabilities is their expected settlement amount as detailed in the accounting policies noted below. Any gains or losses resulting from measuring assets and liabilities to the liquidation value are recognised in the income statement.

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

1 Summary of significant accounting policies (continued)

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

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

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

- AASB 7 *Financial Instruments: Disclosures*

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

- AASB 101 *Presentation of Financial Statements*

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

The accounting policies adopted are consistent with those of the previous financial year except for changes specified related to the adoption of the liquidation basis of preparation.

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

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

(c) Principles of consolidation

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

Controlled entities are those entities over which Centro Direct Property Fund has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Where control of an entity is obtained during a financial year, its results are included in Centro Direct Property Fund's income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

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

(d) Business combinations

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

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

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

1 Summary of significant accounting policies (continued)

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

(e) Revenue recognition

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

The Centro DPF Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Centro DPF Group's activities as described below.

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the revenue have been resolved. Centro DPF bases its estimates on historical results, taking into consideration the type of investment, the type of transaction and the specifics of each arrangement.

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

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

(f) Income tax

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

(g) Cash and cash equivalents

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

(h) Trade and other receivables

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

2010 - Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off when identified. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

(i) 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 at the end of each reporting period. 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.

A change in the fair value of any derivative instrument that does not qualify for hedge accounting is immediately recognised in the income statement. No derivative financial instruments have been designated into a hedging relationship and therefore all movements in fair value have been taken to the income statement.

1 Summary of significant accounting policies (continued)

(j) Financial assets

The Centro DPF Group has classified its investments, including investments in associates, as financial assets at fair value through profit or loss.

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

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

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

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

2010 - The fair value of units or interests in unlisted property managed investment schemes is determined by reference to the fair value of the scheme's net assets, as advised by the relevant responsible entity at each reporting period.

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

(k) Fair value estimation

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

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

2010 - The fair value of units or interests in unlisted property managed investment schemes is determined by reference to the fair value of the scheme's net assets, as advised by the relevant responsible entity at each reporting date. In some instances the responsible entity may provide two valuations for the scheme being Net Tangible Assets (NTA) and Net Asset Backing (NAB). Centro DPF Group carries all unlisted investments at the lower of NTA and NAB.

2011 and 2010 - Centro DPF Group's investment in Centro Retail Investment Trust (CRIT) is carried at CRIT's NTA value which represents the combination of underlying unit price of CER and the fair value of the guarantee from Centro which covers any shortfall between the unit price and NTA. Details of the CRIT investment and its carrying value can be found in note 7(a).

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

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

1 Summary of significant accounting policies (continued)

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

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

(l) Trade and other payables

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

2010 - These amounts represent liabilities for goods and services provided to Centro DPF Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are not discounted due to their short term nature.

(m) Units issued

Ordinary units are classified as equity.

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

(n) Net tangible asset backing per unit

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

(ii) Adjusted net tangible asset backing per unit
Adjusted net tangible asset backing per unit adjusts the figures used in the determination of basic net tangible asset backing per unit by taking into account the effects associated with any dilutive potential ordinary units.

(o) Foreign currency translation

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

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

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

1 Summary of significant accounting policies (continued)

(p) Distributable income per unit

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

(ii) Adjusted distributable income per unit
Adjusted distributable income per unit adjusts the figures used in the determination of basic distributable income per unit by including the dilutive impact of financial instruments which may be converted to ordinary units.

(q) Distributions

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

(r) Australian Accounting Standards issued but not yet effective

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

(s) Rounding of amounts

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars ($'000), or in certain cases, the nearest dollar.

2 Significant accounting estimates, judgements and assumptions

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

Liquidation value, liquidation expenses and restructure costs

Under the liquidation basis of accounting, assets and liabilities are measured at liquidation value. The liquidation value of assets and liabilities is the estimated value for which assets are realised and liabilities settled.

As the Group has made announcements and commenced activities associated with restructure and liquidation plans, the Centro DPF Group has estimated and provided the anticipated liquidation and restructure costs which mainly comprise professional fees for lawyers and advisors.

Investment Property Values
The Responsible Entity of DPF does not make any significant accounting estimates, judgements or assumptions regarding investment property values, however the primary factor impacting unit values in the Group's underlying investments is property valuations. Property valuations are determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets and availability of similar properties, vacancy rates, market rents and capitalisation and discount rates. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm’s length transaction. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

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.

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 ("CRIT"). The value of the guarantee is material to DPF and is disclosed in note 7.

In August 2011, DPF announced it had entered into an agreement with Centro Properties Group (CNP) and other entities controlled by CNP to aggregate the assets of the DPF with CER and other assets of the CNP Group (the Aggregation).

As part of the Aggregation, DPF will receive consideration equal to the net asset value of its investment in CER, thereby realising value for the CRIT guarantee.

If the Aggregation does not proceed, a significant uncertainty exists in relation to the DPF's ability to realise value for the CRIT guarantee as the financial statements of CPT for the year ended 30 June 2011 have also been prepared on a liquidation basis.

3 Parent entity financial information

(a) Parent entity

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

(b) Financial information

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

	Centro DPF	
	30 June 2011 $'000	30 June 2010 $'000
Income statement information		
Net profit attributable to members of Centro Direct Property Fund	**216,433**	18,685
Comprehensive income information		
Total comprehensive income attributable to members of Centro Direct Property Fund	**216,433**	18,685
Balance sheet		
Current assets	**1,418,981**	13,291
Non-current assets	**-**	1,243,209
Total assets	**1,418,981**	1,256,500
Current liabilities	**2,514**	2,123
Total liabilities	**2,514**	2,123
Equity attributable to unitholders of Centro Direct Property Fund		
Units issued	**2,174,769**	2,175,933
Accumulated losses	**(758,302)**	(921,556)
	1,416,467	1,254,377

(c) Guarantees

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

(d) Contingent liabilities

Centro DPF has the same contingent liabilities as those outlined in Note 19. The same contingent liabilities existed at 30 June 2010.

(e) Contractual commitments

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

4 Current assets - Cash and cash equivalents

	Centro DPF Group	
	30 June 2011 $'000	30 June 2010 $'000
Cash at bank and on hand	**256**	3,460
Cash deposit account	**3,504**	678
	3,760	4,138

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

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

	Centro DPF Group	
	30 June 2011 $'000	30 June 2010 $'000
Balances as above	**3,760**	4,138
Balances per statement of cash flows	**3,760**	4,138

5 Current assets - Trade and other receivables

	Centro DPF Group	
	30 June 2011 $'000	30 June 2010 $'000
Investment revenue receivable	**13,074**	8,499
Interest receivable	**13**	13
Other related party receivables	**609**	623
Total trade and other receivables	**13,696**	9,135

6 Derivative financial instruments

	Centro DPF Group	
	30 June 2011 $'000	30 June 2010 $'000
Current assets		
Forward foreign exchange contracts	**-**	18
Total current derivative financial instrument assets	**-**	18

(i) Forward foreign exchange contracts

Centro DPF Group had a derivative to which CPT Manager Limited as the Responsible Entity of Centro Property Trust was the counter party. This was closed out on 16 March 2011 following the sale of Centro DPF Group's investment in DNZ Property Fund.

7 Financial assets at fair value through profit or loss

	Centro DPF Group	
	30 June 2011 $'000	30 June 2010 $'000
Current		
Centro Retail Investment Trust (a) - financial guarantee portion	**48,686**	-
Centro Retail Investment Trust (a) - portion excluding financial guarantee	**151,256**	-
Listed securities		
Australian listed securities	**15,450**	-
Unlisted securities		
Australasian property trusts	**1,195,366**	-
Estimated restructure and liquidation costs	**(2,600)**	-
Total financial assets	**1,408,158**	-
Non-current		
Centro Retail Investment Trust (a) - financial guarantee portion	**-**	91,688
Centro Retail Investment Trust (a) - portion excluding financial guarantee	**-**	83,992
Listed securities		
Australian listed securities	**-**	8,596
Unlisted securities		
Australasian property trusts	**-**	1,063,800
Total financial assets	**-**	1,248,076

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

The reconciliation below details the movements for the year:

	Centro DPF Group	
	30 June 2011 $'000	30 June 2010 $'000
Opening balance at 1 July	**1,248,076**	1,280,980
Disposals (sale and redemption) (b)	**(5,252)**	(115)
Return of capital from investments (c)	**(3,424)**	-
Fair value gain/(loss) on financial assets at fair value through profit or loss (Note 12)	**171,358**	(32,789)
Estimated restructure and liquidation costs	**(2,600)**	-
Closing balance at 30 June	**1,408,158**	1,248,076

(a) CRIT Investment and associated Financial Guarantee

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.

In August 2011, DPF announced it had entered into an agreement with Centro Properties Group (CNP) and other entities controlled by CNP to aggregate the assets of the DPF with CER and other assets of the CNP Group (the Aggregation).

As part of the Aggregation, DPF will receive consideration equal to the net asset value of its investment in CER, thereby realising value for the CRIT guarantee. If the Aggregation does not proceed, a significant uncertainty exists in relation to the DPF's ability to realise value for the CRIT guarantee as the financial statements of CPT for the year ended 30 June 2011 have been prepared on a liquidation basis.

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

The total CRIT investment in the balance sheet is made up of two components – the base component values the CRIT investment at the market value at balance sheet date; and the financial guarantee component represents the difference between market value and the total value of the investment valued on a net tangible asset basis.

As reported at 31 December 2010, the Responsible Entity has reassessed the method for allocating value between these two components. The revised methodology allocates value to the base component based on the DPF's proportionate share of the Australian assets and liabilities of CER compared to the total assets and liabilities of CER, valued on a NTA basis. Previously, the value attributed to the base component was based on the initial number of notional units issued to each of DPF and Direct Property Fund International in 2007. This methodology has resulted in an increase in the value of the base component and a reduction in the financial guarantee component, with no net change to the total carrying value of the investment.

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

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 - financial guarantee portion	91,688	156,035
Centro Retail Investment Trust - portion excluding financial guarantee	83,992	19,645
	175,680	175,680

(b) Disposals (sale and redemption)

In August 2010, Centro DPF sold its investment in DNZ Property Fund for $3.1 million, a loss of $0.2 million compared to the fair value of the investment at the date of sale.

The Gordon Property Trust wound up in April 2011, as a result Centro DPF received $2.0 million, a gain of $0.02 million compared to the fair value of the investment at the date of sale.

(c) Return of capital from investments

On 15 December 2010 the Fund received a capital distribution of $3.4 million from Centro MCS 8.

8 Investments in associates

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

Name of entity	Principal activity	Ownership interest	
		30 June 2011 %	30 June 2010 %
Unlisted			
Centro MCS 3	Property Investment	**49.32**	49.32
Centro MCS 4	Property Investment	**34.48**	34.48
Centro MCS 5	Property Investment	**22.93**	22.93
Centro MCS 5 Koja	Property Investment	**28.79**	28.79
Centro MCS 10 UT	Property Investment	**29.91**	29.91
Centro MCS 12	Property Investment	**20.29**	10.76
Centro MCS 14	Property Investment	**23.40**	23.40
Centro MCS 14 UT	Property Investment	**26.63**	26.63
Centro MCS 15 UT	Property Investment	**24.56**	24.56
Centro MCS 16	Property Investment	**25.43**	25.43
Centro MCS 16 UT *	Property Investment	**50.03**	50.03
Centro MCS 18 UT	Property Investment	**27.74**	27.74
Centro MCS 19 NZ	Property Investment	**33.12**	33.12
Centro MCS 21 RHT	Property Investment	**21.54**	21.54
Centro MCS 21 RPT	Property Investment	**47.94**	47.94
Centro MCS 22 KPIT	Property Investment	**20.29**	21.19
Centro MCS 23 PIS	Property Investment	**38.53**	38.53
Centro MCS 23 PPS	Property Investment	**23.61**	23.61
Centro MCS 24 LMIT	Property Investment	**-**	49.47
Centro MCS 24 LMPT	Property Investment	**-**	24.18
Centro MCS 25	Property Investment	**49.81**	49.81
Centro MCS 26	Property Investment	**32.39**	32.39
Centro MCS 27 IT *	Property Investment	**56.22**	56.22
Centro MCS 27 PT	Property Investment	**32.86**	32.86
Centro MCS 28	Property Investment	**28.87**	28.87
Centro MCS 33	Property Investment	**38.31**	38.31
Centro MCS 34	Property Investment	**40.11**	40.11
Centro MCS 37	Property Investment	**47.23**	47.23
Centro Australia Wholesale Fund	Property Investment	**49.90**	49.90
Centro Direct Property Fund International	Property Investment	**27.48**	27.48
Centro Retail Investment Trust	Property Investment	**23.39**	23.39

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

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

9 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding 2011 %	Equity holding 2010 %
Centro DPF Holding Trust	Australia	Ordinary	**100.00**	100.00
CIPS Fund Holding Trust	Australia	Ordinary	**95.00**	95.00
CPT Investment Trust	Australia	Ordinary	**95.00**	95.00
Centro DPF Holding Trust 3	Australia	Ordinary	**100.00**	100.00
Centro DPF Holding Trust 4	Australia	Ordinary	**100.00**	100.00
Centro Syndicate No. 8 Holding Trust	Australia	Ordinary	**95.00**	95.00

10 Current liabilities - Trade and other payables

	Centro DPF Group 30 June 2011 $'000	Centro DPF Group 30 June 2010 $'000
Trade payables	**401**	316
Related party payables	**2,113**	1,807
Total trade and other payables	**2,514**	2,123

11 Units issued

The reconciliation below details the movements for the year:

	Centro DPF Group	
	30 June 2011 No. '000	30 June 2010 No. '000
Number of units		
Opening balance at 1 July	**1,626,353**	1,626,580
Hardship redemptions	**(205)**	(227)
Closing balance at 30 June	**1,626,148**	1,626,353

The reconciliation below details the movements in the value of units issued for the year:

	Centro DPF Group	
	30 June 2011 $'000	30 June 2010 $'000
Opening balance at 1 July	**2,175,933**	2,176,113
Hardship redemptions	**(164)**	(180)
Transfer from spread reserve (a)	**(1,000)**	-
Closing balance at 30 June	**2,174,769**	2,175,933

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.

(a) Spread reserve

The spread reserve resulted from the difference between the Application price and Withdrawal price on any given day when the Fund was accepting applications, and is used to bear the transaction costs resulting from new investments or withdrawals. The RE of the Fund has used its discretion and has drawn on this reserve during the financial year to fund the restructure and liquidation expenses.

12 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.

12 Distributable income (continued)

	Centro DPF Group	
	30 June 2011 $'000	30 June 2010 $'000
Net profit for the year	**216,433**	18,685
Adjusted for:		
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(171,358)**	32,789
Centro PPF's share of fair value adjustments	**1,767**	(475)
Net fair value (gain)/loss on financial assets at fair value through profit or loss	**(169,591)**	32,314
Net movement on mark to market of derivatives	**(680)**	165
Loss on sale of investments	**126**	-
Estimated restructure and liquidation costs	**1,600**	-
Distributable income	**47,888**	51,164
Repayment of unitholders funds	**5,291**	6,578
Distribution paid/payable	**53,179**	57,742

	Centro DPF Group	
	30 June 2011	30 June 2010
(a) Basic		
Distributable income attributable to unitholders used in calculating basic distributable income per unit ($'000)	**47,888**	51,164
Weighted average number of units on issue for the year (being the weighted average number of units outstanding during the year) ('000)	**1,626,239**	1,626,489
Basic distributable income per unit (cents)	**2.94**	3.15
(b) Adjusted		
Distributable income attributable to unitholders used in calculating adjusted distributable income per unit ($'000)	**47,888**	51,164
Weighted average number of units on issue for the year (being the weighted average number of units outstanding during the year) ('000)	**1,626,239**	1,626,489
Adjusted distributable income per unit (cents)	**2.94**	3.15

13 Net tangible asset backing (NTA)

	Centro DPF Group	
	30 June 2011	30 June 2010
Net assets attributable to unitholders ($'000)	**1,416,467**	1,254,377
(a) Basic		
Number of units		
Number of units outstanding at the end of the year used in calculating basic net tangible asset backing per unit ('000)	**1,626,148**	1,626,353
Basic NTA ($)	**0.87**	0.77
(b) Adjusted		
Net assets attributable to unitholders used in calculating adjusted net tangible assets backing per unit ($'000)	**1,416,467**	1,254,377
Number of units		
Number of units outstanding at the end of the year used in calculating basic net tangible asset backing per unit ('000)	**1,626,148**	1,626,353
Adjusted NTA ($)	**0.87**	0.77

14 Cash flow information

	Centro DPF Group	
	30 June 2011 $'000	30 June 2010 $'000
Net profit for the year	**216,433**	18,685
Net movement on mark to market of derivatives	**18**	165
Centro PPF's share of fair value adjustments	**1,767**	(475)
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(171,358)**	32,789
Loss on sale of investments	**126**	-
Estimated restructure and liquidation costs	**1,600**	-
Decrease/(increase) in assets		
Trade and other receivables	**(4,560)**	7,445
Increase/(decrease) in liabilities		
Trade and other payables	**388**	(1,707)
Net cash inflow/(outflow) from operating activities	**44,414**	56,902

15 Remuneration of auditors

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

	Centro DPF Group	
	30 June 2011 **$**	30 June 2010 $
(a) Audit services		
Ernst & Young Australian Firm		
Audit and review of financial reports under the *Corporations Act 2001*	**84,334**	60,484

16 Related party transactions

(a) Parent entities

The parent entity within the Group is Centro Direct Property Fund. Centro Direct Property Fund is controlled by Centro Property Trust, which is controlled by the ultimate Australian parent entity, Centro Properties Limited, who together with its related parties control 56.12% (2010: 56.12%) of the voting power of Centro Direct Property Fund.

(b) Associates

Interests in associates are set out in note 8.

(c) Subsidiaries

Interests in subsidiaries are set out in note 9.

(d) Key Management Personnel

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

Fees paid to the Responsible Entity during the year totalled $5,970,878 (2010: $5,757,948).

(e) Transactions with related parties

	Centro DPF Group	
	30 June 2011 **$**	30 June 2010 $
Fees charged by the Responsible Entity in accordance with the provisions of the Centro DPF Group for the period:		
Centro MCS Manager Limited		
Responsible Entity management fees (net of rebates)	**5,937,053**	5,726,948
Accounting fees	**33,825**	31,000
	5,970,878	5,757,948
Other related parties		
Legal and compliance fees	**89,175**	61,440

16 Related party transactions (continued)

	Centro DPF Group	
	30 June 2011 $	30 June 2010 $
Other transactions		
Distributions received from:		
Associates	**49,556,001**	50,889,665
Other related parties	**3,763,661**	4,736,589
	53,319,662	55,626,254
Other income received from:		
Centro MCS Manager Limited	**345,180**	349,757
Centro Property Trust - parent	**213,784**	211,266
	558,964	561,023
Distributions paid on ordinary units to:		
Centro Property Trust - parent	**28,535,494**	30,978,491
Other related parties	**2,614,287**	2,838,103
	31,149,781	33,816,594

(f) Outstanding balances

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

	Centro DPF Group	
	30 June 2011 $	30 June 2010 $
Distributions receivable from:		
Associates	**11,968,954**	7,012,951
Other related parties	**948,547**	1,236,415
	12,917,501	8,249,366
Other receivables from:		
Centro MCS Manager Limited	**504,057**	518,308
Other related parties	**104,496**	104,527
	608,553	622,835
Payables to:		
Centro MCS Manager Limited	**1,882,761**	1,785,507
Other related parties	**231,155**	21,694
	2,113,916	1,807,201

The Responsible Entity or its related entities held 912,618,877 ordinary units in Centro DPF as at the end of the financial year (2010: 912,618,877).

(g) Terms and conditions

Outstanding balances are unsecured and are repayable in cash.

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

17 Net assets attributable to Centro PPF

Net assets attributable to Centro Pooled Property Fund ("Centro PPF") relates to Centro PPF's ownership interest in investments jointly held by Centro DPF and Centro PPF in uncontrolled investment trusts. At 30 June 2011 net assets attributable to Centro PPF were $6.6 million (30 June 2010: $4.9 million). Centro PPF is an unregistered managed investment scheme.

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

18 Commitments

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

19 Contingencies

DPF holds a 49.9% investment in the Centro Australia Wholesale Fund (CAWF). The Victorian State Revenue Office (SRO) assessed CAWF in 2009 in relation to its acquisition of Victorian property interests on the establishment of the fund and is subject to investigation in relation to its interest in the Centro Karingal/Starzone centre. The assessed amount, including penalties and interest, is approximately $33.3 million. South Australian (SA) Revenue is also currently investigating CAWF in relation to its acquisition of South Australian property interests on establishment.

Separately, the SRO assessed DPF (jointly with CAWF) in 2010 in relation to the acquisition of units by DPF in CAWF on the basis that CAWF was not an eligible wholesale trust at the time of the acquisition. The assessed amount (including penalties and interest) is approximately $18.7 million.

Objections have been lodged against both of these assessments and arrangements have been made with the SRO to stay payment of the duty (subject to certain conditions) until such time as the matters are ultimately determined. Management and its stamp duty advisors consider that no stamp duty is payable on these matters. No amount has been provided for in respect of these assessments.

20 Events occurring after the reporting period

(a) Signing of Implementation Agreement - restructuring milestone

On 9 August 2011, DPF entered into an agreement ("Implementation Agreement") with Centro Properties Group ("CNP"), a majority of CNP's senior lenders and certain CNP managed funds to create a new listed Australian retail property vehicle ("A-REIT"). This involves aggregating the assets of DPF and certain CNP managed funds, acquiring the funds and property management platform ("Services Business") from CNP, and acquiring property and other assets from CNP and certain CNP managed funds ("Aggregation").

The Aggregation will involve the stapling of the securities in each of DPF Holding Trust, CAWF and CER ("Aggregation Funds") to establish the A-REIT which will, subject to ASX approval, be listed on the Australian Securities Exchange.

The Aggregation is subject to numerous conditions precedent that must be satisfied or waived in order for the Aggregation to be implemented. These include:

- Approvals by each of the DPF Holding Trust Unitholders, CER securityholders, CAWF Unitholders, various stakeholders of CNP, the Court, ASIC, ASX and FIRB;
- Execution of various deeds and agreements, including the CNP sale agreements and the conditions precedent to those agreements being satisfied or waived, third party consents and consent of the New RE being obtained;
- Approval by the Court of the Debt Cancellation and the satisfaction or waiver of the conditions precedent to the Debt Cancellation;
- Independent Expert Reports being received which conclude that the Aggregation is in the best interests of each of DPF, CER and CAWF securityholders and that the acquisition of the CNP Services Business (and other property and fund assets) is fair and reasonable to CER securityholders (other than CNP);
- ASX approval of the listing of DPF Holding Trust and CAWF as a step to Aggregation;
- No "Prescribed Occurrences" arising (e.g. capital raising, disposal of material assets, altering material contractual arrangements) and no restraints preventing the Aggregation;
- Acceptable refinancing terms for the existing secured debt of CAWF, CER, Centro Syndicate Investment Fund ("CSIF") and the Syndicates being negotiated and the relevant agreements entered into; and
- Any other necessary third party consents to the Aggregation being obtained.

DPF unitholders will receive an Explanatory Memorandum detailing the terms of the Aggregation and containing Notices of Meetings setting out the various resolutions required to effect Aggregation. It is anticipated that these documents will be mailed to DPF unitholders in September 2011, with the relevant meetings expected to be held in October 2011.

As a result of entering into the Implementation Agreement DPF's investments formally held in CAWF, CRIT & the Centro MCS Syndicates will be recognised at the prevailing market price of A-REIT, rather than NAB or NTA.

For further details readers should refer to the announcement of 9 August 2011 which was lodged with the ASX or can be found at www.centro.com.au. The announcement includes the signed Implementation Agreement.

(b) Capital return

On 26 August 2011, Centro MCS Manager Limited, as Responsible Entity for the DPF, announced a capital distribution payment. The DPF will receive $79.4 million from the Centro Direct Property Fund International (DPFI) as a result of the pending wind-up of the DPFI. The DPF will make a capital distribution of 4.8820 cents per unit on 9 September 2011. The record date for this distribution will be 31 August 2011.

Except for the matters discussed above, no other matter or circumstance has arisen in the interval between 30 June 2011 and the date hereof.

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

(a) the financial statements and notes of Centro DPF Group set out on pages 8 to 32 are in accordance with the *Corporations Act 2001,* including:

   (i) complying with Accounting Standards as they apply on a liquidation basis, the *Corporations Regulations 2001,* its Constitution and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of Centro DPF Group's financial position as at 30 June 2011 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date; and

(b) There are reasonable grounds to believe that Centro DPF Group will be able to pay its debts as and when they become due and payable; and

(c) The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as they apply on a liquidation basis.

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

W. P. Day

Melbourne
28 August 2011

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

Report on the financial report

We have audited the accompanying financial report of Centro Direct Property Fund and Controlled Entities (the 'Trust'), which comprises the consolidated balance sheet as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Trust and the entities it controlled at the year's end or from time to time during the financial year. The financial report has been prepared on a liquidation basis.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

Opinion

In our opinion:

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

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter Regarding Liquidation Valuation Basis

Without qualifying the opinion expressed above, attention is drawn to Note 1(b) in the financial report which states that the report of the Trust has been prepared on a liquidation basis, given the Directors intention to seek liquidity for the investors of the Trust either through the successful aggregation of the Implementation Agreement or via alternate means such as on market sales or through a vote to wind up Centro MCS syndicates at the end of their respective terms. The assets and liabilities of the Trust have been measured at their estimated net realisable value and expected settlement amounts respectively.

Inherent Uncertainty Regarding Recoverability of Investment Value

Without qualifying the opinion expressed above, attention is drawn to Notes 2 and 7(a) in the financial report which highlights 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 financial report. The financial report of Centro Property Trust has been prepared on a liquidation basis. In a liquidation scenario and should aggregation as detailed in Note 1(b) not occur, a significant uncertainty exists in relation to the ability of the Trust to realise the value of the financial guarantee from Centro Property Trust as stated in the financial report.

Ernst & Young

D.J. Shewring
Partner
Melbourne
28 August 2011