

# Appendix 4D

## Half-year report

Name of entity

**Centro Retail Group comprising Centro Retail Limited and Centro Retail Trust**

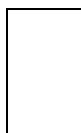
ABN or equivalent company reference

Half-yearly  
(tick)

Preliminary  
final (tick)

Half-year / ended ('current period')

**Centro Retail Limited 114 757 783**  
**Centro MCS Manager Ltd**  
**(RE for Centro Retail Trust)**  
**051 908 984**



**31 December 2009**  
*(Previous corresponding  
half-year period: 31 December 2008)*

### Results for announcement to the market

	<b>31.12.09</b>	31.12.08	% change
	<b>\$'000</b>	\$'000	
Revenue	<b>39,400</b>	46,067	(14.5%)
Net profit / (loss) attributable to members of Centro Retail Group (CER)	<b>196,681</b>	(2,060,326)	>100%
Net tangible assets per security	<b>35c</b>	72c	

Revenue has decreased in comparison to the prior corresponding period due to unfavorable movements in the Australian / United States ("US") dollar foreign exchange rate and deteriorating macro economic factors which have had an adverse effect on the occupancy and profitability of CER's US portfolio. Revenue from CER's Australian investments has been stable.

The favorable movement in profit attributable to members in comparison to the corresponding prior period was largely as a result of the movement in the mark to market value of CER's derivative financial instruments driven primarily by a stronger Australian dollar. The prior corresponding period result also included larger declines in retail property values (impacting both direct property investments and the underlying value of equity accounted investments) and a provision for the non recovery of investment in the Super LLC joint venture. There has been no further provision in the current period as CER's investment in the Super LLC joint venture was written down to zero at 30 June 2009.

This half-year report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Centro Retail Group during the half-year in accordance with the continuous disclosure obligations of the *Corporations Act 2001*.

<b>Dividends (distributions)</b>	Amount per security (distribution from Trust)	Amount per security (dividend from Company)	Record date for determining entitlements to the dividend (in the case of a trust, distribution)
Final distribution	-	-	-
Previous corresponding period	-	-	-

# **CENTRO RETAIL GROUP**

**Comprising Centro Retail Trust and its  
controlled entities (including Centro Retail Limited) which is known as the  
ASX listed stapled entity, Centro Retail Group**

**Financial Report  
For the Half-Year Ended  
31 December 2009**

## **Responsible Entity of the Trust**

Centro MCS Manager Limited  
A.B.N. 69 051 908 984  
3<sup>rd</sup> Floor, The Glen Shopping Centre  
235 Springvale Road  
Glen Waverley VIC 3150  
Telephone: (03) 8847 0000

## **Directors of the Responsible Entity**

Peter Day (Chairman)  
William Bowness  
Paul Cooper  
Jim Hall  
Michael Humphris  
Fraser MacKenzie

## **Secretaries of the Responsible Entity**

Elizabeth Hourigan  
Paul Flanigan

## **Auditor**

Ernst & Young  
Ernst & Young Building  
8 Exhibition Street  
Melbourne, VIC 3000

## **Security Registrar**

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

## **DIRECTORS' REPORT**

The Directors of Centro Retail Limited and Centro MCS Manager Limited, the Responsible Entity of Centro Retail Trust, present their report on the financial report of the Centro Retail Group for the half-year ended 31 December 2009.

### **Centro Retail Group**

The ASX listed entity, Centro Retail Group (the "Group" or "CER") consists of Centro Retail Trust ("the Trust") and its controlled entities which, for statutory reporting purposes includes Centro Retail Limited ("the Company"). Although separate entities, the securities of each are permanently 'stapled' to ensure that they are traded as a single interest.

### **Directors**

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

- Peter Day (Chairman) (appointed 1 October 2009)
- William Bowness (appointed 6 October 2009)
- Paul Cooper (Chairman until 30 September 2009, Director from 1 October 2009)
- Jim Hall
- Michael Humphris (appointed 1 October 2009)
- Fraser MacKenzie (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 continues in office at the date of this report.

Paul Flanigan is the Assistant Company Secretary and acts as the Company Secretary as required.

### **Principal Activities**

The principal activity of the Group during the half year was property investment.

### **Significant Matters**

During the half-year ended 31 December 2009, CER successfully completed the refinancing of \$553.9 million in maturing facilities and made \$29.6 million net debt repayments to its Australian lenders.

The movement in the foreign exchange rate between the Australian / US Dollar has had a significant adverse impact during the period. This movement has meant that US balances and transactions are reported as lower Australian dollar amounts than in the prior period and there has been significant movement in the mark to market value of CER's foreign exchange related financial instruments.

As a result of agreements reached with Centro Properties Group ("Centro" / "CNP") on 16 January 2009, CER has closed a number of financial derivatives with Centro as counterparty for nil consideration.

Due to banking restrictions with Centro Super LLC, no cash distributions have been received from this investment in the half-year ended 31 December 2009.

As announced on 24 December 2009, the Group appointed UBS to undertake an assessment of a restructure of CER.

### **Review of Operations**

CER's total shopping centre portfolio comprises investments in 383 properties located across the US (A\$4.6 billion), 30 in Australia (A\$1.5 billion) and other investments in Australia (A\$141.6 million). From an operating perspective, the heightened volatility within global financial markets has continued to create challenges for CER within each of its operating environments. A current period profit of \$196.7 million has been largely driven by a \$270.3 million gain on mark to market of derivative financial instruments, which was partially offset by property devaluations within CER's Australian and US investments.

### **US Portfolio Analysis**

At 31 December 2009, the stabilised portfolio was 90.3% leased compared with 91.0% six months earlier. While leasing productivity is healthy, occupancy and rental income continue to be negatively impacted by weakness in local tenants, as well as a supply imbalance created by bankruptcies over the last 24 to 36 months. Same property net operating income ("NOI") performance further reflects the impact of space rejected in bankruptcy, declining 5.8% on a 230 basis point decline in occupancy year-over-year.

CER's portfolio, with its grocery and discount anchors, provides downside protection in the current economic environment. This is reflected in leasing productivity over the six months, with 679 new leases aggregating 4 million square metres, which exceeded comparable 2008 volumes.

CER's US property values decreased by US\$181.4 million (3.9%) between 30 June 2009 and 31 December 2009. The portfolio weighted average capitalisation rate is 8.54%, an increase of 21 basis points since 30 June 2009. The decrease is due primarily to the continuing weak market fundamentals and illiquid credit markets. Both of these factors have shown signs of less rapid deterioration in the past six months relative to the prior period.

For the half-year, CER has sold 10 assets, with its share of proceeds equal to US\$124.1 million. Proceeds from the disposition program have been primarily used for debt reduction.

### **Australian Portfolio Analysis**

Despite the challenges experienced by a few properties, CER has a high quality portfolio that is well positioned going forward even in this difficult economic environment. The Australian portfolio is at near full occupancy at 99.7% and leasing remains solid with average rental growth of 2.5% on lease renewals.

For the half-year ended 31 December 2009, CER's Australian property values decreased by \$27.1 million, or 1.6% on a comparable portfolio. The portfolio weighted average capitalisation rates is 7.39%, an increase of 14 basis points since 30 June 2009.

CER did not sell any Australian assets within the half-year.

### **Matters subsequent to the end of the financial period**

#### **(a) Executive appointments**

On 5 January 2010 Centro Properties Limited, the ultimate parent of the Responsible Entity, Centro MCS Manager Limited, announced that it had appointed Robert Tsenin as Group Chief Executive Officer and Managing Director (Group CEO). Mr Tsenin will formally commence his duties as Group CEO, in Centro's head office in Melbourne, on 1 March 2010 after being appointed Group Chief Executive Officer designate from 5 February 2010 to ensure an orderly handover from Glenn Rufrano. Glenn Rufrano's contract ends on 28 February 2010. Mr Tsenin will remain a Director of CNP, a position to which he was appointed on 1 October 2009.

#### **(b) Extension of loan from related party**

On 15 February 2010, CER agreed to extend the term on a \$101 million related party loan with Centro Property Trust on the same terms and conditions for a further 30 days.

#### **(c) Asset Sales**

On 5 January 2010, CER executed an unconditional agreement to sell CER's interest in Centro Nerang for \$19.25 million. The 31 December 2009 book value was \$19.3 million.

On 15 January 2010 CER sold its interest in Oakdale Plaza (Minnesota) at the 31 December 2009 book value of US\$24.6 million.

### **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 3.

### **Rounding of Amounts to the Nearest Thousand Dollars**

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

Signed at Melbourne, 24<sup>th</sup> February 2010 in accordance with a resolution of the Directors.



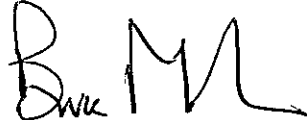
W. P. Day  
Director

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

In relation to our review of the half-year financial report of Centro Retail Group for the period ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



B R Meehan  
Partner  
Melbourne  
24 February 2010

**Consolidated Income Statements  
for the half-year ended 31 December 2009**

		<b>Centro Retail Trust and its Controlled Entities</b>	
		<b>31.12.09</b>	<b>31.12.08</b>
		<b>\$'000</b>	<b>\$'000</b>
	<b>Notes</b>		
<b>REVENUE</b>			
Property ownership revenue		38,307	42,932
Distribution revenue		1,093	3,135
<b>Total Revenue</b>		<b>39,400</b>	<b>46,067</b>
<b>INCOME</b>			
Foreign exchange gains arising on sale of properties		-	2,604
Other income		3,897	5,270
<b>Total Income</b>		<b>3,897</b>	<b>7,874</b>
<b>TOTAL REVENUE AND INCOME</b>		<b>43,297</b>	<b>53,941</b>
Property revaluation decrement for directly owned properties	4(c)	(27,287)	(56,852)
Fair value adjustment on financial assets at fair value through profit or loss and other financial assets	4(b)/4(d)	2,645	(21,029)
Provision for non recovery of investment in associate	4(a)	-	(230,285)
Share of net losses of associates and joint venture partnerships accounted for using the equity method	4(a)	(5,694)	(560,584)
Net loss on disposal of investment property		-	(942)
Financing costs		(56,732)	(75,122)
Repairs, maintenance, cleaning and security		(2,444)	(1,962)
Employee / Director benefit expense		(301)	(12)
Rent, rates, taxes and insurance		(5,800)	(6,325)
Management fees		(12,045)	(17,165)
Light and power		(1,238)	(1,283)
Bad and doubtful debts		(493)	(520)
Foreign exchange losses		(2,782)	-
Net movement on mark to market of derivatives		270,337	(1,127,472)
Other shopping centre management costs		(1,077)	(2,099)
Other expenses from ordinary activities		(4,231)	(9,109)
<b>PROFIT / (LOSS) BEFORE INCOME TAX BENEFIT/ (EXPENSE)</b>		<b>196,155</b>	<b>(2,056,820)</b>
Income tax benefit / (expense)		113	(4,482)
<b>NET PROFIT / (LOSS)</b>		<b>196,268</b>	<b>(2,061,302)</b>
Net profit / (loss) attributable to non-controlling interests		(413)	(976)
<b>NET PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF CENTRO RETAIL GROUP</b>		<b>196,681</b>	<b>(2,060,326)</b>
Basic profit / (loss) per security (cents)		8.60	(90.11)
Diluted profit / (loss) per security (cents)		8.60	(90.11)

The above Consolidated Income Statements should be read in conjunction with the accompanying notes.

**Consolidated Statements of Comprehensive Income  
for the half-year ended 31 December 2009**

	<b>Centro Retail Trust and its Controlled Entities</b>	
	<b>31.12.09 \$'000</b>	<b>31.12.08 \$'000</b>
<b>NET PROFIT / (LOSS)</b>	<b>196,268</b>	<b>(2,061,302)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Net exchange differences arising on translation of foreign operation	(72,914)	865,082
Changes in fair value of hedges	(664)	(58,609)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>122,690</b>	<b>(1,254,829)</b>
Total comprehensive income for the period attributable to non-controlling interests	(994)	2,173
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF CENTRO RETAIL GROUP</b>	<b>123,684</b>	<b>(1,257,002)</b>

The above Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

**Consolidated Balance Sheets  
as at 31 December 2009**

		<b>Centro Retail Trust and its Controlled Entities</b>	
		<b>31.12.09</b>	<b>30.06.09</b>
		<b>\$'000</b>	<b>\$'000</b>
	<b>Notes</b>		
<b>CURRENT ASSETS</b>			
Cash assets and cash equivalents		20,185	21,456
Derivative financial instruments	5	1,506	1,487
Trade and other receivables		26,926	35,911
Other financial assets		2,600	3,539
Non-current assets classified as held for sale	4(e)	46,703	-
<b>Total current assets</b>		<b>97,920</b>	<b>62,393</b>
<b>NON-CURRENT ASSETS</b>			
Investments accounted for using the equity method	4(a)	1,759,847	2,033,875
Financial assets carried at fair value through profit or loss	4(b)	34,318	32,673
Investment property	4(c)	589,556	702,033
Other financial assets	4(d)	46,942	87,000
Derivative financial instruments	5	4,202	6,318
Other receivables		806	302
<b>Total non-current assets</b>		<b>2,435,671</b>	<b>2,862,201</b>
<b>TOTAL ASSETS</b>		<b>2,533,591</b>	<b>2,924,594</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		52,189	63,507
Interest bearing liabilities	6	416,391	715,196
Derivative financial instruments	5	12,089	1,048
Provision for distributions	3	-	8,587
<b>Total current liabilities</b>		<b>480,669</b>	<b>788,338</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities	6	1,068,322	991,372
Derivative financial instruments	5	130,112	412,740
Deferred tax liabilities		12,435	12,883
Other financial liabilities		28,767	28,454
<b>Total non-current liabilities</b>		<b>1,239,636</b>	<b>1,445,449</b>
<b>TOTAL LIABILITIES</b>		<b>1,720,305</b>	<b>2,233,787</b>
<b>NET ASSETS</b>		<b>813,286</b>	<b>690,807</b>
<b>EQUITY</b>			
Controlling interests			
Contributed equity		3,774,316	3,774,316
Reserves		69,509	142,506
Accumulated losses		(3,035,141)	(3,231,822)
<b>Total controlling interest</b>		<b>808,684</b>	<b>685,000</b>
Non-controlling interests		4,602	5,807
<b>TOTAL EQUITY</b>		<b>813,286</b>	<b>690,807</b>

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

**Consolidated Cash Flow Statements**  
**for the half-year ended 31 December 2009**

		<b>Centro Retail Trust and its Controlled Entities</b>	
		<b>31.12.09</b>	<b>31.12.08</b>
<b>Note</b>		<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
		38,240	43,458
		(25,484)	(28,662)
		77,455	51,583
		3,877	43,580
		(3,183)	(24,756)
		2,521	4,006
		3,295	3,626
		(55,667)	(76,496)
		(334)	(434)
<b>Net cash inflow from operating activities</b>		<b>40,720</b>	<b>15,905</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
		(1,089)	(4,502)
		-	73,552
	4(a)/4(d)	150,000	-
<b>Net cash inflow from investing activities</b>		<b>148,911</b>	<b>69,050</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
		14,582	442
		(196,263)	(86,778)
		-	37,918
		(8,587)	(32,010)
		-	(12,000)
<b>Net cash outflow from financing activities</b>		<b>(190,268)</b>	<b>(92,428)</b>
		(637)	(7,473)
		21,456	31,386
		(634)	3,140
<b>Cash and cash equivalents at 31 December</b>		<b>20,185</b>	<b>27,053</b>

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

**Consolidated Statements of Changes in Equity  
for the half-year ended 31 December 2009**

	Centro Retail Trust and its Controlled Entities	
	31.12.09 \$'000	31.12.08 \$'000
<b>CHANGES IN EQUITY ATTRIBUTABLE TO MEMBERS OF CENTRO RETAIL GROUP</b>		
Opening balance contributed equity	3,774,316	3,774,316
<b>Closing balance contributed equity</b>	<b>3,774,316</b>	<b>3,774,316</b>
<b>Opening balance reserves</b>	<b>142,506</b>	<b>(345,565)</b>
Opening balance foreign currency translation reserve	140,343	(406,335)
Movement in foreign currency translation reserve	(72,333)	861,826
<b>Closing balance foreign currency translation reserve</b>	<b>68,010</b>	<b>455,491</b>
Opening balance hedge reserve	2,163	60,770
Movement in hedge reserve	(664)	(58,609)
<b>Closing balance hedge reserve</b>	<b>1,499</b>	<b>2,161</b>
<b>Closing balance reserves</b>	<b>69,509</b>	<b>457,652</b>
Opening balance retained profits	(3,231,822)	(544,895)
Net profit / (loss)	196,681	(2,060,326)
<b>Closing balance retained profits</b>	<b>(3,035,141)</b>	<b>(2,605,221)</b>
<b>CLOSING BALANCE ATTRIBUTABLE TO MEMBERS OF CENTRO RETAIL GROUP</b>	<b>808,684</b>	<b>1,626,747</b>
<b>CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>		
Opening balance at the beginning of the period	5,807	8,691
Total comprehensive income for the period attributable to non- controlling interests	(994)	2,173
Distributions provided for or paid	(211)	(400)
<b>CLOSING BALANCE OF EQUITY ATTRIBUTABLE TO NON CONTROLLING INTERESTS</b>	<b>4,602</b>	<b>10,464</b>
<b>TOTAL EQUITY</b>	<b>813,286</b>	<b>1,637,211</b>

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

# Notes to and Forming Part of the Consolidated Financial Statements for the half-year ended 31 December 2009

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation of Financial Statements

This general purpose financial report for the half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all the notes normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Centro Retail Group during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

A significant uncertainty exists in relation to the Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the half-year financial report. At 31 December 2009, the Group was reliant on the continued support of its lenders through the extension or refinancing of certain loan facilities beyond existing expiry dates and the provision of loan covenant waivers, and is exposed to Centro Properties Group ("CNP / Centro") through its joint investments. However, after taking into account all available information, the Directors have concluded that there are reasonable grounds to believe:

- The facilities will be able to be extended and / or refinanced;
- The Group will be able to pay its debts as and when they become due and payable; and
- The basis of preparation of the general purpose financial report on a going concern basis is appropriate.

The Directors have formed this view based on a number factors including:

- CER's net asset position of \$813.3 million as at 31 December 2009;
- The underlying performance of CER's property portfolio;
- CER is forecasting to have sufficient cashflow to meet its expected operating requirements;
- Increased liquidity in the credit markets will assist in up coming refinancing of borrowings; and
- The timing for refinance of CER's facilities that expire within the next 12 months allows time for refinance discussions to be concluded.

No adjustments were made to the assets and liabilities within the half-year financial report in relation to this significant uncertainty.

Except as described below, the accounting policies adopted in the preparation of the half-year financial report are consistent with those followed in the preparation of the Group's annual report for the year ended 30 June 2009.

The Group has not elected to early adopt any new standards or interpretations.

### (b) Change in Accounting Policy

From 1 July 2009 the 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 the Group.

- AASB 8 *Operating Segments*
- Revised AASB 101 *Presentation of Financial Statements*
- Revised AASB 127 *Consolidated and Separate Financial Statements*

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

#### (i) Operating Segments

The Group has applied new segment reporting standard AASB 8 from 1 July 2009. AASB 8 requires a 'management approach' to identifying and presenting segment information, that is, segment information is presented on the same basis as that used for internal reporting purposes.

Comparative information has been re-presented in conformity with the transitional requirements of AASB 8.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

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

The 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 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 entity applied an accounting policy retrospectively.

### *(iii) Consolidated and Separate Financial Statements*

The Group has applied the revised AASB 127 from 1 July 2009. The revised AASB 127 introduces terminology changes, namely controlling interests (previously parent interests) and non-controlling interests (previously minority interests) and introduced changes to accounting for transactions with non-controlling interests.

## 2. SEGMENT INFORMATION

The Group adopted AASB 8 *Operating Segments* from 1 July 2009. The predecessor standard AASB 114 *Segment Reporting* required the Group to identify two sets of segments (business and geographical), using a risk and rewards approach. AASB 8 requires a 'management approach' to identifying and presenting segment information, that is, segment information is presented on the same basis as that used for internal reporting purposes. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer ("CEO") (the "chief operating decision maker") in assessing performance and in determining the allocation of resources.

The Group operates seven reporting segments being each of its key investments and CER Operations which primarily contains centralised loan facilities and derivative financial instruments.

The accounting policies used by the Group in reporting segment information are the same as those detailed in Note 1 to the annual report for the year ended 30 June 2009 except as detailed below.

### *Net Property Income*

Net property income is the net of revenues and expenses directly attributable to individual properties across CER's property investments.

### *Underlying profit*

Underlying profit represents the net profit for each of CER's investments excluding: the impact of asset revaluations; the mark to market of financial instruments; and other one-off or non-recurring items, such as loss on sale of properties that CER's management does not consider form part of the underlying operations of the investment.

### *Reversal of current period losses*

At 30 June 2009, CER wrote down the value of its Super LLC investment to nil. As a result, no revenues or expenses relating to Super LLC are recognised by CER until such time as CER's investment in Super LLC returns to a positive equity position. The below disclosure includes the operating results for Super LLC. The net result of Super LLC is then reversed due to CER's investment in Super LLC being fully provided for. The net impact on CER's results from Super LLC is therefore nil.

Income statement	Equity accounted investments					Controlled operations			Total
	Australian Property	CWAR 1 (USA)	Centro GA America (USA)	Centro Super LLC (USA)	Sub total	CWAR 5 (USA)	Australian Property	CER Operations <sup>(1)</sup>	
Half-year ended 31 December 2009 Centro Retail Trust and its Controlled Entities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Net property income</b>	<b>51,150</b>	<b>9,863</b>	<b>52,979</b>	<b>105,437</b>	<b>219,429</b>	<b>20,251</b>	<b>4,275</b>	-	<b>243,955</b>
Other income	-	12	70	39	121	31	-	4,687	4,839
Financing costs	-	(5,850)	(30,669)	(46,192)	(82,711)	(10,525)	-	(46,207)	(139,443)
Other operating costs	-	408	(6,027)	(9,819)	(15,438)	(1,607)	-	(11,561)	(28,606)
<b>Underlying profit</b>	<b>51,150</b>	<b>4,433</b>	<b>16,353</b>	<b>49,465</b>	<b>121,401</b>	<b>8,150</b>	<b>4,275</b>	<b>(53,081)</b>	<b>80,745</b>
Assets revaluations	(22,399)	(1,148)	(54,827)	(139,077)	(217,451)	(22,570)	(4,717)	2,645	(242,093)
Financial instruments / FX	-	2,869	(32)	-	2,837	52	-	270,286	273,175
Other	-	618	(2,711)	(3,769)	(5,862)	(120)	193	(3,151)	(8,940)
Reversal of current period losses	-	-	-	93,381	93,381	-	-	-	93,381
<b>Net profit / (loss)</b>	<b>28,751</b>	<b>6,772</b>	<b>(41,217)</b>	-	<b>(5,694)</b>	<b>(14,488)</b>	<b>(249)</b>	<b>216,699</b>	<b>196,268</b>

<sup>(1)</sup> CER Operations includes:

- Unallocated debt and derivatives.
- Investments in Centro Australia Wholesale Fund, Centro MCS 38, Centro MCS 39, Centro MCS 40 and CER's option over Centro Karingal. At 31 December 2009 CER's option over Centro Karingal is presented as an "other investment" with value of \$88m and a non-current liability with value of \$41m.
- CER's held for sale investment in Centro Nerang.
- Inter segment eliminations.

## 2. SEGMENT INFORMATION (CONT.)

Balance sheet	Equity accounted investments					Controlled operations			
As at 31 December 2009 Centro Retail Trust and its Controlled Entities	Australian Property	CWAR 1 (USA)	Centro GA America (USA)	Centro Super LLC (USA)	Sub total	CWAR 5 (USA)	Australian Property	CER Operations <sup>(1)</sup>	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property investments	1,424,684	270,722	1,305,376	2,545,193	5,545,975	474,366	115,190	-	6,135,531
Other investments	-	-	-	-	-	-	-	122,318	122,318
Other assets		5,277	58,353	135,961	199,591	38,191	4,885	59,852	302,519
<b>Total assets</b>	<b>1,424,684</b>	<b>275,999</b>	<b>1,363,729</b>	<b>2,681,154</b>	<b>5,745,566</b>	<b>512,557</b>	<b>120,075</b>	<b>182,170</b>	<b>6,560,368</b>
Other liabilities	-	(11,531)	(38,099)	(58,654)	(108,284)	(6,343)	(4,377)	(224,872)	(343,876)
Current interest bearing liabilities	-	(11,245)	(130,538)	(1,578,475)	(1,720,258)	(19,029)	-	(397,362)	(2,136,649)
Non-current interest bearing liabilities	(108,942)	(151,522)	(852,688)	(563,865)	(1,677,017)	(333,764)	-	(775,616)	(2,786,397)
<b>Total liabilities</b>	<b>(108,942)</b>	<b>(174,298)</b>	<b>(1,021,325)</b>	<b>(2,200,994)</b>	<b>(3,305,559)</b>	<b>(359,136)</b>	<b>(4,377)</b>	<b>(1,397,850)</b>	<b>(5,266,922)</b>
<b>Net assets</b>	<b>1,315,742</b>	<b>101,701</b>	<b>342,404</b>	<b>480,160</b>	<b>2,240,007</b>	<b>153,421</b>	<b>115,698</b>	<b>(1,215,680)</b>	<b>1,293,446</b>
Provision for non recovery	-	-	-	(480,160)	(480,160)	-	-	-	(480,160)
<b>Net assets including non recovery</b>	<b>1,315,742</b>	<b>101,701</b>	<b>342,404</b>	<b>-</b>	<b>1,759,847</b>	<b>153,421</b>	<b>115,698</b>	<b>(1,215,680)</b>	<b>813,286</b>

Income statement	Equity accounted investments					Controlled operations			
Half-year ended 31 December 2008 Centro Retail Trust and its Controlled Entities	Australian Property	CWAR 1 (USA)	Centro GA America (USA)	Centro Super LLC (USA)	Sub total	CWAR 5 (USA)	Australian Property	CER Operations <sup>(1)</sup>	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Net property income</b>	<b>51,608</b>	<b>17,243</b>	<b>89,769</b>	<b>123,623</b>	<b>282,243</b>	<b>23,426</b>	<b>5,231</b>	<b>-</b>	<b>310,900</b>
Other income	-	12	279	37	328	226	-	6,508	7,062
Financing costs	-	(4,644)	(42,632)	(64,852)	(112,128)	(11,685)	-	(63,437)	(187,250)
Other operating costs	-	(6,788)	(9,603)	(5,484)	(21,875)	(1,674)	-	(18,213)	(41,762)
<b>Underlying profit</b>	<b>51,608</b>	<b>5,823</b>	<b>37,813</b>	<b>53,324</b>	<b>148,568</b>	<b>10,293</b>	<b>5,231</b>	<b>(75,142)</b>	<b>88,950</b>
Assets revaluations	(173,358)	(20,422)	(266,269)	(221,851)	(681,900)	(40,453)	(16,399)	(21,029)	(759,781)
Financial instruments / FX	-	(724)	-	(495)	(1,219)	(1,486)	-	(1,125,986)	(1,128,691)
Provision for non recovery	-	-	-	-	-	-	-	(230,285)	(230,285)
Other	-	(2,667)	(10,771)	(12,595)	(26,033)	38	(216)	(5,284)	(31,495)
<b>Net profit / (loss)</b>	<b>(121,750)</b>	<b>(17,990)</b>	<b>(239,227)</b>	<b>(181,617)</b>	<b>(560,584)</b>	<b>(31,608)</b>	<b>(11,384)</b>	<b>(1,457,726)</b>	<b>(2,061,302)</b>

<sup>(1)</sup> CER Operations includes:

- Unallocated debt and derivatives.
- Investments in Centro Australia Wholesale Fund, Centro MCS 38, Centro MCS 39, Centro MCS 40 and CER's option over Centro Karingal. At 31 December 2009 CER's option over Centro Karingal is presented as an "other investment" with value of \$88m and a non-current liability with value of \$41m.
- CER's held for sale investment in Centro Nerang.
- Inter segment eliminations.

## 2. SEGMENT INFORMATION (CONT.)

Balance sheet	Equity accounted investments					Controlled operations			Total
	Australian Property	CWAR 1 (USA)	Centro GA America (USA)	Centro Super LLC (USA)	Sub total	CWAR 5 (USA)	Australian Property	CER Operations <sup>(1)</sup>	
As at 30 June 2009 Centro Retail Trust and its Controlled Entities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property investments	1,463,340	301,367	1,630,526	3,003,061	6,398,294	582,738	119,295	-	7,100,327
Other Investments	-	-	-	-	-	-	-	119,673	119,673
Other assets	-	8,272	87,044	156,677	251,993	12,548	5,136	51,329	321,006
<b>Total assets</b>	<b>1,463,340</b>	<b>309,639</b>	<b>1,717,570</b>	<b>3,159,738</b>	<b>6,650,287</b>	<b>595,286</b>	<b>124,431</b>	<b>171,002</b>	<b>7,541,006</b>
Other liabilities	-	(16,834)	(45,959)	(106,205)	(168,998)	(6,220)	(4,616)	(516,383)	(696,217)
Current interest bearing liabilities	-	-	(151,804)	(486,115)	(637,919)	(20,271)	-	(694,925)	(1,353,115)
Non-current interest bearing liabilities	-	(181,089)	(1,060,988)	(1,931,938)	(3,174,015)	(374,736)	-	(616,636)	(4,165,387)
<b>Total liabilities</b>	<b>-</b>	<b>(197,923)</b>	<b>(1,258,751)</b>	<b>(2,524,258)</b>	<b>(3,980,932)</b>	<b>(401,227)</b>	<b>(4,616)</b>	<b>(1,827,944)</b>	<b>(6,214,719)</b>
<b>Net assets</b>	<b>1,463,340</b>	<b>111,716</b>	<b>458,819</b>	<b>635,480</b>	<b>2,669,355</b>	<b>194,059</b>	<b>119,815</b>	<b>(1,656,942)</b>	<b>1,326,287</b>
Provision for non recovery	-	-	-	(635,480)	(635,480)	-	-	-	(635,480)
<b>Net assets including non recovery</b>	<b>1,463,340</b>	<b>111,716</b>	<b>458,819</b>	<b>-</b>	<b>2,033,875</b>	<b>194,059</b>	<b>119,815</b>	<b>(1,656,942)</b>	<b>690,807</b>

<sup>(1)</sup> CER Operations includes:

- Unallocated debt and derivatives.
- Investments in Centro Australia Wholesale Fund, Centro MCS 38, Centro MCS 39, Centro MCS 40 and CER's option over Centro Karingal. At 31 December 2009 CER's option over Centro Karingal is presented as an "other investment" with value of \$88m and a non-current liability with value of \$41m.
- CER's held for sale investment in Centro Nerang.
- Inter segment eliminations.

### Reconciliation of Total Assets

	Centro Retail Trust and its Controlled Entities	
	31.12.09	30.06.09
	\$'000	\$'000
<b>Total asset as per segment note</b>	<b>6,560,368</b>	<b>7,541,006</b>
Less equity accounted total assets per segment note	(5,745,566)	(6,650,287)
Add total equity accounted investment	1,759,847	2,033,875
Return of capital relating to refinancing (refer note 4(d))	<sup>(2)</sup> (41,058)	-
<b>Total Assets per Consolidated Balance Sheet</b>	<b>2,533,591</b>	<b>2,924,594</b>

<sup>(2)</sup> Relates to refinancing of \$150m that has been moved to asset level. Remaining \$109m is included within equity accounted investments.

## 3. DISTRIBUTIONS

No distribution has been declared for the half-year ended 31 December 2009. A distribution to investors of \$8.587 million relating to the financial year ended 30 June 2009 was paid on 28 August 2009.

#### 4. INVESTMENTS

##### Centro Retail Trust and its Controlled Entities

	31.12.09 \$'000	30.06.09 \$'000
<b>Included in the balance sheet as:</b>		
Investments accounted for using the equity method (a)	1,759,847	2,033,875
Financial assets carried at fair value through profit or loss (b)	34,318	32,673
Investment property (c)	589,556	702,033
Other financial assets at fair value through profit and loss (d)	46,942	87,000
Non-current assets classified as held for sale (e)	46,703	-
	<b>2,477,366</b>	<b>2,855,581</b>

The reconciliation below details the movement in each of the above classes for half-year.

	Half-year ended 31.12.09 \$'000	Half-year ended 31.12.08 \$'000
<b>(a) Investments accounted for using the equity method<sup>(1)</sup></b>		
Movements:		
Carrying amount at beginning of the half-year	2,033,875	3,314,210
Provision for non recovery of investment in associates	-	(230,285)
Share of profit / (losses)	(5,694)	(560,584)
Foreign currency translation movement	(56,920)	746,547
Disposals	-	(37,749)
Dividend received or receivable and capital returns	(86,215)	(55,225)
Additional investment	3,044	6,705
Return of capital relating to refinancing(refer note 6)	(108,943)	-
Transfer to non-current assets classified as held for sale	(19,300)	-
Closing balance at 31 December	<b>1,759,847</b>	<b>3,183,619</b>
<b>(b) Financial assets carried at fair value through profit or loss<sup>(2)</sup></b>		
Movements:		
Carrying amount at beginning of the half-year	32,673	199,518
Fair value adjustment	1,645	(7,728)
Closing balance at 31 December	<b>34,318</b>	<b>191,790</b>

#### 4. INVESTMENTS (CONT.)

	Centro Retail Trust and its Controlled Entities	
	Half-year ended	Half-year ended
	31.12.09 \$'000	31.12.08 \$'000
<b>(c) Investment property<sup>(3)</sup></b>		
Movements:		
Carrying amount at beginning of the half-year	702,033	786,172
Disposals	-	(40,095)
Capitalised expenditure	1,117	5,662
Property revaluation decrement	(27,287)	(56,852)
Foreign currency translation movements	(58,692)	238,495
Lease incentives adjustment	(469)	284
Straight-lining of rent adjustment	257	(321)
Transfer to Non-current assets classified as held for sale	(27,403)	-
Closing balance at 31 December	589,556	933,345
<b>(d) Other financial assets at fair value through profit or loss<sup>(4)</sup></b>		
Movements:		
Carrying amount at beginning of the half-year	87,000	106,050
Fair value adjustment	1,000	(13,300)
Return of capital relating to refinancing (refer note 6)	(41,058)	-
Closing balance at 31 December	46,942	92,750
<b>(e) Non-current assets classified as held for sale<sup>(5)</sup></b>		
Movements:		
Carrying amount at beginning of the half-year	-	-
Transfer from Investments accounted for using the equity method	19,300	-
Transfer from Investment property	27,403	-
Closing balance at 31 December	46,703	-

(1) Investments in 50% owned Australian property, CWAR 1, Centro GA America, and Super LLC.

(2) Unit's in Centro MCS 38, 39, 40 and Centro Australia Wholesale Fund

(3) CWAR 5 properties and 100% owned Australian properties

(4) CER's option for ownership of Centro Karingal.

(5) Centro Nerang and Oakdale Plaza

#### Valuation basis

Investment properties are carried at fair value. At 31 December 2009, 26.7% of CER's Australian properties and 33.9% of CER's US properties (disclosed in note 4 (a), 4(c), 4(d) and 4(e)) were independently valued by members of the Australian Property Institute, United States Office of Cushman and Wakefield, Colliers and Weiser Realty Advisors LLC and CB Richard Ellis. The remaining properties have been subjected to Director valuation supported by the extrapolation of independent valuations on similar properties. During the period, the capitalisation rate of CER's Australian properties moved from 7.25% to 7.39% while CER's US properties moved from 8.32% to 8.54%.

#### Uncertainty around property valuations

The global market for many types of real estate was severely affected by the volatility in global financial markets over the last 2 years. The lower levels of liquidity and volatility in the banking sector translated into a general weakening of market sentiment towards real estate and the number of real estate transactions reduced significantly.

#### 4. INVESTMENTS (CONT.)

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

The availability of liquidity to property trusts has started to increase over the last six months leading to a greater number of real estate transactions taking place in this time. However the volume of sales of property assets, particularly premium assets, is still lower than experienced historically. This means that there is still a shortage of comparable market evidence relating to pricing assumptions and market drivers compared to 'normal' levels. This means that some uncertainty remains in regard to valuations and the assumptions applied to valuation inputs. The period of time needed to negotiate a sale in this environment may also be prolonged.

The fair value of investment property has been updated to reflect market conditions at the end of the reporting period. While this represents best estimates as at the balance sheet date, the current market uncertainty means that if investment property is sold in future the price achieved may be higher or lower than the most recent valuation.

A movement in the adopted property values of 5% across the entire Australian and US property portfolio (disclosed in note 4(a), 4(c), 4(d) and 4(e)) would impact net assets by approximately \$179.5 million and impact net tangible assets by 8 cents per unit.

#### 5. DERIVATIVE FINANCIAL INSTRUMENTS

31 December 2009 Centro Retail Trust and its Controlled Entities	With External Parties	With Centro Property Trust	Total
	\$'000	\$'000	\$'000
<b>Current derivative assets</b>			
Interest rate swap contracts	892	-	892
Forward foreign exchange contracts	614	-	614
<b>Total current derivative assets</b>	<b>1,506</b>	<b>-</b>	<b>1,506</b>
<b>Non-current derivative assets</b>			
Interest rate swap contracts	4,106	-	4,106
Forward foreign exchange contracts	96	-	96
<b>Total non-current derivative assets</b>	<b>4,202</b>	<b>-</b>	<b>4,202</b>
<b>Current derivative liabilities</b>			
Cross currency interest rate swap contracts	(6,595)	-	(6,595)
Interest rate swap contracts	(5,494)	-	(5,494)
<b>Total current derivative liabilities</b>	<b>(12,089)</b>	<b>-</b>	<b>(12,089)</b>
<b>Non-current derivative liabilities</b>			
Interest rate swap contracts	(15,563)	-	(15,563)
Forward foreign exchange contracts	(240)	(114,309)	(114,549)
<b>Total non-current derivative liabilities</b>	<b>(15,803)</b>	<b>(114,309)</b>	<b>(130,112)</b>

## 5. DERIVATIVE FINANCIAL INSTRUMENTS (CONT.)

30 June 2009 Centro Retail Trust and its Controlled Entities	With External Parties	With Centro Property Trust	Total
	\$'000	\$'000	\$'000
<b>Current derivative assets</b>			
Forward foreign exchange contracts-net investment hedges	514	-	514
Cross currency interest rate swap contracts	564	-	564
Forward foreign exchange contracts	409	-	409
<b>Total current derivative assets</b>	<b>1,487</b>	-	<b>1,487</b>
<b>Non-current derivative assets</b>			
Forward foreign exchange contracts-net investment hedges	993	-	993
Cross currency interest rate swap contracts	1,159	-	1,159
Interest rate swap contracts	3,008	-	3,008
Forward foreign exchange contracts	1,158	-	1,158
<b>Total non-current derivative assets</b>	<b>6,318</b>	-	<b>6,318</b>
<b>Current derivative liabilities</b>			
Interest rate swap contracts	(859)	-	(859)
Forward foreign exchange contracts	(189)	-	(189)
<b>Total current derivative liabilities</b>	<b>(1,048)</b>	-	<b>(1,048)</b>
<b>Non-current derivative liabilities</b>			
Cross currency interest rate swap contracts	(20,972)	-	(20,972)
Interest rate swap contracts	(41,456)	-	(41,456)
Forward foreign exchange contracts	(3,295)	(347,017)	(350,312)
<b>Total non-current derivative liabilities</b>	<b>(65,723)</b>	<b>(347,017)</b>	<b>(412,740)</b>

The Group is party to derivative financial instruments in the normal course of business in order to manage exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies.

*(i) Interest rate swap contracts*

The Group's exposure to fluctuations in interest rates is managed to the extent possible through the use of interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are settled on a net basis and the net amount is disclosed in the balance sheet as either a payable or receivable.

The contracts require settlement of net interest receivable or payable between 90 and 180 days (depending upon the contract). Where possible, the settlement dates coincide with the dates on which interest is payable on the underlying debt.

*(ii) Cross currency interest rate swap contracts*

During the half year the Group held cross currency interest rate swaps as an economic hedge of its net investments denominated in a foreign currency to the extent possible. The contracts are settled on a gross basis and the net amount is disclosed in the balance sheet as either a payable or receivable.

Under the terms of a cross currency interest rate swap the Group has entered into an agreement with another party to exchange a specified cash flow denominated in one currency for a cash flow denominated in a different currency.

*(iii) Forward foreign exchange contracts / Forward foreign exchange contracts-net investment hedges*

During the half year, the Group held US investments. In order to protect against exchange rate movements, to the extent possible the Group has entered into forward foreign exchange contracts to sell US dollars.

Certain derivatives are subject to the right to break prior to maturity. Derivatives with CPT will be automatically settled when their mark to market value reaches nil.

## 6. INTEREST BEARING LIABILITIES

	Centro Retail Trust and its Controlled Entities	
	31.12.09	30.06.09
	\$'000	\$'000
<b>Current</b>		
Bank loans – secured	129,421 <sup>(i)</sup>	273,141
Commercial mortgage backed securities	175,626 <sup>(iii)</sup>	330,711
Loans from related parties	111,344 <sup>(iii)</sup>	111,344
<b>Total current interest bearing liabilities</b>	<b>416,391</b>	<b>715,196</b>
<b>Non-current</b>		
Bank loans – secured <sup>(1)</sup>	589,701 <sup>(iv)</sup>	473,459
Commercial mortgage backed securities	478,621 <sup>(v)</sup>	517,913
<b>Total non-current interest bearing liabilities</b>	<b>1,068,322</b>	<b>991,372</b>
<b>Total interest bearing liabilities</b>	<b>1,484,713</b>	<b>1,706,568</b>
<b>Financing arrangements</b>		
The Group has access to the following lines of credit:		
Bank loans / commercial mortgage backed securities	1,379,610	1,595,224
Loans from related parties	111,344	111,344
<b>Total facilities available</b>	<b>1,490,954</b>	<b>1,706,568</b>
Facilities utilised at end of period		
Bank loans / commercial mortgage backed securities	1,373,369	1,595,224
Related party loans	111,344	111,344
<b>Total facilities utilised at end of period</b>	<b>1,484,713</b>	<b>1,706,568</b>
Facilities not utilised at end of period		
Bank loans	6,241	-
<b>Total facilities not utilised at end of period</b>	<b>6,241</b>	<b>-</b>

<sup>(1)</sup> The non-current classification of debt considers the Group's compliance with covenants measured at the reporting date. In the event that covenants are breached in subsequent periods or future covenant waivers are not obtained, non-current debt may become current and payable.

Included in the movement of total interest bearing liabilities from \$1.707 billion at 30 June 2009 to \$1.485 billion at 31 December 2009 is:

- \$29.6 million repayment of borrowings;
- \$42.4 million impact of movements in the AUD / USD foreign exchange rate; and
- \$150.0 million impact of restructuring borrowings.

This restructured borrowing is now carried within CER's equity accounted and other financial asset investments and is secured against CER's investments in Centro Cranbourne, Centro Karingal, Centro Mandurah and Centro Warriewood. The restructuring has the impact of reducing the reported interest bearing liabilities and reducing the value of equity accounted investments and other financial assets. Refer note 4(a)/4(d).

## 6. INTEREST BEARING LIABILITIES (CONT.)

- (i) Secured against the following properties: Centro Albany, Centro Taigum, Centro Toombul, Village West, Centro The Glen, Centro Mornington, Centro Springwood and Centro Tweed.
- (ii) Secured against the following properties: Centro Goulburn and Centro Galleria.
- (iii) Relates to loans provided by Centro Property Trust.
- (iv) Secured against the following properties: Centro Armidale, Centro Birallee, Centro Box Hill, Centro Whitsunday, Centro Halls Head, Centro Lansell, Centro Lavington, Centro Mount Gambier, Centro Nerang, Centro Warnbro, Centro Whitehorse, Centro Warwick and Marlton Crossing. CER has entered into a security lend agreement with Centro Australia Wholesale Fund which has contributed collateral to provide a security guarantee of \$160 million (refer to Note 8 (b) below).
- (v) Secured against the following properties: Centro Buranda, Centro Colonnades, Centro Mildura, Centro Westside, Centro Wodonga, Chesterbrook, Barn Plaza, Bethlehem Square, Bristol Park, Collegetown Shopping Centre, Fox Run Shopping Centre, Groton Square, Marlton Plaza, Ocean Heights, Stratford Square, Valley Fair, Village Square, Whitehall Square, Perkins Farm Marketplace, Shoppers at Valley Forge, and Village at Newtown.

## 7. NET TANGIBLE ASSET BACKING

	Centro Retail Trust and its Controlled Entities	
	31.12.09	30.06.09
<b>Basic net tangible asset backing per security</b>		
Net tangible assets attributable to members of Centro Retail Group (\$'000)	808,684	685,000
Number of securities outstanding at the end of the period used in the calculation of net tangible asset backing per security	2,286,399	2,286,399
Net tangible asset backing per security - basic	\$0.35	\$0.30

## 8. CONTINGENT LIABILITIES

### (a) Litigation

In May 2008 two separate representative proceedings were commenced in the Federal Court against Centro Retail Limited and Centro MCS Manager Limited (as the Responsible Entity of Centro Retail Trust). The statements of claim in each proceeding allege that CER, operated by Centro Retail Limited and Centro MCS Manager Limited (as responsible entity for Centro Retail Trust) together 'CER', engaged in misleading or deceptive conduct and/or breached continuous disclosure obligations in relation to:

- the classification of certain liabilities as non-current liabilities in CER's consolidated financial statements, which were published in CER's Preliminary Financial Report and Annual Report for the year ended 30 June 2007, and in the Explanatory Memorandum for the proposed merger of Centro America Shopping Trust and Centro Retail Trust, lodged with the ASX on 14 September 2007;
- CER's operating distributable profit per security (DPS) forecasts for the 2008 financial year; and
- the refinancing of the United States joint venture debt due in December 2007.

Similar proceedings were commenced against Centro Properties Limited and CPT Manager Limited.

The claims have been made on behalf of persons or entities who acquired CER stapled securities, in the instance of the first proceeding, between 7 August 2007 to 15 February 2008 and, in the instance of the second proceeding, between 5 April 2007 to 28 February 2008.

In both claims the applicants seek damages, declarations, interests and costs.

The proceedings are being vigorously defended (with defences filed) and no amount has been provided for in the financial report. Centro Retail Limited and Centro MCS Manager Limited have also filed cross claims against their former auditor, PricewaterhouseCoopers.

Court orders were made on 17 December 2008 which required the parties to mediate the issues relating to both class action claims. A first round of mediation was conducted in July 2009 at which time it was contemplated that further mediation would occur in November 2009. The parties did not reconvene the mediation. The Court has listed a directions hearing in March 2010 at which time it is anticipated that orders may be made for the further conduct of the proceedings.

**(b) CAWF 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.

**(c) Other Contingent Liabilities**

CER holds an investment of the "Class B" units in Centro MCS Syndicate Investment Fund (CSIF). The Victorian State Revenue Office (SRO) has assessed CSIF in relation to its acquisition of Victorian property interests on the establishment of the fund. The assessed amount, including penalties and interest, is approximately \$23 million of which approximately \$11 million may be attributable to CER. CSIF has considered the assessment and has lodged a written objection to the assessment with the SRO.

A further \$3.4 million has been assessed by the SRO in relation to CER's acquisition of Class B units in CSIF. CER has considered the assessment and has lodged a written objection to the assessment with the SRO.

The South Australian Revenue Office has commenced an investigation relating to CER's acquisition of Centro Colonnades. CER considers no duty is payable and has lodged a written objection to these findings. No assessment has been received.

**(d) ASIC proceeding**

In November 2009, ASIC commenced a civil proceeding in the Federal Court of Australia against persons who were directors and officers of CER at the time that the financial statements for the year ended 30 June 2007 were published. CER had entered into deeds of indemnity with certain of its directors and officers as at this time, as is common practice for publicly listed companies. Several of these directors and officers who are respondents to the ASIC proceeding have made requests for indemnity in relation to the ASIC proceeding and CER has agreed, to the extent that it is lawfully permitted, to extend those indemnities. Initially, CER's obligation will be to advance funds in respect of defence costs. CER may recover these monies through insurance.

## **9. EXPOSURE TO CENTRO PROPERTIES GROUP ("CNP")**

CER has the following balances to which CNP is a counterparty and which could have a material impact on CER in the event that CNP was unable to meet its obligations:

**(a)** CER has an investment in Super LLC, a joint venture with CNP and Centro MCS 40. CER is exposed to the extent of CNP's negative equity in Super LLC, which exceeds the value of CER's investment in Super LLC, by virtue of cross collateralisation arrangements. CER is indemnified by the other Super LLC shareholders for any losses suffered as a consequence of the cross collateralisation arrangements. Despite this, because the indemnification has been provided by entities whose only assets are their investment in Super LLC, CER elected at 30 June 2009, to fully provide for the non recovery of the equity within this investment.

CER has no further exposure to Super LLC as the 31 December 2009 carrying value of this investment is nil after taking into account the provision.

**(b)** CER has interest bearing liabilities payable to CNP of \$111 million (June 2009: \$111 million). CER also holds derivative financial instruments and other financial liabilities to which CNP is the counterparty. As at 31 December 2009, the fair value of these financial instruments and other financial liabilities (excluding interest bearing liabilities) was \$143 million in favour of CNP (June 2009: \$375 million in favour of CNP). Derivatives with CPT are automatically settled at nil mark to market value.

## **10. EVENTS OCCURRING AFTER REPORTING DATE**

### **a) Executive appointments**

On 5 January 2010 Centro Properties Limited, the ultimate parent of the Responsible Entity, Centro MCS Manager Limited, announced that it had appointed Robert Tsenin as Group Chief Executive Officer and Managing Director (Group CEO). Mr Tsenin will formally commence his duties as Group CEO, in Centro's head office in Melbourne, on 1 March 2010 after being appointed Group Chief Executive Officer designate from 5 February 2010 to ensure an orderly handover from Glenn Rufrano. Glenn Rufrano's contract ends on 28 February 2010. Mr Tsenin will remain a Director of CNP, a position to which he was appointed on 1 October 2009.

### **b) Extension of loan from related party**

On 15 February 2010, CER agreed to extend the term on a \$101 million related party loan with Centro Property Trust on the same terms and conditions for a further 30 days.

### **c) Asset sales**

On 5 January 2010, CER executed an unconditional agreement to sell its interest in Centro Nerang for \$19.25 million. The 31 December 2009 book value was \$19.3 million.

On 15 January 2010 CER sold its interest in Oakdale Plaza (Minnesota) at the 31 December 2009 book value of US\$24.6 million

Other than disclosed above, since 31 December 2009 no events have occurred which have had a material impact on the financial position or results of the operations of the Group.

## DIRECTORS' DECLARATION

In the directors' opinion

- (a) the financial statements and notes set out on pages 4 to 21 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Group financial position as at 31 December 2009 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

In the opinion of the Directors of Centro MCS Manager Limited the financial statements and notes are in accordance with the Constitution dated 31 July 1989.

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



W. P. Day

Director

Signed at Melbourne, 24<sup>th</sup> February, 2010

## To the unitholders of Centro Retail Group

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of the Centro Retail Group (the 'Group'), which comprises the balance sheets as at 31 December 2009, and the income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the Group. The Group includes the Centro Retail Trust (the 'trust') and the entities it controlled at the half-year end or from time to time during the half-year.

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

The directors of Centro MCS Manager Limited, the Responsible Entity of the trust are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year 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.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Centro Retail Trust and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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

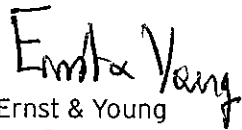
## Conclusion

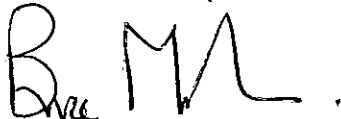
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Centro Retail Group is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualifying the conclusion expressed above, we draw attention to Note 1(a) in the half-year financial report which indicates that there is significant uncertainty as to whether the Group will continue as a going concern as the Group remains reliant on the support of its lenders through extension or refinancing of certain loan facilities beyond existing expiry dates and the provision of certain loan covenant waivers and, therefore, whether the Group and its controlled entities (including the Centro Retail Trust) will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in half-year financial report. The half-year financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

  
Ernst & Young



B R Meehan  
Partner  
Melbourne  
24 February 2010

## Control gained over entities having material effect

Name of entity (or group of entities)		N/A
Consolidated profit (loss) after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired		N/A
Date from which such profit has been calculated		N/A
Profit (loss) after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period		N/A

## Loss of control of entities having material effect

Name of entity (or group of entities)		N/A
Consolidated profit (loss) after tax of the controlled entity (or group of entities) for the current period to the date of loss of control		N/A
Date to which the profit (loss) has been calculated		N/A
Consolidated profit (loss) after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period		N/A
Contribution to consolidated profit (loss) from sale of interest leading to loss of control		N/A

## Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable		-
Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHESSE approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHESSE approved)		-
If it is a final dividend, has it been declared?		N/A

## Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
<b>Interim distribution to ordinary security holders:</b>			
<i>Current year</i>			
Distribution from Trust			
Dividend from Company	-¢	-	-¢
Total distribution	<u>-¢</u>	-	-¢
<i>Previous year</i>			
Distribution from Trust	-¢	-	-¢
Dividend from Company	<u>-¢</u>	-	-¢
Total distribution	-¢		

The dividend or distribution plans shown below are in operation.

### Distribution Reinvestment Plan

The last date(s) for receipt of election notices for the dividend or distribution plans	N/A
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Any other disclosures in relation to dividends (distributions).

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## Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	Current period	Previous corresponding period
	\$A'000	\$A'000
Profit (loss) before tax	(5,694)	(560,584)
Income tax	-	-
<b>Profit (loss) after tax</b>	<b>(5,694)</b>	<b>(560,584)</b>
Extraordinary items net of tax	-	-
<b>Net profit/(loss)</b>	<b>(5,694)</b>	<b>(560,584)</b>
Adjustments	-	-
<b>Share of net profit (loss) of associates and joint venture entities</b>	<b>(5,694)</b>	<b>(560,584)</b>

## Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. (Where the interest was acquired or disposed of during either the current or previous corresponding period, the date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy") is shown below.)

a) Ownership interest carried as equity accounted associates and joint ventures entities

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	Current period	Previous corresponding period
Equity accounted associates and joint venture entities	%	%	\$A'000	\$A'000
Centro Watt America REIT 1	48.5	48.5	6,773	(17,991)
Centro Direct Property Fund No. 2 <sup>(1)</sup> ("Centro Argyle", "Centro Buranda")	14.8	14.8	8	(6,051)
Centro Galleria Morley Head Trust ("Centro Galleria")	50.0	50.0	9,032	(14,407)
The Glen Centre Trust ("Centro The Glen")	50.0	50.0	6,129	(2,537)
Centro Toombul Head Trust ("Centro Toombul")	50.0	50.0	2,362	(33,677)
Centro Colonnades Head Trust ("Centro Colonnades")	50.0	50.0	(1,050)	(17,192)
Keilor Downs Trust ("Centro Warriewood" and "Centro Cranbourne")	50.0	50.0	1,679	(8,550)
Cranbourne Holding Trust ("Centro Cranbourne")	50.0	50.0	804	(930)
Ridgebay Unit Trust ("Centro Tweed")	50.0	50.0	(3,658)	(3,671)
Taigum Holding Trust ("Centro Taigum")	50.0	50.0	816	(3,550)

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	<b>Current period</b>	Previous corresponding period	<b>Current period</b>	Previous corresponding period
<b>Equity accounted associates and joint venture entities</b>				
Mildura Centre Plaza Unit Trust ("Centro Mildura")	<b>50.0</b>	50.0	<b>(626)</b>	(8,647)
Southport Holding Trust	<b>50.0</b>	50.0	<b>20</b>	(3,436)
Springwood Holding Trust ("Centro Springwood")	<b>50.0</b>	50.0	<b>(563)</b>	(3,274)
Centro Wodonga Partnership ("Centro Wodonga")	<b>50.0</b>	50.0	<b>(916)</b>	(1,286)
Mornington S.C. Unit Trust ("Centro Mornington")	<b>50.0</b>	50.0	<b>222</b>	(1,707)
Broken Hill Trust ("Centro Westside")	<b>50.0</b>	50.0	<b>743</b>	(602)
Centro GA America LLC <sup>(2)</sup>	<b>95.0</b>	95.0	<b>(41,218)</b>	(239,227)
Box Hill Central Holding Trust <sup>(3)</sup> ("Centro Box Hill")	<b>50.0</b>	50.0	<b>2,251</b>	(782)
Halls Head Trust <sup>(3)</sup> ("Centro Halls Head")	<b>50.0</b>	50.0	<b>61</b>	(630)
Centro Lavington Sub Trust <sup>(3)</sup> ("Centro Lavington")	<b>50.0</b>	50.0	<b>1,292</b>	(1,442)
Centro Mandurah Holding Trust <sup>(3)</sup> ("Centro Mandurah")	<b>50.0</b>	50.0	<b>6,911</b>	(633)
Warwick Grove Trust <sup>(3)</sup> ("Centro Warwick")	<b>50.0</b>	50.0	<b>2,288</b>	(1,141)
Whitehorse Plaza Trust <sup>(3)</sup> ("Centro Whitehorse")	<b>50.0</b>	50.0	<b>(1,657)</b>	675
Centro Cannonvale Sub Trust <sup>(3)</sup> ("Centro Whitsunday")	<b>50.0</b>	50.0	<b>803</b>	(2,055)
CSIF Armidale Trust <sup>(3)</sup> ("Centro Armidale")	<b>50.0</b>	50.0	<b>1,362</b>	(2,104)
Sunshine Trust <sup>(3)</sup> ("Centro Birallee")	<b>50.0</b>	50.0	<b>(143)</b>	(296)
Bendigo Trust <sup>(3)</sup> ("Centro Bendigo")	<b>50.0</b>	50.0	<b>103</b>	(1,296)
Nerang Trust <sup>(3)</sup> ("Centro Nerang")	<b>50.0</b>	50.0	<b>478</b>	(2,527)
Centro Super Holding Trust No.1 <sup>(4)</sup>	<b>100.0</b>	100.0	-	(99,782)
Centro Super Holding Trust No.3 <sup>(4)</sup>	<b>100.0</b>	100.0	-	(81,836)
<b>Total</b>			<b>(5,694)</b>	(560,584)

<sup>1</sup> Direct ownership interest only – accounted for as an Associate due to indirect ownership interests.

<sup>2</sup> CER has 100% ownership of CSF and CSF has an indirect ownership in the investment in Centro GA, LLC (JV company) via its 100% ownership interest in a US REIT. CSF's indirect ownership interest in the JV company as at 31 December 2009 equated to 95%. CSF has joint control, but neither CSF nor the joint venture partner (Centro) has control in their own right of the JV Company. Consequently, the investment is accounted for in the consolidated financial statements using the equity method of accounting.

<sup>3</sup> CER has indirect ownership of these trusts via its 100% ownership in Centro MCS Syndicate Investment Fund (Class B units), which in turn equity account for the trusts.

<sup>4</sup> CER has 100% ownership of these trusts. The trusts are a part of the Super LLC joint venture and are subject to joint control between CER and CNP. In the current period, CER has not recognised any income from these investments as no cash distributions have been received and the investments are carried at nil value.

b) Ownership Interests designated as financial assets carried at fair value through profit or loss

<b>Name of entity</b>	<b>Ownership Interest</b>		<b>Distributions revenue</b>	
	<b>Current Period</b>	Previous corresponding period	<b>Current Period</b>	Previous corresponding period
	%	%	\$A'000	\$A'000
Centro MCS 38	<b>19.9</b>	19.9	<b>(35)</b>	2,000
Centro MCS 39	<b>15.0</b>	15.0	<b>1,085</b>	1,089
Centro MCS 40	<b>15.0</b>	15.0	-	-
Centro Australia Wholesale Fund	<b>0.12</b>	0.12	<b>43</b>	46
<b>Total</b>			<b>1,093</b>	3,135

## Compliance statement

This report is based on accounts to which one of the following applies.

*(Tick one)*

- |                          |  |                                     |  |
|--------------------------|--|-------------------------------------|--|
| <input type="checkbox"/> | The accounts have been audited.  | <input checked="" type="checkbox"/> | The accounts have been subject to review.                  |
| <input type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/>            | The accounts have <i>not</i> yet been audited or reviewed. |

The entity has a formally constituted audit committee.



Sign here:

Date: 24<sup>th</sup> February 2010

(Director)

Print name: W. P. Day