

9 August 2011



DPF announces participation in new listed “Australian Retail Property Fund”

Transaction to provide liquidity to DPF

Key points:

- **Implementation Agreement executed by DPF, CNP, CER, CAWF, more than 83% of CNP's senior lenders and certain other CNP managed funds to aggregate assets as a basis for forming a new listed Australian retail property fund (“A-REIT”)**
- **Aggregation is expected to result in the DPF becoming a liquid fund. It is anticipated that DPF investors will be offered the opportunity to withdraw their funds after Aggregation either in the form of A-REIT scrip or cash**
- **Proposed A-REIT to comprise a \$4.4 billion portfolio of high quality retail properties, ownership of one of the largest managers of unlisted retail property funds in Australia managing a further \$2.5 billion of retail assets under management, and investments in those unlisted funds**
- **Proposed A-REIT to be internally managed, with an external syndicate fund and property management business, through acquisition of CNP's existing platform**
- **Aggregation is subject to various approvals, consents and conditions precedent, including approval of certain CNP stakeholders, CER securityholders, the Court, ASIC, FIRB and ASX**

Centro Direct Property Fund (“DPF”) is pleased to announce that it has entered into an agreement (“Implementation Agreement”) with Centro Properties Group (“CNP”), Centro Retail Trust (“CER”), Centro Australia Wholesale Fund (“CAWF”), a majority of CNP's senior lenders and certain other CNP managed funds to create a new listed Australian retail property vehicle (“A-REIT”). This involves aggregating the assets of DPF with 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”).

The proposed Aggregation was foreshadowed in DPF's recent May 2011 *Investor Update*, as well as recent announcements by CNP and CER. The May update also detailed the sale of Centro's US investment portfolio which, as announced on 29 June 2011, has now completed.

As announced on 29 June 2011, the DPF expects to receive approximately \$80 million cash proceeds from its investment in Centro Direct Property Fund International (“DPFI”) in August 2011. It is currently proposed that the DPF will return these proceeds to investors as a special capital distribution amounting to approximately \$0.05 per DPF unit. The DPF will then comprise Australian investments only.

Following the receipt of proceeds from the DPFI investment, the DPF will then hold approximately 65% of its investments in Centro Australia Wholesale Fund (“CAWF”) and CER. CAWF and CER jointly own a portfolio of properties, with each fund holding a 50% interest. The A-REIT will predominantly comprise of a 100% interest in these properties. The remaining 35% of DPF’s assets, largely comprised of investments in Centro MCS Syndicates, will all be contributed into the A-REIT via a sub-trust of DPF: Centro DPF Holding Trust (“DPF Holding Trust”). 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 will involve the stapling of the securities in each of DPF Holding Trust, CER and CAWF (“Aggregation Funds”) to establish the A-REIT which will, subject to ASX approval, be listed on the Australian Securities Exchange.

As part of Aggregation:

- Each of DPF Holding Trust, CER and CAWF securityholders will receive A-REIT Stapled Securities based on the relative adjusted net asset value contributed to the A-REIT by each of the Aggregation Funds. Upon implementation of the Aggregation (“Aggregation Implementation”), DPF will hold approximately 39% of the A-REIT Stapled Securities on issue;
- A-REIT will acquire certain property and other assets and fund investments from CNP, the purchase of which will be satisfied by the issue of A-REIT Stapled Securities. A-REIT will also acquire certain real property and fund investments from property syndicates managed by CNP for cash consideration of approximately \$71 million;
- A-REIT will acquire CNP’s funds and property management Services Business for approximately \$200 million (subject to certain adjustments) plus associated accrued rollover, performance, wind-up and deferred management fees, for approximately \$40 million. This will allow the A-REIT to have an internalised management structure and a third party funds management business. These acquisitions will be satisfied by the issue of A-REIT Stapled Securities;
- A new refinancing package for A-REIT will be put in place upon Aggregation Implementation, replacing the majority of the existing financing arrangements of each of the Aggregation Funds;
- The existing Responsible Entities of DPF Holding Trust, CER and CAWF will be replaced with a new Responsible Entity (“New RE”), to be owned by A-REIT and a new Board; and
- An entitlement to A-REIT Class Action True-Up Securities (“CATS”) will be provided to unitholders in DPF Holding Trust and CAWF who participate in the Aggregation as well as to CNP. The CATS are intended to provide further issues of A-REIT Stapled Securities or other equivalent consideration to DPF Holding Trust, CAWF and CNP to adjust for any settlement or judgment of the existing class actions against CER (if and when such settlement or judgement occurs).

Following Aggregation Implementation, CNP’s outstanding indebtedness to its Senior Lenders will be cancelled in exchange for the A-REIT Stapled Securities and CATS that CNP will receive in connection with its existing security holdings in CAWF and DPF and also in connection with the sale of its Services Business and certain property and fund assets (“Debt Cancellation”). Further details on the Debt Cancellation are contained in the separate announcement released today by CNP.

Rationale for Aggregation

If approved, Aggregation would result in the entire DPF investment portfolio being “converted” into a liquid ASX listed security. This will then allow the DPF responsible entity (Centro MCS Manager Limited) to provide DPF investors with the opportunity to redeem their investment in DPF. It is anticipated that DPF will offer investors the opportunity to withdraw their funds either in the form of an in-specie distribution of A-REIT Stapled Securities and CATs or cash.

The A-REIT would 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;
- An established services business that will manage one of the largest unlisted retail property syndicate platforms in Australia.

Peter Day, Chairman of Centro MCS Manager Limited, said: “With DPF redemptions having been suspended since December 2007, we have devoted considerable time and attention towards seeking a liquidity solution for investors. With most of the DPF’s assets invested in illiquid Centro managed funds, this has proved challenging, especially when considering Centro’s complicated group structure and cross ownerships. During our process of evaluation, it became clear that Aggregation provided the greatest strategic merit, highest level of certainty and therefore the greatest ability to optimise value and deliver a liquidity solution for our unitholders.

“Signing of the Implementation Agreement represents a significant event for the DPF, as the Aggregation will result in the DPF becoming a liquid fund. This will then enable us to offer all of the 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 RE selling securities in A-REIT to provide cash to those investors”.

If approved, Aggregation would result in the DPF initially having an interest equivalent to approximately 39% of the A-REIT Stapled Securities on issue.

Governance

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 has determined that participation in the Aggregation in respect of the DPF’s syndicate assets represents a superior outcome for unitholders.

This strategic review and evaluation process involved thorough and extensive analysis of relative value, strategic considerations, execution risk and business risk of options

available to DPF. This process occurred within a framework of strict governance protocols in order to properly manage the interests of DPF and its unitholders, including separate management teams, and taking advice of DPF's independent advisers. In addition, the DPF RE board has commissioned a report from an independent expert to opine on whether the DPF's participation in Aggregation is in the best interests of investors.

The DPF RE board has unanimously determined to proceed with participation in the Aggregation.

Implementation Agreement

The Implementation Agreement (a copy of which is annexed to this announcement together with a more detailed summary of the terms of the agreement) records the agreement between the parties in relation to the proposed Aggregation and in particular details:

- The basis of Aggregation of the portfolios of DPF Holding Trust, CER and CAWF;
- The acquisition of CNP's Australian assets, including its Services Business;
- The formation of a new listed A-REIT comprising all of the above assets with equity issued in proportion to the adjusted net asset value contributed to the A-REIT by each Aggregation Fund;
- The restrictions under which the parties have agreed to operate during the period in which approvals are sought;
- The alternative mechanism by which CNP will seek to deliver its assets to the A-REIT in the absence of favourable votes from the various CNP stakeholders, so that Aggregation may still proceed (see details relating to the Extended Aggregation Period below for further information);
- Circumstances in which the Implementation Agreement and / or the Aggregation process may be terminated (in each case after a consultation and dispute resolution process has been pursued), including:
 - on an Aggregation Condition or a Condition to the Debt Cancellation failing to be satisfied (or waived)
 - the Independent Expert determining that the Aggregation is not in the best interests of securityholders or that it is not fair and reasonable from the perspective of any relevant securityholders
 - the directors of a relevant party determining in good faith and acting reasonably (having obtained advice) that compliance with the Implementation Agreement would be inconsistent with relevant fiduciary or statutory duties ("Fiduciary Event")
 - an insolvency event occurs, other than an insolvency of CNP during an Extended Aggregation Period as outlined below
 - a Superior Proposal is received by a Centro party
 - in the event that one or more of the CNP securityholders, hybrid holders or convertible bondholders do not approve the Senior Debt Scheme or the sale of the CNP Contributed Assets to A-REIT, the parties have negotiated a further period of up to 58 days or longer if extended by agreement ("Extended Aggregation Period") to allow the relevant conditions precedent for Aggregation to be satisfied or to achieve the Debt Cancellation and the sale by alternative means. The Aggregation Funds can terminate the Extended Aggregation Period upon the occurrence of a Fiduciary Event or upon a material adverse change in certain financial metrics of an Aggregation Fund or the A-REIT

- Exclusivity arrangements which require each party and its advisers to notify the other parties if they become aware of any approaches to acquire a substantial part of the business of the Aggregation Funds, or control of or to otherwise merge with any of those parties, or to enter into an agreement to abandon or fail to proceed with the Aggregation; and
- The treatment of Ineligible Overseas securityholders under the Aggregation.

Conditions Precedent that must be satisfied (or waived) for Aggregation to proceed

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

The conditions precedent as detailed in the Implementation Agreement, 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.

Further, ASIC has provided relief to CNP’s senior lenders in relation to the entering into of the Implementation Agreement by them. It is a condition of this relief that CER securityholders approve an ordinary resolution necessary for Aggregation within 4 months after the date of the Implementation Agreement (or within such later period as may be approved by ASIC) (“4 Month Period”), with no votes being cast in favour of the resolution by DPF, CNP’s senior lenders, CNP or any of their associates. If this condition is not satisfied within the 4 Month Period, then the Implementation Agreement will automatically terminate at the end of the 4 Month Period.

Next steps

While signing of the Implementation Agreement is a significant achievement, there is still considerable work to be completed. This includes finalising A-REIT’s Board and management structure; finalising the terms of the A-REIT’s debt package; and obtaining agreement from the new Board and Chief Executive Officer around future strategic

objectives for A-REIT. Each of these workstreams is well progressed and we will continue to provide updates on their status as appropriate.

Over the coming weeks, DPF investors will receive further information about the Aggregation process and the A-REIT as well as opportunities for DPF investors to redeem their DPF investment.

Lazard Pty Ltd is acting as financial adviser to DPF. Johnson Winter & Slattery are acting as legal advisers to DPF. KPMG is acting as tax adviser to DPF.

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Appendix – Summary of Implementation Agreement

This is a summary of the Implementation Agreement but does not purport to be comprehensive. The full Implementation Agreement including its Schedules is attached, and this summary should be read together with the full Implementation Agreement.

The Implementation Agreement sets out the process, structure and conditions in relation to the proposed amalgamation, described in this announcement as “Aggregation”, which is summarised as follows (in each case below subject to a number of conditions and approvals set out in full in the attached Implementation Agreement):

- A sub-trust of the DPF (**DPF Holding Trust**), CER and CAWF will be listed on ASX and stapled so that they trade as if they were a single security in A-REIT;
- CNP will sell into A-REIT its co-ownership investments, direct property interests and funds and property management businesses (collectively, **CNP Contributed Assets**) in return for A-REIT scrip;
- the allocation of A-REIT scrip between the then holders of DPF (as sole unitholder of DPF Holding Trust), CER scrip, holders of CAWF units and CNP will be based on the value of assets contributed to A-REIT based upon 31 December 2010 valuations (with certain working capital and other items to be adjusted for 30 June 2011 or the date of Aggregation as appropriate), as set out in schedule 3 to the attached Implementation Agreement; and
- An entitlement to A-REIT Class Action True-Up Securities (CATS) will be provided to unitholders in DPF Holding Trust and CAWF participating in Aggregation and CNP. CATS will not be provided to CER securityholders. These CATS are intended to provide further issues of A-REIT Stapled Securities to DPF Holding Trust, CAWF and CNP to adjust for any settlement or judgment of the existing class actions against CER (if and when such settlement or judgement occurs).

Conditions and approvals to the Aggregation include the following. For more detail, refer to clause 6 of the attached Implementation Agreement including the relevant Schedules to that Agreement:

- Approvals or relief (as relevant) is granted by the DPF Holding Trust unitholders, CAWF unitholders, CER securityholders, the Court, ASIC, ASX and FIRB;
- Approval by CNP’s ordinary securityholders on the sale of the CNP Contributed Assets by ordinary resolution. See explanation below in relation to Extended Aggregation Period if this approval is not granted;
- Execution of various deeds and agreements to be entered into as part of Aggregation, including the agreements for the sale of the CNP Contributed Assets to A-REIT and all conditions precedent to those agreements being satisfied or waived, all necessary third party consents to Aggregation being obtained and the consent of the A-REIT RE to its appointment as RE of A-REIT being obtained;
- Independent Expert’s Reports: the Independent Expert issues the Independent Expert Reports which conclude:
 - (1) that the Aggregation is in the best interests of each of:
 - a) CNP Securityholders;
 - b) CER Securityholders;
 - c) DPF Unitholders; and
 - d) CAWF Unitholders;

- (2) that, for the purposes of Listing Rule 10.1, the CNP Asset Sale is fair and reasonable to CER securityholders, other than CNP; and
 - (3) such other opinions in respect of the transactions as may be required by law or ASIC.
- ASX approval of the listing of DPF Holding Trust and CAWF and other matters required to establish A-REIT;
 - No “Prescribed Occurrences” (e.g. capital raising, disposal of material assets, altering material contractual arrangements) occurring in relation to CER, DPF Holding Trust and CAWF prior to Aggregation and there are no restraints in force preventing the Aggregation;
 - Acceptable refinancing terms or standstill arrangements for the existing secured debt of CAWF, CER, CSIF and the Syndicates being negotiated and the relevant agreements entered into;
 - the management of Syndicates representing Funds Under Management (“FUM”) of at least 90% of total Syndicate FUM being able to be transferred to A-REIT;
 - Approval by the Court of the Senior Debt Scheme and the satisfaction of all conditions to the Senior Debt Scheme, separately summarised below; and
 - Further, ASIC has provided relief to CNP’s senior lenders in relation to the entering into of the Implementation Agreement by them. It is a condition of this relief that CER securityholders approve an ordinary resolution necessary for Aggregation within 4 months after the date of the Implementation Agreement (or within such later period as may be approved by ASIC), with no votes being cast in favour of the resolution by CNP’s senior lenders, CNP, DPF or any of their associates. If this condition is not satisfied within the 4 Month Period, then the Implementation Agreement will automatically terminate at the end of the 4 Month Period.

Other circumstances described in the Implementation Agreement which can cause Aggregation not to proceed include the following Aggregation Review Events (see clause 8 of the Implementation Agreement for more detail):

- the Independent Expert determining that the Aggregation is not in the best interests of securityholders of any of DPF, CNP, CER or CAWF or that the sale of the CNP Contributed Assets to A-REIT is not fair and not reasonable from the perspective of a relevant set of securityholders;
- an insolvency event occurs in respect of DPF, DPF Holding Trust, CER, CAWF or their responsible entities. The standstill and related arrangements are intended to prevent a CNP insolvency from triggering this condition;
- if an insolvency event occurs in respect of CNP and any controller appointed to CNP does not proceed with Aggregation; and
- a superior proposal emerges for DPF, CNP, CER or CAWF.

There are various consultation and other processes which apply before a termination on these grounds can occur. In addition, exclusivity arrangements require each party and its advisers to notify the other parties if it becomes aware of any approaches to acquire a substantial part of the business of CNP or an Aggregation Fund, or control of or otherwise merge with any of those parties, or to enter into an agreement to abandon or fail to proceed with the Aggregation.

Extended Aggregation Period if all Junior Stakeholder Approvals are not obtained:

- In the event that one or more of the CNP securityholders, hybrid holders or convertible bondholders do not approve the Senior Debt Scheme or the sale of the CNP Contributed Assets to A-REIT, the parties have negotiated a further period of up to 58 days or longer if extended by agreement (**Extended Aggregation Period**) to allow the relevant conditions precedent for Aggregation to be satisfied or to achieve the Senior Debt Scheme and the sale by alternative means. All parties will continue to use their commercially best endeavours to satisfy the conditions precedent during that period. The Aggregation Funds can terminate the Extended Aggregation Period if the directors of DPF, CER or CAWF determine in good faith and acting reasonably (having obtained advice) that compliance with the Implementation Agreement would be inconsistent with relevant fiduciary or statutory duties (Fiduciary Event) or upon a material adverse change in certain financial metrics of an Aggregation Fund or A-REIT;
- As noted above, it is a condition to Aggregation that CNP securityholders approve by ordinary resolution the sale of the CNP Contributed Assets. Similarly, it is a condition to the Senior Debt Scheme that CNP securityholders approve by ordinary resolution the distribution of A-REIT scrip held by CNP immediately following Aggregation implementation to CNP's Senior Lenders in return for the cancellation of senior debt under the Senior Debt Scheme. However, if these approvals are not given, it is expected that CNP will be placed into administration and receivership, and it is expected that CNP securityholder approval would consequently then not be required; and
- If the Senior Debt Scheme occurs without the approval of CNP securityholders, hybrid holders and convertible bondholders all being obtained, then a portion of CNP's senior debt will remain which it is expected will exceed any remaining assets in CNP.

Senior Debt Scheme:

Detail which has now been agreed in the Implementation Agreement in relation to the Senior Debt Scheme is as follows:

- CNP agrees to put forward, and Senior Lenders representing more than 83% of CNP's senior debt agree to vote in favour of, the Senior Debt Schemes, under which, if all relevant approvals are obtained, all CNP's Senior Debt will be cancelled in return for CNP delivering the Senior Lenders substantially all CNP's assets following Aggregation. At that stage, substantially all CNP's assets will comprise A-REIT scrip;
- The Senior Lenders who have signed the Implementation Agreement, to the extent that they are hybrid holders, have agreed to vote their interests in the hybrids in favour of the transaction;
- \$100 million is made available to CNP's junior stakeholders, proposed to be applied as described in the separate announcement released today by CNP, subject to all necessary votes being passed and the Senior Debt Scheme and the Hybrid Scheme becoming Effective;
- As well as the conditions mentioned above in relation to Aggregation, which must be satisfied or waived for the Senior Debt Scheme to occur, conditions and approvals required for the Senior Debt Scheme to occur include the following:
 - FIRB approval;
 - applicable court and ASIC approvals;
 - CNP securityholder approval (however, as mentioned above, it is expected that if all other consents were obtained but this, Aggregation could proceed without the CNP securityholder approval);
 - the proposed board members and Chief Executive Officer of A-REIT being acceptable to the Senior Lenders.

- Various measures have been agreed including entry into certain standstill arrangements and changes of responsible entity to give additional protections for the Services Business and investors in certain Centro managed funds in the event of a CNP administration or receivership, including with a view to protecting those interests during the Extended Aggregation Period.

The Implementation Agreement also contains provisions for:

- the parties to progress the various documentation required to implement the various restructure elements; and
- A-REIT to provide services to CNP following implementation to facilitate its limited continued operations and wind-down.

Ends...