

# **Centro Australia Wholesale Fund and Controlled Entities**

ARSN 122 223 974

**Responsible Entity**  
**CPT Manager Limited**

ABN 37 054 494 307

**Annual report**  
**for the year ended 30 June 2010**

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This financial report covers Centro Australia Wholesale Fund ("CAWF", "the Fund", "the Trust" or "the Parent") and its controlled entities ("the Group" or "CAWF Group"). The financial report is presented in Australian currency.

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

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

A description of the nature of CAWF 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 15 September 2010. The Responsible Entity has the power to amend and reissue the financial report.

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

|                                              |                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Responsible Entity</b>                    | CPT Manager Limited<br>A.B.N. 37 054 494 307<br><br>3rd Floor, Centro The Glen<br>235 Springvale Road<br>Glen Waverley, VIC 3150<br>Telephone: (03) 8847 0000                                                                                                                                                                                   |
| <b>Directors of the Responsible Entity</b>   | Paul Cooper (Chairman)<br>Anna Buduls (appointed 1 October 2009)<br>Jim Hall<br>Susan Oliver (appointed 1 October 2009)<br>Robert Tsenin (appointed 1 October 2009)<br>Robert Wylie (Appointed 1 October 2009)<br>Graham Goldie (retired 1 October 2009)<br>Sam Kavourakis (retired 1 October 2009)<br>Peter Wilkinson (retired 1 October 2009) |
| <b>Secretaries of the Responsible Entity</b> | Elizabeth Hourigan<br>Dimitri Kiriacoulacos (appointed 1 April 2010)<br>Paul Flanigan                                                                                                                                                                                                                                                           |
| <b>Auditor</b>                               | Moore Stephens<br>Level 10, 530 Collins Street<br>Melbourne, VIC 3000                                                                                                                                                                                                                                                                           |
| <b>Security Registry</b>                     | CPT Manager Limited                                                                                                                                                                                                                                                                                                                             |

## Directors' report

The Directors of CPT Manager Limited, the Responsible Entity, present their report on Centro Australia Wholesale Fund ("CAWF", "the Fund", "the Trust" or "the Parent") and its controlled entities ("the Group" or "CAWF Group") for the year ended 30 June 2010.

### Responsible Entity

Pursuant to the Managed Investments Act, which came into effect on 1 July 1998, CPT Manager Limited was appointed and registered as the Responsible Entity of CAWF Group on 13 October 2006.

### Directors

The following persons were directors of CPT Manager Limited during the whole of the financial year and up to the date of this report (unless otherwise stated):

Paul Cooper (Chairman)  
Anna Buduls (appointed 1 October 2009)  
Jim Hall  
Susan Oliver (appointed 1 October 2009)  
Robert Tsenin (appointed 1 October 2009)  
Robert Wylie (Appointed 1 October 2009)  
Graham Goldie (retired 1 October 2009)  
Sam Kavourakis (retired 1 October 2009)  
Peter Wilkinson (retired 1 October 2009)

Secretary: Elizabeth Hourigan

Dimitri Kiriacoulacos was appointed Alternate Company Secretary on 1 April 2010 and Paul Flanigan continues as Assistant Company Secretary.

### Principal activities

The principal activity of the CAWF Group during the course of the year was investment in retail properties in Australia.

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

### Review of operations

CAWF Group recorded a net profit after tax of \$68.667 million for the year ended 30 June 2010 (2009: \$397.570 million net loss). During the year CAWF recorded a basic distributable income of 4.51 cents (2009: 4.54 cents) per unit as disclosed in note 15.

### Distributions attributable to unitholders

#### CAWF Group

Final distributions of 0.43 cents per unit have been declared for the quarter ended 30 June 2010. Distributions paid or payable to unitholders for the year totalled \$60 million. Distributions paid or to be paid since 1 July 2009 are as follows:

| Quarter                           | Cents per unit | Date Paid       |
|-----------------------------------|----------------|-----------------|
| September 2009                    | 1.09           | 2 November 2009 |
| December 2009                     | 1.09           | 29 January 2010 |
| March 2010                        | 1.03           | 7 May 2010      |
| June 2010                         | <u>0.43</u>    | 30 July 2010    |
| Total paid/payable to unitholders | <u>3.64</u>    |                 |

**Distributions attributable to unitholders (continued)**

Subsequent to 30 June 2010, CAWF Group declared a special distribution of 0.61 cents per unit on 1 July 2010. The special distribution was paid on 6 August 2010.

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

For tax purposes the net distribution paid/payable is comprised of the following quarters: September 2009, December 2009, March 2010 and June 2010.

|                                              | Cents per unit |
|----------------------------------------------|----------------|
| Taxable income                               | 2.11           |
| Deferred tax component                       | <u>1.53</u>    |
| Net distribution paid/payable to unitholders | <u>3.64</u>    |

**Significant changes in the state of affairs**

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

CAWF equity accounts its 50% interest in its associates Cranbourne Holding Trust ("Centro Cranbourne"), Centro Karingal Holding Trust ("Centro Karingal" and "Karingal Entertainment Centre"), Centro Mandurah Holding Trust ("Centro Mandurah"), and Keilor Down Trust ("Centro Warriewood" and "Centro Cranbourne"). During the period these entities drew down a combined total of \$300m in a secured bank loan of which \$150 million was attributable to CAWF. These entities issued a return of capital for the same amount. CAWF Group used its \$150 million share of the return of capital funds to repay its CMBS loan which expired on 4 December 2009. The new facility is now due to expire on 4 December 2012.

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

No matter or circumstance has arisen in the interval between 30 June 2010 and the date hereof that has significantly affected, or may significantly affect:

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

**Likely developments and expected results of operations**

Information on the likely developments in the operations of CAWF Group has not been included in the report because the Directors believe it would be likely to result in unreasonable prejudice to CAWF Group.

**Environmental regulation**

As a property owner, CAWF Group is subject to the normal environmental regulations of landowners within Australia. These include regulation against air pollution, liquid discharge and soil contamination. CAWF Group has plans in place regarding the proper care and maintenance of asbestos, which is present in a number of properties and there are no matters requiring specific disclosure.

**Other information**

*CAWF Group Issued Units*

During the year ended 30 June 2010, no units were issued (2009: no units) and no units were redeemed (2009: no units). At 30 June 2010, total units on issue were 1,644,887,630 (2009: 1,644,887,630 units).

*CAWF Group Total Assets*

At 30 June 2010 CAWF Group total assets were \$1.908 billion (2009: \$2.071 billion).

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

Fees paid to the Responsible Entity and its related entities out of CAWF Group during the year are disclosed in note 20.

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

The number of interests in CAWF Group held by the Responsible Entity or its related entities as at the end of the year are disclosed in note 20.

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

Centro Properties Group controls CAWF Group's Responsible Entity, CPT Manager Limited and also provides property, funds management and other related services.

Fees paid to the Responsible Entity for these services during the year totalled \$9.862 million (2009: \$10.913 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 CPT 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 or the Trust, or to intervene in any proceedings to which the Responsible Entity 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 and the Trust were 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 CPT Manager Limited, the Responsible Entity of the Fund (including meetings of committees of Directors), held during the year ended 30 June 2010 and the number of meetings attended by each Director.

| CPT Manager Limited                                | Board Meetings | Audit & Risk* Management Committee Meetings | Risk* Committee Meetings | Audit* Committee Meetings | Compliance Committee Meetings | Finance Committee Meetings |
|----------------------------------------------------|----------------|---------------------------------------------|--------------------------|---------------------------|-------------------------------|----------------------------|
| Number of meetings held:                           | 37             | 10                                          | 2                        | 3                         | 5                             | 1                          |
| Number of meetings attended/eligible to attend by: |                |                                             |                          |                           |                               |                            |
| Paul Cooper (Chairman)                             | 34/37          | #                                           | #                        | #                         | 2/2                           | #                          |
| Anna Buduls<br>(Appointed 1 October 2009)          | 25/26          | 1/1                                         | 2/2                      | 3/3                       | 4/4                           | #                          |
| Jim Hall                                           | 36/37          | 10/10                                       | 2/2                      | 3/3                       | 1/1                           | 1/1                        |
| Susan Oliver<br>(Appointed 1 October 2009)         | 26/26          | #                                           | 2/2                      | #                         | 4/4                           | 1/1                        |
| Robert Tsenin<br>(Appointed 1 October 2009)        | 21/26          | 1/2                                         | #                        | #                         | 2/2                           | #                          |
| Robert Wylie                                       | 37/37          | 10/10                                       | #                        | 1/3                       | 1/1                           | 1/1                        |
| Graham Goldie<br>(Retired 1 October 2009)          | 8/11           | 7/7                                         | #                        | #                         | 1/1                           | #                          |
| Sam Kavourakis<br>(Retired 1 October 2009)         | 11/11          | 7/7                                         | #                        | #                         | #                             | #                          |
| Peter Wilkinson<br>(Retired 1 October 2009)        | 9/11           | #                                           | #                        | #                         | 1/1                           | #                          |

# Not a member of the relevant committee

\* The Audit and Risk Committees was split from the 91<sup>st</sup> meeting on 3 February 2010.

#### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

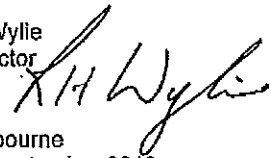
#### Rounding of amounts to the nearest thousand dollars

CAWF 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.

R. Wylie  
Director

Melbourne  
15 September 2010



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Melbourne VIC 3000

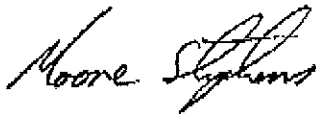
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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF THE  
RESPONSIBLE ENTITY OF CENTRO AUSTRALIA WHOLESALE FUND AND CONTROLLED  
ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



MOORE STEPHENS  
Chartered Accountants



Kevin W Neville  
Partner

Melbourne, 15 September 2010



|       | CAWF Group      |                 |
|-------|-----------------|-----------------|
|       | 30 June<br>2010 | 30 June<br>2009 |
| Notes | \$'000          | \$'000          |

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

**Centro Australia Wholesale Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2010**

|                                                                    | CAWF Group                |                           |
|--------------------------------------------------------------------|---------------------------|---------------------------|
|                                                                    | 30 June<br>2010<br>\$'000 | 30 June<br>2009<br>\$'000 |
| Net profit/(loss) for the year                                     | 68,667                    | (397,570)                 |
| Other comprehensive income for the year                            | _____ -                   | _____ -                   |
| Total comprehensive income/(loss) for the year                     | <u>68,667</u>             | <u>(397,570)</u>          |
| Total comprehensive income/(loss) for the year is attributable to: |                           |                           |
| Unitholders of Centro Australia Wholesale Fund                     | <u>68,667</u>             | <u>(397,570)</u>          |
|                                                                    | <u>68,667</u>             | <u>(397,570)</u>          |

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

**Centro Australia Wholesale Fund**  
**Balance sheet**  
**As at 30 June 2010**

|                                                   |              | <b>CAWF Group</b> |                  |
|---------------------------------------------------|--------------|-------------------|------------------|
|                                                   |              | <b>2010</b>       | <b>2009</b>      |
|                                                   | <b>Notes</b> | <b>\$'000</b>     | <b>\$'000</b>    |
| <b>ASSETS</b>                                     |              |                   |                  |
| <b>Current assets</b>                             |              |                   |                  |
| Cash and cash equivalents                         | 7            | 11,410            | 13,209           |
| Trade and other receivables                       | 8            | <u>13,993</u>     | <u>15,455</u>    |
| Total current assets                              |              | <u>25,403</u>     | <u>28,664</u>    |
| <b>Non-current assets</b>                         |              |                   |                  |
| Investments accounted for using the equity method | 9            | 1,883,085         | 2,041,519        |
| Derivative financial instruments                  | 10           | <u>-</u>          | <u>767</u>       |
| Total non-current assets                          |              | <u>1,883,085</u>  | <u>2,042,286</u> |
| <b>Total assets</b>                               |              | <u>1,908,488</u>  | <u>2,070,950</u> |
| <b>LIABILITIES</b>                                |              |                   |                  |
| <b>Current liabilities</b>                        |              |                   |                  |
| Trade and other payables                          | 11           | 7,179             | 28,624           |
| Interest bearing liabilities                      | 12           | -                 | 150,043          |
| Derivative financial instruments                  | 10           | 11,560            | 65               |
| Provisions                                        | 13           | <u>7,000</u>      | <u>18,000</u>    |
| Total current liabilities                         |              | <u>25,739</u>     | <u>196,732</u>   |
| <b>Non-current liabilities</b>                    |              |                   |                  |
| Interest bearing liabilities                      | 12           | 635,845           | 622,882          |
| Derivative financial instruments                  | 10           | <u>18,728</u>     | <u>31,827</u>    |
| Total non-current liabilities                     |              | <u>654,573</u>    | <u>654,709</u>   |
| <b>Total liabilities</b>                          |              | <u>680,312</u>    | <u>851,441</u>   |
| <b>Net assets</b>                                 |              | <u>1,228,176</u>  | <u>1,219,509</u> |
| <b>EQUITY</b>                                     |              |                   |                  |
| Contributed equity                                | 14           | 1,618,370         | 1,618,370        |
| Accumulated losses                                |              | <u>(390,194)</u>  | <u>(398,861)</u> |
| Total equity                                      |              | <u>1,228,176</u>  | <u>1,219,509</u> |

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

**Centro Australia Wholesale Fund**  
**Statement of changes in equity**  
**For the year ended 30 June 2010**

| <b>CAWF Group</b>                                                | <b>Notes</b> | <b>Contributed equity<br/>\$'000</b> | <b>Accumulated losses<br/>\$'000</b> | <b>Total equity<br/>\$'000</b> |
|------------------------------------------------------------------|--------------|--------------------------------------|--------------------------------------|--------------------------------|
| <b>Balance at 1 July 2008</b>                                    |              | <b>1,618,370</b>                     | <b>109,710</b>                       | <b>1,728,080</b>               |
| Net loss for the year                                            |              | -                                    | (397,570)                            | (397,570)                      |
| Other comprehensive income/(loss)                                |              | -                                    | -                                    | -                              |
| <b>Total comprehensive loss for the year</b>                     |              | <b>-</b>                             | <b>(397,570)</b>                     | <b>(397,570)</b>               |
| <b>Transactions with owners in their capacity<br/>as owners:</b> |              |                                      |                                      |                                |
| Distributions provided for or paid                               | 6            | -                                    | (111,001)                            | (111,001)                      |
| <b>Balance at 30 June 2009</b>                                   |              | <b>1,618,370</b>                     | <b>(398,861)</b>                     | <b>1,219,509</b>               |
| <b>CAWF Group</b>                                                | <b>Notes</b> | <b>Contributed equity<br/>\$'000</b> | <b>Accumulated losses<br/>\$'000</b> | <b>Total equity<br/>\$'000</b> |
| <b>Balance at 1 July 2009</b>                                    |              | <b>1,618,370</b>                     | <b>(398,861)</b>                     | <b>1,219,509</b>               |
| Net profit for the year                                          |              | -                                    | 68,667                               | 68,667                         |
| Other comprehensive income/(loss)                                |              | -                                    | -                                    | -                              |
| <b>Total comprehensive income for the year</b>                   |              | <b>-</b>                             | <b>68,667</b>                        | <b>68,667</b>                  |
| <b>Transactions with owners in their capacity<br/>as owners:</b> |              |                                      |                                      |                                |
| Distributions provided for or paid                               | 6            | -                                    | (60,000)                             | (60,000)                       |
| <b>Balance at 30 June 2010</b>                                   |              | <b>1,618,370</b>                     | <b>(390,194)</b>                     | <b>1,228,176</b>               |

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

**Centro Australia Wholesale Fund**  
**Cash flow statement**  
**For the year ended 30 June 2010**

|                                                                  |    | <b>CAWF Group</b> |                 |
|------------------------------------------------------------------|----|-------------------|-----------------|
|                                                                  |    | <b>30 June</b>    | <b>30 June</b>  |
|                                                                  |    | <b>2010</b>       | <b>2009</b>     |
|                                                                  |    | <b>\$'000</b>     | <b>\$'000</b>   |
| <b>Cash flows from operating activities</b>                      |    |                   |                 |
| Payments to suppliers (inclusive of goods and services tax)      |    | (11,892)          | (15,862)        |
| Distributions received                                           |    | 125,677           | 117,441         |
| Interest received                                                |    | 5,366             | 4,796           |
| Interest paid                                                    |    | (62,269)          | (49,756)        |
| <b>Net cash inflow from operating activities</b>                 | 17 | <u>56,882</u>     | <u>56,619</u>   |
| <b>Cash flows from investing activities</b>                      |    |                   |                 |
| Return of capital                                                |    | 150,000           | -               |
| Payments for investment property                                 |    | (238)             | (3,807)         |
| Proceeds from sale of assets                                     |    | -                 | 33,467          |
| <b>Net cash inflow from investing activities</b>                 |    | <u>149,762</u>    | <u>29,660</u>   |
| <b>Cash flows from financing activities</b>                      |    |                   |                 |
| Distributions paid                                               |    | (71,000)          | (93,001)        |
| Proceeds from interest bearing liabilities                       |    | 13,500            | 36,000          |
| Repayments of interest bearing liabilities                       |    | (150,000)         | (33,467)        |
| Repayments of related party loans                                |    | (943)             | -               |
| <b>Net cash outflow from financing activities</b>                |    | <u>(208,443)</u>  | <u>(90,468)</u> |
| <b>Net decrease in cash and cash equivalents</b>                 |    | (1,799)           | (4,189)         |
| Cash and cash equivalents at the beginning of the financial year | 7  | <u>13,209</u>     | <u>17,398</u>   |
| Cash and cash equivalents at the end of the financial year       | 7  | <u>11,410</u>     | <u>13,209</u>   |

*The above cash flow statement 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 Australia Wholesale Fund ("CAWF", "the Fund", "the Trust" or "the Parent") and its controlled entities ("the Group" or "CAWF Group").

Following amendments to the Corporations Act 2001 in June 2010, parent entity financial statements are no longer required. For parent entity disclosures, refer to Note 3.

### (a) Statement of compliance with International Financial Reporting Standards

This general purpose financial report complies with Australian Accounting Standards. 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*.

The accounting policies adopted are consistent with those of the previous financial year except as detailed in note 1(v). When the presentation or classification of items in the financial report is amended comparative amounts are also reclassified unless it is impractical.

The Group financial statements reflect the consolidation of all entities controlled by CAWF.

The financial report for the year ended 30 June 2010 has been prepared on a going concern basis.

#### *Historical cost convention*

These financial statements have been prepared on an historical cost basis, except for available-for-sale financial assets, certain financial assets and liabilities (including derivative instruments) and investment property which have all been recognised at fair value.

#### *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 CAWF 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 CAWF and its controlled entities.

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

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

### (d) Investments in associates

Investments in associates are accounted for in the CAWF Group's financial statements using the equity method or at fair value through profit or loss in accordance with the CAWF Group's election under the exemption in AASB 128 *Investments in Associates*. Under the equity method, the CAWF Group's share of the post-acquisition profits or losses of associates is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the CAWF Group exercises significant influence, but not control.

Investments in joint ventures are accounted for using the equity method in the consolidated financial statements.

## 1 Summary of significant accounting policies (continued)

### (e) Revenue recognition

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

The CAWF 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 CAWF 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.

#### (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 CAWF 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. Bank overdrafts are shown within borrowings in current liabilities.

### (h) Trade and other receivables

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

### (i) Investment properties

Investment properties are initially measured at cost including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the CAWF Group.

Subsequent to initial recognition as assets, investment properties are revalued to fair value. Directors assess fair value of the investment properties at each reporting date and obtain independent valuations on a regular basis to assist in assessing fair value.

Property that is being constructed or redeveloped for future use as investment property is measured at fair value. The best measure of fair value is the previous valuation (if applicable) plus redevelopment costs, operational capital expenditure, expected underlying income and yield of the developments.

Changes in fair values are recorded in the income statement.

## 1 Summary of significant accounting policies (continued)

### (j) Financial assets

The CAWF Group classifies its investments in financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired, and are re-evaluated at each reporting date.

#### **Classification**

##### *(i) Financial assets at fair value through profit or loss*

These include financial assets that are held for trading purposes which may be sold.

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 CAWF Group's documented investment strategy. The CAWF 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.

##### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the CAWF Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets and will be discounted to present value. Loans and receivables are included in receivables in the balance sheet.

##### *(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the CAWF Group has the positive intention and ability to hold to maturity.

##### *(iv) Available-for-sale financial assets*

Available-for-sale financial assets, comprising interests in unlisted property trusts are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the Fund intends to dispose of the investment within 12 months of the balance sheet date. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

#### **Recognition and derecognition**

Purchases and sales of investments are recognised on trade date - the date on which the CAWF 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 CAWF Group has transferred substantially all the risks and rewards of ownership.

#### **Subsequent measurement**

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in unitholders' funds in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments deferred in equity are recycled to the income statement.

If the market for a financial asset is not active (and for unlisted securities), the CAWF Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

#### **Impairment**

The CAWF Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.



## **1 Summary of significant accounting policies (continued)**

### **(k) 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 each reporting date. CAWF Group's derivatives do not qualify for hedge accounting.

A change in the fair value of any derivative instrument that does not qualify for hedge accounting is immediately recognised in the income statement. For the year ended 30 June 2010, no derivative financial instruments were designated into a hedging relationship and therefore all movements in fair value have been taken to the income statement.

### **(l) Trade and other payables**

These amounts represent liabilities for goods and services provided to the CAWF 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 creditors are carried at amortised cost and are not discounted due to their short term nature.

### **(m) Borrowings**

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

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

### **(n) Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. All other borrowing costs are expensed as incurred.

### **(o) Provisions**

Provisions are recognised when the CAWF Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

## 1 Summary of significant accounting policies (continued)

### (p) Fair value estimation

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are valued at bid prices, while financial liabilities are valued at asking prices.

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

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the 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.

Investments in other unlisted funds are recorded at the exit price as reported by the managers of the funds.

### (q) Contributed equity

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.

### (r) 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 equity notes and any net deficiency.

### (s) Distributions

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

### (t) 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, adjusted for bonus elements in units issued 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 equity notes as unitholders' funds in distributable income per unit that will arise as a result of conversion to, calling of or subscription for unit capital.

## 1 Summary of significant accounting policies (continued)

### (u) Goods and Services Tax (GST)

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

Receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from or payable to the taxation authority is included in other receivables or payables in the balance sheet.

Cashflows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the taxation authority, are presented as operating cashflow.

### (v) Changes in accounting policy

From 1 July 2009 CAWF Group has adopted the following Standards and Interpretations, mandatory for annual reporting periods beginning on or after 1 January 2009. Adoption of these standards and interpretations did not have any effect on the financial position or performance of CAWF Group.

- AASB 8 *Operating Segments*, including the early adoption of AASB 2009-5 *Further amendments arising from the second annual improvements project* as it applies to AASB 8
- Revised AASB 101 *Presentation of Financial Statements*
- Revised AASB 132 *Financial instruments: Presentation*
- Revised AASB 127 *Consolidated and Separate Financial Statements*
- Revisions to the Corporations Act 2001 in regard to Parent Entity disclosures

The amending standards which introduce the changes to these standards have also been adopted from 1 July 2009 and 1 July 2008 as necessary.

#### (i) *Operating Segments*

CAWF Group has applied the new segment reporting standard, AASB 8, from 1 July 2009.

CAWF Group does not fall within the scope of AASB8 therefore segment reporting disclosures are not required.

#### (ii) *Presentation of Financial Statements*

The CAWF Group has applied the revised AASB 101 from 1 July 2009.

The revised standard requires the presentation of a statement of comprehensive income and requires changes to the statement of changes in equity, but does not affect any of the amounts recognised in the financial statements.

The revised AASB 101 also introduces the requirement to disclose a third balance sheet as at the beginning of the comparative period when an entities applies an accounting policy retrospectively.

#### (iii) *Financial instruments: Presentation*

The CAWF Group has applied the revised AASB 132 from 1 July 2009, being the first annual reporting period since its mandatory application.

The revised standard requires the presentation of net assets attributable to unitholders as equity and not a liability as was previously required, where certain criteria are met.

The CAWF Group has obligations arising on liquidation and constitutional arrangements that meet the requirements of the AASB 132 amendment and the discretion judged to be available to the Responsible Entity regarding payment of distributions meet the necessary criteria and therefore unitholders funds have been presented as equity.

## 1 Summary of significant accounting policies (continued)

### (iv) Consolidated and Separate Financial Statements

CAWF Group has applied the revised AASB 127 from 1 July 2009.

The revised AASB 127 introduces terminology changes, namely controlling interest (previously parent interests) and non-controlling interest (previously minority interests) and introduced changes to accounting for transactions with non-controlling interests.

### (v) Parent Entity disclosures

The CAWF Group has applied Corporations Act 2001 amendments requiring an entity to prepare either consolidated financial statements, where required by accounting standards or, individual entity financial statements if the accounting standards do not require the preparation of consolidated financial statements. The CAWF Group has presented consolidated financial statements along with summarised parent entity information in compliance with these changes. Refer to Note 3 for parent entity disclosures.

### (w) Accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The CAWF Group's assessment of the impact of these new standards and interpretations is set out below.

#### (i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*

AASB 9 is applicable for annual reporting periods beginning on or after 1 January 2013 and is available for early adoption. AASB 9 addresses the current classification and measurement models of financial assets in AASB 139 *Financial Instruments: Recognition and measurement* with a new model. Under this new model, financial assets that are debt instruments with certain characteristics are measured at amortised cost. All other financial assets are measured at fair value. For equity instruments, an option is available to recognise all fair value changes in other comprehensive income. These changes may impact the classification and measurement of financial assets held by the CAWF Group. The CAWF Group is still assessing the impacts of this standard.

#### (ii) Revised AASB 124 *Related Party Disclosures*

The amended AASB 124 is applicable for annual reporting periods beginning on or after 1 January 2011, and requires prior period disclosures to be revised accordingly. The amendment provides simplification of the definition of a related party, clarifying its intended meaning and eliminating inconsistencies in the definition. The CAWF Group will apply the amended standard from 1 July 2011 and its effects are not expected to have an impact on the related party disclosures of the CAWF Group.

#### (iii) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*

AASB 1053 is applicable for annual reporting periods beginning on or after 1 July 2013 and is available for early adoption. AASB 1053 introduces a differential reporting framework with Tier 1 and Tier 2 reporting requirements for preparing general purpose financial statements. Whilst the recognition, measurement and presentation requirements will remain unchanged under the second tier, there will be substantially reduced disclosures in relation to these requirements for entities that do not have public accountability (as defined by the standard). The CAWF group is still assessing the appropriateness of application of Tier 2 reporting requirements and the impacts of this standard.

#### (iv) AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2009-5 is applicable for annual reporting periods beginning on or after 1 January 2010, with specific application dates for each of the standards it amends. The amendments are part of the IASB's second annual improvements project and introduce various changes that are not expected to have a material impact on the company's financial statements. The CAWF Group will apply the amended standard from 1 July 2010.

#### (v) AASB 2009-12 *Amendments to Australian Accounting Standards*

AASB 2009-12 is applicable for annual reporting periods beginning on or after 1 January 2011. The amendments introduced by AASB 2009-12 are primarily editorial amendments and changes in terminology and are not expected to have a material impact on the company's financial statements. The CAWF Group will apply the amended standard from 1 July 2011.

## 1 Summary of significant accounting policies (continued)

(vi) *Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments*

Interpretation 19 is applicable for annual reporting periods beginning on or after 1 July 2010. The Interpretation requires an entity to measure equity instruments issued to a creditor to extinguish a financial liability at the fair value of the equity instruments issued, or the fair value of the liability exchanged, whichever is more reliably determinable. The difference between the carrying amount of the financial liability extinguished and the initial measurement of the amount of the equity instruments issued is required to be recognised in the Income Statement. This Interpretation will only impact extinguishments that occur from 1 July 2010. The CAWF Group will apply this Interpretation from 1 July 2010.

(vii) *AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2010-3 is applicable for annual reporting periods beginning on or after 1 July 2010, with specific application dates for each of the standards it amends. The amendments are part of the IASB's third annual improvements project and introduce various changes that are not expected to have a material impact on the CAWF Group's financial statements. The CAWF Group will apply the amended standard from 1 July 2010.

(viii) *AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2010-4 is applicable for annual reporting periods beginning on or after 1 January 2011, with specific application dates for each of the standards it amends. The amendments are part of the IASB's third annual improvements project and introduce various changes that are not expected to have a material impact on the CAWF Group's financial statements. The CAWF Group will apply the amended standard from 1 July 2011.

(x) **Rounding of amounts**

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

### *Investment Property Values*

Investment properties are carried at their fair value. Valuations are either based on an independent valuation or on a Director's valuation which is supported by the extrapolation of independent valuations on similar properties. 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.

At 30 June 2010, the carrying value of indirect investment properties held by the CAWF Group is \$2.184 billion (2009: \$2.190 billion).

### *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.

### *Collectability of trade receivables*

Collectability of trade receivables is reviewed on an ongoing basis. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the CAWF Group will not be able to collect all amounts due according to the original terms of the receivables.

The CAWF Group estimates the amount to be provided for based on knowledge of individual retailers circumstances, customer credit-worthiness, and current economic trends. The amount of the allowance is continually reassessed following any changes in individual retailer circumstances, such as bankruptcy, with a complete review undertaken every six months.

### 3 Parent entity financial information

#### (a) Parent entity

The parent entity of the CAWF Group is Centro Australia Wholesale Fund.

#### (b) Financial information

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

|                                                                                                  | CAWF                      |                           |
|--------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
|                                                                                                  | 30 June<br>2010<br>\$'000 | 30 June<br>2009<br>\$'000 |
| <b>Income statement information</b>                                                              |                           |                           |
| Net profit/(loss) attributable to unitholders of Centro Australia Wholesale Fund                 | <u>68,661</u>             | <u>(353,969)</u>          |
| <b>Comprehensive income information</b>                                                          |                           |                           |
| Total comprehensive income/(loss) attributable to unitholders of Centro Australia Wholesale Fund | <u>68,661</u>             | <u>(353,969)</u>          |
| <b>Balance sheet</b>                                                                             |                           |                           |
| Current assets                                                                                   | 26,607                    | 30,315                    |
| Non-current assets                                                                               | <u>1,884,101</u>          | <u>2,042,286</u>          |
| Total assets                                                                                     | <u>1,910,708</u>          | <u>2,072,601</u>          |
| Current liabilities                                                                              | 25,771                    | 196,732                   |
| Non-current liabilities                                                                          | <u>656,761</u>            | <u>656,360</u>            |
| Total liabilities                                                                                | <u>682,532</u>            | <u>853,092</u>            |
| Equity attributable to unitholders of Centro Australia Wholesale Fund                            |                           |                           |
| Contributed equity                                                                               | 1,618,370                 | 1,618,370                 |
| Accumulated losses                                                                               | <u>(390,194)</u>          | <u>(398,861)</u>          |
|                                                                                                  | <u>1,228,176</u>          | <u>1,219,509</u>          |

#### (c) Guarantees

Centro Australia Wholesale Fund has not entered into any guarantees in the current or previous financial year.

### 3 Parent entity financial information (continued)

#### (d) Contingent liabilities

The Victorian State Revenue Office (SRO) has commenced investigations into the establishment of CAWF and the subsequent acquisition of units by the DPF.

In relation to the establishment of CAWF:

a) Management expect that an assessment will be made by the SRO for an amount of approximately \$38.5m (\$31m plus interest and penalties). Management has received an assessment on the 49.9% acquisition of CAWF by DPF, for approximately \$16.7m (\$14m plus interest and penalties).

b) SA Revenue has indicated that it thinks that double duty is payable in respect of SA shopping centres transferred into CAWF on its creation (potential exposure \$32.5m). No assessment has been raised yet and management are in discussions with SA Revenue.

Management and its stamp duty advisors believe that there are good arguments to support our position that no Victorian and SA stamp duty liability arises in respect of either of the above points and have objected against the Victorian SRO assessment.

The Victorian SRO has accepted a stay on payment of any assessed duty until such time as all objections and appeals are finalised. This is consistent with other dealings that Management have recently had with the SRO.

#### (e) Contractual commitments

Centro Australia Wholesale Fund does not have any contractual commitments as at 30 June 2010 (2009: none).

### 4 Interest Revenue

|                                 | CAWF Group      |                 |
|---------------------------------|-----------------|-----------------|
|                                 | 30 June<br>2010 | 30 June<br>2009 |
|                                 | \$'000          | \$'000          |
| Loan guarantee interest revenue | 4,800           | 4,335           |
| Interest revenue                | <u>557</u>      | <u>877</u>      |
|                                 | <u>5,357</u>    | <u>5,212</u>    |

### 5 Financing costs

|                                           | CAWF Group      |                 |
|-------------------------------------------|-----------------|-----------------|
|                                           | 30 June<br>2010 | 30 June<br>2009 |
|                                           | \$'000          | \$'000          |
| Interest and finance charges paid/payable | <u>59,779</u>   | <u>56,842</u>   |

### 6 Distributions

|                           | CAWF Group      |                 |
|---------------------------|-----------------|-----------------|
|                           | 30 June<br>2010 | 30 June<br>2009 |
|                           | \$'000          | \$'000          |
| Total gross distributions | <u>60,000</u>   | <u>111,001</u>  |



## 7 Current assets - Cash and cash equivalents

|                          | CAWF Group    |               |
|--------------------------|---------------|---------------|
|                          | 2010          | 2009          |
|                          | \$'000        | \$'000        |
| Cash at bank and on hand | <u>11,410</u> | <u>13,209</u> |

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

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

|                                      | CAWF Group    |               |
|--------------------------------------|---------------|---------------|
|                                      | 2010          | 2009          |
|                                      | \$'000        | \$'000        |
| Balances as above                    | <u>11,410</u> | <u>13,209</u> |
| Balances per statement of cash flows | <u>11,410</u> | <u>13,209</u> |

## 8 Current assets - Trade and other receivables

|                           | CAWF Group    |               |
|---------------------------|---------------|---------------|
|                           | 2010          | 2009          |
|                           | \$'000        | \$'000        |
| Related party receivables | 13,723        | 15,291        |
| Other receivables         | <u>270</u>    | <u>164</u>    |
|                           | <u>13,993</u> | <u>15,455</u> |

There are no impaired trade receivables for the CAWF Group in 2010 or 2009.

## 9 Non-current assets - Investments accounted for using the equity method

### (a) Investments accounted for using the equity method

|                           | CAWF Group       |                  |
|---------------------------|------------------|------------------|
|                           | 2010             | 2009             |
|                           | \$'000           | \$'000           |
| Investments in associates | <u>1,883,085</u> | <u>2,041,519</u> |

The reconciliation below details the movements for the year:

|                                                                               | CAWF Group       |                  |
|-------------------------------------------------------------------------------|------------------|------------------|
|                                                                               | 2010             | 2009             |
|                                                                               | \$'000           | \$'000           |
| Opening balance at 1 July                                                     | 2,041,519        | 2,457,031        |
| Share of profit/(loss) from investments accounted for using the equity method | 133,269          | (251,366)        |
| Distribution received/receivable                                              | (156,414)        | (143,126)        |
| Disposals                                                                     | -                | (37,709)         |
| Capitalised expenditure                                                       | 14,711           | 16,689           |
| Return of capital                                                             | (150,000)        | -                |
| Closing balance at 30 June                                                    | <u>1,883,085</u> | <u>2,041,519</u> |

**9 Non-current assets - Investments accounted for using the equity method (continued)**

| Name of entity                                                                                         | Ownership Interest |           | Carrying value |                | Share of associates profit/(loss) |                |
|--------------------------------------------------------------------------------------------------------|--------------------|-----------|----------------|----------------|-----------------------------------|----------------|
|                                                                                                        | 2010<br>%          | 2009<br>% | 2010<br>\$'000 | 2009<br>\$'000 | 2010<br>\$'000                    | 2009<br>\$'000 |
| <i>Unlisted</i>                                                                                        |                    |           |                |                |                                   |                |
| Wholesale Fund Arndale Trust ("Centro Arndale") *                                                      | 100.00             | 100.00    | 48,000         | 52,500         | 291                               | (7,906)        |
| Wholesale Fund Bankstown Trust ("Centro Bankstown") *                                                  | 100.00             | 100.00    | 260,000        | 257,500        | 18,071                            | (39,139)       |
| Wholesale Fund Box Hill Trust ("Centro Box Hill South") *                                              | 100.00             | 100.00    | 47,000         | 41,950         | 6,749                             | (7,767)        |
| Wholesale Fund Whitsundays Trust ("Centro Whitsunday") *                                               | 100.00             | 100.00    | 25,150         | 25,750         | 1,562                             | (2,449)        |
| Centro Karratha Holding Trust ("Centro Karratha") *                                                    | 100.00             | 100.00    | 44,000         | 42,165         | 4,716                             | 1,334          |
| Centro CTT Holding Trust 2 ("Centro Goulburn")                                                         | 50.00              | 50.00     | 23,800         | 24,400         | 2,373                             | (5,425)        |
| Centro Tweed Holding Trust ("Centro Tweed") *                                                          | 100.00             | 100.00    | 43,150         | 48,000         | (1,253)                           | (3,177)        |
| Wholesale Fund Colonnades Trust ("Centro Colonnades") *                                                | 100.00             | 100.00    | 145,250        | 150,900        | 6,281                             | (24,516)       |
| Wholesale Fund Cranbourne Trust ("Centro Cranbourne") *                                                | 100.00             | 100.00    | 31,526         | 61,000         | 1,270                             | (5,769)        |
| Glen Holding Trust 2 ("Centro The Glen") *                                                             | 100.00             | 100.00    | 192,150        | 190,000        | 15,191                            | 27             |
| Centro Galleria Morley Head Trust ("Centro Galleria")                                                  | 50.00              | 50.00     | 275,000        | 262,500        | 29,629                            | (21,643)       |
| Halls Head Trust ("Centro Halls Head")                                                                 | 50.00              | 50.00     | 13,625         | 13,400         | 1,320                             | (958)          |
| Wholesale Fund Hervey Bay Trust ("Centro Hervey Bay") *                                                | 100.00             | 100.00    | 28,750         | 34,950         | (4,208)                           | (4,550)        |
| Wholesale Fund Lavington Trust ("Centro Lavington") *                                                  | 100.00             | 100.00    | 30,500         | 31,640         | 1,898                             | (3,239)        |
| Wholesale Fund Mildura Trust ("Centro Mildura") *                                                      | 100.00             | 100.00    | 42,300         | 44,300         | 3,724                             | (10,152)       |
| Centro Mandurah Holding Trust ("Centro Mandurah")                                                      | 50.00              | 50.00     | 58,879         | 106,000        | 8,747                             | (5,890)        |
| Wholesale Fund Mornington Trust ("Centro Mornington") *                                                | 100.00             | 100.00    | 25,750         | 26,500         | 1,637                             | (2,461)        |
| Wholesale Fund Roselands Trust ("Centro Roselands") *                                                  | 100.00             | 100.00    | 152,935        | 150,435        | 12,067                            | (13,249)       |
| Wholesale Fund Southport Trust ("Centro Southport") *                                                  | 100.00             | 100.00    | -              | -              | 810                               | 448            |
| Wholesale Fund Springwood Trust ("Centro Springwood") *                                                | 100.00             | 100.00    | 25,100         | 27,000         | 480                               | (2,866)        |
| Centro Karingal Wholesale Fund Holding Trust ("Centro Karingal" and "Karingal Entertainment Centre") * | 100.00             | 100.00    | 47,254         | 87,000         | 4,816                             | (13,323)       |
| Wholesale Fund Taigum Trust ("Centro Taigum") *                                                        | 100.00             | 100.00    | 36,250         | 40,000         | (465)                             | (1,760)        |
| Wholesale Fund Toombul Trust ("Centro Toombul") *                                                      | 100.00             | 100.00    | 85,000         | 86,250         | 3,481                             | (20,528)       |
| Centro Tuggeranong Holding Trust ("Tuggeranong Hyperdome SC") *                                        | 100.00             | 100.00    | 27,613         | 30,679         | 2,157                             | (40,897)       |
| Wholesale Fund Victoria Gardens Trust ("Centro Victoria Gardens") *                                    | 100.00             | 100.00    | 47,500         | 47,100         | 4,707                             | (4,410)        |

**9 Non-current assets - Investments accounted for using the equity method (continued)**

| Name of entity                                                                  | Ownership Interest |           | Carrying value   |                  | Share of associates profit/(loss) |                  |
|---------------------------------------------------------------------------------|--------------------|-----------|------------------|------------------|-----------------------------------|------------------|
|                                                                                 | 2010<br>%          | 2009<br>% | 2010<br>\$'000   | 2009<br>\$'000   | 2010<br>\$'000                    | 2009<br>\$'000   |
| Wholesale Fund Warriewood Trust ("Centro Warriewood" and "Centro Cranbourne") * | 100.00             | 100.00    | 34,753           | 65,000           | 2,497                             | (6,743)          |
| Wholesale Fund Whitehorse Trust ("Centro Box Hill North") *                     | 100.00             | 100.00    | 30,350           | 33,150           | (219)                             | (1,030)          |
| Warwick Grove Trust ("Centro Warwick")                                          | 50.00              | 50.00     | 61,500           | 61,450           | 4,940                             | (3,328)          |
|                                                                                 |                    |           | <u>1,883,085</u> | <u>2,041,519</u> | <u>133,269</u>                    | <u>(251,366)</u> |

\* Due to the trust structure of each respective underlying investment, CAWF Group's ultimate ownership in the underlying investment properties are 50.00% (2009: 50.00%).

The principal activity of the abovenamed entities is property investment.

**(b) Summarised financial information and performance of associates**

|                                         | CAWF Group     |                |
|-----------------------------------------|----------------|----------------|
|                                         | 2010<br>\$'000 | 2009<br>\$'000 |
| Total assets                            | 2,333,878      | 2,363,545      |
| Total liabilities                       | (349,685)      | (244,678)      |
| Revenues                                | 259,603        | 258,312        |
| Net profit/(loss)                       | 118,567        | (256,897)      |
| Share of associates capital commitments | 9,666          | 1,848          |

**10 Derivative financial instruments**

|                                                   | CAWF Group     |                |
|---------------------------------------------------|----------------|----------------|
|                                                   | 2010<br>\$'000 | 2009<br>\$'000 |
| <b>Non-current assets</b>                         |                |                |
| Interest rate swap contracts                      | -              | 767            |
| Total derivative financial instrument assets      | -              | 767            |
| <b>Current liabilities</b>                        |                |                |
| Interest rate swap contracts                      | 11,560         | 65             |
| <b>Non-current liabilities</b>                    |                |                |
| Interest rate swap contracts                      | 18,728         | 31,827         |
| Total derivative financial instrument liabilities | <u>30,288</u>  | <u>31,892</u>  |

## 11 Current liabilities - Trade and other payables

|                                | CAWF Group   |               |
|--------------------------------|--------------|---------------|
|                                | 2010         | 2009          |
|                                | \$'000       | \$'000        |
| Related party payables         | 3,737        | 25,979        |
| Accrued expenses and interest  | <u>3,442</u> | <u>2,645</u>  |
| Total trade and other payables | <u>7,179</u> | <u>28,624</u> |

## 12 Interest bearing liabilities

|                                                | CAWF Group     |                |
|------------------------------------------------|----------------|----------------|
|                                                | 2010           | 2009           |
|                                                | \$'000         | \$'000         |
| <b>Current</b>                                 |                |                |
| CMBS                                           | -              | 150,000        |
| Related party loans                            | -              | <u>43</u>      |
| Total current interest bearing liabilities     | -              | <u>150,043</u> |
| <b>Non-current</b>                             |                |                |
| Secured borrowings                             |                |                |
| Borrowings                                     | 638,033        | 624,533        |
| Prepaid facility establishment fees            | <u>(2,188)</u> | <u>(1,651)</u> |
| Total secured non-current borrowings           | <u>635,845</u> | <u>622,882</u> |
| Total non-current interest bearing liabilities | <u>635,845</u> | <u>622,882</u> |

### (a) Financing arrangements

The CAWF Group had access to the following undrawn borrowing facilities at the reporting date:

|                              | CAWF Group     |                |
|------------------------------|----------------|----------------|
|                              | 2010           | 2009           |
|                              | \$'000         | \$'000         |
| Total facilities             |                |                |
| Interest bearing liabilities | <u>654,533</u> | <u>636,533</u> |
|                              | <u>654,533</u> | <u>636,533</u> |
| Used at balance date         |                |                |
| Interest bearing liabilities | <u>638,033</u> | <u>624,533</u> |
|                              | <u>638,033</u> | <u>624,533</u> |
| Unused at balance date       |                |                |
| Interest bearing liabilities | <u>16,500</u>  | <u>12,000</u>  |
|                              | <u>16,500</u>  | <u>12,000</u>  |

## 12 Interest bearing liabilities (continued)

### (b) Secured borrowings

The borrowings are provided under an Australian dollar facility. They have variable interest rates and mature on 15 December 2011.

Commonwealth Bank of Australia ("CBA") loan of \$638.033 million is secured by a fixed and floating charge over the following investment properties: Centro Arndale, Centro Bankstown, Centro Box Hill South, Centro Colonnades, Centro Cranbourne, Centro Galleria, Centro Goulburn, Centro Halls Head, Centro Hervey Bay, Centro Karratha, Centro Karingal, Centro Mandurah, Centro Mildura, Centro Roselands, Centro Taigum, Centro Toombul, Centro Warriewood, Centro Box Hill North and Centro Whitsunday.

If there is a change or a replacement of the Responsible Entity in the future periods or an event of default occurs at Centro Properties Group, an event of default will be triggered under the current borrowing arrangement, and the financier may call on the repayment of the bank borrowings immediately. If the financier can call on the borrowings immediately, this will also result in the classification of the bank borrowings as a current liability.

### (c) Repayment of loan facilities upon sale of assets

Under the loan facilities with CBA all proceeds from the sale of any assets held by CAWF must be used to repay the loan facilities, after repaying any senior debt.

### (d) Off-Balance sheet

CAWF equity accounts its 50% interest in its associate The Tuggeranong Town Centre Trust ("TTCT"). TTCT has a \$113.798 million loan outstanding with ANZ as at 30 June 2010. This borrowing relates to CAWF's interest in Centro Tuggeranong.

As at balance date, TTCT's ANZ loan facility was subject to a short-term waiver and expired on 9 July 2010. However, documentation effecting an extension of the ANZ facility to 15 December 2011 was executed on 17 August 2010.

Following a breach of the LVR covenant under the terms of the loan all distribution proceeds from TTCT, net of capital purchases, must be applied to the repayment of principal under the loan.

CAWF equity accounts its 50% interest in its associate Victoria Gardens Retail Trust ("VGRT"). VGRT has borrowed \$66 million from ANZ maturing 15 December 2011. \$33 million of this borrowing relates to CAWF's interest in Centro Victoria Gardens (the remaining \$33 million represents an external entity's 50% interest in VGRT).

CAWF equity accounts its 50% interest in its associates Cranbourne Holding Trust ("Centro Cranbourne"), Centro Karingal Holding Trust ("Centro Karingal" and "Karingal Entertainment Centre"), Centro Mandurah Holding Trust ("Centro Mandurah"), and Keilor Down Trust ("Centro Warriewood" and "Centro Cranbourne"). During the period these entities drew down a combined total of \$300m in a secured bank loan of which \$150 million was attributable to CAWF. These entities issued a return of capital for the same amount. CAWF Group used its \$150 million share of the return of capital funds to repay its CMBS loan which expired on 4 December 2009. The new facility is now due to expire on 4 December 2012.

## 13 Current liabilities - Provisions

|                            | CAWF Group   |               |
|----------------------------|--------------|---------------|
|                            | 2010         | 2009          |
|                            | \$'000       | \$'000        |
| Provision for distribution | <u>7,000</u> | <u>18,000</u> |

### (a) Movements in provisions

The reconciliation below details the movements for the year:

|                                      |               |                |
|--------------------------------------|---------------|----------------|
| Opening balance at 1 July            | 18,000        | -              |
| Distributions paid                   | (71,000)      | (93,001)       |
| Provision recognised during the year | <u>60,000</u> | <u>111,001</u> |
| Closing balance at 30 June           | <u>7,000</u>  | <u>18,000</u>  |

## 14 Contributed equity

### (a) Units issued

The reconciliation below details the movements for the year:

|                            | CAWF Group       |                  |
|----------------------------|------------------|------------------|
|                            | 2010<br>No. '000 | 2009<br>No. '000 |
| Number of units            |                  |                  |
| Opening balance at 1 July  | 1,644,888        | 1,644,888        |
| Issued during the year     | -                | -                |
| Redeemed during the year   | -                | -                |
| Closing balance at 30 June | <u>1,644,888</u> | <u>1,644,888</u> |

The reconciliation below details the movements for the year:

|                            | CAWF Group       |                  |
|----------------------------|------------------|------------------|
|                            | 2010<br>\$'000   | 2009<br>\$'000   |
| Opening balance at 1 July  | 1,618,370        | 1,618,370        |
| Issued during the year     | -                | -                |
| Redeemed during the year   | -                | -                |
| Closing balance at 30 June | <u>1,618,370</u> | <u>1,618,370</u> |

## 15 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 Fund 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.

|                                                                                            | CAWF Group                |                           |
|--------------------------------------------------------------------------------------------|---------------------------|---------------------------|
|                                                                                            | 30 June<br>2010<br>\$'000 | 30 June<br>2009<br>\$'000 |
| Net profit/(loss) for the year before income tax expense                                   | 68,667                    | (399,449)                 |
| Adjusted for:                                                                              |                           |                           |
| Net gain/(loss) on derivative financial instruments                                        | (836)                     | 79,643                    |
| Share of non-distributable net losses of investments accounted for using the equity method | <u>6,345</u>              | <u>394,492</u>            |
| Distributable income                                                                       | <u>74,176</u>             | <u>74,686</u>             |

## 15 Distributable income (continued)

|                                                                                                                                        | CAWF Group       |                  |
|----------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                                                        | 30 June<br>2010  | 30 June<br>2009  |
| <b>(a) Basic</b>                                                                                                                       |                  |                  |
| Distributable income attributable to unitholders used in calculating basic distributable income per unit (\$'000)                      | <u>74,176</u>    | <u>74,686</u>    |
| Weighted average number of units on issue for the year (being the weighted average number of units outstanding during the year) ('000) | <u>1,644,888</u> | <u>1,644,888</u> |
| Basic distributable income per unit (cents)                                                                                            | <u>4.51</u>      | <u>4.54</u>      |
| <b>(b) Adjusted</b>                                                                                                                    |                  |                  |
| Distributable income attributable to unitholders used in calculating adjusted distributable income per unit (\$'000)                   | <u>74,176</u>    | <u>74,686</u>    |
| Weighted average number of units on issue for the year (being the weighted average number of units outstanding during the year) ('000) | <u>1,644,888</u> | <u>1,644,888</u> |
| Adjusted distributable income per unit (cents)                                                                                         | <u>4.51</u>      | <u>4.54</u>      |

## 16 Net tangible asset backing (NTA)

|                                                                                                                                   | CAWF Group       |                  |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                                                   | 2010             | 2009             |
| Net assets attributable to unitholders (\$'000)                                                                                   | <u>1,228,176</u> | <u>1,219,509</u> |
| <b>(a) Basic</b>                                                                                                                  |                  |                  |
| Number of units                                                                                                                   |                  |                  |
| Number of units outstanding at the end of the year used in the calculation of basic net tangible asset backing per unit ('000)    | 1,644,888        | 1,644,888        |
| Basic NTA (\$)                                                                                                                    | <u>0.75</u>      | <u>0.74</u>      |
| <b>(b) Adjusted</b>                                                                                                               |                  |                  |
| Number of units                                                                                                                   |                  |                  |
| Number of units outstanding at the end of the year used in the calculation of adjusted net tangible asset backing per unit ('000) | 1,644,888        | 1,644,888        |
| Adjusted NTA (\$)                                                                                                                 | <u>0.75</u>      | <u>0.74</u>      |

## 17 Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

|                                                                                            | CAWF Group                |                           |
|--------------------------------------------------------------------------------------------|---------------------------|---------------------------|
|                                                                                            | 30 June<br>2010<br>\$'000 | 30 June<br>2009<br>\$'000 |
| Net profit/(loss) for the year                                                             | 68,667                    | (397,570)                 |
| Share of non-distributable net losses of investments accounted for using the equity method | 6,345                     | 394,492                   |
| Loss on sale of asset                                                                      | -                         | 4,241                     |
| Net (gain)/loss on derivative financial instruments                                        | (836)                     | 79,643                    |
| Decrease/(increase) in assets                                                              |                           |                           |
| Trade and other receivables                                                                | 1,462                     | (3,096)                   |
| Increase/(decrease) in liabilities                                                         |                           |                           |
| Trade payables                                                                             | (18,756)                  | (21,091)                  |
| Net cash inflow/(outflow) from operating activities                                        | <u>56,882</u>             | <u>56,619</u>             |

## 18 Financial risk management

This note details the requirements of AASB 7 *Financial Instruments Disclosures*, which mandates disclosures regarding only financial assets and financial liabilities. As a result, these disclosures, in particular the sensitivity analysis, do not take into account movements in non-financial assets such as investment property and investments accounted for using the equity method.

The CAWF Group's activities expose it to a variety of financial risks; market risk (including interest rate risk and price risk), credit risk, and liquidity risk. The CAWF Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the CAWF Group. To the extent that they are able to access them the CAWF Group uses derivative financial instruments such as interest rate swaps to manage its exposures to interest rate risk, whenever possible.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board and subject to periodic review. Group Treasury identifies, evaluates and manages financial risks in close co-operation with CAWF Group's operating units. Group Treasury reports to the Board on a monthly basis on CAWF Group's derivative and debt positions and compliance with policy.

CAWF Group holds the following financial instruments:

|                                  | CAWF Group     |                |
|----------------------------------|----------------|----------------|
|                                  | 2010<br>\$'000 | 2009<br>\$'000 |
| <b>Financial assets</b>          |                |                |
| Cash and cash equivalents        | 11,410         | 13,209         |
| Trade and other receivables      | 13,993         | 15,455         |
| Derivative financial instruments | -              | 767            |
| Other financial assets           | -              | -              |
|                                  | <u>25,403</u>  | <u>29,431</u>  |
| <b>Financial liabilities</b>     |                |                |
| Trade and other payables         | 7,179          | 28,624         |
| Interest bearing liabilities     | 638,033        | 774,576        |
| Derivative financial instruments | 30,288         | 31,892         |
| Provision for distribution       | 7,000          | 18,000         |
|                                  | <u>682,500</u> | <u>853,092</u> |

The fair value of the above financial assets and liabilities are not considered to be materially different from their carrying value.



## 18 Financial risk management (continued)

### (a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and unit prices, will affect future cash flows or the fair value of financial instruments.

#### (i) Foreign currency risk

CAWF Group transacts only in Australian dollars and therefore is not exposed to foreign currency risk.

Foreign currency risk arises when transactions of assets and liabilities are denominated in a currency other than the entity's functional currency. The functional currency of the entity is Australian Dollars.

#### (ii) Price risk

CAWF Group is not exposed to any significant concentrations of price risk.

#### (iii) Interest rate risk

CAWF Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the CAWF Group to cash flow interest rate risk and borrowings issued at fixed rates that are measured at fair value expose the CAWF Group to fair value interest rate risk. The CAWF Group policy is to manage cash flow interest rate risk by fixing rates on variable rate debt.

The CAWF Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting variable rate borrowings to fixed rate borrowings. Generally, the CAWF Group raises borrowings at floating rates and swaps them into fixed rates. Under the terms of interest rate swaps, the company agrees to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

As at the reporting date, Centro Australia Wholesale Fund had the following variable rate financial assets and liabilities:

|                                                             | 30 June 2010<br>\$'000 | 30 June 2009<br>\$'000 |
|-------------------------------------------------------------|------------------------|------------------------|
| <b>Financial liabilities</b>                                |                        |                        |
| Interest bearing liabilities                                | 638,033                | 624,533                |
| CMBS loans                                                  | -                      | 150,000                |
| Interest rate swaps (notional principal amount)             | (900,000)              | (900,000)              |
| Net exposure to cash flow interest rate risk <sup>(i)</sup> | <u>(261,967)</u>       | <u>(125,467)</u>       |

<sup>(i)</sup> Net exposure represents the difference between the outstanding variable rate instruments and the notional amount for interest rate swap contracts.

## 18 Financial risk management (continued)

### Sensitivity analysis

While interest rates can move up or down, having regard to the forward interest rate curve for both BBSW and LIBOR at 30 June 2010, the tables below disclose the impact that a 40 basis point (bps) (i.e. 0.4%) (2009: + 130bps) shift in the interest rates would have on the CAWF Group's post tax profits and equity (excluding retained profits). The sensitivities have been reassessed by management during the financial year in light of the current interest rate curve. This should not be considered a projection.

#### CAWF Group

| 30 June 2010                     | Interest rate risk                     |                  |                                        |                  |
|----------------------------------|----------------------------------------|------------------|----------------------------------------|------------------|
|                                  | -0%                                    |                  | +0.4%                                  |                  |
|                                  | Post-tax profit<br>or (loss)<br>\$'000 | Equity<br>\$'000 | Post-tax profit<br>or (loss)<br>\$'000 | Equity<br>\$'000 |
| Financial liabilities            |                                        |                  |                                        |                  |
| Derivative financial Instruments | -                                      | -                | 8,511                                  | -                |
| Interest bearing liabilities     | -                                      | -                | (2,552)                                | -                |
| <b>Total increase/(decrease)</b> | <b>-</b>                               | <b>-</b>         | <b>5,959</b>                           | <b>-</b>         |

#### CAWF Group

| 30 June 2009                     | Interest rate risk                     |                  |                                        |                  |
|----------------------------------|----------------------------------------|------------------|----------------------------------------|------------------|
|                                  | -0%                                    |                  | +1.3%                                  |                  |
|                                  | Post-tax profit<br>or (loss)<br>\$'000 | Equity<br>\$'000 | Post-tax profit<br>or (loss)<br>\$'000 | Equity<br>\$'000 |
| Financial assets                 |                                        |                  |                                        |                  |
| Derivative financial Instruments | -                                      | -                | 14,201                                 | -                |
| Financial liabilities            |                                        |                  |                                        |                  |
| Derivative financial Instruments | -                                      | -                | 22,585                                 | -                |
| Interest bearing liabilities     | -                                      | -                | (8,587)                                | -                |
| <b>Total increase/(decrease)</b> | <b>-</b>                               | <b>-</b>         | <b>28,199</b>                          | <b>-</b>         |

#### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to CAWF Group. These counterparties include, but are not limited to, entities within the Centro Properties Group, banks and tenants at rental properties. Credit limits and policies have been established to ensure that CAWF Group deal only with approved counterparties and that counterparty concentration risk is addressed and the risk of loss is mitigated.

Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to CAWF Group, after allowing for appropriate set offs which are legally enforceable.

CAWF Group has policies in place to ensure that properties are leased to tenants with an appropriate credit history. All rental income is billed and received in advance and the CAWF Group has policies in place to ensure that properties are leased only to tenants with an appropriate credit history.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

Details of assets that have been impaired can be found in the trade and other receivables note.

## 18 Financial risk management (continued)

### (c) Liquidity risk

Liquidity risk is the risk that CAWF Group will not be able to meet its financial obligations as they fall due. Typically CAWF Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Prudent liquidity risk management involves maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions.

CAWF Group manages liquidity risk by continuously monitoring forecast and actual cashflows and matching the maturity profiles of financial assets and liabilities. CAWF Group hold a large portion of their investments in direct property where there is not an immediate liquid market, however the underlying investment properties of these funds are stable and management expect that sufficient cash flows will be generated and available to meet cash outflow liabilities arising from the day to day operations of CAWF Group.

#### *Maturities of financial liabilities*

The cash flows have been estimated using forward interest rates applicable at the balance date.

The tables below analyse the CAWF Group's financial liabilities, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For variable debt the cash flows have been estimated using forward interest rates applicable at the balance date.

| CAWF Group - At 30 June 2010        | Less than 6 months        | 6 - 12 months        | 1 - 2 years        | 2 - 5 years        | Over 5 years        | Total contractual cash flows        | Carrying Amount assets/ (liabilities)        |
|-------------------------------------|---------------------------|----------------------|--------------------|--------------------|---------------------|-------------------------------------|----------------------------------------------|
|                                     | \$'000                    | \$'000               | \$'000             | \$'000             | \$'000              | \$'000                              | \$'000                                       |
| <b>Non-derivatives</b>              |                           |                      |                    |                    |                     |                                     |                                              |
| Trade and other payables            | (7,179)                   | -                    | -                  | -                  | -                   | (7,179)                             | (7,179)                                      |
| Borrowings - variable rate          | (22,146)                  | (21,540)             | (661,143)          | -                  | -                   | (704,829)                           | (638,033)                                    |
| Provisions                          | (7,000)                   | -                    | -                  | -                  | -                   | (7,000)                             | (7,000)                                      |
| <b>Total non-derivatives</b>        | <b>(36,325)</b>           | <b>(21,540)</b>      | <b>(661,143)</b>   | <b>-</b>           | <b>-</b>            | <b>(719,008)</b>                    | <b>(652,212)</b>                             |
| <b>Derivatives</b>                  |                           |                      |                    |                    |                     |                                     |                                              |
| Interest rate swap                  | (5,881)                   | (5,519)              | (11,384)           | (12,984)           | -                   | (35,768)                            | (30,288)                                     |
| <b>Total derivatives</b>            | <b>(5,881)</b>            | <b>(5,519)</b>       | <b>(11,384)</b>    | <b>(12,984)</b>    | <b>-</b>            | <b>(35,768)</b>                     | <b>(30,288)</b>                              |
| <b>CAWF Group - At 30 June 2009</b> | <b>Less than 6 months</b> | <b>6 - 12 months</b> | <b>1 - 2 years</b> | <b>2 - 5 years</b> | <b>Over 5 years</b> | <b>Total contractual cash flows</b> | <b>Carrying Amount assets/ (liabilities)</b> |
|                                     | \$'000                    | \$'000               | \$'000             | \$'000             | \$'000              | \$'000                              | \$'000                                       |
| <b>Non-derivatives</b>              |                           |                      |                    |                    |                     |                                     |                                              |
| Trade and other payables            | (28,624)                  | -                    | -                  | -                  | -                   | (28,624)                            | (28,624)                                     |
| Borrowings - variable rate          | (169,638)                 | (17,326)             | (42,396)           | (651,664)          | -                   | (881,024)                           | (774,576)                                    |
| Provisions                          | (18,000)                  | -                    | -                  | -                  | -                   | (18,000)                            | (18,000)                                     |
| <b>Total non-derivatives</b>        | <b>(216,262)</b>          | <b>(17,326)</b>      | <b>(42,396)</b>    | <b>(651,664)</b>   | <b>-</b>            | <b>(927,648)</b>                    | <b>(821,200)</b>                             |
| <b>Derivatives</b>                  |                           |                      |                    |                    |                     |                                     |                                              |
| Interest rate swap                  | (11,830)                  | (10,550)             | (14,658)           | (821)              | -                   | (37,859)                            | (31,125)                                     |
| <b>Total derivatives</b>            | <b>(11,830)</b>           | <b>(10,550)</b>      | <b>(14,658)</b>    | <b>(821)</b>       | <b>-</b>            | <b>(37,859)</b>                     | <b>(31,125)</b>                              |

## 18 Financial risk management (continued)

### (d) Fair value estimation

The net fair value of financial assets and financial liabilities of the CAWF Group approximate their carrying value.

AASB 7 introduces the concept of a fair value hierarchy which requires entities to classify fair value measurements of its financial assets and liabilities based on how observable the inputs to the fair value measurement are.

The CAWF Group uses various methods in estimating the fair value of a financial instrument. The methods used comprise the following inputs:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; or
- Level 3 - inputs are not based on observable market data (unobservable inputs).

The classification of the CAWF Group's financial assets and liabilities are summarised below.

| CAWF Group - as at 30 June 2010  | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 |
|----------------------------------|-------------------|-------------------|-------------------|
| <b>Financial Liabilities</b>     |                   |                   |                   |
| Derivative financial instruments | -                 | 30,288            | -                 |
| <b>Total liabilities</b>         | -                 | <u>30,288</u>     | <u>-</u>          |

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the current financial year.

## 19 Capital risk management

CAWF Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for unitholders and benefits for other stakeholders and wherever possible, to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, CAWF Group may adjust the amount of distributions paid to unitholders, return capital to unitholders, issue new units or sell assets.

Consistent with other direct retail property schemes in the industry CAWF Group monitors capital on the basis of the gearing ratio.

The gearing ratio has been calculated in accordance with ASIC RG 46 which is calculated using the following formula:

Gearing Ratio = Total interest bearing liabilities ÷ Total assets

During 2010, CAWF Group's strategy which was unchanged from 2009, the gearing ratio at 30 June 2010 and 2009 were as follows:

|                                                   | CAWF Group       |                  |
|---------------------------------------------------|------------------|------------------|
|                                                   | 2010             | 2009             |
|                                                   | \$'000           | \$'000           |
| <b>Interest bearing liabilities</b>               |                  |                  |
| Borrowings                                        | 638,033          | 774,576          |
| Total interest bearing liabilities                | <u>638,033</u>   | <u>774,576</u>   |
| <b>Assets</b>                                     |                  |                  |
| Cash and cash equivalents                         | 11,410           | 13,209           |
| Investments accounted for using the equity method | 1,883,085        | 2,041,519        |
| Trade and other receivables                       | 13,993           | 15,455           |
| Derivative financial instruments                  | -                | 767              |
| Total assets                                      | <u>1,908,488</u> | <u>2,070,950</u> |
| <b>Gearing ratio</b>                              | <b>33.43 %</b>   | <b>37.37 %</b>   |

The gearing ratio is monitored on a consolidated basis.

## 20 Related party transactions

### (a) Parent entities

The parent entity within the CAWF Group is Centro Australia Wholesale Fund. Centro Australia Wholesale Fund is controlled by Centro Property Trust, which is controlled by the ultimate Australian parent entity, Centro Properties Limited, who together with its associates controls 76.80% of the voting power of Centro Australia Wholesale Fund.

### (b) Associates

Interests in associates are set out in note 9.

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

Centro Properties Group controls CAWF Group's Responsible Entity, CPT Manager Limited and also provides property, funds management and other related services.

Fees paid to the Responsible Entity for these services during the year totalled \$9.862 million (2009: \$10.913 million).

### (d) Transactions with related parties

|                                                                                                                         | CAWF Group<br>30 June<br>2010<br>\$ | 30 June<br>2009<br>\$ |
|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------|
| Fees charged by the Responsible Entity in accordance with the provisions of the CAWF Group Constitution for the period: |                                     |                       |
| <i>Centro Property Trust - parent</i>                                                                                   |                                     |                       |
| Responsible Entity management fees                                                                                      | 9,861,975                           | 10,912,672            |
| Interest rate swap interest                                                                                             | 18,476,783                          | 2,383,866             |
| Distribution paid on ordinary units                                                                                     | <u>26,488,558</u>                   | <u>46,480,184</u>     |
|                                                                                                                         | <u>54,827,316</u>                   | <u>59,776,722</u>     |
| <i>Centro MCS Manager Limited - other related party</i>                                                                 |                                     |                       |
| Property management fees                                                                                                | 9,493,448                           | 9,484,655             |
| Development and leasing fees                                                                                            | 155,493                             | 234,659               |
| Tax Fees                                                                                                                | <u>25,722</u>                       | <u>-</u>              |
|                                                                                                                         | <u>9,674,663</u>                    | <u>9,719,314</u>      |
| <i>Centro Capital Pty Ltd - other related party</i>                                                                     |                                     |                       |
| CMBS Interest                                                                                                           | <u>2,687,178</u>                    | 9,310,604             |
|                                                                                                                         | <u>2,687,178</u>                    | <u>9,310,604</u>      |
| <i>Centro Retail Trust - other related party</i>                                                                        |                                     |                       |
| CER loan guarantee revenue                                                                                              | (4,800,000)                         | (4,334,897)           |
| Distribution paid on ordinary units                                                                                     | <u>64,442</u>                       | <u>113,100</u>        |
|                                                                                                                         | <u>(4,735,558)</u>                  | <u>(4,221,797)</u>    |
| <i>Centro Direct Property Fund - other related party</i>                                                                |                                     |                       |
| Distribution paid on ordinary units                                                                                     | <u>26,447,000</u>                   | 46,407,261            |
|                                                                                                                         | <u>26,447,000</u>                   | <u>46,407,261</u>     |
| <i>Tuggeranong Town Centre Trust - other related party</i>                                                              |                                     |                       |
| Tuggeranong interest differential                                                                                       | -                                   | 518,913               |
| Tuggeranong interest revenue                                                                                            | <u>(158,670)</u>                    | <u>(21,059)</u>       |
|                                                                                                                         | <u>(158,670)</u>                    | <u>497,854</u>        |
| <i>Centro Australia Wholesale Fund - Associates</i>                                                                     |                                     |                       |
| Distributions received                                                                                                  | <u>125,676,894</u>                  | 117,440,939           |
|                                                                                                                         | <u>125,676,894</u>                  | <u>117,440,939</u>    |

## 20 Related party transactions (continued)

### (e) Outstanding balances

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

|                                                         | CAWF Group        |                    |
|---------------------------------------------------------|-------------------|--------------------|
|                                                         | 30 June<br>2010   | 30 June<br>2009    |
|                                                         | \$                | \$                 |
| <i>Distributions receivable from:</i>                   |                   |                    |
| Associates                                              | 15,179,094        | 13,069,469         |
| Other related parties                                   | <u>4,141,696</u>  | <u>1,781,900</u>   |
|                                                         | <u>19,320,790</u> | <u>14,851,369</u>  |
| <i>Other receivable from:</i>                           |                   |                    |
| Associates                                              | <u>3,185,989</u>  | <u>-</u>           |
| <i>Interest receivable from:</i>                        |                   |                    |
| Centro Retail Trust                                     | <u>394,521</u>    | <u>394,521</u>     |
| <i>Payables to:</i>                                     |                   |                    |
| Centro Property Trust - parent                          |                   |                    |
| Responsible Entity management fees                      | 814,161           | 828,290            |
| Interest rate swap interest                             | 3,066,238         | 5,851,307          |
| Other payable                                           | 3,185,989         | 45,503             |
| Professional fees                                       | -                 | 291,684            |
| Distribution payable on ordinary units                  | <u>3,498,489</u>  | <u>8,996,114</u>   |
|                                                         | <u>10,564,877</u> | <u>16,012,898</u>  |
| Centro Capital Pty Ltd - other related party            |                   |                    |
| CMBS                                                    | -                 | 150,000,000        |
| Interest payable on CMBS                                | <u>-</u>          | <u>435,411</u>     |
|                                                         | <u>-</u>          | <u>150,435,411</u> |
| Centro Corporate Services Pty Ltd - other related party |                   |                    |
| Short term loan from Centro Corporate Services          | <u>32,614</u>     | <u>314,885</u>     |
|                                                         | <u>32,614</u>     | <u>314,885</u>     |
| Associates - other related party                        |                   |                    |
| Distributions received in advance                       | 4,119,483         | 18,257,533         |
| Other payables                                          | <u>1,695,937</u>  | <u>-</u>           |
|                                                         | <u>5,815,420</u>  | <u>18,257,533</u>  |
| Centro Retail Trust - other related party               |                   |                    |
| Distribution payable on ordinary units                  | <u>8,511</u>      | <u>21,886</u>      |
|                                                         | <u>8,511</u>      | <u>21,886</u>      |
| Centro Direct Property Fund - other related party       |                   |                    |
| Distribution payable on ordinary units                  | <u>3,493,000</u>  | <u>8,982,000</u>   |
|                                                         | <u>3,493,000</u>  | <u>8,982,000</u>   |

As at 30 June 2010 the amount owing to Centro Properties Limited and its controlled entities by CAWF Group is \$10,597,491 (2009: \$166,763,194).

The Responsible Entity or its related entities held 822,088,703 foundation units in CAWF Group as at the end of the year (2009: 822,088,703).

## 20 Related party transactions (continued)

On 27 November 2007 Centro Retail Trust ('CER'), a related party of CAWF, obtained a financing facility from an external party. At the request of CER on 10 February 2009, CAWF agreed to act as a security guarantor for \$160.000 million of the financing facility which expires when CER has refinanced the facility and releases the CAWF assets as security. A condition of the agreement is that CER must within 120 days of being requested by CAWF discharge CAWF of all liability in connection with the securities provided by CAWF. As at the date of the report CAWF has not requested discharge of this liability.

### (f) Terms and conditions

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

Outstanding balances are unsecured and are repayable in cash.

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

## 21 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:

|                                       | CAWF Group      |                 |
|---------------------------------------|-----------------|-----------------|
|                                       | 30 June<br>2010 | 30 June<br>2009 |
|                                       | \$              | \$              |
| <b>(a) Audit services</b>             |                 |                 |
| Audit and review of financial reports |                 |                 |
| Moore Stephens                        | <u>97,850</u>   | <u>95,850</u>   |
| Total remuneration for audit services | <u>97,850</u>   | <u>95,850</u>   |



## 22 Contingencies

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

### CER Security Lend

Under an agreement dated 10 February 2009, at the request of CER, Centro Australia Wholesale Fund ("CAWF") agreed to act as a security guarantor for a \$160 million financing facility. As a condition of this agreement, CAWF has agreed that it cannot require CER to release CAWF from all liability in connection with the securities prior to 15 December 2011. CER has agreed to indemnify CAWF for certain liabilities and loss if the securities are enforced by the lenders and the assets subject to these securities are sold.

### Other Contingent Liabilities

The Victorian State Revenue Office (SRO) has commenced investigations into the establishment of CAWF and the subsequent acquisition of units by the DPF.

In relation to the establishment of CAWF:

- a) Management expect that an assessment will be made by the SRO for an amount of approximately \$38.5m (\$31m plus interest and penalties). Management has received an assessment on the 49.9% acquisition of CAWF by DPF, for approximately \$16.7m (\$14m plus interest and penalties).
- b) SA Revenue has indicated that it thinks that double duty is payable in respect of SA shopping centres transferred into CAWF on its creation (potential exposure \$32.5m). No assessment has been raised yet and management are in discussions with SA Revenue.

Management and its stamp duty advisors believe that there are good arguments to support our position that no Victorian and SA stamp duty liability arises in respect of either of the above points and have objected against the Victorian SRO assessment.

The Victorian SRO has accepted a stay on payment of any assessed duty until such time as all objections and appeals are finalised. This is consistent with other dealings that Management have recently had with the SRO.

## 23 Events occurring after the reporting period

No matter or circumstance has arisen in the interval between 30 June 2010 and the date hereof that has significantly affected, or may significantly affect:

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

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

- (a) the financial statements and notes of CAWF Group set out on pages 7 to 39 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001*, its Constitution and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of CAWF Group's financial position as at 30 June 2010 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) In the Directors' opinion there are reasonable grounds to believe that CAWF Group will be able to pay its debts as and when they become due and payable; and
- (c) The financial statements and notes also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

R. Wylie  
Director

Melbourne  
15 September 2010



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CENTRO AUSTRALIA WHOLESALE FUND AND CONTROLLED ENTITIES**

### **Report on the Financial Report**

We have audited the accompanying financial report of Centro Australia Wholesale Fund and Controlled Entities (the registered scheme), which comprises the balance sheet as at 30 June 2010 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The directors of the Responsible Entity of the registered scheme are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the registered scheme'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 registered scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

# MOORE STEPHENS

ACCOUNTANTS & ADVISORS

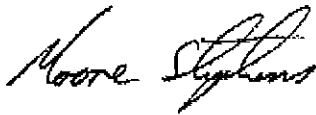
## *Independence*

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

## *Auditor's Opinion*

In our opinion:

- (a) the financial report of Centro Australia Wholesale Fund and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the registered scheme's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



MOORE STEPHENS  
Chartered Accountants



Kevin W Neville  
Partner

Melbourne, 15 September 2010