

# SCENTRE GROUP

23 February 2016

Singapore Exchange  
2 Shenton Way  
#02-02 SGX Centre  
Singapore 068804

Dear Sir/Madam

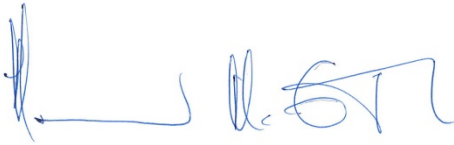
**SCENTRE GROUP (ASX: SCG)**  
**SCENTRE GROUP FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015**

Attached are Scentre Group's full year results for the year ended 31 December 2015 comprising:

1. Appendix 4E; and
2. 2015 Annual Financial Report.

These documents were lodged with the Australian Securities Exchange today.

Yours faithfully



**Maureen McGrath**  
**Company Secretary**

Encl.

Owner and Operator of  in Australia and New Zealand

SCENTRE GROUP LIMITED ABN 66 001 671 496  
SCENTRE MANAGEMENT LIMITED ABN 41 001 670 579 AFS Licence No: 230329 as responsible entity of Scentre Group Trust 1 ABN 55 191 750 378 ARSN 090 849 746  
RE1 LIMITED ABN 80 145 743 682 AFS Licence No: 380202 as responsible entity of Scentre Group Trust 2 ABN 66 744 282 872 ARSN 146 934 536  
RE2 LIMITED ABN 41 145 744 065 AFS Licence No: 380203 as responsible entity of Scentre Group Trust 3 ABN 11 517 229 138 ARSN 146 934 652  
Level 30, 85 Castlereagh Street, Sydney NSW 2000 Australia · GPO Box 4004 Sydney NSW 2001 Australia · T +61 (02) 9358 7000 · [scentregroup.com](http://scentregroup.com)

# SCENTRE GROUP

23 February 2016

The Manager  
Company Announcements Office  
ASX Limited  
Level 4, Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**SCENTRE GROUP (ASX:SCG / ADR:SCTRY)  
FULL YEAR RESULTS FOR YEAR ENDED 31 DECEMBER 2015**

Attached are the Appendix 4E and 2015 Annual Financial Report for Scentre Group.

Yours faithfully  
**SCENTRE GROUP**



**Maureen McGrath  
Company Secretary**

Encl.

Owner and Operator of  in Australia and New Zealand

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Level 30, 85 Castlereagh Street, Sydney NSW 2000 Australia · GPO Box 4004 Sydney NSW 2001 Australia · T +61 (02) 9358 7000 · [scentregroup.com](http://scentregroup.com)

## Scentre Group <sup>1</sup> : Appendix 4E

### For the year ended 31 December 2015 <sup>2</sup>

(previous corresponding period being the year ended 31 December 2014)

#### Results for Announcement to the Market:

Results for the year ended 31 December 2015 comprise the earnings of Scentre Group's Australian and New Zealand operations following the Restructure and Merger implemented on 30 June 2014. The results for the year ended 31 December 2014 comprise the earnings of the former Westfield Group for the six months ended 30 June 2014 and the earnings of Scentre Group for the six months ended 31 December 2014.

|                                                                                                                                        |      |       | 2015    | 2014    |
|----------------------------------------------------------------------------------------------------------------------------------------|------|-------|---------|---------|
| Revenue (\$million)                                                                                                                    | up   | 32.5% | 2,867.8 | 2,164.5 |
| Profit after tax attributable to members of Scentre Group (\$million) <sup>(i)</sup>                                                   | down | 58.9% | 2,707.8 | 6,586.3 |
| Profit after tax before charges and credits in respect of the Restructure and Merger attributable to continuing operations (\$million) | up   | 51.8% | 2,729.7 | 1,797.8 |

<sup>(i)</sup> Results for the year ended 31 December 2014 include profit after tax from discontinued operations of \$5,142.4 million.

|                                                                                                                      | 2015    |
|----------------------------------------------------------------------------------------------------------------------|---------|
| Funds from operations (FFO) attributable to members of Scentre Group for the year ended 31 December 2015 (\$million) | 1,199.2 |
| FFO per security attributable to members of Scentre Group (cents per stapled security) <sup>(ii)</sup>               | 22.58   |

<sup>(ii)</sup> The number of securities on issue as at 31 December 2015 was 5,324,296,678. In calculating the FFO per stapled security 5,311,595,241 weighted average securities was used. This excluded 12,701,437 securities held by the Scentre Executive Option Plan Trust which have been consolidated and eliminated in accordance with accounting standards.

#### Distributions for the Group

|                                                                                                                               | Cents per stapled security |
|-------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Dividend/distributions for the year ended 31 December 2015                                                                    | 20.90                      |
| Final dividend/distributions in respect of Scentre Group earnings to be paid on 29 February 2016 comprising: <sup>(iii)</sup> | 10.45                      |
| - dividend in respect of a Scentre Group Limited share                                                                        | Nil                        |
| - distribution in respect of a Scentre Group Trust 1 unit                                                                     | 4.35                       |
| - distribution in respect of a Scentre Group Trust 2 unit                                                                     | 6.10                       |
| - distribution in respect of a Scentre Group Trust 3 unit                                                                     | Nil                        |
| Interim dividend/distributions in respect of Scentre Group earnings paid on 31 August 2015 comprising: <sup>(iv)</sup>        | 10.45                      |
| - dividend in respect of a Scentre Group Limited share                                                                        | Nil                        |
| - distribution in respect of a Scentre Group Trust 1 unit                                                                     | 4.20                       |
| - distribution in respect of a Scentre Group Trust 2 unit                                                                     | 6.25                       |
| - distribution in respect of a Scentre Group Trust 3 unit                                                                     | Nil                        |

<sup>(iii)</sup> The number of securities entitled to distributions on the record date, 15 February 2016 was 5,324,296,678.

<sup>(iv)</sup> The number of securities entitled to distributions on the record date, 17 August 2015 was 5,324,296,678.

The distributions per security have been determined by reference to the number of securities on issue at the record date. The record date for determining entitlements to the final distribution was 5pm, 15 February 2016 and the distribution will be paid on 29 February 2016. The Group does not operate a distribution reinvestment plan.

The aggregate full year distribution in respect of Scentre Group Trust 1 and Scentre Group Trust 2 units are expected to be fully taxable.

#### Additional information

The annual general meeting will be held on 5 May 2016. Commentary on the results is contained in the media release and the results presentation issued to the Australian Securities Exchange (ASX). The remainder of the information requiring disclosure to comply with listing rule 4.3A is contained in the attached Annual Financial Report which includes the audited consolidated financial report.

<sup>[1]</sup> Scentre Group comprises Scentre Group Limited ABN 66 001 671 496 (SGL); Scentre Group Trust 1 ARSN 090 849 746 (SGT1); Scentre Group Trust 2 ARSN 146 934 536 (SGT2) and Scentre Group Trust 3 ARSN 146 934 652 (SGT3).

<sup>[2]</sup> It is recommended that the 4E and Annual Financial Report be considered together with any public announcements made by Scentre Group during the financial period.

# SCENTRE GROUP

Owner and Operator of *Westfield* in Australia and New Zealand

Annual Financial Report  
31 December 2015

Scentre Group Limited ABN 66 001 671 496

# Annual Financial Report

## **SCENTRE GROUP**<sup>(1)</sup>

For the Financial Year ended 31 December 2015

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<sup>(1)</sup> Scentre Group comprises Scentre Group Limited and its controlled entities as defined in Note 2.

# Directors' Report

The Directors of Scentre Group Limited (Company) submit the following report for the period 1 January 2015 to 31 December 2015 (Financial Year).

## 1. OPERATIONS AND ACTIVITIES

### 1.1 Background to results

On 30 June 2014, Scentre Group (Group or SCG) was formed by the restructure of the Westfield Group and merger of Westfield Group's Australian and New Zealand business operations with those of Westfield Retail Trust (Restructure and Merger).

The Financial Year was the first full financial year of the Group since its formation. As a result of the Restructure and Merger, the comparative financial results for 2014 include the operations of the former Westfield Group (disclosed as discontinued operations) but do not include the results for Westfield Retail Trust for the six months to 30 June 2014.

### 1.2 Financial results

We are pleased to report on the performance of the Group for the period from 1 January 2015 to 31 December 2015.

#### Profit after tax, funds from operations and distribution for the period<sup>(i)</sup>

| 1 January 2015 to 31 December 2015                                                                                                                      | \$million      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Net property income                                                                                                                                     | 1,785.9        |
| Net project and management income                                                                                                                       | 131.1          |
| Overheads                                                                                                                                               | (91.0)         |
| Financing costs                                                                                                                                         | (499.3)        |
| Interest on other financial liabilities                                                                                                                 | (81.0)         |
| Mark to market of derivatives and property linked notes                                                                                                 | (166.6)        |
| Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations   | 130.9          |
| Gain in respect of capital transactions                                                                                                                 | 19.2           |
| Property revaluations                                                                                                                                   | 1,538.8        |
| Tax expense                                                                                                                                             | (38.3)         |
| <b>Profit after tax</b>                                                                                                                                 | <b>2,729.7</b> |
| Adjusted for:                                                                                                                                           |                |
| – Property revaluations                                                                                                                                 | (1,538.8)      |
| – Amortisation of tenant allowances                                                                                                                     | 38.6           |
| – Net fair value loss and associated credit risk on currency derivatives that do not qualify for hedge accounting                                       | 27.5           |
| – Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations | (130.9)        |
| – Net fair value loss on interest rate hedges that do not qualify for hedge accounting                                                                  | 113.6          |
| – Net fair value loss on other financial liabilities                                                                                                    | 25.5           |
| – Deferred tax benefit                                                                                                                                  | (33.6)         |
| – Gain in respect of capital transactions                                                                                                               | (19.2)         |
| – Funds from operations attributable to external non controlling interests <sup>(ii)</sup>                                                              | (13.2)         |
| <b>Funds from operations (FFO)<sup>(iii)</sup></b>                                                                                                      | <b>1,199.2</b> |
| Less: amount retained                                                                                                                                   | (89.0)         |
| <b>Dividend/distributions</b>                                                                                                                           | <b>1,110.2</b> |

<sup>(i)</sup> The Group's income and expenses have been prepared on a proportionate basis. The proportionate basis presents the net income from equity accounted entities on a gross basis.

<sup>(ii)</sup> Funds from operations attributable to external non controlling interests of \$13.2 million consists of profit after tax attributable to external non controlling interests of \$21.9 million less FFO adjustments of \$8.7 million.

<sup>(iii)</sup> A key measure of the financial performance of the Group is FFO. FFO is a widely recognised measure of the performance of real estate investment groups by the property industry and is a useful measure of operating performance.

|                                    | cents |
|------------------------------------|-------|
| FFO per security                   | 22.58 |
| Dividend/distribution per security | 20.90 |

The strong underlying operating performance has meant that above forecast FFO growth of 3.8% was achieved, notwithstanding the dilution from asset sales effected by the Group in 2015. FFO growth would have been approximately 5% before the impact of these sale transactions. The full year distribution of 20.9 cents per security is in line with forecast.

## 1.3 Operating environment

The Group's portfolio comprises 34 centres in Australia and 6 centres in New Zealand with a combined value of A\$30.1 billion<sup>①</sup>.

As at 31 December 2015, the portfolio was more than 99.5% leased. Comparable NOI growth across the portfolio was 2.6% for the year, above the target of 2.0% to 2.5%.

The high quality shopping centres in the Group's portfolio have delivered excellent sales productivity, almost full occupancy and continued growth in average rents and comparable net property income reflecting the continued reinvestment into the portfolio and introduction of new retailers. There was sustained improvement in retail sales growth, with comparable specialty retail sales growth of 5.5% across the portfolio.

Comparable specialty sales in Australia grew by 5.3% for the year with strong sales performance across most categories. Comparable specialty sales growth in New Zealand was 6.6% for the year.

The continued introduction of new international retailers, together with the integration of food, fashion and entertainment experiences, combined with the greater use of digital technology underpin the strength and relevance of our existing centres and future redevelopments.

## 1.4 Development activities

The Group has a vertically integrated development, design and construction platform representing one of the top 5 construction businesses in Australia. The Group's development activities are expected to deliver earnings accretion and create significant long term value.

In 2015, the Group commenced \$830 million (Group share: \$583 million) of redevelopments including projects at Chatswood, Hurstville, Warringah Mall and Kotara in New South Wales, Casey in Victoria and North Lakes in Queensland, with the redevelopments at Chatswood, Hurstville, Kotara and North Lakes opening during the year. The second stage of the redevelopment of Miranda in New South Wales also opened in April 2015.

The Group has identified a future development pipeline in excess of \$3 billion and, in 2016 has already commenced a \$355 million redevelopment of Chermiside in Queensland and a \$140 million stage 2 IKEA Link Mall project at North Lakes with a combined value of \$495 million (Group share: \$425 million).

## 1.5 Retailer and shopper initiatives

In 2015, the Group continued to develop and implement digital strategies. Key initiatives implemented include: the successful introduction of 1,200 custom designed digital Smartscreens, the installation of a state of the art Wi-Fi network in 27 centres in Australia and the rollout of the ticketless parking technology to 3 additional centres.

## 1.6 Capital management

During the year, the Group completed the sale of Figtree, Strathpine, Warrawong and North Rocks in Australia (gross proceeds \$783 million). The Group also announced the sale of Glenfield, Queensgate and Chartwell in New Zealand for a total of NZ\$549 million, with the sale of Queensgate and Chartwell expected to complete in the first half of 2016.

The sale of these centres is in line with the Group's strategic focus of redirecting capital into higher performing assets. The proceeds of sale are being reinvested in the Group's development pipeline which is expected to generate internal rates of return (IRR) of at least 15%.

## 1.7 Financing

In 2015, the Group continued to improve its debt maturity profile taking advantage of its strong access to international debt and capital markets to issue A\$2 billion equivalent of GBP and USD denominated bonds. Proceeds from the bond issue were applied to complete the refinancing of the A\$5 billion bridge facility in connection with the Restructure and Merger.

As at 31 December 2015, the Group's gearing was 33.3%.

The Group maintains high levels of interest rate hedging, being 86% percent hedged at 31 December 2015 and 74% hedged on average over the next 3 years.

## 1.8 Principal activities

The principal activities of Scentre Group during the year were the ownership, development, design, construction, asset management, leasing and marketing activities with respect to its Australian and New Zealand portfolio of retail properties. There were no significant changes in the nature of those activities during the year.

## 1.9 Strategy, Key Drivers and Outlook

### (a) Strategy and key drivers

Scentre Group's strategy is to create extraordinary places connecting and enriching communities by owning, managing and developing the best retail assets in Australia and New Zealand. Strategic priorities include:

- intensive management of its existing portfolio to maximise the sales productivity of retailers and to provide superior experiences to consumers;
- improving the quality of its portfolio to adapt to the next generation of retail;
- generating new income opportunities by leveraging the scale of the Group's portfolio;
- executing its current and future development pipeline to enhance the value, scale and quality of the portfolio;
- active management of its capital positions to enhance long term earnings growth potential and return on equity; and
- using digital technology to better connect retailers and consumers.

### (b) Intensive management

Scentre Group concentrates on intensively managing its shopping centres, with particular emphasis on delivering an optimal mix of retailers, maximising the sales productivity of retailers at each shopping centre and providing superior experiences to consumers.

The Group seeks to develop strong relationships with retailers and to provide a high standard of service to customers while seeking to strictly control operating costs. It does this by working closely with retailers to provide a superior shopping experience and developing strong relationships with consumers through various marketing initiatives, including supporting the local community surrounding each shopping centre. These experiences range from parking, shopping centre ambience and retailer mix to food, leisure and entertainment precincts and digital connectivity.

<sup>①</sup> Pro forma post the sale of two New Zealand centres expected to settle in the first half of 2016.

### **(c) Operating strategy**

The Group's strategy is to create and own leading retail destinations across Australia and New Zealand.

Scentre Group continues to focus on generating new income opportunities across its portfolio. This includes a focus on expanding media and advertising revenues, digital, storage, car parking and infrastructure services as well as the provision of customer services such as valet parking and other concierge services.

The Group recognises the emergence of digital technology as an important element in better connecting the retailer and our centres with the consumer and improving the shopping experience for both groups.

### **(d) Development activities**

Scentre Group's development capabilities include all elements of development, design, construction and project leasing for shopping centres in Australia and New Zealand. The nature of shopping centre ownership provides for a consistent pipeline of redevelopment and expansion opportunities for existing shopping centres in the portfolio.

### **(e) Capital management**

Scentre Group's capital management strategy is to invest capital in the ownership and development of high quality shopping centres across Australia and New Zealand and position Scentre Group to enhance long term earnings growth and return on equity.

A key component of this strategy involves efficient sourcing of capital. This allows the Group to reduce invested capital in assets that no longer meet the Group's investment criteria.

The Group's strategy is to own the highest quality assets. Capital will be invested in the \$3 billion development pipeline to ensure that the Group's centres remain at the forefront of retail in Australia and New Zealand such that the portfolio will generate strong long term growth and risk adjusted returns.

### **(f) Outlook**

The Group forecasts FFO growth for the 12 months ending 31 December 2016 of approximately 3%, and growth in distribution for 2016 of 2% to 21.3 cents per security. This represents an underlying FFO increase of approximately 5% excluding the impact of the sale of centres in Australia and New Zealand.

### **1.10 Subsequent events**

Since the end of the financial year, there are no subsequent events to report.

## **2. SUSTAINABILITY**

Environmental laws and regulations in force in the various jurisdictions in which Scentre Group operates are applicable to areas of the Group's operations and in particular to its development, construction and shopping centre management activities. The Group has in place procedures to identify and comply with such requirements including, where applicable, obtaining and complying with the conditions of relevant authority consents and approvals and the obtaining of any necessary licences.

These compliance procedures are regularly reviewed and audited and their application closely monitored. Westfield Group's Sustainability Reports from prior years that includes Scentre Group assets can be found at <http://www.scentregroup.com/about/sustainability/>.

Scentre Group's Sustainability Report will be published in the first quarter of 2016 and will be available on its website.

## **3. DIVIDENDS/DISTRIBUTIONS**

The Company did not determine to pay a dividend for the 6 month period to 30 June 2015 or for the 6 month period to 31 December 2015.

A distribution of 10.45 cents per Scentre Group security was paid on 31 August 2015. This distribution was an aggregate distribution from Scentre Group Trust 1 and Scentre Group Trust 2.

A distribution of 10.45 cents per Scentre Group security will be paid on 29 February 2016. This distribution is an aggregate distribution from Scentre Group Trust 1 and Scentre Group Trust 2.

## **4. DIRECTORS AND SECRETARIES**

### **4.1 Board Membership and Qualifications**

Scentre Group is a stapled entity which operates as a single economic entity. The entities comprising Scentre Group are the Company, Scentre Group Trust 1 Scentre Group Trust 2 and Scentre Group Trust 3. The Boards of the Company, Scentre Management Limited (as responsible entity of Scentre Group Trust 1), RE1 Limited (as responsible entity of Scentre Group Trust 2) and RE2 Limited (as responsible entity of Scentre Group Trust 3) are identical.

The current Board of Directors of the Company is set out below.

| Name                             | Position                                                      |
|----------------------------------|---------------------------------------------------------------|
| Frank Lowy AC                    | Chairman / Non-Executive Director                             |
| Brian Schwartz AM                | Deputy Chairman (and Chairman elect) / Non-Executive Director |
| Peter Allen                      | Chief Executive Officer / Executive Director                  |
| Richard Egerton-Warburton AO LVO | Non-Executive Director                                        |
| Andrew Harmos                    | Non-Executive Director                                        |
| Michael Ihlein                   | Non-Executive Director                                        |
| Aliza Knox                       | Non-Executive Director                                        |
| Steven Lowy AM                   | Non-Executive Director                                        |

On 23 October 2015, the Group announced that the Chairman, Mr Frank Lowy will retire at the Company's AGM to be held in May 2016 and that Mr Brian Schwartz, Deputy Chairman will succeed Mr Lowy as Chairman.

Mr Laurence Brindle and Ms Sandra McPhee retired from the Board at the conclusion of the Annual General Meeting held on 7 May 2015. Ms Aliza Knox was appointed to the Board by members on the same date.

Details of the qualifications, experience and special responsibilities of each of the Directors as at the date of this report are set out below.

# Directors' Report (continued)

## Frank Lowy AC

### *Term of office:*

- Scentre Group Limited: 16 January 1979
- Scentre Management Limited: 16 January 1979
- RE1 Limited: 30 June 2014
- RE2 Limited: 30 June 2014

### *Board Committee membership:*

- Chairman of the Board

### *Independent:*

No

### *Skills and Experience:*

Mr Frank Lowy is the non-executive Chairman of Scentre Group. He served as the Westfield Group's Chief Executive Officer for over 50 years before assuming a non-executive role in May 2011. Mr Lowy also serves as the Chairman of Westfield Corporation. He is the founder and Chairman of the Lowy Institute for International Policy. In November 2015 he retired as Chairman of Football Federation Australia Limited.

## Brian Schwartz AM

### *Term of office:*

- Scentre Group Limited: 6 May 2009
- Scentre Management Limited: 6 May 2009
- RE1 Limited: 30 June 2014
- RE2 Limited: 30 June 2014
- Deputy Chairman and Lead Independent Director: 25 May 2011

### *Board Committee membership:*

- Human Resources Committee (Chair)
- Audit and Risk Committee
- Nomination Committee

### *Independent:*

Yes

### *Skills and Experience:*

Mr Brian Schwartz is a non-executive Director and Chairman-elect of Scentre Group. He is Chairman of Insurance Australia Group Limited and a non-executive Director and Deputy Chairman of Westfield Corporation. Mr Schwartz is Chairman of Scentre Group's Human Resources Committee and a member of the Audit and Risk and Nomination Committees. In a career with Ernst & Young Australia spanning more than 25 years, he rose to the positions of Chairman (1996 – 1998) and then CEO of the firm from 1998 to 2004. From 2005 to 2009, Mr Schwartz was the CEO of Investec Bank (Australia) Limited. He is a fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants. In November 2015 he retired as Deputy Chairman of Football Federation Australia Limited.

## Peter Allen

### *Term of office:*

- Scentre Group Limited: 25 May 2011
- Scentre Management Limited: 25 May 2011
- RE1 Limited: 12 August 2010
- RE2 Limited: 12 August 2010

### *Independent:*

No

### *Skills and Experience:*

Mr Peter Allen is an executive Director and Chief Executive Officer of Scentre Group. He has more than 20 years of global experience in senior financial, property and commercial roles. Mr Allen worked for Citibank in Melbourne, New York and London before joining Westfield in 1996 as Director for Business Development. He was Westfield's CEO of United Kingdom/Europe from 1998 to 2004 and was responsible for establishing Westfield's presence in the United Kingdom. From 2004 to 2014, Mr Allen was the Chief Financial Officer of Westfield Group. He is Chairman of the Shopping Centre Council of Australia, a Director of the Victor Chang Cardiac Research Institute and sits on the Board of the Kolling Foundation. Mr Allen is also a member of the President's Council of the Art Gallery of NSW.

## Richard Egerton-Warburton AO, LVO

### *Term of office:*

- Scentre Group Limited: 30 June 2014
- Scentre Management Limited: 30 June 2014
- RE1 Limited: 21 December 2010
- RE2 Limited: 21 December 2010

### *Board Committee membership:*

- Nomination Committee (Chair)
- Audit and Risk Committee

### *Independent:*

Yes

### *Skills and Experience:*

Mr Warburton is a non-executive Director of Scentre Group. Before becoming a professional director, he was the Chairman and Chief Executive Officer of DuPont Australia and New Zealand where he was responsible for DuPont's petro-chemical business operations in Australia and New Zealand. He is currently Chairman of Magellan Flagship Fund Limited and previously Chairman of Citigroup Pty Limited, David Jones Limited, AurionGold Limited, Caltex Australia Limited and the Board of Taxation, and a Director of Tabcorp Holdings Limited, Southcorp Limited, Nufarm Limited and the Reserve Bank of Australia. Mr Warburton is a Fellow (and former National President) of the Australian Institute of Company Directors.

**Andrew Harmos****Term of office:**

- Scentre Group Limited: 30 June 2014
- Scentre Management Limited: 30 June 2014
- RE1 Limited: 21 December 2010
- RE2 Limited: 21 December 2010

**Board Committee membership:**

- Human Resources Committee
- Nomination Committee

**Independent:**

Yes

**Skills and Experience:**

Mr Andrew Harmos is a non-executive Director of Scentre Group. He is one of the founding directors of Harmos Horton Lusk Limited, an Auckland based specialist corporate legal advisory firm, where he specialises in takeover advice and structuring, securities offerings, company acquisitions and disposals, strategic and board corporate legal advice. Mr Harmos holds a Bachelor of Commerce and a Bachelor of Laws (Honours) from The University of Auckland. He is a Director of AMP Life Limited, The National Mutual Life Association of Australasia and Elevation Capital Management Limited. Mr Harmos was formerly Chairman of the New Zealand Stock Exchange and a Trustee of the Arts Foundation of New Zealand.

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**Michael Ihlein****Term of office:**

- Scentre Group Limited: 30 June 2014
- Scentre Management Limited: 30 June 2014
- RE1 Limited: 21 December 2010
- RE2 Limited: 21 December 2010

**Board Committee membership:**

- Audit and Risk Committee (Chair)
- Human Resources Committee

**Independent:**

Yes

**Skills and Experience:**

Mr Michael Ihlein is a non-executive Director of Scentre Group. He is a highly experienced corporate and finance executive with a long career with Coca-Cola Amatil Limited (and related companies), where he was Managing Director, Poland (1995 – 1997) and Chief Financial Officer and Executive Director (1997 – 2004). Mr Ihlein joined Brambles as Chief Financial Officer and Executive Director in March 2004 and held the position of Chief Executive Officer from July 2007 until his retirement in November 2009. Mr Ihlein holds a Bachelor of Business Studies (Accounting) from the University of Technology, Sydney. He is currently a Director of CSR Limited, Snowy Hydro Limited and Murray Goulburn Co-operative Co. Limited, Chair of Australian Theatre for Young People and is a Fellow of the Australian Institute of Company Directors, CPA Australia and the Financial Services Institute of Australasia.

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**Aliza Knox****Term of office:**

- Scentre Group Limited: 7 May 2015
- Scentre Management Limited: 7 May 2015
- RE1 Limited: 7 May 2015
- RE2 Limited: 7 May 2015

**Independent:**

Yes

**Skills and Experience:**

Ms Aliza Knox is a non-executive Director of Scentre Group. Ms Knox has more than two decades of broad international marketing and management experience. She holds an MBA in Marketing (Honors) from New York University-Leonard N. Stern, School of Business, and a B.A., Applied Mathematics and Economics (Magna Cum Laude) from Brown University. Ms Knox is currently Vice-President Online Sales, Asia Pacific and Latin America at Twitter, having been at the company since 2012. Previously, she was the Managing Director of Commerce and Online Sales & Operations for Asia Pacific at Google Asia Pacific Pte. Ltd. from 2007 to 2012. Ms Knox has been a non-executive Director of Singapore Post Limited since August 2013. In 2014 she was appointed to the supervisory board of GfK. In 2015, Ms Knox was appointed to ANZ's International Technology and Digital Business Advisory Panel. Her other roles include Senior Vice President, Commercial Solutions and Global Product Platforms at Visa International (from 2002 to 2007) and Senior Vice President, International Wireless and Global Expansion Asian Focus at Charles Schwab Corporation (from 1999 to 2001).

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**Steven Lowy AM****Term of office:**

- Scentre Group Limited: 28 June 1989
- Scentre Management Limited: 28 June 1989
- RE1 Limited: 12 August 2010
- RE2 Limited: 12 August 2010

**Independent:**

No

**Skills and Experience:**

Mr Steven Lowy is a non-executive Director of Scentre Group. He holds a Bachelor of Commerce (Honours) from the University of NSW. Prior to joining Westfield in 1987, Mr Lowy worked in investment banking in the US. He is an executive Director of Westfield Corporation and currently serves as its Co-Chief Executive Officer. Mr Lowy is Chairman of Football Federation Australia Limited and is a Director of the Lowy Institute for International Policy. His previous appointments include President of the Board of Trustees of the Art Gallery of New South Wales, Chairman of the Victor Chang Cardiac Research Institute and Presiding Officer of the NSW Police Force Associate Degree in Policing Practice Board of Management.

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# Directors' Report (continued)

## 4.2 Directors' Relevant Interests

The names of the Directors in office and the relevant interests of each Director in Scentre Group stapled securities as at the date of this report are shown below.

| Director                  | Number of Stapled Securities |
|---------------------------|------------------------------|
| Frank Lowy                | 216,467,389                  |
| Steven Lowy               |                              |
| Brian Schwartz            | 48,781                       |
| Peter Allen               | 2,136,258                    |
| Richard Egerton-Warburton | 73,445                       |
| Andrew Harnos             | 39,012                       |
| Michael Ihlein            | 33,048                       |
| Aliza Knox                | Nil                          |

Mr Laurence Brindle and Ms Sandra McPhee retired from the Board on 7 May 2015. On the date of retirement, Ms McPhee held a relevant interest in 33,382 Scentre Group securities. Mr Brindle had nil relevant interest in Scentre Group securities.

None of the Directors hold options over any issued or unissued Scentre Group stapled securities. No options over any issued or unissued units in any of the Scentre Group Trusts or stapled securities in Scentre Group have been issued to the Directors. None of the Directors hold debentures of Scentre Group.

None of the Non-Executive Directors are party to or entitled to a benefit under a contract which confers a right to call for, or be delivered, interests or securities in the Group.

Details of the equity-linked incentives held by the Chief Executive Officer are set out in the Remuneration Report.

## 4.3 Directors' attendance at meetings

The following tables set out the number of Board and Committee meetings held during the Financial Year and attendance by Directors.

### Number of Meetings held:

|                           |   |
|---------------------------|---|
| Board of Directors        | 6 |
| Audit and Risk Committee  | 5 |
| Human Resources Committee | 4 |
| Nomination Committee      | 7 |

| Director                  | Board |   | Audit and Risk Committee |   | Human Resources Committee |   | Nomination Committee |   |
|---------------------------|-------|---|--------------------------|---|---------------------------|---|----------------------|---|
|                           | A     | B | A                        | B | A                         | B | A                    | B |
| Frank Lowy                | 6     | 6 | –                        | – | –                         | – | –                    | – |
| Brian Schwartz            | 6     | 6 | 3                        | 3 | 4                         | 4 | 7                    | 7 |
| Peter Allen               | 6     | 6 | –                        | – | –                         | – | –                    | – |
| Laurence Brindle*         | 3     | 3 | 2                        | 2 | –                         | – | –                    | – |
| Richard Egerton-Warburton | 6     | 6 | 5                        | 5 | –                         | – | 7                    | 7 |
| Andrew Harnos             | 6     | 6 | –                        | – | 4                         | 4 | 7                    | 7 |
| Michael Ihlein            | 6     | 6 | 5                        | 5 | 3                         | 3 | –                    | – |
| Aliza Knox**              | 3     | 3 | –                        | – | –                         | – | –                    | – |
| Steven Lowy               | 6     | 5 | –                        | – | –                         | – | –                    | – |
| Sandra McPhee*            | 3     | 3 | –                        | – | 1                         | 1 | –                    | – |

A = Number of meetings eligible to attend.

B = Number of meetings attended

\* Retired from Scentre Group Board on 7 May 2015.

\*\* Appointed to Scentre Group Board on 7 May 2015.

#### 4.4 Directors' directorships of other listed companies

The following table sets out the directorships of other Australian listed companies held by the Company's Directors during the 3 years preceding the end of the Financial Year and up to the date of this report, and the time for which each directorship has been held:

| Director                  | Company                               | Date appointed   | Date resigned  |
|---------------------------|---------------------------------------|------------------|----------------|
| Frank Lowy                | Scentre Management Limited*           | 16 January 1979  | Continuing     |
|                           | RE1 Limited**                         | 30 June 2014     | Continuing     |
|                           | RE2 Limited***                        | 30 June 2014     | Continuing     |
|                           | Westfield America Management Limited^ | 20 February 1996 | Continuing     |
|                           | Westfield Corporation Limited^^       | 8 April 2014     | Continuing     |
| Brian Schwartz            | Scentre Management Limited*           | 6 May 2009       | Continuing     |
|                           | RE1 Limited**                         | 30 June 2014     | Continuing     |
|                           | RE2 Limited***                        | 30 June 2014     | Continuing     |
|                           | Insurance Australia Group Limited     | 1 January 2005   | Continuing     |
|                           | Brambles Limited                      | 13 March 2009    | 30 June 2014   |
|                           | Westfield America Management Limited^ | 6 May 2009       | Continuing     |
| Peter Allen               | Westfield Corporation Limited^^       | 8 April 2014     | Continuing     |
|                           | Scentre Management Limited*           | 25 May 2011      | Continuing     |
|                           | RE1 Limited**                         | 12 August 2010   | Continuing     |
|                           | RE2 Limited***                        | 12 August 2010   | Continuing     |
|                           | Westfield America Management Limited^ | 25 May 2011      | 30 June 2014   |
| Richard Egerton-Warburton | Scentre Management Limited*           | 30 June 2014     | Continuing     |
|                           | RE1 Limited**                         | 21 December 2010 | Continuing     |
|                           | RE2 Limited***                        | 21 December 2010 | Continuing     |
|                           | Magellan Flagship Fund Limited        | 19 October 2006  | Continuing     |
| Andrew Harnos             | Scentre Management Limited*           | 30 June 2014     | Continuing     |
|                           | RE1 Limited**                         | 21 December 2010 | Continuing     |
|                           | RE2 Limited***                        | 21 December 2010 | Continuing     |
| Michael Ihlein            | Scentre Management Limited*           | 30 June 2014     | Continuing     |
|                           | RE1 Limited**                         | 21 December 2010 | Continuing     |
|                           | RE2 Limited***                        | 21 December 2010 | Continuing     |
|                           | CSR Limited                           | 7 July 2011      | Continuing     |
| Aliza Knox                | Scentre Management Limited*           | 7 May 2015       | Continuing     |
|                           | RE1 Limited**                         | 7 May 2015       | Continuing     |
|                           | RE2 Limited***                        | 7 May 2015       | Continuing     |
|                           | InvoCare Limited                      | 4 October 2011   | 31 August 2015 |
| Steven Lowy               | Scentre Management Limited*           | 28 June 1989     | Continuing     |
|                           | RE1 Limited**                         | 12 August 2010   | Continuing     |
|                           | RE2 Limited***                        | 12 August 2010   | Continuing     |
|                           | Westfield America Management Limited^ | 20 February 1996 | Continuing     |
|                           | Westfield Corporation Limited^^       | 28 November 2013 | Continuing     |

#### Notes:

\* Scentre Management Limited as responsible entity for (a) Scentre Group Trust 1, a managed investment scheme, the units of which are stapled to units in Scentre Group Trust 2 and Scentre Group Trust 3 and shares in the Company, and which trade on the ASX as Scentre Group; and (b) Carindale Property Trust, a listed managed investment scheme.

\*\* RE1 Limited, as responsible entity for Scentre Group Trust 2, a managed investment scheme, the units of which are stapled to units in Scentre Group Trust 1 and Scentre Group Trust 3 and shares in the Company, and which trade on the ASX as Scentre Group.

\*\*\* RE2 Limited, as responsible entity for Scentre Group Trust 3, a managed investment scheme, the units of which are stapled to units in Scentre Group Trust 1 and Scentre Group Trust 2 and shares in the Company, and which trade on the ASX as Scentre Group.

^ Westfield America Management Limited, as responsible entity for Westfield America Trust and WFD Trust, both managed investment schemes, the units of which are stapled to shares in Westfield Corporation Limited, and which trade on the ASX as Westfield Corporation.

^^ Westfield Corporation Limited, the shares of which are stapled to units in Westfield America Trust and WFD Trust, and which trade on the ASX as Westfield Corporation.

## 4.5 Secretaries

As at the date of this report, the Company had the following Secretaries:

### *Ms Maureen McGrath*

Ms Maureen McGrath was appointed General Counsel, Compliance & Secretariat of Scentre Group in June 2014. Prior to the establishment of Scentre Group, Ms McGrath was General Counsel, Corporate and Compliance, Westfield Group. She holds a Bachelor of Laws and a Bachelor of Jurisprudence from the University of New South Wales. Ms McGrath is a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors.

### *Mr Paul Giugni*

Mr Paul Giugni was appointed General Counsel of Scentre Group in June 2014. Prior to the establishment of Scentre Group, Mr Giugni was General Counsel, Australia and New Zealand, Westfield Group. He joined Westfield Group in September 1998 and holds a Bachelor of Economics and a Bachelor of Laws (Honours) from the University of Sydney. Prior to joining Westfield Group, Mr Giugni was a solicitor at Freehill Hollingdale and Page (now Herbert Smith Freehills).

## 5. OPTIONS

No options were issued by the Company during or since the end of the Financial Year and no Director or member of the Senior Executive team holds options over issued or unissued Scentre Group stapled securities.

Details of the equity-linked incentives held by the executive Key Management Personnel are set out in the Remuneration Report.

## 6. INDEMNITIES AND INSURANCE PREMIUMS

Subject to the following, no indemnity was given or insurance premium paid during or since the end of the Financial Year for a person who is or has been an officer or auditor of the Group.

The Company's Constitution provides that a person who is or has been a Director or Secretary of the Company may be indemnified by the Company against liabilities incurred by the person in that capacity and for all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings in which the person becomes involved because of that capacity. The indemnity does not apply to the extent that the Company is forbidden by statute to indemnify the person or the indemnity would, if given, be made void by statute.

The Group has paid premiums for directors' and officers' liability insurance in respect of Directors, Secretaries and Executive Officers of the Group as permitted by the Corporations Act 2001. The terms of the insurance policy prohibit disclosure of details of the nature of the liabilities covered by, and the amounts of the premiums payable under, that insurance policy.

In addition, each Director has entered into a Deed of Indemnity and Access which provides for indemnity against liability as a Director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The Deed also entitles the Director to access Company documents and records, subject to undertakings as to confidentiality.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of its standard terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to Ernst & Young during or since the Financial Year.

## 7. AUDIT

### 7.1 Audit and Risk Committee

As at the date of this report, the Company had an Audit and Risk Committee of the Board of Directors.

### 7.2 Non-Audit Services and Audit Independence

Details of the amount paid to the auditor, which includes amounts paid for non-audit services, are set out in Note 40 to the Financial Statements. The Board is satisfied that the provision of non-audit services by the auditor during the Financial Year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Furthermore, the provision of non-audit services by the auditor during the Financial Year did not compromise the independence requirements under the Corporations Act 2001 because:

- the Group's Non-Audit Services Protocol sets out the categories of non-audit services that the auditor may or may not undertake. Those categories of permitted services remain subject to the overriding principle that a non-audit service may not be provided in circumstances where it would be detrimental to the actual or perceived independence of the statutory auditor;
- the Non-Audit Services Protocol provides a mechanism by which approval for non-audit services proposed to be performed by the auditor is required to be given prior to the provision of such non-audit services, providing an appropriate review point for independence issues prior to engagement;
- under the Non-Audit Services Protocol, the auditor is required to report at least twice each year as to its compliance with the terms of the Charter and, in all instances, confirm the position that the independence of Ernst & Young as statutory auditor has been maintained; and
- the auditor has provided an Auditor's Independence Declaration to the Board declaring that there has been no contravention of the auditor independence requirements of the Corporations Act 2001 or of any applicable code of professional conduct and that the Non-Audit Services Protocol has been complied with.

### 7.3 Auditor's Independence Declaration to the Directors of Scentre Group Limited



#### *Auditor's Independence Declaration to the Directors of Scentre Group Limited*

As lead auditor for the audit of Scentre Group Limited for the financial year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Scentre Group and the entities it controlled during the financial year.

**Ernst & Young**

Sydney, 23 February 2016

**Graham Ezzy**  
Partner

Liability limited by a scheme approved under Professional Standards Legislation.

## 8. REMUNERATION REPORT

### Message from the Chairman of the Human Resources Committee

Dear Securityholders

On behalf of the Board, I am pleased to introduce Scentre Group's FY15 remuneration report. FY15 was the first full financial year for the Group since its formation in 2014.

#### FY15 performance

FY15 was a period of significant activity for the Group, both operationally and in its continued evolution as an independent entity with its own "Scentre Group" identity. Significantly in FY15, the Group:

- achieved Funds from Operations (FFO) and distribution forecasts
- continued its strategic focus on making long term decisions for the management of its assets by reallocating capital to higher performing assets
- commenced \$830 million of redevelopments (SCG share: \$583 million)
- launched a nation-wide network of 1,200 custom designed digital Smartscreens, completed the roll out of a state of the art Wi-Fi network across 27 centres and rolled out ticketless parking to an additional 3 centres
- established a Diversity & Inclusion Council and introduced a number of workplace initiatives including a revised parental leave policy and flexible work arrangements.

#### Executive Key Management Personnel (KMP)

In November 2015, Mr Greg Miles was appointed Chief Operating Officer (COO) of the Group after spending the last 4 years with Westfield in the United States. Greg brings significant experience to this role, having first joined Westfield in Australia over 18 years ago. Greg joins Peter Allen, Chief Executive Officer (CEO) and Mark Bloom, Chief Financial Officer (CFO) as executive KMP.

#### Remuneration framework

During the second half of FY14, the Group made a number of significant changes to its remuneration framework, including: simplifying its bonus and retention arrangements; discontinuing retention awards not subject to performance hurdles; increasing the percentage of "pay at risk" for executives and requiring executive KMP to maintain a minimum holding of Scentre Group securities that is at least a one-time multiple of their fixed remuneration (before tax). We consider that these changes have strengthened the alignment between remuneration and executive and business performance.

#### Change to LTI hurdle

Our approach to remuneration is to align executive remuneration with the Group's business strategy and the interests of securityholders. We seek to do this by providing competitive rewards to attract, motivate and retain executives and to deliver rewards to our executives differentiated by business and individual performance.

In keeping with this philosophy and, as anticipated in the FY14 remuneration report, in FY15 we undertook a review of the hurdles under the Group's LTI plan.

Having regard to a number of factors including concerns raised by securityholders in relation to a one year measure under the LTI, we have replaced that hurdle with a long term, 3 year measure. For FY16, the FFO hurdle (measured over one year) has been replaced with a development return hurdle (measured at the end of 3 years). The FY16 LTI hurdles are: a Return on Contributed Equity (ROCE) hurdle with a 75% weighting (ROCE will be assessed by reference to ROCE in year 3) and a development return hurdle with a 25% weighting. Vesting will occur 50% at the end of year 3 and 50% at the end of year 4.

The development program is a significant driver of growth for the Group. In light of this, we believe that a development return hurdle coupled with a ROCE hurdle are aligned with the long term strategy of the Group and therefore appropriate measures for the Group's LTI plan. Further details on the LTI hurdles are set out in section 8.4 of the remuneration report.

#### Specific remuneration outcomes

Other specific remuneration outcomes, which are also set out in more detail in the remuneration report, are:

- FY15 STI payments for the CEO and CFO were paid at 90% of target.
- The remuneration package for the CEO in FY16 has not increased from FY15.
- The fixed remuneration and the short term incentive (STI) opportunity for the CFO have not increased from FY15. The potential maximum long term incentive (LTI) for the CFO has increased to 100% (from 95%) of fixed remuneration.
- The COO's remuneration package for FY16 was set on his appointment. For FY15, he received 2 months' fixed remuneration only.
- There has been an increase in the Chairman and Non-Executive Director fees as outlined in section 8.9.

This report includes disclosure of both executive KMP statutory remuneration and the cash value of remuneration received in FY15.

As foreshadowed in FY14, FY15 saw the vesting of the majority of outstanding retention awards that were inherited from the former Westfield Group which has resulted in substantial payments to the CEO and CFO. The market value of these awards was disclosed in the FY14 report. The increase in value in FY15 is reflective of the increase in the security price.

These retention awards are a legacy issue for Scentre Group and were taken into account in determining the split of net assets between Westfield Corporation and Scentre Group on the restructure in FY14. The awards were granted by the former Westfield Group to the highest performing executives as an incentive to stay with the Group for an extended period. Whilst being effective in achieving that objective, the Board of Scentre Group recognised that the issue of awards without performance related hurdles does not maximise the alignment between executive remuneration and our securityholders. As a consequence, since its establishment, all long term incentives issued by the Group are subject to performance related hurdles.

In FY16, the Committee will continue to oversee remuneration and human resources policies to ensure that they are aligned with and promote the long term strategies of the Group as well as the Group's purpose and values.

I trust you will find this report helpful in understanding the remuneration policies and practices of the Group.

#### Brian Schwartz

Chairman, Human Resources Committee

# Directors' Report (continued)

## 8. REMUNERATION REPORT FOR 2015

This remuneration report, prepared in accordance with the requirements of the Corporations Act 2001, provides an overview of Scentre Group's remuneration policies and practices. The report has been audited by the Group's statutory auditors, Ernst & Young.

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| 2. Remuneration philosophy and link to business strategy                           | 11   |
| 3. Remuneration governance                                                         | 12   |
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| Glossary of key terms                                                              | 29   |

### 8.1 Key Management Personnel

In line with statutory requirements, this report focuses on our approach to remuneration of our Key Management Personnel (KMP). KMP are those individuals having the authority and responsibility for planning, directing and controlling the activities of Scentre Group, either directly or indirectly. They include Non-Executive Directors, the Chief Executive Officer and those senior executives considered executive KMP.

For the year ended 31 December 2015, KMP were:

| Name                           | Position                                                    | Term                                  |
|--------------------------------|-------------------------------------------------------------|---------------------------------------|
| <b>Executive Directors</b>     |                                                             |                                       |
| Peter Allen                    | Chief Executive Officer                                     | Full year                             |
| <b>Senior Executives</b>       |                                                             |                                       |
| Mark Bloom                     | Chief Financial Officer                                     | Full year                             |
| Greg Miles                     | Chief Operating Officer                                     | Part year (appointed 1 November 2015) |
| John Widdup                    | Chief Operating Officer, Development, Design & Construction | Part year (retired 31 January 2015)   |
| <b>Non-Executive Directors</b> |                                                             |                                       |
| Frank Lowy                     | Chairman                                                    | Full year                             |
| Brian Schwartz                 | Deputy Chairman                                             | Full year                             |
| Richard Egerton-Warburton      | Director                                                    | Full year                             |
| Andrew Harnos                  | Director                                                    | Full year                             |
| Michael Ihlein                 | Director                                                    | Full year                             |
| Aliza Knox                     | Director                                                    | Part year (appointed 7 May 2015)      |
| Steven Lowy                    | Director                                                    | Full year                             |
| Laurence Brindle               | Director                                                    | Part year (retired 7 May 2015)        |
| Sandra McPhee                  | Director                                                    | Part year (retired 7 May 2015)        |

## 8.2 Remuneration philosophy and link to business strategy

The Board and Human Resources Committee seek to adopt policies which:

- Enable the Group to attract and retain key executives capable of contributing to the Group's business and who will create sustainable value for securityholders and other stakeholders.
- Fairly reward executives having regard to their individual performance against agreed objectives, the overall performance of the Group and the external compensation environment.
- Appropriately align the interests of executives with securityholders.

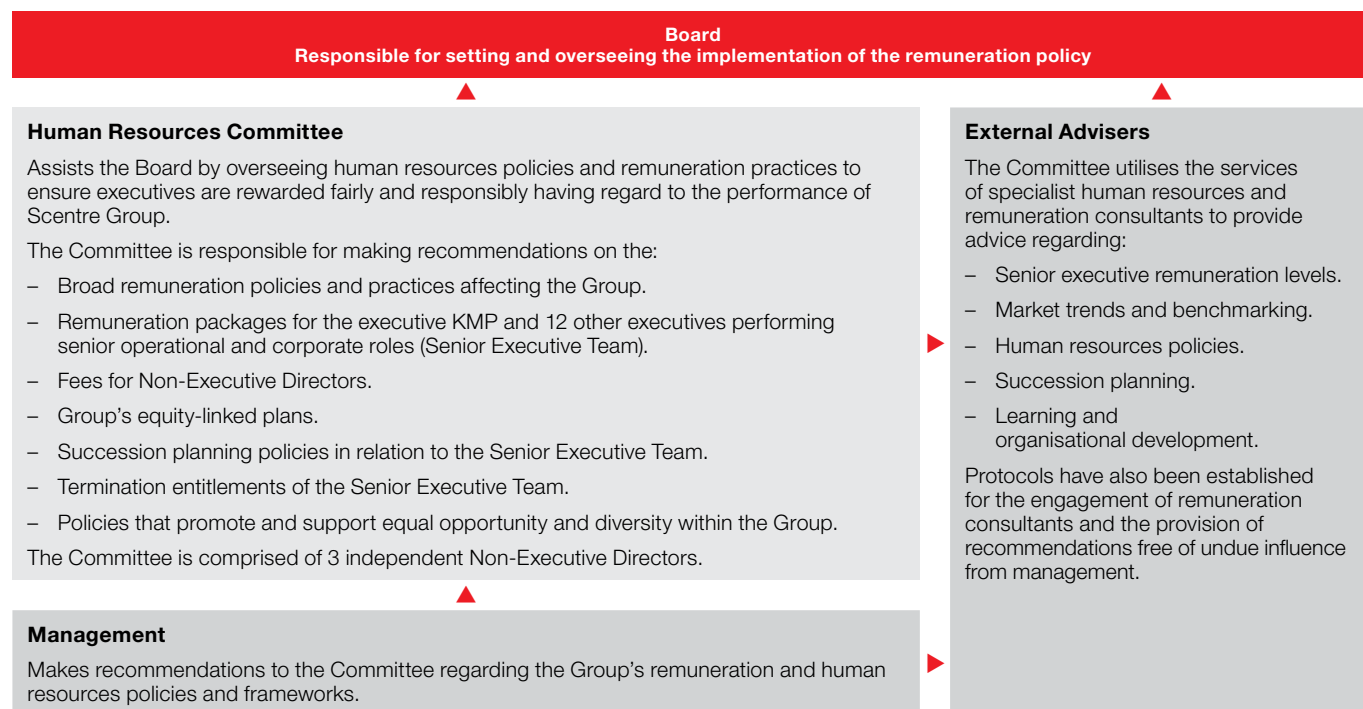
The relationship of these objectives to the Group's remuneration framework and the Group's strategy and performance is outlined below.

| Remuneration objective                                                                                                                                                                                                                                                         | Remuneration element                                                                                                                                                          | Link to Scentre Group's strategy and performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Enable the Group to attract and retain key executives capable of contributing to the Group's business and who will create sustainable value for securityholders and other stakeholders                                                                                         | <p>▶ <b>Fixed Remuneration</b></p> <p>Comprised of base salary inclusive of superannuation</p>                                                                                | <p>▶</p> <ul style="list-style-type: none"> <li>– Fixed remuneration is set at market competitive levels to attract and retain key talent.</li> <li>– Fixed remuneration is set having regard to the complexity of the role and the skills and competencies required for the role.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <p>Fairly reward executives having regard to their individual performance against agreed objectives, the overall performance of the Group and the external compensation environment</p> <p>and</p> <p>Appropriately align the interests of executives with securityholders</p> | <p>▶ <b>Short term incentive (STI)</b></p> <p>Annual incentive delivered through a combination of cash and deferred equity</p>                                                | <p>▶</p> <ul style="list-style-type: none"> <li>– The STI is directly linked to Group divisional and individual performance with weightings based on the roles and responsibilities of the executive.</li> <li>– STIs are only awarded to an executive if they meet their Key Performance Indicators (KPIs).</li> <li>– KPIs are based on a mixture of financial and non-financial measures including development, construction, retail management, corporate or strategic targets, health and safety, sustainability and the Group's values.</li> <li>– 70% of the actual STI is paid in cash.</li> <li>– 30% of the actual STI is delivered as performance rights which vest after 3 years creating a longer term and retention focus.</li> </ul>                                                                                                |
|                                                                                                                                                                                                                                                                                | <p>▶ <b>Long term incentive (LTI)</b></p> <p>Delivered as performance rights which vest in 2 tranches at the end of year 3 and year 4 if performance hurdles are achieved</p> | <p>▶</p> <ul style="list-style-type: none"> <li>– The LTI plan is designed to encourage and reward superior performance by the senior leadership team aligned with the interests of securityholders.</li> <li>– The performance hurdles as determined by the Board for FY15 were FFO (50% weighting) and return on contributed equity (ROCE) (50% weighting).</li> <li>– In FY16 the performance hurdles as determined by the Board are a development return hurdle (25% weighting) and ROCE (75% weighting).</li> <li>– The combination of the performance hurdles and vesting period incentivises the achievement of targeted objectives and assists in the retention of the senior leadership team.</li> <li>– The value of the awards granted under the equity-linked plans increases or decreases depending on the security price.</li> </ul> |
|                                                                                                                                                                                                                                                                                | <p>▶ <b>Minimum securityholding requirement</b></p>                                                                                                                           | <p>▶</p> <ul style="list-style-type: none"> <li>– The CEO, CFO and COO are required to maintain a minimum holding of Group securities that is at least a one-time multiple of their fixed remuneration (before tax). Executive KMP will be given 3 years to meet the requirement.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

# Directors' Report (continued)

## 8.3 Remuneration governance

The Board is responsible for setting remuneration policy and overseeing the implementation of that policy in a manner which reflects the objectives set out in section 8.2. The objective of the Human Resources Committee is to assist the Board in fulfilling its responsibilities. The governance framework is outlined below.



The members of the Human Resources Committee are: Mr Brian Schwartz (Chairman), Mr Andrew Harmos and Mr Michael Ihlein (appointed 7 May 2015 on the retirement of Ms Sandra McPhee on that date). The Committee met 4 times during FY15. The full Committee was in attendance at all meetings. The CEO and Director, Human Resources also attend Committee meetings to assist the Committee in its deliberations. These executives (and the Company Secretary) absent themselves from any discussions relating to their performance and remuneration.

During FY15, the Committee appointed Mark Bieler Associates to provide remuneration advisory services. Mark Bieler Associates was paid a total of \$44,450 for remuneration recommendations made to the Committee and \$218,296 for other advisory services including succession planning, coaching and mentoring of members of the Senior Executive Team. A further \$33,577 was paid as reimbursement for expenses incurred in the provision of those services.

Mark Bieler Associates is required to provide a written declaration that each remuneration recommendation is made free of influence from the KMP to whom the recommendation relates. The Board is satisfied that the services provided by Mark Bieler Associates were provided without influence from KMP.

The Committee also sought benchmarking and commentary on remuneration matters from Towers Watson. The benchmarking reviews provide analysis of overall market trends, benchmarking between specific job types and with different industries and changing or emerging remuneration strategies. No remuneration recommendations were made by Towers Watson. The Group also subscribes to independent salary and remuneration surveys.

## 8.4 Executive remuneration policy and overview of equity-linked plans

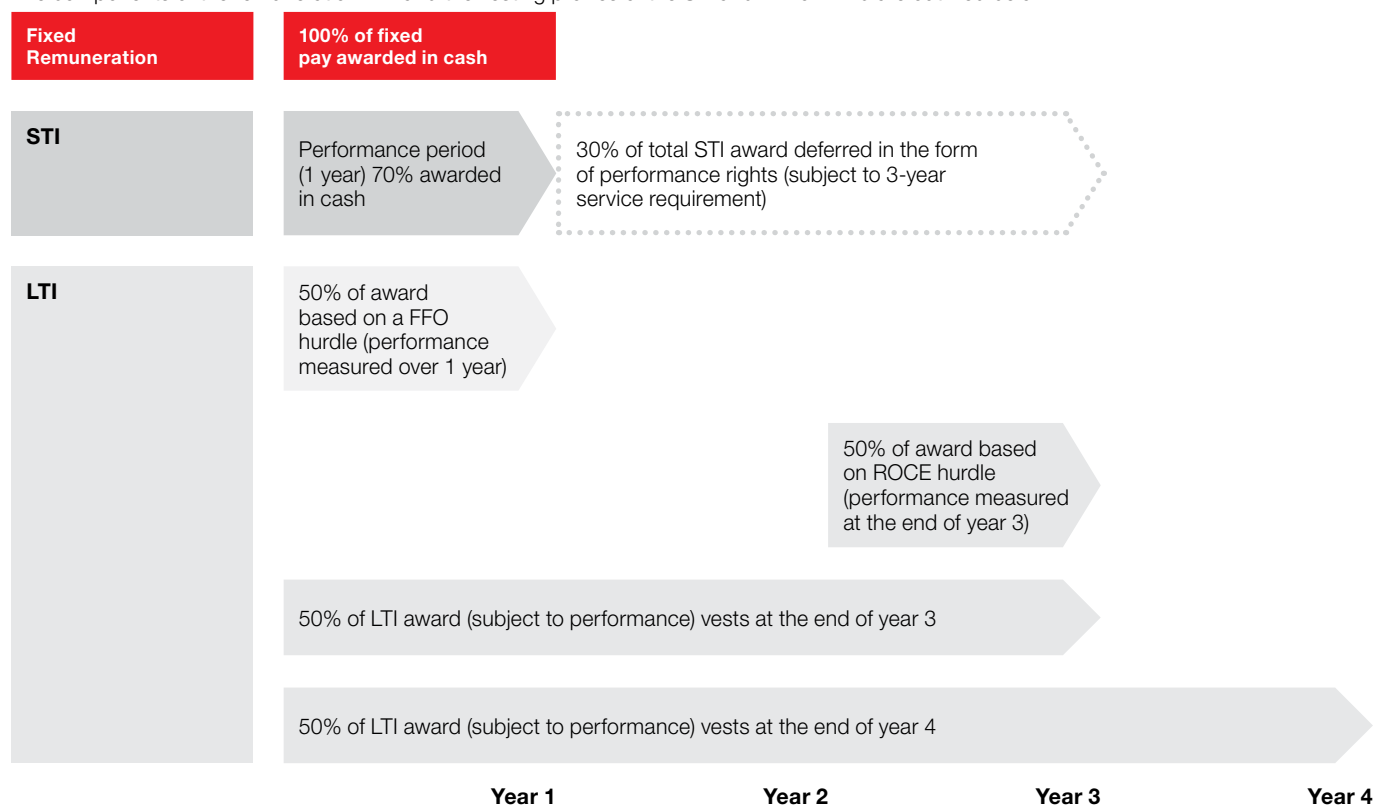
### (a) Policy and overview

Total remuneration for the Senior Executive Team comprises a mix of fixed remuneration and potential maximum at risk remuneration, through the Group's STI and LTI plans.

The Group's remuneration practices are benchmarked against its competitors. This extends beyond fixed remuneration to the Group's STI plan and LTI plan which are an important part of the package of initiatives used by the Group to attract, incentivise and retain executives.

The potential maximum remuneration that can be achieved by executive KMP is the executive's fixed remuneration, STI and LTI assuming the maximum level of performance by the executive against their KPIs and full vesting of the deferred performance rights granted under the STI and LTI Plans.

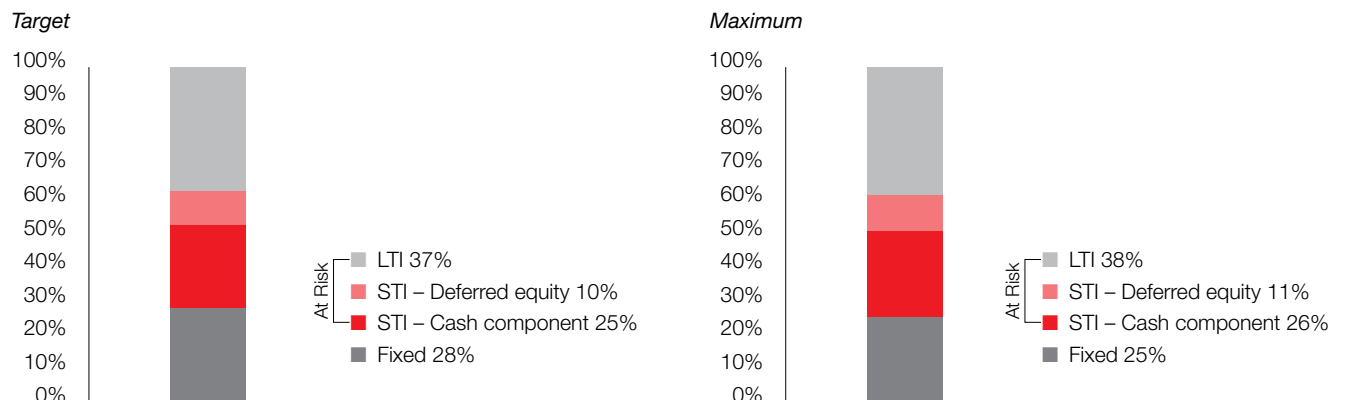
The components of the remuneration mix and the vesting profiles of the STI and LTI for FY15 are outlined below.



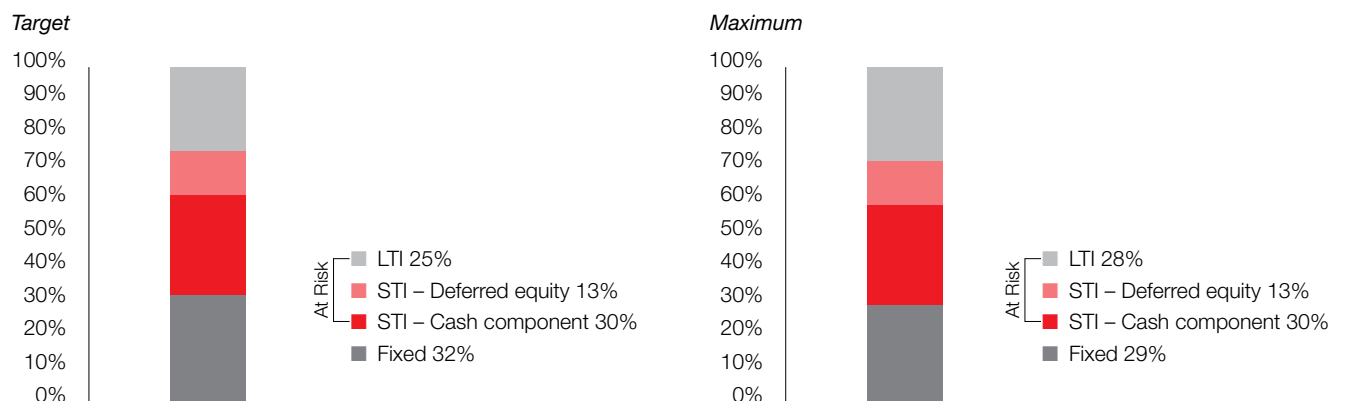
**(b) Remuneration opportunities and outcomes**

The charts below show each of the components as a percentage of target and potential maximum remuneration for the CEO and CFO for FY15.

**Chief Executive Officer**



**Chief Financial Officer**



## Directors' Report (continued)

The following table shows the actual STI outcomes for each of the CEO and CFO for FY15.

| Executive   | STI target \$ | Actual STI as % of STI target <sup>®</sup> | Actual STI granted \$ | Cash \$       | Deferred equity \$ |
|-------------|---------------|--------------------------------------------|-----------------------|---------------|--------------------|
| Peter Allen | 2,550,000     | 90                                         | 2,295,000             | 1,606,500 70% | 688,500 30%        |
| Mark Bloom  | 1,450,000     | 90                                         | 1,305,000             | 913,500 70%   | 391,500 30%        |

<sup>®</sup> The STI forfeited as a percentage of potential maximum STI was 23.5% and 21% for Mr Allen and Mr Bloom respectively.

### (c) Key elements of the Group's STI plan and LTI plan

#### (i) STI plan

| Element                                         | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                         |                                              |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|----------------------------------------------|---------------------------------------------------------|------------------------|---------------|--------------------|-----|-----|-----|------------|-----|-----|-----------------------|----------|---------------------|-----|-----|-----|
| What is the purpose of the STI plan?            | The purpose of the STI plan is to reward executives against the achievement of KPIs. Each executive's KPIs are set annually with the purpose of motivating that executive to achieve performance objectives which will contribute to the short and longer term success of the Group.                                                                                                                                                                                                                                                                    |                                                         |                                              |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |
| Who is eligible to participate in the STI plan? | The STI is a broader based plan than the LTI. Executive KMP, other members of the Senior Executive Team and high performing executives participate in the STI plan.                                                                                                                                                                                                                                                                                                                                                                                     |                                                         |                                              |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |
| What is the target and maximum STI opportunity? | <table><tr><th>Role</th><th>Target STI<br/>(as a % of fixed remuneration)</th><th>Potential maximum STI<br/>(as a % of fixed remuneration)</th></tr><tr><td>CEO</td><td>127.5</td><td>150</td></tr><tr><td>CFO</td><td>132</td><td>150</td></tr><tr><td>COO (FY16)</td><td>117</td><td>150</td></tr><tr><td>Senior Executive Team</td><td>48 – 115</td><td>125 (FY16:125 -128)</td></tr></table> <p>Potential maximum STIs will only be awarded in exceptional circumstances an executive has significantly exceeded their KPIs under the STI plan.</p> | Role                                                    | Target STI<br>(as a % of fixed remuneration) | Potential maximum STI<br>(as a % of fixed remuneration) | CEO                    | 127.5         | 150                | CFO | 132 | 150 | COO (FY16) | 117 | 150 | Senior Executive Team | 48 – 115 | 125 (FY16:125 -128) |     |     |     |
| Role                                            | Target STI<br>(as a % of fixed remuneration)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Potential maximum STI<br>(as a % of fixed remuneration) |                                              |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |
| CEO                                             | 127.5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 150                                                     |                                              |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |
| CFO                                             | 132                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 150                                                     |                                              |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |
| COO (FY16)                                      | 117                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 150                                                     |                                              |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |
| Senior Executive Team                           | 48 – 115                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 125 (FY16:125 -128)                                     |                                              |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |
| How is the STI delivered?                       | For the executive KMP and other members of the Senior Executive Team, 70% of the STI is paid in cash with the balance (30%) delivered as performance rights under the Group's Performance Rights Plan which are eligible to vest at the end of year 3. There are no additional performance hurdles which apply to the deferred STI awards.                                                                                                                                                                                                              |                                                         |                                              |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |
| What are the STI performance measures?          | <p>KPIs are established each year under a performance review and development system. KPIs are designed to measure both financial and non-financial performance. The objectives vary according to the role of the executive and typically relate to development, construction, retail management or corporate or strategic targets.</p> <p>Non-financial objectives include matters such as health and safety, risk management, compliance, people and culture, sustainability and a range of other matters relevant to the Group's business.</p>        |                                                         |                                              |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |
| How is performance against KPIs assessed?       | The actual STI awarded to an executive is determined by reference to the performance of the executive against the agreed KPIs, the corporate performance of the Group and any other aspect of the executive's performance which is considered relevant in the context of the review, including participation in a major corporate or operational project undertaken by the Group in that year.                                                                                                                                                          |                                                         |                                              |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |
| What are the performance weightings?            | <p>Performance weightings for the executive KMP are as follows:</p> <table><tr><th rowspan="2">Role</th><th colspan="2">Financial measures</th><th rowspan="2">Non-financial measures</th></tr><tr><th>Group targets</th><th>Divisional targets</th></tr><tr><td>CEO</td><td>65%</td><td>N/A</td><td>35%</td></tr><tr><td>CFO</td><td>50%</td><td>30%</td><td>20%</td></tr><tr><td>COO FY16</td><td>50%</td><td>30%</td><td>20%</td></tr></table>                                                                                                       | Role                                                    | Financial measures                           |                                                         | Non-financial measures | Group targets | Divisional targets | CEO | 65% | N/A | 35%        | CFO | 50% | 30%                   | 20%      | COO FY16            | 50% | 30% | 20% |
| Role                                            | Financial measures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                         | Non-financial measures                       |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |
|                                                 | Group targets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Divisional targets                                      |                                              |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |
| CEO                                             | 65%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | N/A                                                     | 35%                                          |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |
| CFO                                             | 50%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 30%                                                     | 20%                                          |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |
| COO FY16                                        | 50%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 30%                                                     | 20%                                          |                                                         |                        |               |                    |     |     |     |            |     |     |                       |          |                     |     |     |     |

(ii) LTI plan

| Element                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Description                                                                                                   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---------------|-------------|---------------|-----|---------------|-----|---------------|-----|----------------|----|
| What is the purpose of the LTI plan?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>The LTI plan is designed to encourage and reward superior performance by members of the Senior Executive Team emphasising the strategic leadership role of that team. Through the LTI plan, participants are provided with a benefit aligned with the interests of securityholders.</p> <p>Through a combination of performance hurdles (which are determined annually by the Board) and a 3 – 4 year vesting period, the Group aims to incentivise achievement of targeted objectives and assist in the retention of members of the Senior Executive Team for an extended period.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                         |      |               |      |               |      |               |            |               |      |                       |         |               |      |               |      |               |      |                      |             |               |     |               |     |               |     |                |    |
| Who is eligible to participate in the LTI plan?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Only members of the Senior Executive Team participate in the LTI plan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 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          |             |               |     |               |     |               |     |                |    |
| What is the target and maximum LTI opportunity?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <table><tr><th>Role</th><th>Target LTI<br/>(as a % of fixed remuneration)</th><th>Potential maximum LTI<br/>(as a % of fixed remuneration)</th></tr><tr><td>CEO</td><td>135</td><td>150</td></tr><tr><td>CFO</td><td>77</td><td>95 (FY16:100)</td></tr><tr><td>COO (FY16)</td><td>100</td><td>120</td></tr><tr><td>Senior Executive Team</td><td>16 – 82</td><td>95 (FY16:100)</td></tr></table> <p>Potential maximum LTIs will only be awarded in exceptional circumstances where the Group has significantly exceeded its targeted performance hurdles.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Role                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Target LTI<br>(as a % of fixed remuneration)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Potential maximum LTI<br>(as a % of fixed remuneration) | CEO  | 135           | 150  | CFO           | 77   | 95 (FY16:100) | COO (FY16) | 100           | 120  | Senior Executive Team | 16 – 82 | 95 (FY16:100) |      |               |      |               |      |                      |             |               |     |               |     |               |     |                |    |
| Role                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Target LTI<br>(as a % of fixed remuneration)                                                                  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          |             |               |     |               |     |               |     |                |    |
| CEO                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 135                                                                                                           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          |             |               |     |               |     |               |     |                |    |
| CFO                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 77                                                                                                            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          |             |               |     |               |     |               |     |                |    |
| COO (FY16)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 100                                                                                                           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          |             |               |     |               |     |               |     |                |    |
| Senior Executive Team                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 16 – 82                                                                                                       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          |             |               |     |               |     |               |     |                |    |
| How is the LTI delivered and what is the Group's allocation methodology?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | LTI awards are delivered as performance rights under the Performance Incentive Rights Plan (PIR Plan).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 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          |             |               |     |               |     |               |     |                |    |
| What were the FY15 performance hurdles?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <p>For FY15, the performance hurdles were:</p> <table><tr><td><p><b>FFO hurdle (50%)</b></p><p>The FFO hurdle is an important measure of the health of the operating business of the Group. FFO is an internationally recognised and accepted measure of profitability used by the real estate industry.</p><p>The basis of calculation of the Group's FFO is described in section 1 of the Directors' Report. Essentially, FFO is defined as net income, calculated in accordance with generally accepted accounting standards, but adjusted to exclude capital gains (or losses) from the sale of property and property revaluations, gains or losses on certain interest rate hedges and other adjustments. FFO is the primary published earnings measure used by the Group and is reported to the market semi-annually.</p><p>Performance against this hurdle was measured over FY15. To achieve vesting, the executive must remain with the Group for a further 3 years.</p></td><td><p><b>ROCE hurdle (50%)</b></p><p>The ROCE hurdle enables the Board to reward the performance of management having regard to the level of returns generated on shareholder equity through a combination of improving earnings and capital management.</p><p>The Group's ROCE is calculated by applying FFO for the financial year as a percentage of the Group's contributed equity as set out in the financial statements as at the end of that financial year.</p><p>The ROCE hurdle operates on a graduated scale which is approved by the Board prior to awards being granted under the Plan. Performance against the ROCE hurdle will be measured by reference to ROCE achieved in year 3 of the vesting period. Achievement of the ROCE component of the FY15 LTI will be measured at the end of 2017 and published in the 2017 annual report. The hurdle will be achieved as to 100% if the target ROCE is met.</p><p>Achievement below target ROCE will result in a reduction of the percentage of vesting.</p></td></tr></table> | <p><b>FFO hurdle (50%)</b></p> <p>The FFO hurdle is an important measure of the health of the operating business of the Group. FFO is an internationally recognised and accepted measure of profitability used by the real estate industry.</p> <p>The basis of calculation of the Group's FFO is described in section 1 of the Directors' Report. Essentially, FFO is defined as net income, calculated in accordance with generally accepted accounting standards, but adjusted to exclude capital gains (or losses) from the sale of property and property revaluations, gains or losses on certain interest rate hedges and other adjustments. FFO is the primary published earnings measure used by the Group and is reported to the market semi-annually.</p> <p>Performance against this hurdle was measured over FY15. To achieve vesting, the executive must remain with the Group for a further 3 years.</p> | <p><b>ROCE hurdle (50%)</b></p> <p>The ROCE hurdle enables the Board to reward the performance of management having regard to the level of returns generated on shareholder equity through a combination of improving earnings and capital management.</p> <p>The Group's ROCE is calculated by applying FFO for the financial year as a percentage of the Group's contributed equity as set out in the financial statements as at the end of that financial year.</p> <p>The ROCE hurdle operates on a graduated scale which is approved by the Board prior to awards being granted under the Plan. Performance against the ROCE hurdle will be measured by reference to ROCE achieved in year 3 of the vesting period. Achievement of the ROCE component of the FY15 LTI will be measured at the end of 2017 and published in the 2017 annual report. The hurdle will be achieved as to 100% if the target ROCE is met.</p> <p>Achievement below target ROCE will result in a reduction of the percentage of vesting.</p> |                                                         |      |               |      |               |      |               |            |               |      |                       |         |               |      |               |      |               |      |                      |             |               |     |               |     |               |     |                |    |
| <p><b>FFO hurdle (50%)</b></p> <p>The FFO hurdle is an important measure of the health of the operating business of the Group. FFO is an internationally recognised and accepted measure of profitability used by the real estate industry.</p> <p>The basis of calculation of the Group's FFO is described in section 1 of the Directors' Report. Essentially, FFO is defined as net income, calculated in accordance with generally accepted accounting standards, but adjusted to exclude capital gains (or losses) from the sale of property and property revaluations, gains or losses on certain interest rate hedges and other adjustments. FFO is the primary published earnings measure used by the Group and is reported to the market semi-annually.</p> <p>Performance against this hurdle was measured over FY15. To achieve vesting, the executive must remain with the Group for a further 3 years.</p> | <p><b>ROCE hurdle (50%)</b></p> <p>The ROCE hurdle enables the Board to reward the performance of management having regard to the level of returns generated on shareholder equity through a combination of improving earnings and capital management.</p> <p>The Group's ROCE is calculated by applying FFO for the financial year as a percentage of the Group's contributed equity as set out in the financial statements as at the end of that financial year.</p> <p>The ROCE hurdle operates on a graduated scale which is approved by the Board prior to awards being granted under the Plan. Performance against the ROCE hurdle will be measured by reference to ROCE achieved in year 3 of the vesting period. Achievement of the ROCE component of the FY15 LTI will be measured at the end of 2017 and published in the 2017 annual report. The hurdle will be achieved as to 100% if the target ROCE is met.</p> <p>Achievement below target ROCE will result in a reduction of the percentage of vesting.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                         |      |               |      |               |      |               |            |               |      |                       |         |               |      |               |      |               |      |                      |             |               |     |               |     |               |     |                |    |
| What was the graduated scale of FFO earnings per security adopted for FY15?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <table><tr><th>FFO Target</th><th>Level of vesting</th></tr><tr><td>24.30 or above</td><td>150%</td></tr><tr><td>24.10 – 24.29</td><td>140%</td></tr><tr><td>23.90 – 24.09</td><td>130%</td></tr><tr><td>23.70 – 23.89</td><td>125%</td></tr><tr><td>23.50 – 23.69</td><td>120%</td></tr><tr><td>23.30 – 23.49</td><td>115%</td></tr><tr><td>23.10 – 23.29</td><td>110%</td></tr><tr><td>22.90 – 23.09</td><td>105%</td></tr><tr><td>22.70 – 22.89</td><td>100%</td></tr><tr><td><b>22.50 – 22.69</b></td><td><b>100%</b></td></tr><tr><td>22.30 – 22.49</td><td>90%</td></tr><tr><td>22.10 – 22.29</td><td>80%</td></tr><tr><td>21.90 – 22.09</td><td>50%</td></tr><tr><td>21.89 or below</td><td>0%</td></tr></table>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | FFO Target                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Level of vesting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 24.30 or above                                          | 150% | 24.10 – 24.29 | 140% | 23.90 – 24.09 | 130% | 23.70 – 23.89 | 125%       | 23.50 – 23.69 | 120% | 23.30 – 23.49         | 115%    | 23.10 – 23.29 | 110% | 22.90 – 23.09 | 105% | 22.70 – 22.89 | 100% | <b>22.50 – 22.69</b> | <b>100%</b> | 22.30 – 22.49 | 90% | 22.10 – 22.29 | 80% | 21.90 – 22.09 | 50% | 21.89 or below | 0% |
| FFO Target                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Level of vesting                                                                                              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          |             |               |     |               |     |               |     |                |    |
| 24.30 or above                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 150%                                                                                                          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          |             |               |     |               |     |               |     |                |    |
| 24.10 – 24.29                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 140%                                                                                                          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          |             |               |     |               |     |               |     |                |    |
| 23.90 – 24.09                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 130%                                                                                                          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          |             |               |     |               |     |               |     |                |    |
| 23.70 – 23.89                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 125%                                                                                                          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          |             |               |     |               |     |               |     |                |    |
| 23.50 – 23.69                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 120%                                                                                                          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          |             |               |     |               |     |               |     |                |    |
| 23.30 – 23.49                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 115%                                                                                                          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          |             |               |     |               |     |               |     |                |    |
| 23.10 – 23.29                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 110%                                                                                                          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          |             |               |     |               |     |               |     |                |    |
| 22.90 – 23.09                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 105%                                                                                                          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          |             |               |     |               |     |               |     |                |    |
| 22.70 – 22.89                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 100%                                                                                                          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          |             |               |     |               |     |               |     |                |    |
| <b>22.50 – 22.69</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>100%</b>                                                                                                   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          |             |               |     |               |     |               |     |                |    |
| 22.30 – 22.49                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 90%                                                                                                           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          |             |               |     |               |     |               |     |                |    |
| 22.10 – 22.29                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 80%                                                                                                           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          |             |               |     |               |     |               |     |                |    |
| 21.90 – 22.09                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 50%                                                                                                           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          |             |               |     |               |     |               |     |                |    |
| 21.89 or below                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 0%                                                                                                            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          |             |               |     |               |     |               |     |                |    |
| What was the level of vesting?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 100%. In FY15, the Group achieved FFO per security of 22.58 cents per security. It should be noted that the FFO component of the awards would have failed to vest in accordance with the hurdle if FFO per security was less than 97% of target forecast FFO of 22.50. That is, if FFO was 21.89 or below, the awards would have failed to vest.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                         |      |               |      |               |      |               |            |               |      |                       |         |               |      |               |      |               |      |                      |             |               |     |               |     |               |     |                |    |

## Directors' Report (continued)

| Element                                                      | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| What performance / vesting period applies to the LTI awards? | The awards issued under the LTI plan are confirmed at the end of the vesting period in 2 tranches with 50% vesting at the end of year 3 and 50% at the end of year 4.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| How is performance against the LTI hurdles assessed?         | Vesting in relation to a particular hurdle will occur if the measures in relation to that hurdle are achieved. Actual performance against the hurdles which apply determines the final number of awards the executive will receive at the end of the vesting period. If full qualification for awards is not achieved, there is no provision in the plan for re-testing those hurdles in subsequent years.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Can the LTI hurdles be adjusted?                             | <p>Yes. The Board reserves the right to adjust performance hurdles under the LTI plan to reflect the impact of any capital transaction occurring during the performance period (for example: a significant equity issue or the sale or joint venture of a material part of the portfolio).</p> <p>Notwithstanding the sale of the 4 Australian centres and the announced sale of 3 New Zealand centres during FY15, the Board did not adjust the FY15 LTI hurdles.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Will the hurdles change in FY16?                             | <p>Yes. In FY15, the Committee and Board undertook a review of the FY15 LTI hurdles. A key component of the Group's strategy in facilitating growth is its development pipeline and development activity. Execution of the development program and consequent value created is integral to the long term performance of the Group. In recognition of this, the FFO hurdle (measured over one year, with a 50% weighting) has been replaced with a development return hurdle. The FY16 LTI hurdles are: a ROCE hurdle with a 75% weighting (ROCE will be assessed by reference to ROCE in year 3) and a development return hurdle with a 25% weighting (to be measured at the end of year 3).</p> <p>The development return hurdle is designed to measure the actual incremental yield that has been generated through the completion of major developments (over \$50 million) compared to Board approved feasibilities.</p> <p>Major developments that commence in FY16 will have Board approved feasibilities including the annual cash flow impact of the forecast incremental NOI. The forecast FY18 incremental NOI for these projects will be aggregated and a yield calculated based on the Board approved development cost for the projects.</p> <p>At the end of FY18, the actual incremental NOI from these projects will be aggregated and a yield calculated based on the actual development cost. These 2 yields will then be compared and, based on a graduated table, the percentage of LTI that will vest will be calculated. The hurdle will be achieved as to 100% if the forecast yield is met. Achievement below forecast yield will result in a reduction of the percentage of vesting.</p> <p>Awards will fail to vest at 85% of target yield. Each incremental 0.2% above target yield will increase vesting by 5% with a cap of 125% vesting.</p> |
| Were other hurdles considered?                               | <p>The Human Resources Committee also considered, and took advice regarding the implementation of a hurdle based on measurement of total shareholder return (TSR), either on a comparative basis or in absolute terms.</p> <p>A TSR hurdle was rejected. The Board's view is that the target level of vesting of long term incentives (which are an increasingly significant component of executive remuneration) should not fluctuate in favour of, or against, the executive, based principally on movements in the price of Scentre Group securities. Rather, performance hurdles should focus on the fundamentals of the Group's business and on the performance of the executive team in meeting the targets which the Group sets for itself. The view of both the Committee and the Board is that, if the management team maintains intensive focus on these fundamentals, securityholders will be rewarded, over time, by superior market performance.</p> <p>The Committee also considered a FFO hurdle measured over an extended 3 year period as well as retaining the FFO hurdle measured over one year. The Committee was of the view that, given the close correlation of FFO over a 3 year period with ROCE (in the event that there were no changes to the Group's contributed equity) the FFO hurdle would effectively equate to the ROCE hurdle. In terms of retaining the one year FFO measure, the Committee considered, given the significance of the development program to the long term growth of the Group, that a development return hurdle coupled with ROCE was more closely aligned to the long term strategy of the Group.</p>                                                                                                                                                                                                               |

(iii) STI and LTI: Common features

The common features of the STI plan and LTI plan, in relation to the grant of deferred equity, are outlined below.

| Element                                                  | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Are there common rules under the STI plan and LTI plan?  | Yes. The Group's Performance Rights Plan governs the grants of awards of deferred equity under the STI plan and the LTI plan. Having a common set of rules enables the grant of deferred equity under those plans to be administered on a consistent basis across participating executives.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| What are the mechanics of the Performance Rights Plan?   | <p>Under the Performance Rights Plan, on maturity, the executive is entitled to receive, at the election of Scentre Group and for no further consideration, either:</p> <ul style="list-style-type: none"><li>– one Scentre Group security for each award; or</li><li>– a cash payment to the same value.</li></ul> <p>The relevant common features of both plans are as follows:</p> <ul style="list-style-type: none"><li>– based on principles and remuneration bands agreed with the Human Resources Committee, participating executives earn the opportunity to participate in a plan and are informed of a dollar amount in relation to their participation;</li><li>– prior to the commencement of participation in the plan, that dollar amount is converted into an award which is based on the market price of Scentre Group securities. For example, assuming a market price of \$3.50 per security, a participant entitled to a grant of \$350,000 would receive an award equal to the economic benefit of 100,000 Scentre Group securities;</li><li>– assuming the executive remains employed by the Group through the vesting period and any applicable performance hurdles are satisfied, the executive will receive either Scentre Group securities or a cash pay-out equal to the capital value of the securities represented by the award.</li></ul> |
| How are distributions treated during the vesting period? | Participants in the Performance Rights Plan only receive distributions on securities which accrue after the vesting date.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| What happens if an executive leaves the Group?           | <p>In the event of:</p> <ul style="list-style-type: none"><li>– voluntary resignation (other than for retirement, see below): the awards will be forfeited</li><li>– death or permanent disability: the awards will vest</li><li>– redundancy: a prorata vesting applies up to the date of termination</li><li>– retirement: provided the executive has reached the age of 55 years with at least 5 years continuous service or the aggregate of the age of the participant and the number of years in service is equal to or greater than 70, the executive will continue in the plans until the date of vesting in respect of awards granted at least 6 months prior to the date of termination (subject to any performance hurdles).</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| What happens if there is a change of control?            | Awards do not vest automatically as a consequence of a control transaction or a corporate restructuring. In relation to control transactions, the Board retains the discretion to accelerate the vesting date for awards issued under the plans in such circumstances.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Does clawback apply to the STI and LTI?                  | The plans contain provisions for the lapsing of all unvested awards in a number of circumstances including if an executive engages in any act or omission constituting serious misconduct or where the Group forms the opinion, based on reasonable grounds, that the executive has committed any fraud, dishonesty or defalcation in relation to the Group.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Are there any other forfeiture events?                   | <p>Unvested awards will also lapse in the event of a participant:</p> <ul style="list-style-type: none"><li>– becoming bankrupt or committing an act of bankruptcy</li><li>– failing to comply with a "Competition and Confidentiality Condition" (being standard confidentiality, non-compete and non-solicitation conditions).</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| What is the hedging policy?                              | Participants in the plans are prohibited from entering into hedging arrangements in respect of unvested awards or rights (or rights the subject of a holding lock) in any plan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

# Directors' Report (continued)

## 8.5 Remuneration outcomes and the link between performance and reward

The STI and LTI outcomes reflect and reward the strong results across all measures of performance in FY15.

### (a) KPIs and outcomes

As Mr Widdup retired on 31 January 2015 and Mr Miles was appointed on 1 November 2015, the following table sets out the KPIs adopted for the CEO and CFO only for FY15.

| Category                                  | KPI                                                                                                                                                                                                                                                                                                                                                                                                                | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FINANCIAL MEASURES<br>CEO: 65% – CFO: 80% | <b>Portfolio management</b><br>Targets relate to rental growth, specialty occupancy levels, sales growth, bad debts and management of tenant incentives.                                                                                                                                                                                                                                                           | Consistent high levels of occupancy were again achieved across the portfolio. As at 31 December 2015: <ul style="list-style-type: none"> <li>– The portfolio was leased &gt;99.5%.</li> <li>– Comparable NOI growth for FY15 was 2.6%, above target of 2.0% – 2.5%.</li> <li>– Comparable specialty retail sales growth across the portfolio was 5.5%.</li> </ul>                                                                                                                                                                                                                                                                                                    |
|                                           | <b>Financial targets and results</b>                                                                                                                                                                                                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>– Net profit of \$2.7 billion.</li> <li>– FFO per security was 22.58 cents per security representing a 3.8% increase on the prior year, ahead of forecast.</li> <li>– Distribution of 20.9 cents per security, in line with forecast.</li> <li>– ROCE was 11.4%, in line with target.</li> </ul>                                                                                                                                                                                                                                                                                                                              |
|                                           | <b>Treasury and financial management</b><br>Objectives include specific objectives relating to management of the Group's debt and derivatives and its equity base. Objectives also relate to the communication with securityholders and other market participants.                                                                                                                                                 | <ul style="list-style-type: none"> <li>– Completion of the refinancing of the \$5 billion bridge facility in connection with the Restructure and Merger through the issue of bonds.</li> <li>– Continued lengthening of maturity profile of debt facilities.</li> <li>– Significantly increased interest rate hedging.</li> <li>– Extensive engagement with debt and equity investors.</li> <li>– As at 31 December 2015, the Group has a strong balance sheet and liquidity position. The Group's gearing is 33.3%.</li> </ul>                                                                                                                                      |
|                                           | <b>Strategic sales, acquisitions and joint ventures</b><br>During FY15, the Group continued its review and implementation of targeted sales of less productive assets and the identification of potential acquisitions and/or JVs with the objective of redirecting capital into higher performing assets, and increasing 3rd party income derived from management, development, design and construction activity. | A strategic focus for the Group is the introduction of joint venture partners and the redirection of capital into higher performing assets. In line with this strategy, in FY15 the Group: <ul style="list-style-type: none"> <li>– Sold 4 Australian centres: Figtree, Warrawong, Strathpine and North Rocks.</li> <li>– Announced the sale of 3 New Zealand centres: Glenfield, Queensgate and Chartwell, the latter 2 expected to settle in the first half of FY16.</li> <li>– Repaid \$280 million property-linked notes ahead of the review date of 31 December 2016.</li> </ul>                                                                                |
|                                           | <b>Development projects</b><br>Objectives relate to the achievement of targets relating to identification and progression of new developments, development starts and completion of developments on time and on budget as well as refreshing the development pipeline.                                                                                                                                             | FY15 highlights include: <ul style="list-style-type: none"> <li>– The commencement of \$830 million of development projects (SCG share \$583 million) including: Westfield Chatswood, Hurstville, North Lakes, Kotara, Casey and Warringah.</li> <li>– The opening of the developments at Westfield Chatswood, Hurstville, North Lakes and Kotara in late FY15.</li> <li>– The second stage opening of Westfield Miranda in April 2015.</li> </ul> The Group has \$1,630 million of current development projects in progress (SCG share \$735 million).<br>Pre development work continues across the portfolio with a development pipeline in excess of \$3 billion. |
|                                           | <b>Digital strategy</b><br>Objectives relate to the development of plans in relation to the opportunities presented by online and digital media including identifying new business opportunities.                                                                                                                                                                                                                  | Scentre Group continued to develop digital strategies in FY15. Key initiatives implemented during the year are: <ul style="list-style-type: none"> <li>– Successful introduction of nationwide network of 1,200 custom designed digital smartscreens, introducing innovative digital product advertising channel to our centres.</li> <li>– Successful roll out of state of the art Wi-Fi network in 27 centres.</li> <li>– Roll out of ticketless parking to an additional 3 centres.</li> </ul>                                                                                                                                                                    |

| Category                                                      | KPI                                                                                                                                                                                                                      | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>NON – FINANCIAL MEASURES</b><br><b>CEO: 35% – CFO: 20%</b> | <b>Culture and people</b><br>Targets relate to the creation of a sustainable operating culture by embedding the behavioural values of the Group's DNA, and the attraction, retention and development of the best people. | FY15 saw the continued evolution of the Group as an independent entity with its own "Scentre Group" identity. FY15 highlights include: <ul style="list-style-type: none"> <li>– The establishment of a Diversity &amp; Inclusion Council.</li> <li>– The introduction of new flexible work arrangements and an expanded parental leave policy.</li> <li>– The introduction of an annual leave purchase plan.</li> <li>– Refreshed approach to performance planning and rewards.</li> </ul> In FY15 employee engagement was maintained above 80%. FY15 also saw: <ul style="list-style-type: none"> <li>– The reduction in voluntary employee turnover from 13.2% (FY14) to 11.6%.</li> <li>– The reduction in parental leave resignations from 15% (FY14) to 11%.</li> <li>– The reduction in employee turnover in first year of employment by 19% from FY14.</li> <li>– An increase in female representation at the senior management level (one level below general manager) from 19% (FY14) to 25%.</li> </ul> |
|                                                               | <b>Risk management</b><br>Objectives relate to all aspects of life safety issues, the improvement of information security and increased awareness and individual ownership of risk.                                      | Scentre Group met or exceeded all important life safety objectives. There were no employee or contractor fatalities within the Group's workplaces in FY15. <p>In addition, focus areas for FY15 included:</p> <ul style="list-style-type: none"> <li>– Cyber security including a strategic review by an external consultant.</li> <li>– Continuous review of internal controls.</li> <li>– Implementation of staff education and training programs on cyber security awareness.</li> <li>– Communication strategies to re-emphasise business awareness and individual ownership of risk.</li> <li>– Relocation and upgrade of the data centre to a modern state of the art facility.</li> </ul>                                                                                                                                                                                                                                                                                                                  |

#### (b) Scentre Group Performance

The following is an analysis of Scentre Group's performance during FY15 using a number of key metrics including earnings and security price growth. As Scentre Group was only established on 30 June 2014, comparisons over time are limited at this stage.

##### (i) Earnings performance

The Group reports FFO as a key performance measure. FFO is an internationally recognised and accepted measure of profitability used by the real estate industry.

The Group's FFO for FY15 was 22.58 cents per security which was ahead of forecast.

The Group also continues to measure and publish earnings per security (EPS). The Group's EPS for the period was 50.98 cents.

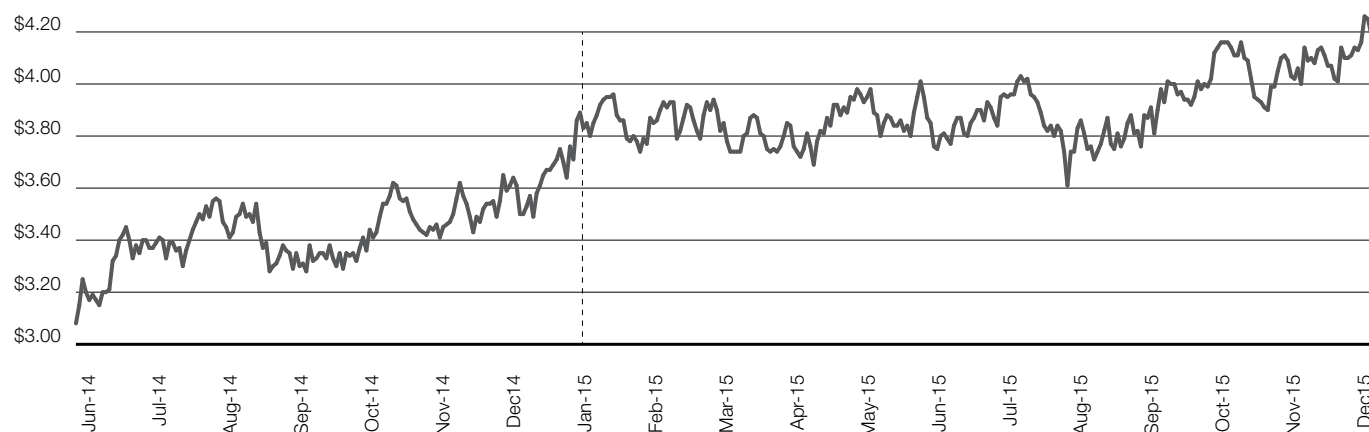
##### Distributions

The distribution to be paid by the Group for FY15 is \$1,110.2 million representing 20.9 cents per security.

## Directors' Report (continued)

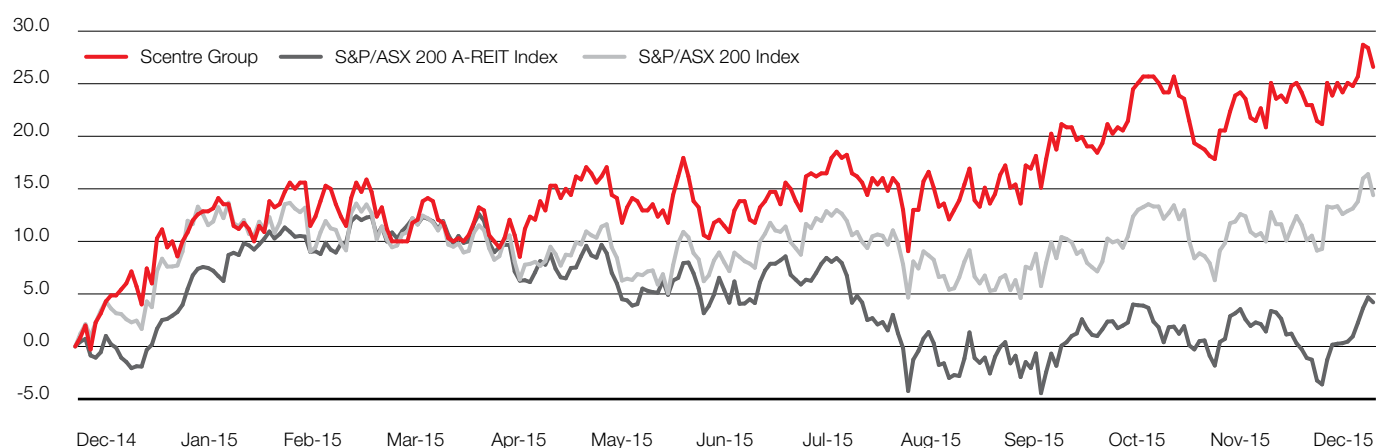
### (ii) Scentre Group security price

The Group's security price for the period 25 June 2014 (being the date the securities commenced trading on a deferred settlement basis) to 31 December 2015 is shown in the chart below.

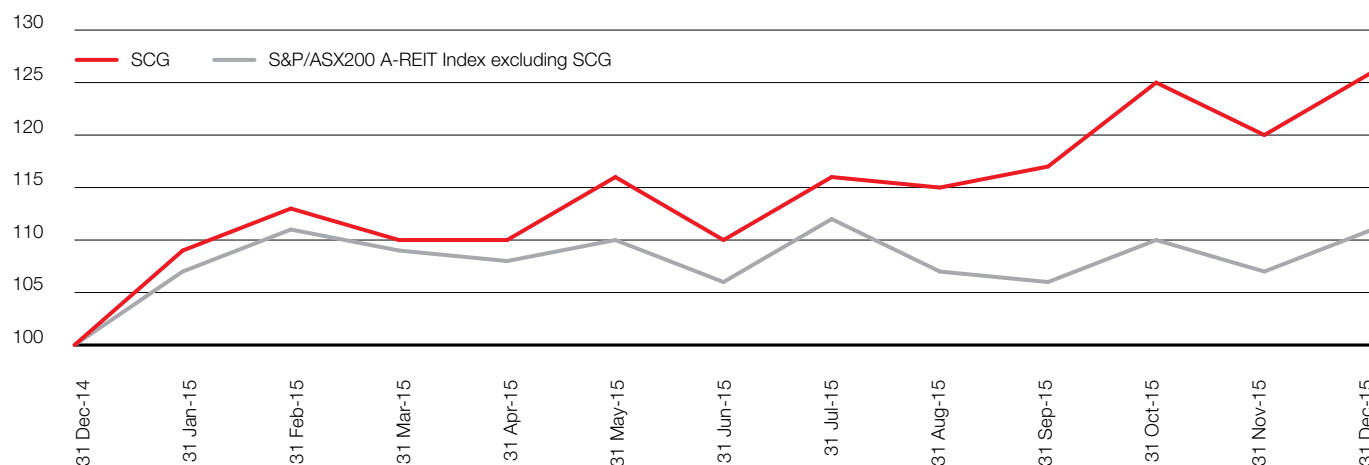


Scentre Group is included in the S&P/ASX A-REIT Index and the S&P/ASX 200 Index. Since the Group commenced trading in late June 2014, it has been one of the top performing A-REITs, and the stock has delivered a total return of 43.14%, outperforming both the S&P/ASX 200 A-REIT (+30.14%) and the S&P/ASX 200 Index (+5.20%).

The chart below shows the Group's relative performance on a daily basis against both the S&P/ASX 200 Index and the S&P/ASX 200 A-REIT Index for the period from 1 January 2015 to 31 December 2015.



As at 31 December 2015, Scentre Group's weighting in the S&P/ASX A-REIT Index was approximately 26.20% of that index. Given the significant weighting of the Group in that index, it is informative to show the comparison of Scentre Group's total returns against the performance of other index participants (excluding Scentre Group) during that period.



The Corporations Act requires that the discussion on an entity's performance includes a discussion of the entity's earnings and the consequences of performance on shareholder wealth for the financial year to which the report relates and the previous 4 financial years.

The reporting entity is Scentre Group Limited (formerly Westfield Holdings Limited) which previously formed part of Westfield Group. Although not comparative, set out in section 8.11 is information relating to the historical performance of Westfield Group.

## 8.6 FY15 cash remuneration (non-statutory)

The table below sets out the actual remuneration received by the executive KMP in respect of FY15. The numbers in this table differ from those shown in section 8.7 (executive KMP statutory remuneration) primarily due to differences in the accounting treatment of share based payments. The table in section 8.7 includes an apportioned accounting value or amortised amount for all unvested STI and LTI awards during the year (some of which remain subject to satisfaction of performance hurdles and service conditions and may not ultimately vest). Further details of the accounting treatment of awards are set out in section 8.10.

While the cash amount received by an executive in any one year may vary above or below statutory remuneration, this does not impact the financial position of the Group as all awards are amortised over their life.

The table below shows the market value of the STI, LTI and retention awards based on the awards that actually vested in FY15. The value of these awards increases or decreases depending on movement in the security price. Also included is the increase in the market value of these awards since the date of grant. As noted, the retention awards were inherited from Westfield Group. Scentre Group has discontinued retention awards that are not subject to performance hurdles.

Mr Miles' fixed remuneration shown below is for 2 months to 31 December 2015 based on an annual salary of \$1,500,000. Mr Miles' fixed remuneration for FY16 is \$1,500,000. His target and potential maximum STI and LTI opportunities for FY16 are set out in section 8.4.

The table below presents:

- Fixed remuneration
- Cash STI: the cash bonus earned in FY15 under the STI
- Deferred STI: the value of the deferred STI from prior years that vested in FY15
- LTI: the value of LTIs from prior years that vested in FY15
- Retention awards: the value of the retention awards granted in 2011 by Westfield Group that vested in FY15.

FY15 cash remuneration

|                             | Short term benefits                             |                |                                                       | Term-<br>ination<br>Benefits | SCG share based<br>payments       |                                   | Equity<br>growth<br>SCG | SCG<br>sub total | WDC<br>share<br>based<br>payments | Equity<br>growth<br>WDC | Total cash<br>remun-<br>eration |
|-----------------------------|-------------------------------------------------|----------------|-------------------------------------------------------|------------------------------|-----------------------------------|-----------------------------------|-------------------------|------------------|-----------------------------------|-------------------------|---------------------------------|
|                             |                                                 |                |                                                       |                              | Deferred<br>STI                   | LTI                               |                         |                  | Retention<br>awards               |                         |                                 |
|                             | Fixed<br>remun-<br>eration <sup>(i)</sup><br>\$ | Cash STI<br>\$ | Other<br>short term<br>benefits <sup>(ii)</sup><br>\$ | \$                           | Market<br>value at<br>grant<br>\$ | Market<br>value at<br>grant<br>\$ | \$                      | \$               | Market<br>value at<br>grant<br>\$ | \$                      | \$                              |
| <b>Executive KMP</b>        |                                                 |                |                                                       |                              |                                   |                                   |                         |                  |                                   |                         |                                 |
| Peter Allen                 | 2,000,000                                       | 1,606,500      | 25,769                                                | –                            | 859,496                           | 1,185,885                         | 1,127,467               | <b>6,805,117</b> | 7,495,372                         | 3,868,280               | <b>18,168,769</b>               |
| Mark Bloom                  | 1,100,000                                       | 913,500        | (49,289)                                              | –                            | 401,101                           | 533,648                           | 513,037                 | <b>3,411,997</b> | 1,249,230                         | 644,714                 | <b>5,305,941</b>                |
| Greg Miles <sup>(iii)</sup> | 250,000                                         | –              | 23,365                                                | –                            | –                                 | –                                 | –                       | <b>273,365</b>   | –                                 | –                       | <b>273,365</b>                  |
| <b>Former Executive KMP</b> |                                                 |                |                                                       |                              |                                   |                                   |                         |                  |                                   |                         |                                 |
| John Widdup                 | 81,250                                          | –              | (17,118)                                              | 893,750                      | 687,593                           | 525,704                           | 613,589                 | <b>2,784,768</b> | –                                 | –                       | <b>2,784,768</b>                |

<sup>(i)</sup> Base salary is inclusive of statutory superannuation benefits.

<sup>(ii)</sup> Comprising annual leave and long service leave entitlements.

<sup>(iii)</sup> As Mr Miles was appointed COO on 1 November 2015 on his return from the United States, he received 2 months fixed remuneration.

# Directors' Report (continued)

## 8.7 Executive KMP statutory remuneration

The table below sets out the FY15 statutory remuneration for executive KMP.

The FY14 comparative numbers in the table below for Mr Allen are not representative of Scentre Group's remuneration as they include 6 months' remuneration from Westfield Group. The FY14 comparative numbers for Mr Bloom are for 6 months only as he became executive KMP on 30 June 2014. As noted, Mr Greg Miles was appointed COO on 1 November 2015. Accordingly, no comparative information is provided for Mr Miles.

Mr Miles held a number of equity-linked awards issued by the former Westfield Group and Westfield Corporation. To the extent that those outstanding awards were not satisfied by Westfield Corporation prior to his return to Australia, Scentre Group has assumed the unvested proportion of those awards which will be satisfied by the delivery of Scentre Group securities on vesting. The effective grant date of those awards is 1 January 2016. However, the vesting period will be assessed by reference to the original grant date of the awards. Details of these awards are set out in the tables below at 8.7(b) and 8.7(d).

Mr John Widdup retired on 31 January 2015. In accordance with the terms of the equity-linked plans and his employment arrangements, Mr Widdup will remain in those plans in respect of his awards which will vest over the ordinary course of the plans. Details of these awards are set out in the tables below at 8.7(a), 8.7(c) and 8.7(e).

|                             |      | Short term benefits               |           |                                            | Share based payments <sup>(ii)</sup> |           | Other long term benefits | Termination Benefits | Total remuneration |
|-----------------------------|------|-----------------------------------|-----------|--------------------------------------------|--------------------------------------|-----------|--------------------------|----------------------|--------------------|
|                             | Year | Fixed remuneration <sup>(i)</sup> | Cash STI  | Other short term benefits <sup>(iii)</sup> | Cash                                 | Equity    |                          |                      |                    |
|                             |      | \$                                | \$        | \$                                         | \$                                   | \$        | \$                       | \$                   | \$                 |
| <b>Executive KMP</b>        |      |                                   |           |                                            |                                      |           |                          |                      |                    |
| Peter Allen <sup>(iv)</sup> | 2015 | 2,000,000                         | 1,606,500 | 25,769                                     | 3,398,938                            | 2,207,290 | –                        | –                    | 9,238,497          |
|                             | 2014 | 1,750,000                         | 2,500,000 | 425,396                                    | 4,252,342                            | 1,263,631 | –                        | –                    | 10,191,369         |
| Mark Bloom <sup>(v)</sup>   | 2015 | 1,100,000                         | 913,500   | (49,289)                                   | 1,298,292                            | 832,721   | –                        | –                    | 4,095,224          |
|                             | 2014 | 550,000                           | 850,000   | 47,296                                     | 862,217                              | 259,126   | –                        | –                    | 2,568,639          |
| Greg Miles <sup>(vi)</sup>  | 2015 | 250,000                           | –         | 23,365                                     | –                                    | –         | –                        | –                    | 273,365            |
| <b>Former Executive KMP</b> |      |                                   |           |                                            |                                      |           |                          |                      |                    |
| John Widdup                 | 2015 | 81,250                            | –         | (17,118)                                   | 1,817,414                            | –         | –                        | 893,750              | 2,775,296          |
|                             | 2014 | 487,500                           | 487,500   | (9,213)                                    | 637,831                              | 400,756   | –                        | –                    | 2,004,374          |

<sup>(i)</sup> Fixed remuneration is inclusive of statutory superannuation benefits.

<sup>(ii)</sup> Comprising annual leave and long service leave entitlements.

<sup>(iii)</sup> Refer to the tables below for details of awards held by executive KMP under the equity-linked plans.

<sup>(iv)</sup> Peter Allen's fixed remuneration for 2014 is an aggregate of 50% (\$750,000) of his Westfield Group fixed remuneration for the 6 month period to 30 June 2014 and 50% (\$1,000,000) of his fixed remuneration for Scentre Group for the 6 month period to 31 December 2014.

<sup>(v)</sup> Mark Bloom became executive KMP on 30 June 2014. Accordingly, the disclosed 2014 remuneration is for the 6 month period to 31 December 2014.

<sup>(vi)</sup> Remuneration is for 2 months to 31 December 2015.

### (a) Participation in STI plan: CEO, CFO and former executive KMP

The following chart details awards under the STI plan held by the CEO, CFO and former executive KMP.

#### Performance Rights – Short Term Incentives

|                             | Year                       | No. Granted | Total awards held post adjustment <sup>(i)</sup> |                        | Vesting Date | Fair Value at Grant <sup>(ii)</sup> | Market value as at 31 Dec 2015 <sup>(iii)</sup> |
|-----------------------------|----------------------------|-------------|--------------------------------------------------|------------------------|--------------|-------------------------------------|-------------------------------------------------|
|                             |                            |             | WFD                                              | SCG                    |              | \$                                  | \$                                              |
| <b>Executive KMP</b>        |                            |             |                                                  |                        |              |                                     |                                                 |
| Peter Allen                 | 1 Jan 2011                 | 771,923     | 771,923                                          | 961,817                | 15 Dec 2015  | 5,889,772                           | N/A                                             |
|                             | 1 Jan 2013                 | 82,013      | 82,013                                           | 102,189                | 15 Dec 2015  | 747,138                             | N/A                                             |
|                             | 1 Jul 2014 <sup>(iv)</sup> | 308,362     | –                                                | 308,362 <sup>(v)</sup> | 15 Dec 2016  | 796,262                             | 1,292,037                                       |
|                             | 1 Jan 2015                 | 267,756     | –                                                | 267,756                | 15 Dec 2017  | 795,235                             | 1,121,898                                       |
| Mark Bloom                  | 1 Jan 2011                 | 128,654     | 128,654                                          | 160,303                | 15 Dec 2015  | 981,630                             | N/A                                             |
|                             | 1 Jan 2012                 | 162,167     | 162,167                                          | 202,061                | 15 Dec 2016  | 969,759                             | 2,388,844                                       |
|                             | 1 Jan 2013                 | 38,273      | 38,273                                           | 47,689                 | 15 Dec 2015  | 348,667                             | N/A                                             |
|                             | 1 Jul 2014 <sup>(iv)</sup> | 134,911     | –                                                | 134,911 <sup>(v)</sup> | 15 Dec 2016  | 348,371                             | 565,277                                         |
|                             | 1 Jan 2015                 | 117,143     | –                                                | 117,143                | 15 Dec 2017  | 347,915                             | 490,829                                         |
| <b>Former Executive KMP</b> |                            |             |                                                  |                        |              |                                     |                                                 |
| John Widdup                 | 1 Jan 2013                 | 65,610      | 65,610                                           | 81,751                 | 15 Dec 2015  | 597,707                             | N/A                                             |
|                             | 1 Jul 2014 <sup>(iv)</sup> | 231,271     | –                                                | 231,271 <sup>(v)</sup> | 15 Dec 2016  | 597,197                             | 969,025                                         |

<sup>(i)</sup> As described in section 8.10, executives were given the option to elect for awards issued prior to December 2013 to relate to Scentre Group securities and Westfield Corporation securities in the same proportion and on the same terms (through the application of the merger) ratio as securityholders in Westfield Group. The number of awards represents that adjustment.

<sup>(ii)</sup> The fair value of the awards issued under the STI plan is calculated using the Black Scholes option pricing methodology. The fair value of the awards issued under the STI plan is calculated on the assumption that the employee remains employed with the Group for the full period of vesting under the STI plan. The fair value of the awards at grant date has been maintained since the value of the awards on issue immediately before the commencement of deferred trading of the securities of Scentre Group and Westfield Corporation was the same as immediately after that date.

<sup>(iii)</sup> The market value as at 31 December 2015 is based on the closing price of Westfield Corporation securities and Scentre Group securities of \$9.51 and \$4.19 respectively. Market value as at 31 December 2015 is not included for awards that vested on 15 December 2015.

<sup>(iv)</sup> With an effective commencement date of 1 January 2014.

<sup>(v)</sup> The issue of 2014 awards were deferred until after the Restructure and Merger. 2014 awards relate solely to Scentre Group securities. Accordingly, no adjustments were made.

## (b) Participation in STI plan: COO

The following chart details awards under the STI plan held by the COO.

| Executive KMP | Original grant date <sup>(i)</sup> | No. Granted <sup>(ii)</sup> | Vesting Date | Fair Value at Grant <sup>(iii)</sup><br>\$ | Market value as at 31 Dec 2015 <sup>(iv)</sup><br>\$ |
|---------------|------------------------------------|-----------------------------|--------------|--------------------------------------------|------------------------------------------------------|
| Greg Miles    | 1 Jan 2012                         | 180,666                     | 15 Dec 2016  | 706,404                                    | 756,991                                              |

<sup>(i)</sup> As noted, Scentre Group has assumed the unvested proportion of those awards which will be satisfied by the delivery of Scentre Group securities. The vesting period will be assessed by reference to the original grant date of the awards.

<sup>(ii)</sup> Represents the proportion of awards assumed by Scentre Group.

<sup>(iii)</sup> The fair value of the awards issued under the STI plan is calculated using the Black Scholes option pricing methodology as at 1 January 2016. The fair value of the awards issued under the STI plan is calculated on the assumption that the employee remains employed with the Group for the full period of vesting under the STI Plan. The fair value of the awards at grant date has been maintained since the value of the awards on issue immediately before the commencement of deferred trading of the securities of Scentre Group and Westfield Corporation was the same as immediately after that date.

<sup>(iv)</sup> The market value as at 31 December 2015 is based on the closing price of Scentre Group securities of \$4.19.

## (c) Participation in LTI plan: CEO, CFO and former executive KMP

The following chart details awards under the LTI plan held by the CEO, CFO and former executive KMP.

### Performance Incentive Rights – Long Term Incentives

|                             | Year                       | No. Granted | Total awards held post adjustment <sup>(i)</sup> |                         | Vesting Date | Fair Value at Grant <sup>(ii)</sup><br>\$ | Market value as at 31 Dec 2015 <sup>(iii)</sup><br>\$ |
|-----------------------------|----------------------------|-------------|--------------------------------------------------|-------------------------|--------------|-------------------------------------------|-------------------------------------------------------|
|                             |                            |             | WFD                                              | SCG                     |              |                                           |                                                       |
| <b>Executive KMP</b>        |                            |             |                                                  |                         |              |                                           |                                                       |
| Peter Allen                 | 1 Jan 2012                 | 72,729      | 72,729                                           | 90,621                  | 15 Dec 2015  | 463,284                                   | N/A                                                   |
|                             |                            | 81,911      | 81,911                                           | 102,062                 | 15 Dec 2016  | 489,828                                   | 1,206,613                                             |
|                             | 1 Jan 2013                 | 56,997      | 56,997                                           | 71,019                  | 15 Dec 2016  | 494,734                                   | 839,611                                               |
|                             |                            | 74,149      | 74,149                                           | 92,390                  | 15 Dec 2017  | 613,954                                   | 1,092,271                                             |
|                             | 1 Jul 2014 <sup>(iv)</sup> | 201,177     | –                                                | 201,177 <sup>(iv)</sup> | 15 Dec 2017  | 494,640                                   | 842,932                                               |
|                             |                            | 209,627     | –                                                | 209,627 <sup>(iv)</sup> | 14 Dec 2018  | 490,728                                   | 878,337                                               |
|                             | 1 Jan 2015                 | 451,838     | –                                                | 451,838                 | 15 Dec 2017  | 1,341,959                                 | 1,893,201                                             |
|                             |                            | 474,608     | –                                                | 474,608                 | 14 Dec 2018  | 1,328,902                                 | 1,988,608                                             |
| Mark Bloom                  | 1 Jan 2012                 | 32,728      | 32,728                                           | 40,780                  | 15 Dec 2015  | 208,477                                   | N/A                                                   |
|                             |                            | 36,860      | 36,860                                           | 45,928                  | 15 Dec 2016  | 220,423                                   | 542,977                                               |
|                             | 1 Jan 2013                 | 25,649      | 25,649                                           | 31,959                  | 15 Dec 2016  | 222,633                                   | 377,830                                               |
|                             |                            | 33,367      | 33,367                                           | 41,576                  | 15 Dec 2017  | 276,279                                   | 491,524                                               |
|                             | 1 Jul 2014 <sup>(iv)</sup> | 90,533      | –                                                | 90,533 <sup>(iv)</sup>  | 15 Dec 2017  | 222,594                                   | 379,333                                               |
|                             |                            | 94,331      | –                                                | 94,331 <sup>(iv)</sup>  | 14 Dec 2018  | 220,824                                   | 395,247                                               |
|                             | 1 Jan 2015                 | 142,246     | –                                                | 142,246                 | 15 Dec 2017  | 422,471                                   | 596,011                                               |
|                             |                            | 149,413     | –                                                | 149,413                 | 14 Dec 2018  | 418,356                                   | 626,040                                               |
| <b>Former Executive KMP</b> |                            |             |                                                  |                         |              |                                           |                                                       |
| John Widdup                 | 1 Jan 2012                 | 29,092      | 29,092                                           | 36,249                  | 15 Dec 2015  | 185,316                                   | N/A                                                   |
|                             |                            | 32,765      | 32,765                                           | 40,826                  | 15 Dec 2016  | 195,935                                   | 482,656                                               |
|                             | 1 Jan 2013                 | 22,799      | 22,799                                           | 28,408                  | 15 Dec 2016  | 197,895                                   | 335,848                                               |
|                             |                            | 29,659      | 29,659                                           | 36,956                  | 15 Dec 2017  | 245,577                                   | 436,903                                               |
|                             | 1 Jul 2014 <sup>(iv)</sup> | 80,471      | –                                                | 80,471 <sup>(iv)</sup>  | 15 Dec 2017  | 197,856                                   | 337,173                                               |
|                             |                            | 83,852      | –                                                | 83,852 <sup>(iv)</sup>  | 14 Dec 2018  | 196,293                                   | 351,340                                               |

<sup>(i)</sup> As described in section 8.10, executives were given the option to elect for awards issued prior to 31 December 2013 to relate to Scentre Group securities and Westfield Corporation securities in the same proportion and on the same terms through the application of the merger ratio to securityholders in Westfield Group. The number of awards represents that adjustment.

<sup>(ii)</sup> The fair value of the awards issued under the LTI plan is calculated using the Black Scholes option pricing methodology. The fair value of the awards issued under the LTI plan is calculated on the assumption that the employee remains employed with the Group for the full period of vesting under the LTI plan. The fair value of the awards at grant date has been maintained since the value of the awards on issue immediately before the commencement of deferred trading of the securities of Scentre Group and Westfield Corporation was the same as immediately after that date.

<sup>(iii)</sup> The market value as at 31 December 2015 is based on the closing price of Westfield Corporation securities and Scentre Group securities of \$9.51 and \$4.19 respectively. Market value as at 31 December 2015 is not included for awards that vested on 15 December 2015.

<sup>(iv)</sup> With an effective commencement date of 1 January 2014.

<sup>(v)</sup> The issue of 2014 awards were deferred until after the Restructure and Merger. 2014 awards relate solely to Scentre Group securities for executives who were Scentre Group employees at the time of issue of rights. Accordingly, no adjustments were made.

## Directors' Report (continued)

### (d) Participation in LTI plan: COO

The following chart details awards under the LTI plan held by the COO.

| Executive KMP | Original grant date <sup>(i)</sup> | No. Granted <sup>(ii)</sup> | Vesting Date | Fair Value at Grant <sup>(iii)</sup> | Market value as at 31 Dec 2015 <sup>(iv)</sup> |
|---------------|------------------------------------|-----------------------------|--------------|--------------------------------------|------------------------------------------------|
|               |                                    |                             |              | \$                                   | \$                                             |
| Greg Miles    | 1 Jan 2012                         | 23,697                      | 15 Dec 2016  | 92,655                               | 99,290                                         |
|               | 1 Jan 2013                         | 20,611                      | 15 Dec 2016  | 80,589                               | 86,360                                         |
|               |                                    | 42,901                      | 15 Dec 2017  | 159,592                              | 179,755                                        |
|               | 1 Jul 2014                         | 41,793                      | 15 Dec 2017  | 155,470                              | 175,113                                        |
|               |                                    | 52,258                      | 14 Dec 2018  | 184,993                              | 218,961                                        |
|               | 1 Jan 2015                         | 46,161                      | 14 Dec 2018  | 163,410                              | 193,415                                        |
|               |                                    | 50,775                      | 16 Dec 2019  | 171,112                              | 212,747                                        |

<sup>(i)</sup> As noted, Scentre Group has assumed the unvested proportion of those awards which will be satisfied by the delivery of Scentre Group securities. The vesting period will be assessed by reference to the original grant date of the awards.

<sup>(ii)</sup> Represents the proportion of awards assumed by Scentre Group.

<sup>(iii)</sup> The fair value of the awards issued under the LTI plan is calculated using the Black Scholes option pricing methodology as at 1 January 2016. The fair value of the awards issued under the LTI plan is calculated on the assumption that the employee remains employed with the Group for the full period of vesting under the LTI Plan.

<sup>(iv)</sup> The market value as at 31 December 2015 is based on the closing price of Scentre Group securities of \$4.19.

### (e) Participation in the Partnership Incentive Plan (PIP plan)

The PIP plan is a legacy plan from Westfield Group, details of which are explained in section 8.10. The following table details awards under the PIP plan held by the CEO, CFO and former executive KMP. Under the terms of the PIP plan awards are settled by a cash payment. The final awards under the PIP plan vested in December 2015.

#### Partnership Incentive Plan – Long Term Incentives

|                             | Year       | No. Granted | Total awards held post adjustment <sup>(i) (ii)</sup> |        | Vesting Date | Fair Value at Grant <sup>(iii)</sup> |
|-----------------------------|------------|-------------|-------------------------------------------------------|--------|--------------|--------------------------------------|
|                             |            |             | WFD                                                   | SCG    |              | \$                                   |
| <b>Executive KMP</b>        |            |             |                                                       |        |              |                                      |
| Peter Allen                 | 1 Jan 2011 | 61,760      | 61,760                                                | 76,953 | 15 Dec 2015  | 471,229                              |
| Mark Bloom                  | 1 Jan 2011 | 27,792      | 27,792                                                | 34,629 | 15 Dec 2015  | 212,053                              |
| <b>Former Executive KMP</b> |            |             |                                                       |        |              |                                      |
| John Widdup                 | 1 Jan 2011 | 29,992      | 29,992                                                | 37,371 | 15 Dec 2015  | 228,839                              |

<sup>(i)</sup> As described in section 8.10, executives were given the option to elect for awards issued prior to 31 December 2013 to relate to Scentre Group securities and Westfield Corporation securities in the same proportion and on the same terms (through the application of the merger) ratio as securityholders in Westfield Group. The number of awards represents that adjustment.

<sup>(ii)</sup> The final tranche of awards under the PIP plan vested on 15 December 2015. The payout was calculated at the 20-day volume weighted average price of \$9.65 per Westfield Corporation security and \$4.07 per Scentre Group security.

<sup>(iii)</sup> The fair value of the awards issued under the PIP Plan is calculated using the Black Scholes option pricing methodology. The fair value of the awards issued under the PIP plan is calculated on the assumption that the employee remains employed with the Group for the full period of vesting under the PIP plan. The fair value of the awards at grant date has been maintained since the value of the awards on issue immediately before the commencement of deferred trading of the securities of Scentre Group and Westfield Corporation was the same as immediately after that date.

## 8.8 Executive KMP service agreements

The service agreements for each executive KMP are, in each case, a continuing arrangement inherited from the Westfield Group. The terms outlined below apply to each executive KMP.

| Service Agreement                         | Term                                                                                                                                                                                                                                         |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Contract term                             | No fixed term                                                                                                                                                                                                                                |
| Notice period by employee and employer    | Employee: 3 months<br>Employer: 1 month                                                                                                                                                                                                      |
| Details of any post-employment restraints | Where permitted by law, the Group imposes a further requirement that, following retirement, the executive complies with certain continuing non-compete obligations which, if not satisfied, will result in forfeiture of all unvested awards |

Set out below is a summary of termination payments and treatment of the STI and LTI on an executive KMP leaving the Group's employment. These provisions apply to each executive KMP. The provisions of the service agreements are subject to the Corporations Act 2001. In certain circumstances, payment of the entitlements summarised below may require the approval of securityholders.

| Event                                                                                                                                                                                                                           | Termination payment                                                                                                                                                                        | Treatment of STI: Cash                                                                             | Treatment of STI & LTI: Deferred equity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Resignation and termination for cause                                                                                                                                                                                           | – Accrued statutory entitlements                                                                                                                                                           | – Payment of a pro-rata bonus for the relevant year may be considered in exceptional circumstances | – All unvested entitlements under the Group's equity-linked incentive plans are forfeited, without payment, on termination                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Redundancy or termination by the Group (other than for cause)                                                                                                                                                                   | – Accrued statutory entitlements<br>– Redundancy between 12 and 24 months fixed remuneration depending on the length of service of the executive plus one month's salary in lieu of notice | – Pro-rata performance bonus to the date of termination                                            | – Pro-rata vesting of outstanding awards under the Group's equity-linked incentive plans (excluding any awards which lapsed as a consequence of a failure to satisfy a performance hurdle)                                                                                                                                                                                                                                                                                                                                                                                         |
| Death or permanent disability                                                                                                                                                                                                   | – Accrued statutory entitlements                                                                                                                                                           | – Pro-rata performance bonus to the date of death or disability                                    | – Full vesting of outstanding awards under the Group's equity-linked incentive plans (excluding any awards which lapsed as a consequence of a failure to satisfy a performance hurdle)<br>– "Retention awards" vest pro-rata to the date of death or permanent disability                                                                                                                                                                                                                                                                                                          |
| Retirement<br>(Provided an executive has reached the age of 55 years with at least 5 years continuous service or the aggregate of the age of the participant and the number of years in service is equal to or greater than 70) | – Accrued statutory entitlements                                                                                                                                                           | – Pro-rata performance bonus to the date of retirement                                             | – Maintain the right to continue in the Group's equity-linked incentive plans until the date of vesting of outstanding awards granted at least 6 months prior to the date of retirement (excluding any awards which lapsed as a consequence of a failure to satisfy a performance hurdle)<br>– In circumstances where continued participation in the plan is not permitted under the terms of the plan, the executive is entitled to a cash payment from the Group equivalent to the amount that would have been received had the executive been permitted to continue in the plan |

## Directors' Report (continued)

### 8.9 Non-Executive Director Fees

The remuneration of the Non-Executive Directors is determined by the Board (within a total limit set by securityholders) acting on recommendations made by the Human Resources Committee. In making recommendations to the Board, the Human Resources Committee takes into account advice from independent consultants and advisers on trends in non-executive director remuneration.

The aggregate pool available for payment of fees to Non-Executive Directors is currently \$3.5 million, as approved by securityholders at the Annual General Meeting of Scentre Group Limited (formerly Westfield Holdings Limited) held on 25 May 2011.

Non-Executive Director remuneration comprises a base fee (which is inclusive of superannuation guarantee contributions) and where relevant, a Committee fee and an additional fee for the role of deputy chair of the Board and for Committee chair. Reimbursement is made for out of pocket expenses. No other bonuses or benefits are paid either during the tenure of a Non-Executive Director or on retirement. Non-Executive Directors do not participate in any of the Group's incentive plans.

| Board fees                | Chairman        | Deputy Chairman    | Non-Executive Director |
|---------------------------|-----------------|--------------------|------------------------|
| Board                     | \$500,000       | \$15,000 (loading) | \$185,000              |
| Committee Fees            | Committee Chair |                    | Committee member       |
| Audit and Risk Committee  | \$50,000        |                    | \$30,000               |
| Human Resources Committee | \$30,000        |                    | \$20,000               |
| Nomination Committee      | \$15,000        |                    | \$10,000               |

The fees paid to the Non-Executive Directors during FY15 are as follows:

|                                       | Year        | Total Fees     |
|---------------------------------------|-------------|----------------|
| <b>Non-Executive Director</b>         |             |                |
| Frank Lowy                            | <b>2015</b> | <b>500,000</b> |
|                                       | 2014        | 250,000        |
| Brian Schwartz                        | <b>2015</b> | <b>274,531</b> |
|                                       | 2014        | 127,500        |
| Richard Egerton – Warburton           | <b>2015</b> | <b>230,000</b> |
|                                       | 2014        | 115,000        |
| Andrew Harnos                         | <b>2015</b> | <b>215,000</b> |
|                                       | 2014        | 107,500        |
| Michael Ihlein                        | <b>2015</b> | <b>248,022</b> |
|                                       | 2014        | 117,500        |
| Aliza Knox (appointed 7 May 2015)     | <b>2015</b> | <b>120,453</b> |
|                                       | 2014        | –              |
| Steven Lowy                           | <b>2015</b> | <b>185,000</b> |
|                                       | 2014        | 92,500         |
| <b>Former Non-Executive Director</b>  |             |                |
| Laurence Brindle (retired 7 May 2015) | <b>2015</b> | <b>75,428</b>  |
|                                       | 2014        | 107,500        |
| Sandra McPhee (retired 7 May 2015)    | <b>2015</b> | <b>71,920</b>  |
|                                       | 2014        | 102,500        |

In FY15 the Group, based on external benchmarking analysis, reviewed its Non-Executive Director fees relative to other major companies in the ASX20. Following the review, the Board and Committee fees structure (inclusive of superannuation) effective from 1 January 2016 is set out below. The total of Board and Committee fees, including superannuation, payable to Non-Executive Directors in FY16 remains within the approved fee pool.

| Board fees                | Chairman        | Deputy Chairman    | Non-Executive Director |
|---------------------------|-----------------|--------------------|------------------------|
| Board                     | \$700,000       | \$15,000 (loading) | \$205,000              |
| Committee Fees            | Committee Chair |                    | Committee member       |
| Audit and Risk Committee  | \$60,000        |                    | \$40,000               |
| Human Resources Committee | \$50,000        |                    | \$30,000               |
| Nomination Committee      | \$15,000        |                    | \$10,000               |

## 8.10 Legacy remuneration arrangements

### *Equity-linked incentive plans*

The former Westfield Group operated an Executive Deferred Award Plan (EDA plan) and a Partnership Incentive Plan (PIP plan). The EDA plan and PIP plan operated in the same manner as the Group's Performance Rights Plan except that entitlements were satisfied by a cash payment to the participant as opposed to the delivery of securities. Awards have not been issued under the EDA plan and PIP plan since 2011. There are no outstanding awards under the EDA plan. The final awards under the PIP plan vested in December 2015.

### *Adjustments as a result of the Restructure and Merger*

As noted in the Securityholder Booklets issued in relation to the Restructure and Merger (pages 83 and 146), awards granted under the Westfield Group equity-linked plans prior to 31 December 2013 remain on foot following the Restructure and Merger.

No awards were accelerated as a consequence of implementing the transaction.

### *Modification of plans*

Immediately following implementation, existing awards under Westfield Group's plans relating to Australian and New Zealand employees were modified such that the awards relate, at the option of the holder, to:

- securities in Scentre Group only (adjusted in accordance with the formula detailed in the Securityholder Booklets); or
- securities in both Scentre Group and Westfield Corporation in the same proportion and on the same terms through the application of the merger ratio to securityholders in Westfield Group. Participants electing this option were, to this extent, effectively put in the same position as Westfield Group securityholders in respect of their awards granted prior to 31 December 2013.

The adjustment formula is set out on page 83 of the Securityholder Booklet issued to Westfield Group securityholders. All awards issued after 31 December 2013, including awards issued in 2014, to Scentre Group employees relate solely to Scentre Group securities. The issuer of awards in Australia and New Zealand is Scentre Group Limited (formerly Westfield Holdings Limited).

Awards granted in respect of the US and UK versions of Westfield Group plans were adjusted to relate only to Westfield Corporation securities (see page 146 of the Securityholder Booklet). This adjustment also applied to awards held by Australian executives who transferred to Westfield Corporation. All awards issued after 31 December 2013, including awards issued in 2014 to Westfield Corporation employees, relate solely to Westfield Corporation securities.

### *Accounting for awards*

The former Westfield Group operated cash settled equity-linked incentive plans. The final awards under these plans vested in 2015. As noted above, following the Restructure and Merger, existing awards under Westfield Group's plans relating to Australian and New Zealand employees were modified such that the awards relate, at the option of the holder, to:

- securities in Scentre Group only (adjusted in accordance with the formula detailed in the Securityholder Booklet); or
- securities in both Scentre Group and Westfield Corporation in the same proportion and on the same terms through the application of the merger ratio to securityholders in Westfield Group. Participants electing this option were, to this extent, effectively put in the same position as Westfield Group securityholders in respect of their awards granted prior to 31 December 2013.

On vesting of these awards, in respect of the proportion of the awards that relate to Scentre Group securities, Scentre Group securities are delivered to the executive. In respect of the proportion of the awards that relate to Westfield Corporation securities, a cash payment is made to the executive based on a volume weighted average price of Westfield Corporation securities in a period prior to the vesting date.

Accordingly, the disclosures in the Group's financial statements and this report relate to both cash and equity settled incentives.

The financial statements and the remuneration disclosures in section 8.8 (executive KMP statutory remuneration) disclose the full cost to members of the grant of awards under the cash settled equity-linked plans, and not simply the amortisation of the face value of the grant when originally made. This is in contrast to awards issued under the Group's Performance Rights Plan which are accounted for by amortising a fixed initial face value (determined by reference to a broadly adopted valuation model such as Black-Scholes) over the life of the award.

At the end of each accounting period the cash settled awards are "fair value adjusted" on the basis of the then current security price and the assumptions made in previous years are reconsidered having regard to any change in circumstances.

As a result of the election made by the executive KMP (as outlined above), the required change in accounting has resulted in an increase in the amount of the cash settled award expense disclosed for each executive KMP. While the Scentre Group component of the award continues to be amortised at fair value at grant date, the cash settled component of the awards is now marked to market for accounting purposes. The awards were previously accounted for at fair value at grant date with no further mark to market adjustments.

Notwithstanding this change, there has been no change in the overall fair value of the awards or the number of awards (as adjusted as a result of the Restructure and Merger). The fair value of the awards at grant date has been maintained since the value of the awards on issue immediately before the commencement of deferred trading of the securities of Scentre Group and Westfield Corporation was the same as immediately after that date.

This process will result in a variation of the estimate of the future liability of the Group with respect to that award and an increase or decrease in the amortisation. For example, where the security price increases significantly, the implied increase in value of the awards at the date of maturity will result in an increase in the amount of amortisation over the remaining life of the award. Conversely, where the security price decreases in any year, the expected lower value of the awards at the date of maturity will result in a decrease in the amount of amortisation. The full amount of that amortisation is then included in the accounts and disclosed as part of the remuneration of each executive KMP.

Compliance with this accounting standard can give rise to significant year on year fluctuations in the disclosed remuneration, dictated principally by movements up or down in the price of the Group's securities as well as assumptions made about the future value of securities. These fluctuations in disclosed remuneration occur despite the fact that the face value of awards received by an executive remains constant as between the years being compared.

# Directors' Report (continued)

## 8.11 Additional required disclosure – Former Westfield Group historical performance

### (a) Earnings Performance

The Westfield Group reported on financial metrics being FFO and EPS.

Detailed commentary on these metrics is contained in Westfield Group's prior annual reports. The following table sets out Westfield Group's FFO and EPS for the 3 financial years from and including 2011 to 2013 and EPS for the period from 1 January 2014 to 30 June 2014. Westfield Group did not report FFO for the period 1 January 2014 to 30 June 2014.

#### FFO and EPS

| Financial period     | FFO (\$m) | FFO (cents per security) | EPS (cents)          | EPS growth (annual) |
|----------------------|-----------|--------------------------|----------------------|---------------------|
| 2014                 | –         | –                        | 37.53 <sup>(i)</sup> | N/A                 |
| 2013                 | 1,438     | 66.51                    | 74.13                | (2.2)               |
| 2012                 | 1,474     | 65.01                    | 75.79                | 20.1                |
| 2011 <sup>(ii)</sup> | 1,492     | 64.80                    | 63.08                | N/A                 |
| 2011                 |           |                          | 66.55                | 37.5                |

<sup>(i)</sup> Relates to EPS before Restructure and Merger charges for the period from 1 January 2014 to 30 June 2014 from continuing and discontinued operations.

<sup>(ii)</sup> On 1 January 2012, AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets came into effect. The application of the amendment required Westfield Group to determine deferred tax on the basis that the investment property is disposed of at book value rather than realised through the continued use of the asset. As a result the 2011 EPS has been restated.

### (b) Distributions and Return on Contributed Equity

Distributions paid by Westfield Group for the financial years from and including 2011 to 2013 and for the 6 month period from 1 January 2014 to 30 June 2014 are set out in the table below. Also set out is ROCE for the financial years from and including 2011 to 2013.

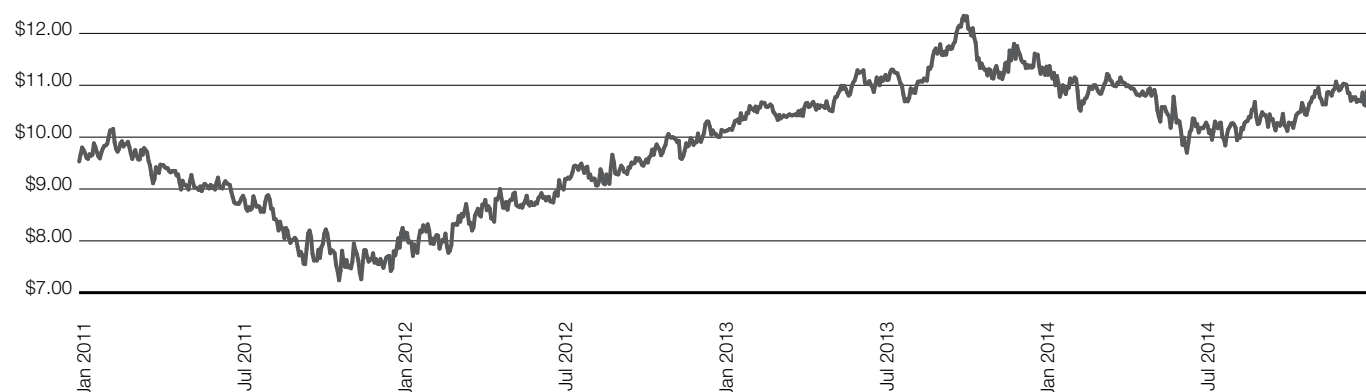
| Financial period | Annual distribution per security (cents) | Annual distribution (total \$) | ROCE (%) |
|------------------|------------------------------------------|--------------------------------|----------|
| 2014*            | 26.25                                    | 545,500,000                    | N/A**    |
| 2013             | 51.00                                    | 1,079,800,000                  | 11.8     |
| 2012             | 49.50                                    | 1,108,000,000                  | 11.4     |
| 2011             | 48.40                                    | 1,114,800,000                  | 11.4     |

\* Period from 1 January 2014 to 30 June 2014

\*\* Westfield Group did not report ROCE for the period 1 January 2014 to 30 June 2014.

#### Westfield Group security price

Westfield Group's security price from 1 January 2011 to 24 June 2014 is shown in the chart below.



## Glossary of key terms

|                                 |                                                                                                                                                                                                                                                                                                              |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Executive KMP                   | means the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer.                                                                                                                                                                                                              |
| KMP or Key Management Personnel | KMP are those individuals having the authority and responsibility for planning, directing and controlling the activities of Scentre Group, either directly or indirectly. They include Non-Executive Directors, the Chief Executive Officer and those senior executives considered executive KMP.            |
| Key Performance Indicators      | or KPIs are the performance objectives or measures used to assess the entitlement of executives to STIs in any year. Typically these measures are both financial and non-financial.                                                                                                                          |
| LTI                             | means a long term incentive granted under the LTI plan.                                                                                                                                                                                                                                                      |
| LTI plan                        | means the Group's long term incentive plan, in which only members of the Senior Executive Team participate. The grant of deferred equity under the LTI plan is governed by the rules of the Group's Performance Rights Plan. A description of the LTI plan can be found in section 8.4.                      |
| Non-Executive Director          | means a member of the Board who does not form part of the executive management team.                                                                                                                                                                                                                         |
| Performance Rights Plan         | means the Group's equity-linked plan, the rules of which govern the grant of awards of deferred equity under the STI plan and LTI plan. Having a common set of rules, enables the grant of deferred equity under those plans to be administered on a consistent basis across participating executives.       |
| Performance Hurdles             | means the hurdles established by the Board in connection with awards granted under the LTI plan with a view to measuring performance of the executive team against key business metrics.                                                                                                                     |
| Senior Executive Team           | means the Group's senior management team comprising the executive KMP and 12 executives performing senior operational and corporate roles.                                                                                                                                                                   |
| STI                             | means a short term incentive (comprising a cash component and grant of deferred equity), granted to an executive based on performance against KPIs which reflect the expected performance of that executive in relation to financial and non-financial matters. STIs are granted under the Group's STI plan. |
| STI plan                        | means the Group's short term incentive plan. The grant of deferred equity under the STI plan is governed by the rules of the Group's Performance Rights Plan. A description of the STI plan can be found in section 8.4.                                                                                     |

## 9. ASIC DISCLOSURES

### Rounding

The Company is of a kind referred to in the Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998. Accordingly, amounts in the Directors' Report, the Financial Statements and the Notes thereto have been rounded to the nearest tenth of a million dollars. Amounts shown as 0.0 represent amounts less than \$50,000 that have been rounded down.

### Synchronisation of financial year

Carindale Property Trust is a consolidated entity of the Company, and has a financial year ending on 30 June. By an order dated 27 June 2005 made by the Australian Securities and Investments Commission, the Directors of the Company have been relieved from compliance with the requirement to ensure that the financial year of Carindale Property Trust coincides with the financial year of the Company.

## 10. ASX LISTING

ASX reserves the right (but without limiting its absolute discretion) to remove Scentre Group Limited, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 from the official list of ASX if any of the shares or units comprising those stapled securities cease to be stapled together, or any equity securities are issued by a Scentre Group entity which are not stapled to the equivalent securities in the other entities.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.



**Frank Lowy AC**  
Chairman



**Michael Ihlein**  
Director

23 February 2016

# Independent Audit Report

TO MEMBERS OF SCENTRE GROUP LIMITED



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## Independent auditor's report to the members of Scentre Group Limited

### Report on the financial report

We have audited the accompanying financial report of Scentre Group Limited, which comprises the consolidated balance sheet as at 31 December 2015, the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

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

### Auditor's responsibility

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

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

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

### Independence

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

### Opinion

In our opinion:

- a. the financial report of Scentre Group Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 29 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of Scentre Group Limited for the year ended 31 December 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Sydney, 23 February 2016

Graham Ezzy  
Partner

# Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2015

Results for the year ended 31 December 2015 comprise the earnings of Scentre Group's Australian and New Zealand operations following the Restructure and Merger implemented on 30 June 2014. The results for the year ended 31 December 2014 comprise the earnings of the former Westfield Group for the six months ended 30 June 2014 and the earnings of Scentre Group for the six months ended 31 December 2014.

|                                                                                                                                                                                 | Note  | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------------------------|------------------------|
| <b>Continuing operations</b>                                                                                                                                                    |       |                        |                        |
| <b>Revenue</b>                                                                                                                                                                  |       |                        |                        |
| Property revenue                                                                                                                                                                | 5     | 2,127.3                | 1,415.2                |
| Property development and project management revenue                                                                                                                             |       | 683.2                  | 659.9                  |
| Property management income                                                                                                                                                      |       | 57.3                   | 89.4                   |
|                                                                                                                                                                                 |       | <b>2,867.8</b>         | 2,164.5                |
| <b>Share of after tax profits of equity accounted entities</b>                                                                                                                  |       |                        |                        |
| Property revenue                                                                                                                                                                |       | 181.6                  | 348.1                  |
| Property revaluations                                                                                                                                                           |       | 80.9                   | 69.5                   |
| Property expenses, outgoings and other costs                                                                                                                                    |       | (41.2)                 | (77.6)                 |
| Net interest income/(expense)                                                                                                                                                   |       | (0.6)                  | 0.2                    |
| Tax expense                                                                                                                                                                     |       | (8.8)                  | (10.5)                 |
|                                                                                                                                                                                 | 16(a) | <b>211.9</b>           | 329.7                  |
| <b>Expenses</b>                                                                                                                                                                 |       |                        |                        |
| Property expenses, outgoings and other costs                                                                                                                                    |       | (481.8)                | (325.5)                |
| Property development and project management costs                                                                                                                               |       | (598.6)                | (541.3)                |
| Property management costs                                                                                                                                                       |       | (10.8)                 | (15.0)                 |
| Overheads                                                                                                                                                                       |       | (91.0)                 | (81.4)                 |
|                                                                                                                                                                                 |       | <b>(1,182.2)</b>       | (963.2)                |
| Interest income                                                                                                                                                                 |       | 7.9                    | 9.3                    |
| Currency gain/(loss)                                                                                                                                                            | 6     | 103.4                  | (27.0)                 |
| Financing costs                                                                                                                                                                 | 7     | (726.7)                | (382.9)                |
| Gain in respect of capital transactions                                                                                                                                         | 8     | 19.2                   | –                      |
| Property revaluations                                                                                                                                                           |       | 1,457.9                | 765.5                  |
| <b>Profit before tax and charges and credits in respect of the Restructure and Merger for the period from continuing operations</b>                                             |       | <b>2,759.2</b>         | 1,895.9                |
| Tax expense                                                                                                                                                                     | 9(a)  | (29.5)                 | (98.1)                 |
| <b>Profit after tax before charges and credits in respect of the Restructure and Merger for the period from continuing operations</b>                                           |       | <b>2,729.7</b>         | 1,797.8                |
| Charges and credits in respect of the Restructure and Merger                                                                                                                    | 10    | –                      | (313.7)                |
| <b>Profit after tax for the period from continuing operations</b>                                                                                                               |       | <b>2,729.7</b>         | 1,484.1                |
| Profit after tax before charges and credits in respect of the Restructure and Merger for the period from discontinued operations                                                | 3(c)  | –                      | 465.9                  |
| Charges and credits in respect of the Restructure and Merger                                                                                                                    | 10    | –                      | 4,676.5                |
| <b>Profit after tax for the period from discontinued operations</b>                                                                                                             |       | <b>–</b>               | 5,142.4                |
| <b>Profit after tax for the period</b>                                                                                                                                          |       | <b>2,729.7</b>         | 6,626.5                |
| <b>Profit after tax for the period attributable to:</b>                                                                                                                         |       |                        |                        |
| – Members of Scentre Group                                                                                                                                                      |       | 2,707.8                | 6,586.3                |
| – External non controlling interests                                                                                                                                            |       | 21.9                   | 40.2                   |
| <b>Profit after tax for the period</b>                                                                                                                                          |       | <b>2,729.7</b>         | 6,626.5                |
| <b>Net profit attributable to members of Scentre Group analysed by amounts attributable to:</b>                                                                                 |       |                        |                        |
| Scentre Group Limited (SGL) members                                                                                                                                             |       | 186.1                  | 6,093.5                |
| Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2), Scentre Group Trust 3 (SGT3) members (31 December 2014: SGT1, SGT2, SGT3 and Westfield America Trust (WAT) members) |       | 2,521.7                | 492.8                  |
| <b>Net profit attributable to members of Scentre Group</b>                                                                                                                      |       | <b>2,707.8</b>         | 6,586.3                |
|                                                                                                                                                                                 |       | <b>cents</b>           | cents                  |
| <b>Basic earnings per SGL share</b>                                                                                                                                             |       | <b>3.50</b>            | 5.19                   |
| <b>Diluted earnings per SGL share</b>                                                                                                                                           |       | <b>3.49</b>            | 5.17                   |
| <b>Basic earnings per stapled security</b>                                                                                                                                      | 24(a) | <b>50.98</b>           | 166.40                 |
| <b>Diluted earnings per stapled security</b>                                                                                                                                    | 24(a) | <b>50.83</b>           | 165.79                 |

# Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2015

Results for the year ended 31 December 2015 comprise the earnings of Scentre Group's Australian and New Zealand operations following the Restructure and Merger implemented on 30 June 2014. The results for the year ended 31 December 2014 comprise the earnings of the former Westfield Group for the six months ended 30 June 2014 and the earnings of Scentre Group for the six months ended 31 December 2014.

|                                                                                                                                                                               | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Profit after tax for the period</b>                                                                                                                                        | <b>2,729.7</b>         | 6,626.5                |
| <b>Other comprehensive income</b>                                                                                                                                             |                        |                        |
| <i>Movement in foreign currency translation reserve<sup>(i)</sup></i>                                                                                                         |                        |                        |
| – Realised and unrealised differences on the translation of investment in foreign operations, currency loans and asset hedging derivatives which qualify for hedge accounting | (12.3)                 | (211.5)                |
| – Accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations                               | (130.9)                | –                      |
| – Deferred tax effect on unrealised gain on currency loans and asset hedging derivatives which qualify for hedge accounting                                                   | –                      | (0.4)                  |
| – Accumulated exchange differences transferred from foreign currency translation reserve on distribution of net investment in foreign operations                              | –                      | 838.9                  |
| <i>Movement in employee share plan swaps reserve<sup>(ii)</sup></i>                                                                                                           |                        |                        |
| – Loss on employee share plan swaps                                                                                                                                           | –                      | (0.8)                  |
| <b>Total comprehensive income for the period</b>                                                                                                                              | <b>2,586.5</b>         | 7,252.7                |
| <b>Total comprehensive income attributable to:</b>                                                                                                                            |                        |                        |
| – Members of Scentre Group                                                                                                                                                    | 2,564.6                | 7,212.5                |
| – External non controlling interests                                                                                                                                          | 21.9                   | 40.2                   |
| <b>Total comprehensive income for the period</b>                                                                                                                              | <b>2,586.5</b>         | 7,252.7                |
| <b>Total comprehensive income attributable to members of Scentre Group analysed by amounts attributable to:</b>                                                               |                        |                        |
| SGL members                                                                                                                                                                   | 185.8                  | 6,486.8                |
| SGT1, SGT2 and SGT3 members (31 December 2014: SGT1, SGT2, SGT3 and WAT members) <sup>(ii)</sup>                                                                              | 2,378.8                | 725.7                  |
| <b>Total comprehensive income attributable to members of Scentre Group</b>                                                                                                    | <b>2,564.6</b>         | 7,212.5                |

<sup>(i)</sup> These items may be subsequently recycled to the profit and loss. In relation to the foreign currency translation reserve, the portion relating to the foreign operations held by SGT1, SGT2 and SGT3 may be recycled to the profit and loss depending on how the foreign operations are sold.

<sup>(ii)</sup> Total comprehensive income attributable to members of SGT1, SGT2 and SGT3 (31 December 2014: SGT1, SGT2, SGT3 and WAT) consists of profit after tax for the period of \$2,521.7 million (31 December 2014: profit after tax of \$492.8 million), realised and unrealised differences on the translation of investment in foreign operations, currency loans and asset hedging derivatives which qualify for hedge accounting of \$12.0 million (31 December 2014: gain of \$232.9 million) and accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of \$130.9 million (31 December 2014: nil).

# Balance Sheet

AS AT 31 DECEMBER 2015

|                                                                                             | Note  | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|---------------------------------------------------------------------------------------------|-------|------------------------|------------------------|
| <b>Current assets</b>                                                                       |       |                        |                        |
| Cash and cash equivalents                                                                   | 12(a) | 142.7                  | 189.0                  |
| Trade debtors                                                                               |       | 25.4                   | 17.3                   |
| Derivative assets                                                                           | 13    | 0.7                    | 1.8                    |
| Receivables                                                                                 |       | 205.0                  | 168.2                  |
| Investment properties                                                                       | 14    | 417.3                  | 1,004.5                |
| Other current assets                                                                        |       | 41.5                   | 43.4                   |
| <b>Total current assets</b>                                                                 |       | <b>832.6</b>           | <b>1,424.2</b>         |
| <b>Non current assets</b>                                                                   |       |                        |                        |
| Investment properties                                                                       | 14    | 27,655.0               | 28,002.8               |
| Equity accounted investments                                                                | 16(b) | 2,332.7                | 1,286.9                |
| Derivative assets                                                                           | 13    | 787.8                  | 446.9                  |
| Plant and equipment                                                                         |       | 22.9                   | 28.5                   |
| Deferred tax assets                                                                         | 9(b)  | 82.6                   | 97.9                   |
| Other non current assets                                                                    |       | 127.7                  | 124.6                  |
| <b>Total non current assets</b>                                                             |       | <b>31,008.7</b>        | <b>29,987.6</b>        |
| <b>Total assets</b>                                                                         |       | <b>31,841.3</b>        | <b>31,411.8</b>        |
| <b>Current liabilities</b>                                                                  |       |                        |                        |
| Trade creditors                                                                             |       | 233.3                  | 255.0                  |
| Payables and other creditors                                                                |       | 901.8                  | 862.4                  |
| Interest bearing liabilities                                                                | 17    | 1,713.1                | 579.8                  |
| Other financial liabilities                                                                 | 18    | 1,154.9                | –                      |
| Tax payable                                                                                 |       | 43.2                   | 11.8                   |
| Derivative liabilities                                                                      | 19    | 18.9                   | 2.2                    |
| <b>Total current liabilities</b>                                                            |       | <b>4,065.2</b>         | <b>1,711.2</b>         |
| <b>Non current liabilities</b>                                                              |       |                        |                        |
| Payables and other creditors                                                                |       | 37.1                   | 52.0                   |
| Interest bearing liabilities                                                                | 17    | 9,429.6                | 11,371.9               |
| Other financial liabilities                                                                 | 18    | –                      | 1,409.1                |
| Deferred tax liabilities                                                                    | 9(c)  | 179.9                  | 313.9                  |
| Derivative liabilities                                                                      | 19    | 223.3                  | 124.9                  |
| <b>Total non current liabilities</b>                                                        |       | <b>9,869.9</b>         | <b>13,271.8</b>        |
| <b>Total liabilities</b>                                                                    |       | <b>13,935.1</b>        | <b>14,983.0</b>        |
| <b>Net assets</b>                                                                           |       | <b>17,906.2</b>        | <b>16,428.8</b>        |
| <b>Equity attributable to members of SGL</b>                                                |       |                        |                        |
| Contributed equity                                                                          | 20(b) | 674.4                  | 674.4                  |
| Reserves                                                                                    | 21    | 21.1                   | 20.4                   |
| Retained profits                                                                            | 22    | 40.4                   | 5.7                    |
| <b>Total equity attributable to members of SGL</b>                                          |       | <b>735.9</b>           | <b>700.5</b>           |
| <b>Equity attributable to SGT1, SGT2 and SGT3 members</b>                                   |       |                        |                        |
| Contributed equity                                                                          | 20(b) | 9,820.8                | 9,820.8                |
| Reserves                                                                                    | 21    | 116.3                  | 259.2                  |
| Retained profits                                                                            | 22    | 6,966.6                | 5,390.4                |
| <b>Total equity attributable to SGT1, SGT2 and SGT3 members</b>                             |       | <b>16,903.7</b>        | <b>15,470.4</b>        |
| <b>Equity attributable to external non controlling interests</b>                            |       |                        |                        |
| Contributed equity                                                                          |       | 94.0                   | 94.0                   |
| Retained profits                                                                            |       | 172.6                  | 163.9                  |
| <b>Total equity attributable to external non controlling interests</b>                      |       | <b>266.6</b>           | <b>257.9</b>           |
| <b>Total equity</b>                                                                         |       | <b>17,906.2</b>        | <b>16,428.8</b>        |
| <b>Equity attributable to members of Scentre Group analysed by amounts attributable to:</b> |       |                        |                        |
| SGL members                                                                                 |       | 735.9                  | 700.5                  |
| SGT1, SGT2 and SGT3 members                                                                 |       | 16,903.7               | 15,470.4               |
| <b>Total equity attributable to members of Scentre Group</b>                                |       | <b>17,639.6</b>        | <b>16,170.9</b>        |

# Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2015

|                                                                                                   | Note        | Contributed<br>Equity<br>\$million | Reserves<br>\$million | Retained<br>Profits<br>\$million | 31 Dec 15<br>Total<br>\$million | Contributed<br>Equity<br>\$million | Reserves<br>\$million | Retained<br>Profits<br>\$million | 31 Dec 14<br>Total<br>\$million |
|---------------------------------------------------------------------------------------------------|-------------|------------------------------------|-----------------------|----------------------------------|---------------------------------|------------------------------------|-----------------------|----------------------------------|---------------------------------|
| <b>Changes in equity attributable to members of Scentre Group</b>                                 |             |                                    |                       |                                  |                                 |                                    |                       |                                  |                                 |
| Balance at the beginning of the period                                                            |             | 10,495.2                           | 279.6                 | 5,396.1                          | <b>16,170.9</b>                 | 14,739.4                           | (407.4)               | 779.5                            | 15,111.5                        |
| – Profit after tax for the period <sup>(i)</sup>                                                  |             | –                                  | –                     | 2,707.8                          | <b>2,707.8</b>                  | –                                  | –                     | 6,586.3                          | 6,586.3                         |
| – Other comprehensive income <sup>(ii) (iii)</sup>                                                |             | –                                  | (143.2)               | –                                | <b>(143.2)</b>                  | –                                  | 626.2                 | –                                | 626.2                           |
| Transactions with owners in their capacity as owners:                                             |             |                                    |                       |                                  |                                 |                                    |                       |                                  |                                 |
| – Business combination with Westfield Retail Trust <sup>(iv)</sup>                                | 3,20, 21,22 | –                                  | –                     | –                                | –                               | 8,170.0                            | 106.8                 | 1,056.1                          | 9,332.9                         |
| – Capital distribution to Westfield Corporation <sup>(iii) (iv)</sup>                             | 20          | –                                  | –                     | –                                | –                               | (12,413.9)                         | –                     | –                                | (12,413.9)                      |
| – Market value adjustment on distribution of net assets to Westfield Corporation <sup>(iii)</sup> | 10,22       | –                                  | –                     | –                                | –                               | –                                  | –                     | (6,605.9)                        | (6,605.9)                       |
| – Retained earnings attributable to Westfield Corporation <sup>(iii)</sup>                        | 22          | –                                  | –                     | –                                | –                               | –                                  | –                     | 4,654.0                          | 4,654.0                         |
| – Issuance of securities and the Restructure and Merger adjustment                                | 20          | –                                  | –                     | –                                | –                               | 2.5                                | –                     | –                                | 2.5                             |
| – Transfer of residual balance of exercised rights from the employee share plan benefits reserve  | 20          | –                                  | –                     | –                                | –                               | (2.8)                              | –                     | –                                | (2.8)                           |
| – Movement in employee share plan benefits reserve <sup>(i)</sup>                                 | 21          | –                                  | 1.0                   | –                                | <b>1.0</b>                      | –                                  | (0.5)                 | –                                | (0.5)                           |
| – Transfer of employee share plan benefits reserve to Westfield Corporation <sup>(iii)</sup>      | 21          | –                                  | –                     | –                                | –                               | –                                  | (45.5)                | –                                | (45.5)                          |
| – Dividend/distribution paid or provided for                                                      |             | –                                  | –                     | (1,096.9)                        | <b>(1,096.9)</b>                | –                                  | –                     | (1,073.9)                        | (1,073.9)                       |
| <b>Closing balance of equity attributable to members of Scentre Group</b>                         |             | <b>10,495.2</b>                    | <b>137.4</b>          | <b>7,007.0</b>                   | <b>17,639.6</b>                 | <b>10,495.2</b>                    | <b>279.6</b>          | <b>5,396.1</b>                   | <b>16,170.9</b>                 |
| <b>Changes in equity attributable to external non controlling interests</b>                       |             |                                    |                       |                                  |                                 |                                    |                       |                                  |                                 |
| Balance at the beginning of the period                                                            |             | 94.0                               | –                     | 163.9                            | <b>257.9</b>                    | 94.0                               | –                     | 135.2                            | 229.2                           |
| Profit after tax for the period attributable to external non controlling interests <sup>(i)</sup> |             | –                                  | –                     | 21.9                             | <b>21.9</b>                     | –                                  | –                     | 40.2                             | 40.2                            |
| Dividend/distribution paid or provided for                                                        |             | –                                  | –                     | (13.2)                           | <b>(13.2)</b>                   | –                                  | –                     | (11.5)                           | (11.5)                          |
| <b>Closing balance of equity attributable to external non controlling interests</b>               |             | <b>94.0</b>                        | <b>–</b>              | <b>172.6</b>                     | <b>266.6</b>                    | <b>94.0</b>                        | <b>–</b>              | <b>163.9</b>                     | <b>257.9</b>                    |
| <b>Total equity</b>                                                                               |             | <b>10,589.2</b>                    | <b>137.4</b>          | <b>7,179.6</b>                   | <b>17,906.2</b>                 | <b>10,589.2</b>                    | <b>279.6</b>          | <b>5,560.0</b>                   | <b>16,428.8</b>                 |
| <b>Closing balance of equity attributable to:</b>                                                 |             |                                    |                       |                                  |                                 |                                    |                       |                                  |                                 |
| – SGL members                                                                                     |             | 674.4                              | 21.1                  | 40.4                             | <b>735.9</b>                    | 674.4                              | 20.4                  | 5.7                              | 700.5                           |
| – SGT1, SGT2 and SGT3 members                                                                     |             | 9,820.8                            | 116.3                 | 6,966.6                          | <b>16,903.7</b>                 | 9,820.8                            | 259.2                 | 5,390.4                          | 15,470.4                        |
| <b>Closing balance of equity attributable to members of Scentre Group</b>                         |             | <b>10,495.2</b>                    | <b>137.4</b>          | <b>7,007.0</b>                   | <b>17,639.6</b>                 | <b>10,495.2</b>                    | <b>279.6</b>          | <b>5,396.1</b>                   | <b>16,170.9</b>                 |

<sup>(i)</sup> Total comprehensive income for the period amounts to a gain of \$2,586.5 million (31 December 2014: \$7,252.7 million).

<sup>(ii)</sup> Movement in reserves attributable to members of SGT1, SGT2 and SGT3 (31 December 2014: SGT1, SGT2, SGT3 and WAT) comprises realised and unrealised differences on the translation of investment in foreign operations, currency loans and asset hedging derivatives which qualify for hedge accounting of \$12.0 million (31 December 2014: gain of \$232.9 million), accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of \$130.9 million (31 December 2014: nil), net credit of accumulated exchange differences arising from the business combination with Westfield Retail Trust of nil (31 December 2014: \$106.8 million) and movements in employee share plan benefits reserve of nil (31 December 2014: net debit of \$59.6 million).

<sup>(iii)</sup> For the year ended 31 December 2014, the net assets distributed to Westfield Corporation amounted to \$7,805.4 million of which \$12,413.9 million has been charged to contributed equity, \$45.5 million has been charged to employee share plan benefits reserve and \$4,654.0 million retained earnings has been credited to retained profits. The market value adjustments on distribution of net assets of \$6,605.9 million represents the difference between the market value and the book value of net assets distributed to Westfield Corporation. The market value of \$14.4 billion is calculated by reference to the weighted average price of \$6.93 on the first day of trading multiplied by 2,078,089,686 number of securities on issue.

<sup>(iv)</sup> For the year ended 31 December 2014, this includes a capital reduction of \$1,037.0 million in relation to the in-specie distribution of the shares in Westfield Corporation Limited by Westfield Holdings Limited (now Scentre Group Limited).

# Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2015

Cash flows for the year ended 31 December 2015 comprise the cash flows of Scentre Group's Australian and New Zealand operations following the Restructure and Merger implemented on 30 June 2014. The cash flows for the year ended 31 December 2014 comprise the cash flows of the former Westfield Group for the six months ended 30 June 2014 and the cash flows of Scentre Group for the six months ended 31 December 2014.

|                                                                                                      | Note  | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|------------------------------------------------------------------------------------------------------|-------|------------------------|------------------------|
| <b>Cash flows from operating activities</b>                                                          |       |                        |                        |
| Receipts in the course of operations (including sales tax)                                           |       | 3,087.9                | 2,915.5                |
| Payments in the course of operations (including sales tax)                                           |       | (1,121.3)              | (1,149.8)              |
| Settlement of income hedging currency derivatives                                                    |       | –                      | 5.9                    |
| Dividends/distributions received from equity accounted investments                                   |       | 86.8                   | 405.6                  |
| Income and withholding taxes paid                                                                    |       | (53.9)                 | (139.2)                |
| Sales tax paid                                                                                       |       | (227.6)                | (153.4)                |
| <b>Net cash flows from operating activities</b>                                                      | 12(b) | <b>1,771.9</b>         | <b>1,884.6</b>         |
| <b>Cash flows from investing activities</b>                                                          |       |                        |                        |
| Capital expenditure on property investments – consolidated                                           |       | (563.0)                | (673.5)                |
| Capital expenditure on property investments – equity accounted                                       |       | –                      | (158.4)                |
| Acquisition of property investments – consolidated                                                   |       | –                      | (699.7)                |
| Proceeds from the disposition of property investments – consolidated                                 |       | 1,870.7                | 1,370.6                |
| Tax paid on disposition of property investments                                                      |       | –                      | (57.8)                 |
| Net outflows for investments in equity accounted entities                                            |       | (3.2)                  | –                      |
| Purchase of plant & equipment                                                                        |       | (16.0)                 | (19.6)                 |
| Financing costs capitalised to qualifying development projects and construction in progress          |       | (12.5)                 | (57.3)                 |
| Settlement of asset hedging currency derivatives                                                     |       | –                      | (4.5)                  |
| Cash held by entities sold during the year                                                           |       | (0.1)                  | –                      |
| Cash held by entities of Westfield Corporation deconsolidated during the year                        | 3(c)  | –                      | (347.1)                |
| Cash held by entities of SGT2 and SGT3 consolidated during the year                                  | 3(b)  | –                      | 31.1                   |
| Cash reclassified from/(to) equity accounted to/(from) consolidated <sup>(i)</sup>                   |       | (0.1)                  | 9.6                    |
| <b>Net cash flows from/(used in) investing activities</b>                                            |       | <b>1,275.8</b>         | <b>(606.6)</b>         |
| <b>Cash flows used in financing activities</b>                                                       |       |                        |                        |
| Net repayment of interest bearing liabilities and other financial liabilities                        |       | (1,401.8)              | (546.0)                |
| Payments of financing costs (excluding interest capitalised)                                         |       |                        |                        |
| – normal course of operations                                                                        |       | (590.6)                | (558.5)                |
| – accelerated upon repayment of bonds and facilities on implementation of the Restructure and Merger |       | –                      | (130.3)                |
| Interest received                                                                                    |       | 7.9                    | 28.3                   |
| Dividends/distributions paid                                                                         |       | (1,096.9)              | (941.1)                |
| Dividends/distributions paid by controlled entities to non controlling interests                     |       | (12.2)                 | (11.5)                 |
| Charges and credits in respect of the Restructure and Merger                                         |       |                        |                        |
| – Drawdown from bridging facilities                                                                  |       | –                      | 11,448.3               |
| – Repayment of bonds and banking facilities                                                          |       | –                      | (10,145.6)             |
| – Refinancing costs                                                                                  |       | –                      | (1,185.6)              |
| – Transaction costs                                                                                  |       | –                      | (89.4)                 |
| – Issuance of securities                                                                             |       | –                      | 3.0                    |
| – Stapling distributions                                                                             |       | –                      | (2.8)                  |
| – Payment to Westfield Corporation                                                                   |       | –                      | (69.3)                 |
| <b>Net cash flows used in financing activities</b>                                                   |       | <b>(3,093.6)</b>       | <b>(2,200.5)</b>       |
| Net decrease in cash and cash equivalents held                                                       |       | (45.9)                 | (922.5)                |
| Add opening cash and cash equivalents brought forward                                                |       | 189.0                  | 1,153.0                |
| Effects of exchange rate changes on opening cash and cash equivalents brought forward                |       | (0.4)                  | (41.5)                 |
| <b>Cash and cash equivalents at the end of the period<sup>(ii) (iii)</sup></b>                       | 12(a) | <b>142.7</b>           | <b>189.0</b>           |

<sup>(i)</sup> In the year ended 31 December 2015, certain investments in New Zealand have been reclassified from consolidated to equity accounted following the sale of 49% interest in these entities. In the year ended 31 December 2014, certain equity accounted investments have been classified as consolidated due to Scentre Group having ownership of 50% or greater following the acquisition of SGT2 and SGT3.

<sup>(ii)</sup> Cash and cash equivalents comprise cash of \$142.7 million (31 December 2014: \$189.0 million) net of bank overdraft of nil (31 December 2014: nil).

<sup>(iii)</sup> The cash flows for the year ended 31 December 2014 include the following net cash flow from discontinued operations:

|                         | \$million      |
|-------------------------|----------------|
| Operating activities    | 382.4          |
| Investing activities    | 269.0          |
| Financing activities    | (1,226.0)      |
| <b>Net cash outflow</b> | <b>(574.6)</b> |

Details of the net assets distributed to Westfield Corporation on implementation of the Restructure and Merger are set out in Note 3(c). Details of the net assets acquired upon gaining control of SGT2 and SGT3 on the implementation of the Restructure and Merger are set out in Note 3(b).

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# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

## NOTE 1 BASIS OF PREPARATION OF THE FINANCIAL REPORT

### (a) Corporate information

This financial report of Scentre Group (Group), comprising Scentre Group Limited (Parent Company) and its controlled entities, for the year ended 31 December 2015 was approved in accordance with a resolution of the Board of Directors of the Parent Company on 23 February 2016.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

### (b) Statement of Compliance

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board. The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new or amended standards which became applicable on 1 January 2015.

- AASB 2014-1 Part A Annual Improvements to IFRS 2010-2012 Cycle; and
- AASB 2014-1 Part A Annual Improvements to IFRS 2011-2013 Cycle;

For the financial period, the adoption of these amended standards had no material impact on the financial statements of the Group.

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 31 December 2015. The impact of these new standards (to the extent relevant to the Group) and interpretations is as follows:

- AASB 9 Financial Instruments (effective from 1 January 2018)

This standard includes requirements to improve and simplify the approach for classification and measurement, impairment and hedge accounting of financial instruments compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement. The Group is currently assessing the impact of this standard.

- IFRS 15 Revenue from Contracts with Customers (expected to be effective from 1 January 2018)

This standard determines the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The Group is currently assessing the impact of this standard.

- IFRS 16 Leases (effective from 1 January 2019)

This standard contains requirements about lease classification and recognition, measurement and presentation and disclosures of leases for lessees and lessors. The Group is currently assessing the impact of this standard.

In addition to the above, further amendments to accounting standards have been proposed as a result of the revision of related standards and the Annual Improvement Projects (for non-urgent changes). These amendments are set out below:

- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (effective from 1 January 2016)
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective from 1 January 2016)
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (effective from 1 January 2016)
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (effective from 1 January 2016)
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality (effective from 1 July 2015)

These recently issued or amended standards are not expected to have a significant impact on the amounts recognised in these financial statements when they are restated on application of these new accounting standards.

### (c) Basis of Accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 (Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for investment properties, investment properties within equity accounted investments, derivative financial instruments, financial assets at fair value through profit and loss and other financial liabilities. The carrying values of recognised assets and liabilities that are hedged with fair value hedges and are otherwise carried at cost are adjusted to record changes in the fair values attributable to the risks that are being hedged.

### (d) Significant accounting judgements, estimates and assumptions

The preparation of the financial report requires management to make judgements, estimates and assumptions. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements, in particular, Note 2: Summary of significant accounting policies, Note 14: Investment Properties, Note 15: Details of shopping centre investments and Note 37: Fair value of financial assets and liabilities. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the Group's financial results or its financial position in future periods.

### (e) Comparative information

Where applicable, certain comparative figures are restated in order to comply with the current period's presentation of the financial statements.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Accounting for the Group

Scentre Group was established through the Restructure and Merger which took place on 30 June 2014. The securities of Scentre Group trade as one security on the Australian Securities Exchange (ASX) under the code SCG. The stapling transaction is referred to as the "Merger".

The Parent Company previously controlled Scentre Group Trust 1 (SGT1) as a result of the stapling transaction creating Westfield Group on 2 July 2004. The Parent Company continues to control SGT1 post Merger and accordingly the net assets and results of SGT1 continue to be consolidated by the Parent Company. As a result of the Merger, the Parent Company for accounting purposes gained control of Scentre Group Trust 2 (SGT2) and Scentre Group Trust 3 (SGT3) and has consolidated SGT2 and SGT3 from 30 June 2014.

This financial report has been prepared based upon a business combination by the Parent Company of SGT1, SGT2 and SGT3 and in recognition of the fact that the securities issued by the Parent Company, SGT1, SGT2 and SGT3 have been stapled and cannot be traded separately.

### (b) Consolidation and classification

The consolidated financial report comprises the financial statements and notes to the financial statements of the Parent Company, and each of its controlled entities which includes SGT1, SGT2 and SGT3 as from the date the Parent Company obtained control and until such time control ceased. The Parent Company and Subsidiaries are collectively referred to as the economic entity known as the Group. Where entities adopt accounting policies which differ from those of the Parent Company, adjustments have been made so as to achieve consistency within the Group.

In preparing the consolidated financial statements all inter-entity transactions and balances, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Consolidation and classification (continued)

#### i) Synchronisation of Financial Year

By an order dated 27 June 2005, made by the Australian Securities and Investments Commission (ASIC) pursuant to subsection 340(1) of the Act, the Directors of the Parent Company have been relieved from compliance with subsection 323D(3) of the Act insofar as that subsection requires them to ensure the financial year of the controlled entity Carindale Property Trust (CPT), coincides with the financial year of the Parent Company.

Notwithstanding that the financial year of CPT ends on 30 June, the consolidated financial statements have been prepared so as to include the accounts for a period coinciding with the financial year of the Parent Company being 31 December.

#### ii) Joint arrangements

##### Joint operations

The Group has significant co-ownership interests in a number of properties through unincorporated joint ventures. These interests are held directly and jointly as tenants in common. The Group has the rights to the individual assets and obligations arising from these interests and recognises their share of the net assets, liabilities, revenues and expenses of the operation.

##### Joint ventures

The Group has significant co-ownership interests in a number of properties through property partnerships or trusts. These joint ventures are accounted for using the equity method of accounting.

The Group and its joint ventures use consistent accounting policies. Investments in joint ventures are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The consolidated income statement reflects the Group's share of the results of operations of the joint ventures.

#### iii) Controlled entities

Where an entity either began or ceased to be a controlled entity during the reporting period, the results are included only from the date control commenced or up to the date control ceased. Non controlling interests are shown as a separate item in the consolidated financial statements.

### (c) Investment properties

The Group's investment properties include shopping centre investments, development projects and construction in progress.

The Group's shopping centre investment properties represent completed centres comprising freehold and leasehold land, buildings and leasehold improvements.

Land and buildings are considered as having the function of an investment and therefore are regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than by the diminution in value of the building content due to effluxion of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Initially, shopping centre investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the Group's portfolio of shopping centre investment properties are stated at fair value. Gains and losses arising from changes in the fair values of shopping centre investment properties are included in the income statement in the year in which they arise. Any gains or losses on the sale of an investment property are recognised in the income statement in the year of sale.

At each reporting date, the carrying value of the portfolio of shopping centre investment properties is assessed by the Directors and where the carrying value differs materially from the Directors' assessment of fair value, an adjustment to the carrying value is recorded as appropriate.

The Group's development projects and construction in progress include costs incurred for the current and future redevelopment and expansion of new and existing shopping centre investments, and are classified as inventories when intended for sale to third parties. Development projects and construction in progress include capitalised construction and development costs, payments and advances to contractors and where applicable, borrowing costs incurred on qualifying developments.

Refer to Notes 14 and 15 for further details on the methods and assumptions used in assessing the fair value of shopping centre investments, development projects and construction in progress, the capitalisation rate for each shopping centre investment and the list of independent valuers appointed by the Group to carry out property appraisals for the current financial year.

### (d) Foreign currencies

#### i) Translation of foreign currency transactions

The functional and presentation currencies of the Parent Company and its Australian subsidiaries is Australian dollars. The functional currency of the United States entities is United States dollars, of United Kingdom entities is British pounds and of New Zealand entities is New Zealand dollars. The presentation currency of the overseas entities is Australian dollars to enable the consolidated financial statements of the Group to be reported in a common currency.

Foreign currency transactions are converted to Australian dollars at exchange rates ruling at the date of those transactions. Amounts payable and receivable in foreign currency at balance date are translated to Australian dollars at exchange rates ruling at that date. Exchange differences arising from amounts payable and receivable are treated as operating revenue or expense in the period in which they arise, except as noted below.

#### ii) Translation of accounts of foreign operations

The balance sheets of foreign subsidiaries and equity accounted investments are translated at exchange rates ruling at balance date and the income statement of foreign subsidiaries and equity accounted investments are translated at average exchange rates for the period. Exchange differences arising on translation of the interests in foreign operations and equity accounted investments are taken directly to the foreign currency translation reserve. On consolidation, exchange differences and the related tax effect on foreign currency loans and currency derivatives denominated in foreign currencies, which hedge net investments in foreign operations and equity accounted investments are taken directly to the foreign currency translation reserve.

### (e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured. Rental income from investment properties is accounted for on a straight line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned. If not received at balance date, revenue is reflected in the balance sheet as a receivable and carried at its recoverable amount. Recoveries from tenants are recognised as income in the year the applicable costs are accrued.

Revenue from property management is recognised on an accruals basis, in accordance with the terms of the relevant management contracts.

Certain tenant allowances that are classified as lease incentives are recorded as part of investment properties and amortised over the term of the lease. The amortisation is recorded against property income.

Revenue is recognised from the sale of properties when the significant risks and rewards have transferred to the buyer. This will normally take place on unconditional exchange of contracts except where payment or completion is expected to occur significantly after exchange. For conditional exchanges, sales are recognised when these conditions are satisfied.

Revenue for development and construction projects carried out for third parties is recognised on a percentage of completion basis as construction progresses. The percentage of completion is assessed by reference to the stage of completion of the project based on the proportion of contract costs incurred to date and the estimated costs to complete. Where a property is under development and agreement has been reached to sell the property when construction is complete, consideration is given as to whether the contract comprises a development and construction project or a contract for the sale of a completed property. Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Where the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, revenue is recognised on a percentage of completion basis as construction progresses.

All other revenues are recognised on an accruals basis.

## **NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(f) Taxation**

The Group comprises taxable and non taxable entities. A liability for current and deferred taxation and tax expense is only recognised in respect of taxable entities that are subject to income and potential capital gains tax as detailed below:

#### ***i) SGT1, SGT2 and SGT3***

Under current Australian income tax legislation SGT1 and SGT2 are not liable to Australian income tax, including capital gains tax, provided that members are presently entitled to the income of each Trust as determined in accordance with its constitution. SGT1 and SGT2's New Zealand entities are subject to New Zealand tax on their net earnings. Dividends paid by those entities to SGT1 and SGT2 may be subjected to New Zealand dividend withholding tax.

Under current Australian income tax legislation, holders of the stapled securities of the Group may be entitled to receive a foreign income tax offset for New Zealand withholding tax deducted from dividends paid by SGT1 and SGT2's New Zealand controlled entities to SGT1 and SGT2.

SGT3 is treated as a company for Australian tax purposes.

#### ***ii) WAT (for the six months to 30 June 2014 only)***

Under current Australian income tax legislation, WAT is not liable to Australian income tax, including capital gains tax, provided that members are presently entitled to the income of the Trust as determined in accordance with WAT's constitution.

Westfield America, Inc. (WEA), is a Real Estate Investment Trust (REIT) for United States income tax purposes. To maintain its REIT status, WEA is required to distribute at least 90% of its taxable income to shareholders and meet certain asset and income tests as well as certain other requirements. As a REIT, WEA will generally not be liable for federal and state income taxes in the United States, provided it satisfies the necessary requirements and distributes 100% of its taxable income to its shareholders. Dividends paid by WEA to WAT are subject to United States dividend withholding tax.

Under current Australian income tax legislation, holders of the stapled securities of the Group may be entitled to receive a foreign income tax offset for United States withholding tax deducted from dividends paid to WAT by WEA.

#### ***iii) Deferred tax***

Deferred tax is provided on all temporary differences at the balance sheet date on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is disposed of at book value, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes related to items recognised directly in equity are recognised in equity and not in the income statement.

#### ***iv) Parent Company – tax consolidation***

The Parent Company and its Australian resident wholly owned subsidiaries have formed a Tax Consolidated Group. The Parent Company has entered into tax funding arrangements with its Australian resident wholly owned subsidiaries, so that each subsidiary has agreed to pay or receive a tax equivalent amount to or from the Parent Company based on the net taxable amount or loss of the subsidiary at the current tax rate. The Tax Consolidated Group has applied the modified separate tax payer approach in determining the appropriate amount of current taxes to allocate.

### **(g) Expenses**

Expenses are brought to account on an accruals basis.

### **(h) Goodwill**

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised.

### **(i) Sales Tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on purchase of goods and services is not recoverable from the tax authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amounts of sales tax included.

The net amount of sales tax payable or receivable to government authorities is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the sales tax component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flow.

Commitments and contingencies are disclosed net of the amount of sales tax recoverable from, or payable to, the taxation authority.

### **(j) Financing costs**

Financing costs include interest, amortisation of discounts or premiums relating to borrowings and other costs incurred in connection with the arrangement of borrowings. Financing costs are expensed as incurred unless they relate to a qualifying asset. A qualifying asset is an asset which generally takes more than 12 months to get ready for its intended use or sale. In these circumstances, the financing costs are capitalised to the cost of the asset. Where funds are borrowed by the Group for the acquisition or construction of a qualifying asset, the financing costs are capitalised.

Refer to Note 2(l) for other items included in financing costs.

### **(k) Contributed equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary securities are recognised directly in equity as a reduction of the proceeds received.

### **(l) Derivative and other financial instruments**

The Group utilises derivative financial instruments, including forward exchange contracts, currency and interest rate options and currency and interest rate swaps to manage the risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are recognised at fair value.

The Group has set defined policies and implemented a comprehensive hedging program to manage interest and exchange rate risks. Derivative instruments are transacted to achieve the economic outcomes in line with the Group's treasury policy and hedging program. Derivative instruments are not transacted for speculative purposes. Accounting standards require compliance with documentation, designation and effectiveness parameters before a derivative financial instrument is deemed to qualify for hedge accounting treatment. These documentation, designation and effectiveness requirements cannot be met in all circumstances. As a result, derivative instruments, other than currency derivatives that hedge net investments in foreign operations, and hedges of share based payments, are deemed not to qualify for hedge accounting and are recorded at fair value. Gains or losses arising from the movement in fair values are recorded in the income statement.

The fair value of derivatives has been determined with reference to market observable inputs for contracts with similar maturity profiles. The valuation is a present value calculation which incorporates interest rate curves, foreign exchange spot and forward rates, option volatilities and the credit quality of all counterparties.

Gains or losses arising on the movements in the fair value of currency derivatives which hedge net investments in foreign operations are recognised in the foreign currency translation reserve. Where a currency derivative, or portion thereof, is deemed an ineffective hedge for accounting purposes, gains or losses thereon are recognised in the income statement. On disposal of a net investment in foreign operations, the cumulative gains or losses recognised previously in the foreign currency translation reserve are transferred to the income statement.

The accounting policies adopted in relation to material financial instruments are detailed as follows:

#### ***i) Financial assets***

##### ***Cash and cash equivalents***

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short term deposits with an original maturity of 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and at bank, short term money market deposits and bank accepted bills of exchange readily converted to cash, net of bank overdrafts and short term loans. Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Derivative and other financial instruments (continued)

#### i) Financial assets (continued)

##### Receivables

Trade and sundry debtors are carried at original invoice amount, less provision for doubtful debts, and are usually due within 30 days. Collectability of trade and sundry debtors is reviewed on an ongoing basis. Individual debts that are determined to be uncollectible are written off when identified. An impairment provision for doubtful debts is recognised when there is evidence that the Group will not be able to collect the receivable.

#### ii) Financial liabilities

##### Payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days.

##### Interest bearing liabilities

Interest bearing liabilities are recognised initially at the fair value of the consideration received less any directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are recorded at amortised cost using the effective interest rate method.

Interest bearing liabilities are classified as current liabilities where the liability has been drawn under a financing facility which expires within one year. Amounts drawn under financing facilities which expire after one year are classified as non current.

Financing costs for interest bearing liabilities are recognised as an expense on an accruals basis.

The fair value of the Group's interest bearing borrowings as disclosed in Note 37 are determined as follows:

- Fair value of quoted notes and bonds is based on price quotations at the reporting date.
- The fair value of unquoted instruments, loans from banks, finance leases and other non current financial liabilities is estimated by discounting future cash flows using rates that approximate the Group's borrowing rate at the balance date, for debt with similar maturity, credit risk and terms.

##### Other financial liabilities

Other financial liabilities pertain to property linked notes. Where there is a minimum distribution entitlement and/or the redemption terms include the settlement for cash on redemption, the instrument is classified as a financial liability and is designated as fair value through the income statement.

The fair value of property linked notes is determined by reference to the fair value of the underlying linked property investments.

### (m) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of the impairment exists, the Group makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

### (n) Earnings per security

Basic earnings per security is calculated as net profit attributable to members divided by the weighted average number of ordinary securities. Diluted earnings per security is calculated as net profit attributable to members adjusted for any profit recognised in the period in relation to dilutive potential ordinary shares divided by the weighted average number of ordinary securities and dilutive potential ordinary securities.

### (o) Distribution of non cash assets

Distribution of non cash assets are recorded at market value in the financial statements. The market value of net assets distributed is charged to contributed equity, reserves and retained profits. The difference between the carrying amount and the market value of the assets at the time of the distribution is recognised in the income statement on the date of settlement.

### (p) Rounding

In accordance with ASIC Class Order 98/0100, the amounts shown in the financial report have been rounded to the nearest tenth of a million dollars, unless otherwise indicated. Amounts shown as 0.0 represent amounts less than \$50,000 that have been rounded down.

## NOTE 3 DETAILS OF THE RESTRUCTURE AND MERGER

### (a) Background

On 30 June 2014, the Westfield Group implemented the restructure of the Group (Restructure and Merger), under which Westfield Group's Australian and New Zealand business including its vertically integrated retail operating platform, held through Westfield Holdings Limited and Westfield Trust, was separated from the Westfield Group's international business and merged with Westfield Retail Trust to create two new listed groups:

- (i) Scentre Group – comprising the merged Australian and New Zealand business of Westfield Group and Westfield Retail Trust; and
- (ii) Westfield Corporation – comprising Westfield Group's international business.

The Restructure and Merger was approved by Westfield Group securityholders on 29 May 2014, Westfield Retail Trust securityholders on 20 June 2014 and by the Supreme Court of New South Wales on 23 June 2014.

The Restructure and Merger was implemented in three main stages:

- A restructure stage, where Westfield Group's international business was transferred to Westfield Corporation Limited and WFD Trust, and shares in Westfield Corporation Limited and units in WFD Trust were distributed in-specie to Westfield Group securityholders and stapled to Westfield Group;
- A destapling stage, where the shares in Westfield Holdings Limited and the units in Westfield Trust were each destapled from the Westfield Group and from each other resulting in the formation of Westfield Corporation; and
- A merger stage, where the shares in Westfield Holdings Limited and the units in Westfield Trust were stapled to the units in each of Westfield Retail Trust 1 and Westfield Retail Trust 2, resulting in the formation of Scentre Group.

Westfield Holdings Limited, Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 were renamed as Scentre Group Limited, Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2) and Scentre Group Trust 3 (SGT3) respectively.

#### Accounting for Scentre Group

As a result of the Merger, the Parent Company for accounting purposes, gained control of SGT2 and SGT3 and has consolidated SGT2 and SGT3 from 30 June 2014. Accordingly, this transaction is accounted for as a business combination by consolidating the fair value of the net assets of SGT2 and SGT3 on 30 June 2014 and the results of SGT2 and SGT3 from 30 June 2014.

Refer to (b) for further details regarding the business combination with Westfield Retail Trust.

#### Accounting for the establishment of Westfield Corporation and discontinued operations

As noted above, as part of the Restructure and Merger, Westfield Group's international business was transferred to Westfield Corporation Limited and WFD Trust, and shares in Westfield Corporation Limited and units in WFD Trust were distributed in-specie to Westfield Group securityholders and stapled to Westfield Group. Westfield Group's Australian and New Zealand business operations were then merged with those of Westfield Retail Trust.

Accordingly, as a result of implementation of the Restructure and Merger on 30 June 2014, the Parent Company has ceased to consolidate the international business.

The results of Westfield Group's international business for the year ended 31 December 2014 are presented as discontinued operations within this financial report.

Refer to (c) for further details regarding the discontinued operations.

### NOTE 3 DETAILS OF THE RESTRUCTURE AND MERGER (CONTINUED)

#### (b) Acquisition of Westfield Retail Trust on 30 June 2014

As a result of the Restructure and Merger on 30 June 2014, the securities of the Parent Company and SGT1 were stapled with the securities of SGT2 and SGT3 (Westfield Retail Trust) to form Scentre Group. Westfield Retail Trust was a separately listed group which co-owned Westfield Group's Australian and New Zealand property portfolio.

The stapling transaction has been accounted for as a business combination by contract alone. The Parent Company has been identified as the acquirer. No purchase consideration was transferred for the acquisition.

The fair value of the identifiable assets and liabilities of Westfield Retail Trust as at the date of acquisition (30 June 2014) were:

|                                                    | \$million       |
|----------------------------------------------------|-----------------|
| <b>Assets</b>                                      |                 |
| Cash and cash equivalents                          | 31.1            |
| Trade receivables                                  | 7.7             |
| Investment properties                              | 13,599.9        |
| Equity accounted investments <sup>(i)</sup>        |                 |
| – Cash and cash equivalents                        | 0.8             |
| – Investment properties                            | 593.3           |
| – Other assets                                     | 1.3             |
| – Payables and other creditors                     | (3.6)           |
| Derivative assets                                  | 45.6            |
| Other assets                                       | 268.2           |
|                                                    | <b>14,544.3</b> |
| <b>Liabilities</b>                                 |                 |
| Trade creditors                                    | 96.0            |
| Payables and other creditors                       | 456.1           |
| Interest bearing liabilities                       | 4,505.8         |
| Other non current liabilities                      | 153.5           |
|                                                    | <b>5,211.4</b>  |
| <b>Total identifiable net assets at fair value</b> | <b>9,332.9</b>  |

<sup>(i)</sup> Certain equity accounted investments have been classified as consolidated due to Scentre Group having ownership of 50% or greater following the acquisition of SGT2 and SGT3.

The acquisition results in an increase to equity attributable to the securityholders of Scentre Group equivalent to the fair value of net assets acquired. This equity is represented by contributed equity of \$8,170.0 million, reserves of \$106.8 million and retained profits of \$1,056.1 million in the Scentre Group financial report.

The fair value of trade receivables acquired approximates the gross amount of trade receivables acquired. All receivables and payables existing between Westfield Group and Westfield Retail Trust in respect of services provided by Westfield Group were settled prior to acquisition date.

As the business combination occurred on 30 June 2014, the annual financial report includes the acquired assets and liabilities of Westfield Retail Trust at acquisition date, but not its results for the six months ended 30 June 2014. Westfield Retail Trust reported \$268.5 million of revenue and \$433.7 million of profit after tax for the six months ended 30 June 2014.

Charges and credits in respect of the Restructure and Merger are detailed in Note 10.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

## NOTE 3 DETAILS OF THE RESTRUCTURE AND MERGER (CONTINUED)

### (c) Discontinued operations

The results of Westfield Group's international business for the period 1 January 2014 to 30 June 2014 are presented as discontinued operations within this financial report.

Financing costs included in discontinued operations has been compiled from the financing costs included in the legal entities that formed Westfield Group's United States (US) and United Kingdom (UK) operations.

Tax charges including deferred tax in discontinued operations has been compiled from the tax expense included in the legal entities that formed Westfield Group's US and UK operations.

The Restructure and Merger was implemented on 30 June 2014 and the net assets relating to the international business summarised below were distributed to Westfield Corporation. Charges and credits in respect of the Restructure and Merger are detailed in Note 10.

#### (i) Net assets distributed to Westfield Corporation on 30 June 2014

|                                                   | \$million       |
|---------------------------------------------------|-----------------|
| <b>Assets</b>                                     |                 |
| Cash                                              | 347.1           |
| Inventories                                       | 136.8           |
| Shopping centre investments                       | 7,773.2         |
| Development projects and construction in progress | 1,774.3         |
| Equity accounted investments                      | 7,345.0         |
| Other assets                                      | 1,035.3         |
|                                                   | <b>18,411.7</b> |
| <b>Liabilities</b>                                |                 |
| Interest bearing liabilities                      | 5,710.6         |
| Other financial liabilities                       | 208.2           |
| Deferred tax liabilities                          | 3,028.8         |
| Other liabilities                                 | 1,658.7         |
|                                                   | <b>10,606.3</b> |
| <b>Net assets</b>                                 | <b>7,805.4</b>  |

#### (ii) Profit after tax from discontinued operations for the six months ended 30 June 2014

|                                                                                                                                         | \$million      |
|-----------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Revenue                                                                                                                                 | 503.6          |
| Share of after tax profit of equity accounted entities                                                                                  | 520.7          |
| Expenses                                                                                                                                | (420.3)        |
| Net interest expense                                                                                                                    | (157.9)        |
| Revaluation gains                                                                                                                       | 36.2           |
| <b>Profit before tax and charges and credits in respect of the Restructure and Merger for the period from discontinued operations</b>   | <b>482.3</b>   |
| Tax expense                                                                                                                             | (16.4)         |
| <b>Profit after tax before charges and credits in respect of the Restructure and Merger for the period from discontinued operations</b> | <b>465.9</b>   |
| Charges and credits in respect of the Restructure and Merger                                                                            | 4,676.5        |
| <b>Profit after tax for the period from discontinued operations</b>                                                                     | <b>5,142.4</b> |

## NOTE 4 SEGMENT REPORTING

### Results of Scentre Group following the Restructure and Merger implemented on 30 June 2014

The results for the year ended 31 December 2015 comprise the results of the restructured Scentre Group following the Restructure and Merger implemented on 30 June 2014 as described in Note 3.

The results for the year ended 31 December 2014 comprise the earnings of the former Westfield Group (now the restructured Scentre Group) for the six months ended 30 June 2014 (which is not representative of Scentre Group operations) and the results of Scentre Group from 1 July 2014 to 31 December 2014 following the Restructure implemented on 30 June 2014.

Note 4(a) presents the operating segments of Scentre Group's Australian and New Zealand operations for the year ended 31 December 2015.

Note 4(b) presents the operating segments of Scentre Group's Australian and New Zealand operations from 1 July 2014 to 31 December 2014 and includes the results of Westfield Retail Trust following the Restructure and Merger implemented on 30 June 2014.

Note 4(c) presents the operating segments of the former Westfield Group for the six months ended 30 June 2014 (which include the results of the former Westfield Group's international operations but does not include the results of Westfield Retail Trust for that period), and the results of Scentre Group's Australian and New Zealand operations from 1 July 2014 to 31 December 2014 following the Restructure and Merger implemented on 30 June 2014.

### Operating segments

The Group's operational segment comprises the property investment and property and project management segments.

#### (i) Property investments

Property investments segment includes net property income from existing shopping centres and completed developments, and other operational expenses. A geographic analysis of net property investment income is also provided.

#### (ii) Property and project management

Property and project management includes external fee income from third parties, primarily property management and development fees, and associated business expenses.

Transactions such as the change in fair value of financial instruments, impact of currency hedging, interest income, financing costs, property revaluations, taxation, gain/(loss) and financing costs in respect of capital transactions and corporate overheads are not allocated to the above segments but are included in order to facilitate a reconciliation to the Group's net profit attributable to its members.

The Group's operating segments' income and expenses as well as the details of segment assets and liabilities have been prepared on a proportionate format. The proportionate format presents the net income from and net assets in equity accounted properties on a gross format whereby the underlying components of net income and net assets are disclosed separately as revenues and expenses, assets and liabilities.

The proportionate format is used by management in assessing and understanding the performance and results of operations of the Group as it allows management to observe and analyse revenue and expense results and trends on a portfolio-wide basis. Management considers given that the assets underlying both the consolidated and the equity accounted components of the statutory income statement are similar (that is, Australian and New Zealand shopping centres), all centres are under common management and therefore the drivers of their results are similar, the proportionate format provides a more useful way to understand the performance of the portfolio as a whole than the statutory format. This is because the proportionate format aggregates both revenue and expense items across the whole portfolio, rather than netting the income and expense items for equity accounted shopping centres and only reflecting their performance as a single item of profit or loss, as the statutory format requires.

### (a) Operating segments for the year ended 31 December 2015

The following segment information comprises the earnings of Scentre Group's Australian and New Zealand operations for the year ended 31 December 2015.

#### (i) Income and expenses

|                                                                      | Operational                      |                                              |                    |
|----------------------------------------------------------------------|----------------------------------|----------------------------------------------|--------------------|
|                                                                      | Property investment<br>\$million | Property and project management<br>\$million | Total<br>\$million |
| <b>31 December 2015</b>                                              |                                  |                                              |                    |
| <b>Revenue</b>                                                       |                                  |                                              |                    |
| Property revenue                                                     | 2,308.9                          | –                                            | 2,308.9            |
| Property development and project management revenue                  | –                                | 683.2                                        | 683.2              |
| Property management income                                           | –                                | 57.3                                         | 57.3               |
|                                                                      | <b>2,308.9</b>                   | <b>740.5</b>                                 | <b>3,049.4</b>     |
| <b>Expenses</b>                                                      |                                  |                                              |                    |
| Property expenses, outgoings and other costs                         | (523.0)                          | –                                            | (523.0)            |
| Property development and project management costs                    | –                                | (598.6)                                      | (598.6)            |
| Property management costs                                            | –                                | (10.8)                                       | (10.8)             |
|                                                                      | <b>(523.0)</b>                   | <b>(609.4)</b>                               | <b>(1,132.4)</b>   |
| <b>Segment result</b>                                                | <b>1,785.9</b>                   | <b>131.1</b>                                 | <b>1,917.0</b>     |
| Overheads                                                            |                                  |                                              | (91.0)             |
| Interest income                                                      |                                  |                                              | 8.1                |
| Currency gain                                                        |                                  |                                              | 103.4              |
| Financing costs                                                      |                                  |                                              | (727.5)            |
| Gain in respect of capital transactions                              |                                  |                                              | 19.2               |
| Property revaluations                                                |                                  |                                              | 1,538.8            |
| Tax expense                                                          |                                  |                                              | (38.3)             |
| External non controlling interests                                   |                                  |                                              | (21.9)             |
| <b>Net profit attributable to members of the Group<sup>(i)</sup></b> |                                  |                                              | <b>2,707.8</b>     |

<sup>(i)</sup> Net profit attributable to members of the Group was \$2,707.8 million. Net profit after tax for the period which includes profit attributable to external non controlling interests of \$21.9 million was \$2,729.7 million.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

## NOTE 4 SEGMENT REPORTING (CONTINUED)

### (a) Operating segments for the year ended 31 December 2015 (continued)

#### (ii) Assets and liabilities of Scentre Group

|                                                                            | Operational                      |                                              |                    |
|----------------------------------------------------------------------------|----------------------------------|----------------------------------------------|--------------------|
|                                                                            | Property investment<br>\$million | Property and project management<br>\$million | Total<br>\$million |
| <b>31 December 2015</b>                                                    |                                  |                                              |                    |
| Total operational segment assets                                           | 30,824.2                         | 54.0                                         | 30,878.2           |
| Total group assets                                                         |                                  |                                              | 1,069.7            |
| Total operational segment liabilities                                      | 987.4                            | 23.3                                         | 1,010.7            |
| Total group liabilities                                                    |                                  |                                              | 13,031.0           |
| Net assets                                                                 |                                  |                                              | 17,906.2           |
| Equity accounted investments included in – operational segment assets      | 2,439.3                          | –                                            | 2,439.3            |
| Equity accounted investments included in – operational segment liabilities | 35.8                             | –                                            | 35.8               |
| Additions to segment non current assets during the year                    | 580.9                            | –                                            | 580.9              |

#### (iii) Geographic information – Total revenue

|                                                     | Australia <sup>®</sup><br>\$million | New Zealand <sup>®</sup><br>\$million | Total<br>\$million |
|-----------------------------------------------------|-------------------------------------|---------------------------------------|--------------------|
| <b>31 December 2015</b>                             |                                     |                                       |                    |
| Property revenue                                    | 2,102.0                             | 206.9                                 | 2,308.9            |
| Property development and project management revenue | 679.3                               | 3.9                                   | 683.2              |
| Property management income                          | 53.9                                | 3.4                                   | 57.3               |
| <b>Total revenue</b>                                | <b>2,835.2</b>                      | <b>214.2</b>                          | <b>3,049.4</b>     |

<sup>®</sup> Australia and New Zealand revenue of \$3,049.4 million equates to revenue of \$2,867.8 million on the income statement and property revenue of \$181.6 million included in the share of equity accounted profit.

#### (iv) Geographic information – Net property income

|                                                     | Australia<br>\$million | New Zealand<br>\$million | Total<br>\$million |
|-----------------------------------------------------|------------------------|--------------------------|--------------------|
| <b>31 December 2015</b>                             |                        |                          |                    |
| Shopping centre base rent and other property income | 2,138.5                | 209.0                    | 2,347.5            |
| Amortisation of tenant allowances                   | (36.5)                 | (2.1)                    | (38.6)             |
| Property revenue                                    | 2,102.0                | 206.9                    | 2,308.9            |
| Property expenses, outgoings and other costs        | (470.4)                | (52.6)                   | (523.0)            |
| <b>Net property income</b>                          | <b>1,631.6</b>         | <b>154.3</b>             | <b>1,785.9</b>     |

#### (v) Geographic information – Property investment assets and non current assets

|                                   | Australia<br>\$million | New Zealand<br>\$million | Total<br>\$million |
|-----------------------------------|------------------------|--------------------------|--------------------|
| <b>As at 31 December 2015</b>     |                        |                          |                    |
| <b>Property investment assets</b> | <b>29,130.7</b>        | <b>1,693.5</b>           | <b>30,824.2</b>    |
| Non current assets                | 28,927.6               | 1,156.3                  | 30,083.9           |
| Group non current assets          |                        |                          | 924.8              |
| <b>Total non current assets</b>   |                        |                          | <b>31,008.7</b>    |

**NOTE 4 SEGMENT REPORTING (CONTINUED)****(a) Operating segments for the year ended 31 December 2015 (continued)***(vi) Reconciliation of segment results*

The Group's operating segments income and expenses as well as the details of segment assets and liabilities have been prepared on a proportionate format. The composition of the Group's consolidated and equity accounted details are provided below:

| <b>31 December 2015</b>                                | <b>Consolidated<br/>\$million</b> | <b>Equity<br/>Accounted<br/>\$million</b> | <b>Total<br/>\$million</b> |
|--------------------------------------------------------|-----------------------------------|-------------------------------------------|----------------------------|
| <b>Revenue</b>                                         |                                   |                                           |                            |
| Property revenue                                       | 2,127.3                           | 181.6                                     | 2,308.9                    |
| Property development and project management revenue    | 683.2                             | –                                         | 683.2                      |
| Property management income                             | 57.3                              | –                                         | 57.3                       |
|                                                        | <b>2,867.8</b>                    | <b>181.6</b>                              | <b>3,049.4</b>             |
| <b>Expenses</b>                                        |                                   |                                           |                            |
| Property expenses, outgoings and other costs           | (481.8)                           | (41.2)                                    | (523.0)                    |
| Property development and project management costs      | (598.6)                           | –                                         | (598.6)                    |
| Property management costs                              | (10.8)                            | –                                         | (10.8)                     |
|                                                        | <b>(1,091.2)</b>                  | <b>(41.2)</b>                             | <b>(1,132.4)</b>           |
| <b>Segment result</b>                                  | <b>1,776.6</b>                    | <b>140.4</b>                              | <b>1,917.0</b>             |
| Overheads                                              | (91.0)                            | –                                         | (91.0)                     |
| Interest income                                        | 7.9                               | 0.2                                       | 8.1                        |
| Currency gain                                          | 103.4                             | –                                         | 103.4                      |
| Financing costs                                        | (726.7)                           | (0.8)                                     | (727.5)                    |
| Gain in respect of capital transactions                | 19.2                              | –                                         | 19.2                       |
| Property revaluations                                  | 1,457.9                           | 80.9                                      | 1,538.8                    |
| Tax expense                                            | (29.5)                            | (8.8)                                     | (38.3)                     |
| External non controlling interests                     | (21.9)                            | –                                         | (21.9)                     |
| <b>Net profit attributable to members of the Group</b> | <b>2,495.9</b>                    | <b>211.9</b>                              | <b>2,707.8</b>             |
| Cash and cash equivalents                              | 142.7                             | 10.3                                      | 153.0                      |
| Shopping centre investments                            | 27,578.4                          | 2,351.7                                   | 29,930.1                   |
| Development projects and construction in progress      | 493.9                             | 70.7                                      | 564.6                      |
| Other assets                                           | 1,293.6                           | 6.6                                       | 1,300.2                    |
| <b>Total assets</b>                                    | <b>29,508.6</b>                   | <b>2,439.3</b>                            | <b>31,947.9</b>            |
| Interest bearing liabilities                           | 11,142.7                          | 14.8                                      | 11,157.5                   |
| Other financial liabilities                            | 1,154.9                           | –                                         | 1,154.9                    |
| Deferred tax liabilities                               | 179.9                             | 56.0                                      | 235.9                      |
| Other liabilities                                      | 1,457.6                           | 35.8                                      | 1,493.4                    |
| <b>Total liabilities</b>                               | <b>13,935.1</b>                   | <b>106.6</b>                              | <b>14,041.7</b>            |
| <b>Net assets</b>                                      | <b>15,573.5</b>                   | <b>2,332.7</b>                            | <b>17,906.2</b>            |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

## NOTE 4 SEGMENT REPORTING (CONTINUED)

### (b) Operating segments for the period 1 July 2014 to 31 December 2014

The following segment information comprises the earnings of Scentre Group's Australian and New Zealand operations from 1 July 2014 to 31 December 2014 and includes the results of Westfield Retail Trust following the Restructure and Merger implemented on 30 June 2014.

#### (i) Income and expenses

| 1 July 2014 – 31 December 2014                                       | Operational                      |                                              | Total<br>\$million |
|----------------------------------------------------------------------|----------------------------------|----------------------------------------------|--------------------|
|                                                                      | Property investment<br>\$million | Property and project management<br>\$million |                    |
| <b>Revenue</b>                                                       |                                  |                                              |                    |
| Property revenue                                                     | 1,173.3                          | –                                            | 1,173.3            |
| Property development and project management revenue                  | –                                | 236.1                                        | 236.1              |
| Property management income                                           | –                                | 26.3                                         | 26.3               |
|                                                                      | <b>1,173.3</b>                   | <b>262.4</b>                                 | <b>1,435.7</b>     |
| <b>Expenses</b>                                                      |                                  |                                              |                    |
| Property expenses, outgoings and other costs                         | (272.0)                          | –                                            | (272.0)            |
| Property development and project management costs                    | –                                | (206.5)                                      | (206.5)            |
| Property management costs                                            | –                                | (4.2)                                        | (4.2)              |
|                                                                      | <b>(272.0)</b>                   | <b>(210.7)</b>                               | <b>(482.7)</b>     |
| <b>Segment result</b>                                                | <b>901.3</b>                     | <b>51.7</b>                                  | <b>953.0</b>       |
| Overheads                                                            |                                  |                                              | (49.0)             |
| Interest income                                                      |                                  |                                              | 6.8                |
| Currency loss                                                        |                                  |                                              | (3.4)              |
| Financing costs                                                      |                                  |                                              | (202.3)            |
| Property revaluations                                                |                                  |                                              | 648.9              |
| Tax expense                                                          |                                  |                                              | (59.2)             |
| External non controlling interests                                   |                                  |                                              | (13.6)             |
| <b>Net profit attributable to members of the Group<sup>(i)</sup></b> |                                  |                                              | <b>1,281.2</b>     |

<sup>(i)</sup> Net profit attributable to members of the Group was \$1,281.2 million. Net profit after tax for the period which includes profit attributable to external non controlling interests of \$13.6 million was \$1,294.8 million.

#### (ii) Geographic information – Total revenue

| 1 July 2014 – 31 December 2014                      | Australia<br>\$million | New Zealand<br>\$million | Total<br>\$million |
|-----------------------------------------------------|------------------------|--------------------------|--------------------|
| Property revenue                                    | 1,035.3                | 138.0                    | 1,173.3            |
| Property development and project management revenue | 236.1                  | –                        | 236.1              |
| Property management income                          | 26.3                   | –                        | 26.3               |
| <b>Total revenue</b>                                | <b>1,297.7</b>         | <b>138.0</b>             | <b>1,435.7</b>     |

#### (iii) Geographic information – Net property income

| 1 July 2014 – 31 December 2014                      | Australia<br>\$million | New Zealand<br>\$million | Total<br>\$million |
|-----------------------------------------------------|------------------------|--------------------------|--------------------|
| Shopping centre base rent and other property income | 1,050.3                | 138.8                    | 1,189.1            |
| Amortisation of tenant allowances                   | (15.0)                 | (0.8)                    | (15.8)             |
| Property revenue                                    | 1,035.3                | 138.0                    | 1,173.3            |
| Property expenses, outgoings and other costs        | (238.0)                | (34.0)                   | (272.0)            |
| <b>Net property income</b>                          | <b>797.3</b>           | <b>104.0</b>             | <b>901.3</b>       |

#### (iv) Currency loss

| 1 July 2014 – 31 December 2014                                                       | \$million    |
|--------------------------------------------------------------------------------------|--------------|
| Realised loss on income hedging currency derivatives                                 | (0.5)        |
| Net fair value loss on currency derivatives that do not qualify for hedge accounting | (2.9)        |
|                                                                                      | <b>(3.4)</b> |

**NOTE 4 SEGMENT REPORTING (CONTINUED)****(b) Operating segments for the period 1 July 2014 to 31 December 2014 (continued)***(v) Financing costs*

| <b>1 July 2014 – 31 December 2014</b>                                                                                  | <b>\$million</b> |
|------------------------------------------------------------------------------------------------------------------------|------------------|
| Gross financing costs (excluding net fair value gain on interest rate hedges that do not qualify for hedge accounting) | (269.1)          |
| Financing costs capitalised to qualifying development projects, construction in progress and inventories               | 11.8             |
| Financing costs                                                                                                        | (257.3)          |
| Net fair value gain on interest rate hedges that do not qualify for hedge accounting                                   | 116.9            |
| Finance leases interest expense                                                                                        | (1.9)            |
| Interest expense on other financial liabilities                                                                        | (42.7)           |
| Net fair value loss on other financial liabilities                                                                     | (17.3)           |
|                                                                                                                        | <b>(202.3)</b>   |

*(vi) Taxation*

| <b>1 July 2014 – 31 December 2014</b> | <b>\$million</b> |
|---------------------------------------|------------------|
| Current – underlying operations       | (40.3)           |
| Deferred tax                          | (18.9)           |
|                                       | <b>(59.2)</b>    |

**(c) Operating segments for the year ended 31 December 2014**

The operating segments of Scentre Group for the year ended 31 December 2014 comprise the earnings of the former Westfield Group (now the restructured Scentre Group) for the six months ended 30 June 2014 (which include the results of the former Westfield Group's international operations but does not include the results of Westfield Retail Trust for that period), and the results of Scentre Group's Australian and New Zealand operations from 1 July 2014 to 31 December 2014 following the Restructure and Merger implemented on 30 June 2014.

*(i) Income and expenses*

|                                                                            | <b>Operational</b>               |                                              |                           |
|----------------------------------------------------------------------------|----------------------------------|----------------------------------------------|---------------------------|
|                                                                            | Property investment<br>\$million | Property and project management<br>\$million | <b>Total</b><br>\$million |
| <b>31 December 2014</b>                                                    |                                  |                                              |                           |
| <b>Revenue</b>                                                             |                                  |                                              |                           |
| Property revenue                                                           | 2,461.1                          | –                                            | 2,461.1                   |
| Property development and project management revenue                        | –                                | 788.3                                        | 788.3                     |
| Property management income                                                 | –                                | 124.7                                        | 124.7                     |
|                                                                            | <b>2,461.1</b>                   | <b>913.0</b>                                 | <b>3,374.1</b>            |
| <b>Expenses</b>                                                            |                                  |                                              |                           |
| Property expenses, outgoings and other costs                               | (636.6)                          | –                                            | (636.6)                   |
| Property development and project management costs                          | –                                | (626.3)                                      | (626.3)                   |
| Property management costs                                                  | –                                | (34.9)                                       | (34.9)                    |
|                                                                            | <b>(636.6)</b>                   | <b>(661.2)</b>                               | <b>(1,297.8)</b>          |
| <b>Segment result</b>                                                      | <b>1,824.5</b>                   | <b>251.8</b>                                 | <b>2,076.3</b>            |
| Overheads                                                                  |                                  |                                              | (147.1)                   |
| Interest income                                                            |                                  |                                              | 12.5                      |
| Currency loss                                                              |                                  |                                              | (155.0)                   |
| Financing costs                                                            |                                  |                                              | (584.5)                   |
| Gain in respect of capital transactions                                    |                                  |                                              | 0.9                       |
| Property revaluations                                                      |                                  |                                              | 1,185.7                   |
| Tax expense                                                                |                                  |                                              | (125.1)                   |
| External non controlling interests                                         |                                  |                                              | (40.2)                    |
| Charges and credits in respect of the Restructure and Merger               |                                  |                                              | 4,362.8                   |
| <b>Net profit attributable to members of the Group <sup>(i) (ii)</sup></b> |                                  |                                              | <b>6,586.3</b>            |

<sup>(i)</sup> Net profit attributable to members of the Group was \$6,586.3 million. Net profit after tax for the period which includes profit attributable to external non controlling interests of \$40.2 million was \$6,626.5 million.

<sup>(ii)</sup> Segment profit after tax includes profit after tax before charges and credits in respect of the Restructure and Merger for the period from discontinued operations of \$465.9 million, charges and credits in respect of the Restructure and Merger of \$4,362.8 million and excludes external non controlling interests of \$40.2 million. After adjusting for these items, segmental profit after tax before charges and credits in respect of the Restructure and Merger for continuing operations is \$1,797.8 million.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

## NOTE 4 SEGMENT REPORTING (CONTINUED)

### (c) Operating segments for the year ended 31 December 2014 (continued)

#### (ii) Assets and liabilities of Scentre Group

|                                                                            | Operational                         |                                                    | Total<br>\$million |
|----------------------------------------------------------------------------|-------------------------------------|----------------------------------------------------|--------------------|
|                                                                            | Property<br>investment<br>\$million | Property<br>and project<br>management<br>\$million |                    |
| <b>As at 31 December 2014</b>                                              |                                     |                                                    |                    |
| Total operational segment assets                                           | 30,631.9                            | 75.9                                               | 30,707.8           |
| Total group assets                                                         |                                     |                                                    | 711.8              |
| Total operational segment liabilities                                      | 989.5                               | 25.5                                               | 1,015.0            |
| Total group liabilities                                                    |                                     |                                                    | 13,975.8           |
| Net assets                                                                 |                                     |                                                    | 16,428.8           |
| Equity accounted investments included in – operational segment assets      | 1,294.7                             | –                                                  | 1,294.7            |
| Equity accounted investments included in – operational segment liabilities | 7.8                                 | –                                                  | 7.8                |
| Additions to segment non current assets during the period                  | 1,508.0                             | –                                                  | 1,508.0            |

#### (iii) Geographic information – Total revenue

|                                                     | Australia <sup>®</sup><br>\$million | New Zealand <sup>®</sup><br>\$million | United<br>States/<br>United<br>Kingdom<br>\$million | Total<br>\$million |
|-----------------------------------------------------|-------------------------------------|---------------------------------------|-----------------------------------------------------|--------------------|
| <b>31 December 2014</b>                             |                                     |                                       |                                                     |                    |
| Property revenue                                    | 1,556.8                             | 206.5                                 | 697.8                                               | 2,461.1            |
| Property development and project management revenue | 658.1                               | 1.8                                   | 128.4                                               | 788.3              |
| Property management income                          | 86.2                                | 3.2                                   | 35.3                                                | 124.7              |
| <b>Total revenue</b>                                | <b>2,301.1</b>                      | <b>211.5</b>                          | <b>861.5</b>                                        | <b>3,374.1</b>     |

<sup>®</sup> Australia and New Zealand revenue of \$2,512.6 million equates to revenue of \$2,164.5 million on the income statement and property revenue of \$348.1 million included in the share of equity accounted profit.

#### (iv) Geographic information – Net property income

|                                                     | Australia<br>\$million | New Zealand<br>\$million | United<br>States/<br>United<br>Kingdom<br>\$million | Total<br>\$million |
|-----------------------------------------------------|------------------------|--------------------------|-----------------------------------------------------|--------------------|
| <b>31 December 2014</b>                             |                        |                          |                                                     |                    |
| Shopping centre base rent and other property income | 1,584.0                | 208.1                    | 723.2                                               | 2,515.3            |
| Amortisation of tenant allowances                   | (27.2)                 | (1.6)                    | (25.4)                                              | (54.2)             |
| Property revenue                                    | 1,556.8                | 206.5                    | 697.8                                               | 2,461.1            |
| Property expenses, outgoings and other costs        | (352.6)                | (50.5)                   | (233.5)                                             | (636.6)            |
| <b>Net property income</b>                          | <b>1,204.2</b>         | <b>156.0</b>             | <b>464.3</b>                                        | <b>1,824.5</b>     |

#### (v) Geographic information – Property investment assets and non current assets

|                                   | Australia<br>\$million | New Zealand<br>\$million | Total<br>\$million |
|-----------------------------------|------------------------|--------------------------|--------------------|
| <b>As at 31 December 2014</b>     |                        |                          |                    |
| <b>Property investment assets</b> | <b>27,818.1</b>        | <b>2,813.8</b>           | <b>30,631.9</b>    |
| Non current assets                | 27,613.7               | 1,774.9                  | 29,388.6           |
| Group non current assets          |                        |                          | 599.0              |
| <b>Total non current assets</b>   |                        |                          | <b>29,987.6</b>    |

**NOTE 4 SEGMENT REPORTING (CONTINUED)****(c) Operating segments for the year ended 31 December 2014 (continued)***(vi) Reconciliation of segment results*

The Group's operating segments income and expenses as well as the details of segment assets and liabilities have been prepared on proportionate format. The composition of the Group's consolidated and equity accounted details are provided below:

| <b>31 December 2014</b>                                      | <b>Consolidated<br/>\$million</b> | <b>Equity<br/>Accounted<br/>\$million</b> | <b>Total<br/>\$million</b> |
|--------------------------------------------------------------|-----------------------------------|-------------------------------------------|----------------------------|
| <b>Revenue</b>                                               |                                   |                                           |                            |
| Property revenue                                             | 1,755.1                           | 706.0                                     | 2,461.1                    |
| Property development and project management revenue          | 788.3                             | –                                         | 788.3                      |
| Property management income                                   | 124.7                             | –                                         | 124.7                      |
|                                                              | <b>2,668.1</b>                    | <b>706.0</b>                              | <b>3,374.1</b>             |
| <b>Expenses</b>                                              |                                   |                                           |                            |
| Property expenses, outgoings and other costs                 | (448.1)                           | (188.5)                                   | (636.6)                    |
| Property development and project management costs            | (626.3)                           | –                                         | (626.3)                    |
| Property management costs                                    | (34.9)                            | –                                         | (34.9)                     |
|                                                              | <b>(1,109.3)</b>                  | <b>(188.5)</b>                            | <b>(1,297.8)</b>           |
| <b>Segment result</b>                                        | <b>1,558.8</b>                    | <b>517.5</b>                              | <b>2,076.3</b>             |
| Overheads                                                    | (147.1)                           | –                                         | (147.1)                    |
| Interest income                                              | 12.0                              | 0.5                                       | 12.5                       |
| Currency loss                                                | (155.0)                           | –                                         | (155.0)                    |
| Financing costs                                              | (543.5)                           | (41.0)                                    | (584.5)                    |
| Gain in respect of capital transactions                      | 0.9                               | –                                         | 0.9                        |
| Property revaluations                                        | 801.7                             | 384.0                                     | 1,185.7                    |
| Tax expense                                                  | (114.5)                           | (10.6)                                    | (125.1)                    |
| External non controlling interests                           | (40.2)                            | –                                         | (40.2)                     |
| Charges and credits in respect of the Restructure and Merger | 4,362.8                           | –                                         | 4,362.8                    |
| <b>Net profit attributable to members of the Group</b>       | <b>5,735.9</b>                    | <b>850.4</b>                              | <b>6,586.3</b>             |
| Cash and cash equivalents                                    | 189.0                             | 0.9                                       | 189.9                      |
| Shopping centre investments                                  | 28,588.4                          | 1,281.5                                   | 29,869.9                   |
| Development projects and construction in progress            | 418.9                             | 9.3                                       | 428.2                      |
| Other assets                                                 | 928.6                             | 3.0                                       | 931.6                      |
| <b>Total assets</b>                                          | <b>30,124.9</b>                   | <b>1,294.7</b>                            | <b>31,419.6</b>            |
| Interest bearing liabilities                                 | 11,951.7                          | –                                         | 11,951.7                   |
| Other financial liabilities                                  | 1,409.1                           | –                                         | 1,409.1                    |
| Deferred tax liabilities                                     | 313.9                             | –                                         | 313.9                      |
| Other liabilities                                            | 1,308.3                           | 7.8                                       | 1,316.1                    |
| <b>Total liabilities</b>                                     | <b>14,983.0</b>                   | <b>7.8</b>                                | <b>14,990.8</b>            |
| <b>Net assets</b>                                            | <b>15,141.9</b>                   | <b>1,286.9</b>                            | <b>16,428.8</b>            |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

|                                                     | Note | Continuing operations<br>31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|-----------------------------------------------------|------|-------------------------------------------------|------------------------|
| <b>NOTE 5 PROPERTY REVENUE</b>                      |      |                                                 |                        |
| Shopping centre base rent and other property income |      | <b>2,163.2</b>                                  | 1,436.8                |
| Amortisation of tenant allowances                   |      | <b>(35.9)</b>                                   | (21.6)                 |
|                                                     |      | <b>2,127.3</b>                                  | 1,415.2                |

## NOTE 6 CURRENCY GAIN/(LOSS)

|                                                                                                                                                       |    |               |        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|----|---------------|--------|
| Net fair value loss and associated credit risk on currency derivatives that do not qualify for hedge accounting                                       | 11 | <b>(27.5)</b> | (26.5) |
| Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations | 11 | <b>130.9</b>  | –      |
| Realised loss on income hedging currency derivatives                                                                                                  |    | <b>–</b>      | (0.5)  |
|                                                                                                                                                       |    | <b>103.4</b>  | (27.0) |

## NOTE 7 FINANCING COSTS

|                                                                                                                               |    |                |         |
|-------------------------------------------------------------------------------------------------------------------------------|----|----------------|---------|
| Gross financing costs (excluding net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting) |    | <b>(516.4)</b> | (395.2) |
| Financing costs capitalised to qualifying development projects and construction in progress                                   |    | <b>12.5</b>    | 18.0    |
| Financing costs                                                                                                               |    | <b>(503.9)</b> | (377.2) |
| Net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting                                   | 11 | <b>(113.6)</b> | 118.2   |
| Finance leases interest expense                                                                                               |    | <b>(2.7)</b>   | (2.1)   |
| Interest expense on other financial liabilities                                                                               |    | <b>(81.0)</b>  | (84.1)  |
| Net fair value loss on other financial liabilities                                                                            | 11 | <b>(25.5)</b>  | (37.7)  |
|                                                                                                                               |    | <b>(726.7)</b> | (382.9) |

## NOTE 8 GAIN IN RESPECT OF CAPITAL TRANSACTIONS

|                                                                   |    |                  |   |
|-------------------------------------------------------------------|----|------------------|---|
| Asset dispositions                                                |    |                  |   |
| – proceeds from asset dispositions                                |    | <b>1,870.7</b>   | – |
| – less: carrying value of assets disposed and other capital costs |    | <b>(1,851.5)</b> | – |
| Gain in respect of asset dispositions                             | 11 | <b>19.2</b>      | – |

## NOTE 9 TAXATION

### (a) Tax expense

|                                 |    |               |        |
|---------------------------------|----|---------------|--------|
| Current – underlying operations |    | <b>(65.4)</b> | (82.6) |
| Deferred tax benefit/(expense)  | 11 | <b>35.9</b>   | (15.5) |
|                                 |    | <b>(29.5)</b> | (98.1) |

The prima facie tax on profit before tax is reconciled to the income tax expense provided in the financial statements as follows:

|                                                                         |                |         |
|-------------------------------------------------------------------------|----------------|---------|
| Profit before income tax                                                | <b>2,759.2</b> | 1,895.9 |
| Prima facie tax expense at 30%                                          | <b>(827.8)</b> | (568.8) |
| Trust income not taxable for the Group – tax payable by securityholders | <b>775.5</b>   | 518.1   |
| Deferred tax release on New Zealand capital transactions                | <b>55.7</b>    | –       |
| Tax on inter-entity transactions                                        | <b>(36.0)</b>  | (46.3)  |
| Prior year over/(under) provision                                       | <b>3.1</b>     | (1.1)   |
| Tax expense                                                             | <b>(29.5)</b>  | (98.1)  |

### (b) Deferred tax assets

|                         |             |      |
|-------------------------|-------------|------|
| Provisions and accruals | <b>82.6</b> | 97.9 |
|                         | <b>82.6</b> | 97.9 |

### (c) Deferred tax liabilities

|                                                                                  |              |       |
|----------------------------------------------------------------------------------|--------------|-------|
| Tax effect of book value in excess of the tax cost base of investment properties | <b>109.6</b> | 225.6 |
| Other timing differences                                                         | <b>70.3</b>  | 88.3  |
|                                                                                  | <b>179.9</b> | 313.9 |

### (d) Deferred tax assets and deferred tax liabilities not charged to tax expense

The closing balance of deferred tax assets and deferred tax liabilities includes amounts charged to the foreign currency translation reserve of nil (31 December 2014: charge of \$0.4 million).

|                                                                                                                                                |      | Continuing and<br>discontinued operations |                        |
|------------------------------------------------------------------------------------------------------------------------------------------------|------|-------------------------------------------|------------------------|
|                                                                                                                                                | Note | 31 Dec 15<br>\$million                    | 31 Dec 14<br>\$million |
| <b>NOTE 10 CHARGES AND CREDITS IN RESPECT OF THE RESTRUCTURE AND MERGER</b>                                                                    |      |                                           |                        |
| Market value adjustment on distribution of net assets to Westfield Corporation <sup>⑩</sup>                                                    | 11   | –                                         | 6,605.9                |
| Refinancing costs in respect of the Restructure and Merger                                                                                     | 11   | –                                         | (1,259.3)              |
| Transaction costs in respect of the Restructure and Merger                                                                                     | 11   | –                                         | (144.9)                |
| Accumulated exchange differences transferred from foreign currency translation reserve on distribution of net investment in foreign operations | 11   | –                                         | (838.9)                |
|                                                                                                                                                |      | –                                         | 4,362.8                |
| Attributable to:                                                                                                                               |      |                                           |                        |
| Continuing operations                                                                                                                          |      | –                                         | (313.7)                |
| Discontinued operations                                                                                                                        |      | –                                         | 4,676.5                |
|                                                                                                                                                |      | –                                         | 4,362.8                |

<sup>⑩</sup> The net assets distributed to Westfield Corporation amount to \$7,805.4 million of which \$12,413.9 million has been charged to contributed equity, \$45.5 million has been charged to employee share plan benefits reserve and \$4,654.0 million retained earnings has been credited to retained profits. The market value adjustments on distribution of net assets of \$6,605.9 million represents the difference between the market value and the book value of net assets distributed to Westfield Corporation. The market value of \$14.4 billion is calculated by reference to the weighted average price of \$6.93 on the first day of trading multiplied by 2,078,089,686 number of securities on issue.

|                                                                                                                                                       | Note  | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------------------------|------------------------|
| <b>NOTE 11 SIGNIFICANT ITEMS</b>                                                                                                                      |       |                        |                        |
| The following significant items are relevant in explaining the financial performance of the business:                                                 |       |                        |                        |
| <b>Continuing operations</b>                                                                                                                          |       |                        |                        |
| Property revaluations                                                                                                                                 |       | 1,457.9                | 765.5                  |
| Equity accounted property revaluations                                                                                                                |       | 80.9                   | 69.5                   |
| Net fair value loss and associated credit risk on currency derivatives that do not qualify for hedge accounting                                       | 6     | (27.5)                 | (26.5)                 |
| Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations | 6     | 130.9                  | –                      |
| Net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting                                                           | 7     | (113.6)                | 118.2                  |
| Net fair value loss on other financial liabilities                                                                                                    | 7     | (25.5)                 | (37.7)                 |
| Gain in respect of asset dispositions                                                                                                                 | 8     | 19.2                   | –                      |
| Deferred tax benefit/(expense)                                                                                                                        | 9     | 35.9                   | (15.5)                 |
| Equity accounted deferred tax expense                                                                                                                 | 16(a) | (2.3)                  | (1.9)                  |
| <b>Continuing and discontinued operations</b>                                                                                                         |       |                        |                        |
| Market value adjustment on distribution of net assets to Westfield Corporation                                                                        | 10    | –                      | 6,605.9                |
| Refinancing costs in respect of the Restructure and Merger                                                                                            | 10    | –                      | (1,259.3)              |
| Transaction costs in respect of the Restructure and Merger                                                                                            | 10    | –                      | (144.9)                |
| Accumulated exchange differences transferred from foreign currency translation reserve on distribution of net investment in foreign operations        | 10    | –                      | (838.9)                |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

|                                                                                                                                                       | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>NOTE 12 CASH AND CASH EQUIVALENTS</b>                                                                                                              |                        |                        |
| <b>(a) Components of cash and cash equivalents</b>                                                                                                    |                        |                        |
| Cash                                                                                                                                                  | 142.7                  | 189.0                  |
| Bank overdrafts                                                                                                                                       | –                      | –                      |
| Total cash and cash equivalents                                                                                                                       | 142.7                  | 189.0                  |
| <b>(b) Reconciliation of profit after tax to net cash flows from operating activities</b>                                                             |                        |                        |
| Profit after tax                                                                                                                                      | 2,729.7                | 6,626.5                |
| Property revaluations                                                                                                                                 | (1,457.9)              | (801.7)                |
| Share of equity accounted profit in excess of dividend/distribution received                                                                          | (125.1)                | (444.8)                |
| Deferred tax                                                                                                                                          | (35.9)                 | 10.8                   |
| Net fair value loss and associated credit risk on currency derivatives                                                                                | 27.5                   | 160.9                  |
| Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations | (130.9)                | –                      |
| Borrowing costs                                                                                                                                       | 726.7                  | 543.5                  |
| Interest income                                                                                                                                       | (7.9)                  | (12.0)                 |
| Gain from capital transactions                                                                                                                        | (19.2)                 | (0.9)                  |
| Charges and credits in respect of the Restructure and Merger                                                                                          | –                      | (4,362.8)              |
| Decrease/(increase) in working capital attributable to operating activities                                                                           | 64.9                   | 165.1                  |
| Net cash flows from operating activities                                                                                                              | 1,771.9                | 1,884.6                |
| <b>NOTE 13 DERIVATIVE ASSETS</b>                                                                                                                      |                        |                        |
| <b>Current</b>                                                                                                                                        |                        |                        |
| Receivables on currency derivatives                                                                                                                   | 0.7                    | 1.5                    |
| Receivables on interest rate derivatives                                                                                                              | –                      | 0.3                    |
|                                                                                                                                                       | 0.7                    | 1.8                    |
| <b>Non Current</b>                                                                                                                                    |                        |                        |
| Receivables on currency derivatives                                                                                                                   | 565.3                  | 204.5                  |
| Receivables on interest rate derivatives                                                                                                              | 222.5                  | 242.4                  |
|                                                                                                                                                       | 787.8                  | 446.9                  |

The Group presents the fair value mark to market of its derivative assets and derivative liabilities on a gross basis. However, certain derivative assets and liabilities are subject to legally enforceable master netting arrangements. As at 31 December 2015, when these netting arrangements are applied to the derivative portfolio, the derivative assets of \$788.5 million would be reduced by \$207.8 million to the net amount of \$580.7 million (31 December 2014: derivative assets of \$448.7 million reduced by \$103.7 million to the net amount of \$345.0 million).

|                                                                                         | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|-----------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>NOTE 14 INVESTMENT PROPERTIES</b>                                                    |                        |                        |
| <b>Current</b>                                                                          |                        |                        |
| Shopping centre investments                                                             | 417.3                  | 950.1                  |
| Development projects and construction in progress                                       | –                      | 54.4                   |
|                                                                                         | <b>417.3</b>           | <b>1,004.5</b>         |
| <b>Non Current</b>                                                                      |                        |                        |
| Shopping centre investments                                                             | 27,161.1               | 27,638.3               |
| Development projects and construction in progress                                       | 493.9                  | 364.5                  |
|                                                                                         | <b>27,655.0</b>        | <b>28,002.8</b>        |
| Total investment properties                                                             | <b>28,072.3</b>        | <b>29,007.3</b>        |
| Total investment properties is comprised of:                                            |                        |                        |
| Shopping centre investments                                                             | 27,578.4               | 28,588.4               |
| Development projects and construction in progress                                       | 493.9                  | 418.9                  |
| Total investment properties                                                             | <b>28,072.3</b>        | <b>29,007.3</b>        |
| <b>Movement in total investment properties</b>                                          |                        |                        |
| Balance at the beginning of the year                                                    | 29,007.3               | 16,462.0               |
| Acquisition of properties                                                               | –                      | 651.0                  |
| Disposal of properties                                                                  | (1,869.5)              | (119.3)                |
| Transfer from/(to) equity accounted investment properties                               | (1,046.1)              | 6,895.1                |
| Redevelopment costs                                                                     | 539.4                  | 564.8                  |
| Net revaluation increment                                                               | 1,457.9                | 786.4                  |
| Retranslation of foreign operations                                                     | (16.7)                 | (285.1)                |
| Business combination with Westfield Retail Trust pursuant to the Restructure and Merger | –                      | 13,599.9               |
| Transfer to Westfield Corporation pursuant to the Restructure and Merger                | –                      | (9,547.5)              |
| Balance at the end of the year <sup>(i)</sup>                                           | <b>28,072.3</b>        | <b>29,007.3</b>        |

<sup>(i)</sup> The fair value of investment properties at the end of the year of \$28,072.3 million (31 December 2014: \$29,007.3 million) comprises investment properties at market value of \$28,033.0 million (31 December 2014: \$28,950.2 million) and ground leases included as finance leases of \$39.3 million (31 December 2014: \$57.1 million).

Investment properties are carried at the Directors' assessment of fair value. Investment properties include both shopping centre investments and development projects and construction in progress.

The Directors' assessment of fair value of each shopping centre takes into account the latest independent valuations generally prepared annually, with updates taking into account any changes in capitalisation rate, underlying income and valuations of comparable centres. In determining the fair value the capitalisation of net income method and the discounting of future cash flows to their present value have been used which are based upon assumptions and judgements in relation to future rental income, capitalisation rate and make reference to market evidence of transaction prices for similar properties.

The Directors' assessment of fair value of each development project and construction in progress that meets the definition of an investment property, takes into account the expected costs to complete, the stage of completion, expected underlying income and yield of the developments. From time to time, during a development, the Directors may commission an independent valuation of the development project. On completion, the development projects are reclassified to shopping centre investments and an independent valuation is obtained.

Independent valuations are conducted in accordance with guidelines set by the International Valuation Standards Committee for Australian and New Zealand properties.

It is the Group's policy to appoint a number of qualified independent valuers and that no individual valuer is appointed to appraise an individual property for greater than three consecutive years. The following qualified independent valuers were appointed by the Group to carry out property appraisals for the current financial year:

#### Australian shopping centres

- CBRE Valuations Pty Limited
- CIVAS (NSW) Pty Limited (Colliers International)
- CIVAS (VIC) Pty Limited (Colliers International)
- Cushman & Wakefield (NSW) Pty Ltd
- Jones Lang LaSalle Advisory Services Pty Ltd
- Knight Frank Australia Pty Ltd
- Savills Valuations Pty Ltd
- Urbis Valuations Pty Ltd

#### New Zealand shopping centres

- CBRE Limited
- Colliers International New Zealand Limited
- Cushman & Wakefield
- Jones Lang La Salle Limited

The determination of a property valuation is judgemental. The key assumptions in the valuation are the estimated capitalisation rate and net operating income. Movements in capitalisation rate for each property would result in changes to the fair value. For example, an increase in capitalisation rate would result in a decrease in the fair value of the properties while a decrease in capitalisation rate would result in an increase in the fair value of the properties.

Refer to Notes 15(a) and 15(b) for a summary of the capitalisation rate for the property portfolio.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

|                                                       | Note | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|-------------------------------------------------------|------|------------------------|------------------------|
| <b>NOTE 15 DETAILS OF SHOPPING CENTRE INVESTMENTS</b> |      |                        |                        |
| Consolidated Australian shopping centres              | (a)  | <b>27,009.7</b>        | 25,923.7               |
| Consolidated New Zealand shopping centres             | (b)  | <b>151.4</b>           | 2,664.7                |
| <b>Total consolidated shopping centres</b>            |      | <b>27,161.1</b>        | 28,588.4               |
| Equity accounted Australian shopping centres          | (a)  | <b>1,325.5</b>         | 1,281.5                |
| Equity accounted New Zealand shopping centres         | (b)  | <b>1,026.2</b>         | –                      |
| <b>Total equity accounted shopping centres</b>        |      | <b>2,351.7</b>         | 1,281.5                |
|                                                       |      | <b>29,512.8</b>        | 29,869.9               |

## (a) Shopping centre investments – Australia

|                                | Ownership Interest<br>31 Dec 15<br>% |   | Ownership Interest<br>31 Dec 14<br>% |   | Carrying Amount<br>31 Dec 15<br>\$million | Retail Capitalisation Rates<br>31 Dec 15<br>% | Carrying Amount<br>31 Dec 14<br>\$million | Retail Capitalisation Rates<br>31 Dec 14<br>% |
|--------------------------------|--------------------------------------|---|--------------------------------------|---|-------------------------------------------|-----------------------------------------------|-------------------------------------------|-----------------------------------------------|
| Australian shopping centres    |                                      |   |                                      |   |                                           |                                               |                                           |                                               |
| AUSTRALIAN CAPITAL TERRITORY   |                                      |   |                                      |   |                                           |                                               |                                           |                                               |
| Belconnen                      | 100.0                                | C | 100.0                                | C | 850.0                                     | 6.00%                                         | 840.0                                     | 6.00%                                         |
| Woden                          | 50.0                                 | C | 50.0                                 | C | 312.5                                     | 6.25%                                         | 325.0                                     | 6.25%                                         |
| NEW SOUTH WALES                |                                      |   |                                      |   |                                           |                                               |                                           |                                               |
| Bondi Junction                 | 100.0                                | C | 100.0                                | C | 2,655.9                                   | 4.75%                                         | 2,383.8                                   | 5.13%                                         |
| Burwood                        | 100.0                                | C | 100.0                                | C | 955.2                                     | 5.50%                                         | 875.2                                     | 5.88%                                         |
| Chatswood <sup>(i)</sup>       | 100.0                                | C | 100.0                                | C | 1,116.7                                   | 5.25%                                         | 905.8                                     | 6.00%                                         |
| Figtree <sup>(iv)</sup>        | –                                    | – | 100.0                                | C | –                                         | –                                             | 163.0                                     | 7.25%                                         |
| Hornsby                        | 100.0                                | C | 100.0                                | C | 938.8                                     | 6.00%                                         | 914.5                                     | 6.00%                                         |
| Hurstville <sup>(i)</sup>      | 50.0                                 | C | 50.0                                 | C | 350.0                                     | 6.25%                                         | 272.5                                     | 7.00%                                         |
| Kotara <sup>(iv)</sup>         | 100.0                                | C | 100.0                                | C | 711.6                                     | 6.25%                                         | 710.0                                     | 6.25%                                         |
| Liverpool                      | 50.0                                 | C | 50.0                                 | C | 462.6                                     | 6.25%                                         | 459.1                                     | 6.25%                                         |
| Miranda                        | 50.0                                 | C | 50.0                                 | C | 1,062.8                                   | 5.25%                                         | 977.8                                     | 5.50%                                         |
| Mt Druitt                      | 50.0                                 | E | 50.0                                 | E | 258.0                                     | 6.75%                                         | 242.5                                     | 7.00%                                         |
| North Rocks <sup>(iv)</sup>    | –                                    | – | 100.0                                | C | –                                         | –                                             | 125.0                                     | 7.00%                                         |
| Parramatta                     | 50.0                                 | C | 50.0                                 | C | 871.8                                     | 5.50%                                         | 831.5                                     | 5.63%                                         |
| Penrith                        | 50.0                                 | C | 50.0                                 | C | 610.0                                     | 5.50%                                         | 577.5                                     | 5.75%                                         |
| Sydney <sup>(ii)</sup>         | 100.0                                | C | 100.0                                | C | 4,118.3                                   | 4.62%                                         | 3,528.3                                   | 5.29%                                         |
| Tuggerah                       | 100.0                                | C | 100.0                                | C | 715.0                                     | 6.00%                                         | 680.0                                     | 6.13%                                         |
| Warrawong <sup>(iv)</sup>      | –                                    | – | 100.0                                | C | –                                         | –                                             | 192.0                                     | 8.00%                                         |
| Warringah Mall <sup>(iv)</sup> | 50.0                                 | C | 50.0                                 | C | 584.7                                     | 6.00%                                         | 580.0                                     | 6.00%                                         |
| QUEENSLAND                     |                                      |   |                                      |   |                                           |                                               |                                           |                                               |
| Carindale <sup>(iii)</sup>     | 50.0                                 | C | 50.0                                 | C | 767.5                                     | 5.50%                                         | 748.6                                     | 5.50%                                         |
| Chermside <sup>(iv)</sup>      | 100.0                                | C | 100.0                                | C | 1,703.0                                   | 5.50%                                         | 1,689.0                                   | 5.50%                                         |
| Garden City                    | 100.0                                | C | 100.0                                | C | 1,435.0                                   | 5.50%                                         | 1,380.0                                   | 5.75%                                         |
| Helensvale                     | 50.0                                 | C | 50.0                                 | C | 215.0                                     | 6.25%                                         | 205.0                                     | 6.25%                                         |
| North Lakes <sup>(iv)</sup>    | 50.0                                 | C | 50.0                                 | C | 238.3                                     | 6.25%                                         | 237.5                                     | 6.25%                                         |
| Strathpine <sup>(iv)</sup>     | –                                    | – | 100.0                                | C | –                                         | –                                             | 277.5                                     | 7.25%                                         |
| SOUTH AUSTRALIA                |                                      |   |                                      |   |                                           |                                               |                                           |                                               |
| Marion                         | 50.0                                 | C | 50.0                                 | C | 640.0                                     | 5.75%                                         | 620.0                                     | 5.75%                                         |
| Tea Tree Plaza                 | 50.0                                 | E | 50.0                                 | E | 355.0                                     | 6.00%                                         | 346.5                                     | 6.00%                                         |
| West Lakes                     | 50.0                                 | C | 50.0                                 | C | 245.0                                     | 6.00%                                         | 260.0                                     | 6.25%                                         |
| VICTORIA                       |                                      |   |                                      |   |                                           |                                               |                                           |                                               |
| Airport West                   | 50.0                                 | C | 50.0                                 | C | 183.0                                     | 6.75%                                         | 178.0                                     | 6.75%                                         |
| Doncaster                      | 50.0                                 | C | 50.0                                 | C | 927.5                                     | 5.25%                                         | 862.5                                     | 5.50%                                         |
| Fountain Gate                  | 100.0                                | C | 100.0                                | C | 1,716.9                                   | 5.25%                                         | 1,570.1                                   | 5.50%                                         |
| Geelong                        | 50.0                                 | C | 50.0                                 | C | 242.5                                     | 6.25%                                         | 236.0                                     | 6.25%                                         |
| Knox                           | 50.0                                 | C | 50.0                                 | C | 515.0                                     | 6.25%                                         | 507.5                                     | 6.50%                                         |
| Plenty Valley                  | 50.0                                 | C | 50.0                                 | C | 170.0                                     | 6.25%                                         | 161.0                                     | 6.25%                                         |
| Southland                      | 50.0                                 | E | 50.0                                 | E | 712.5                                     | 5.63%                                         | 692.5                                     | 5.75%                                         |

## NOTE 15 DETAILS OF SHOPPING CENTRE INVESTMENTS (CONTINUED)

### (a) Shopping centre investments – Australia (continued)

|                             | Ownership Interest<br>31 Dec 15<br>% |   | Ownership Interest<br>31 Dec 14<br>% |   | Carrying Amount<br>31 Dec 15<br>\$million | Retail Capitalisation Rates<br>31 Dec 15<br>% | Carrying Amount<br>31 Dec 14<br>\$million | Retail Capitalisation Rates<br>31 Dec 14<br>% |
|-----------------------------|--------------------------------------|---|--------------------------------------|---|-------------------------------------------|-----------------------------------------------|-------------------------------------------|-----------------------------------------------|
| Australian shopping centres |                                      |   |                                      |   |                                           |                                               |                                           |                                               |
| WESTERN AUSTRALIA           |                                      |   |                                      |   |                                           |                                               |                                           |                                               |
| Carousel                    | 100.0                                | C | 100.0                                | C | 1,075.0                                   | 5.50%                                         | 1,045.0                                   | 5.50%                                         |
| Innaloo                     | 100.0                                | C | 100.0                                | C | 325.1                                     | 6.25%                                         | 300.0                                     | 6.50%                                         |
| Whitford City               | 50.0                                 | C | 50.0                                 | C | 295.0                                     | 6.25%                                         | 305.0                                     | 6.50%                                         |
| Total Australian portfolio  |                                      |   |                                      |   | 28,335.2                                  | 5.51% <sup>(vi)</sup>                         | 27,205.2                                  | 5.83% <sup>(vi)</sup>                         |
| Consolidated                |                                      |   |                                      |   | 27,009.7                                  |                                               | 25,923.7                                  |                                               |
| Equity accounted            |                                      |   |                                      |   | 1,325.5                                   |                                               | 1,281.5                                   |                                               |
| Total Australian portfolio  |                                      |   |                                      |   | 28,335.2                                  |                                               | 27,205.2                                  |                                               |

**C Consolidated** – Centres which are between 20 – 50% held directly and jointly as tenants in common are treated as joint operations. The contractual arrangements establish that the parties share all the liabilities, obligations, costs and expenses in their ownership proportion. The allocation of revenue and expenses is based on the ownership interest in the joint arrangement.

**E Equity Accounted** – Centres held through a separate vehicle with joint control are treated as a joint venture and accounted for under the equity method of accounting.

<sup>(i)</sup> Development completed during the year.

<sup>(ii)</sup> Sydney comprises Sydney Central Plaza, the Sydney City retail complex and office towers. As at 31 December 2015, the weighted average capitalisation rate of Sydney is 4.84%, comprising retail 4.62% (Sydney City 4.50% and Sydney Central Plaza 5.00%) and office 5.47%. As at 31 December 2014, the weighted average capitalisation rate of Sydney is 5.55%, comprising retail 5.29% (Sydney City 5.13% and Sydney Central Plaza 5.75%) and office 6.23%.

<sup>(iii)</sup> 50% interest in this shopping centre is consolidated and 25% is shown as non controlling interest.

<sup>(iv)</sup> Properties currently under redevelopment.

<sup>(v)</sup> In September 2015, the Group sold its 100% interest in these shopping centres.

<sup>(vi)</sup> Weighted average capitalisation rate including non-retail assets.

### (b) Shopping centre investments – New Zealand

| New Zealand shopping centres              | Ownership Interest<br>31 Dec 15<br>% |   | Ownership Interest<br>31 Dec 14<br>% |   | Carrying Amount<br>31 Dec 15<br>NZ\$ million | Retail Capitalisation Rates<br>31 Dec 15<br>% | Carrying Amount<br>31 Dec 14<br>NZ\$ million | Retail Capitalisation Rates<br>31 Dec 14<br>% |
|-------------------------------------------|--------------------------------------|---|--------------------------------------|---|----------------------------------------------|-----------------------------------------------|----------------------------------------------|-----------------------------------------------|
| Albany <sup>(i)</sup>                     | 51.0                                 | E | 100.0                                | C | 261.1                                        | 6.25%                                         | 451.0                                        | 6.38%                                         |
| Chartwell <sup>(ii)</sup>                 | –                                    | – | 100.0                                | C | –                                            | –                                             | 177.0                                        | 8.13%                                         |
| Glenfield <sup>(iii)</sup>                | –                                    | – | 100.0                                | C | –                                            | –                                             | 108.0                                        | 8.25%                                         |
| Manukau <sup>(i)</sup>                    | 51.0                                 | E | 100.0                                | C | 179.5                                        | 7.25%                                         | 339.5                                        | 7.50%                                         |
| Newmarket <sup>(i)</sup>                  | 51.0                                 | E | 100.0                                | C | 135.1                                        | 6.75%                                         | 264.0                                        | 6.88%                                         |
| Queensgate <sup>(iii)</sup>               | –                                    | – | 100.0                                | C | –                                            | –                                             | 305.0                                        | 7.25%                                         |
| Riccarton <sup>(i)</sup>                  | 51.0                                 | E | 100.0                                | C | 271.3                                        | 7.00%                                         | 505.0                                        | 7.13%                                         |
| St Lukes <sup>(i)</sup>                   | 51.0                                 | E | 100.0                                | C | 247.4                                        | 6.63%                                         | 471.0                                        | 6.63%                                         |
| WestCity                                  | 100.0                                | C | 100.0                                | C | 161.5                                        | 8.38%                                         | 170.0                                        | 8.25%                                         |
| <b>Total New Zealand portfolio</b>        |                                      |   |                                      |   | <b>1,255.9</b>                               | <b>6.98%</b> <sup>(iv)</sup>                  | 2,790.5                                      | 7.15% <sup>(iv)</sup>                         |
| Exchange rate                             |                                      |   |                                      |   | 1.0665                                       |                                               | 1.0472                                       |                                               |
| <b>Total New Zealand portfolio in A\$</b> |                                      |   |                                      |   | <b>1,177.6</b>                               |                                               | 2,664.7                                      |                                               |
| Consolidated                              |                                      |   |                                      |   | 151.4                                        |                                               | 2,664.7                                      |                                               |
| Equity accounted                          |                                      |   |                                      |   | 1,026.2                                      |                                               | –                                            |                                               |
| <b>Total New Zealand portfolio</b>        |                                      |   |                                      |   | <b>1,177.6</b>                               |                                               | 2,664.7                                      |                                               |

**C Consolidated** – Centres which are between 20 – 50% held directly and jointly as tenants in common are treated as joint operations. The contractual arrangements establish that the parties share all the liabilities, obligations, costs and expenses in their ownership proportion. The allocation of revenue and expenses is based on the ownership interest in the joint arrangement.

**E Equity Accounted** – Centres held through a separate vehicle with joint control are treated as a joint venture and accounted for under the equity method of accounting.

<sup>(i)</sup> In March 2015, the Group sold 49% of its interest in these shopping centres to GIC, Singapore's sovereign wealth fund. Prior to the sale, the Group held a 100% interest and accordingly, consolidated its interest in these shopping centres. Following the sale, the Group's remaining 51% interest in these shopping centres are equity accounted. Under the Shareholders' Agreement, the Group and GIC each has two representatives in the Shareholders' Committee with voting power in proportion to each shareholder's shareholding. While the Group has a 51% interest in these entities, 75% of the votes is required to pass a resolution. Accordingly, the Group lost control and ceased to consolidate these entities from 23 March 2015. The Group's remaining 51% interest is equity accounted from that date.

<sup>(ii)</sup> In November 2015, these centres were sold subject to the approval of the Overseas Investment Office in New Zealand, and accordingly were reclassified to current assets.

<sup>(iii)</sup> In November 2015, the Group sold its 100% interest in this shopping centre.

<sup>(iv)</sup> Weighted average capitalisation rate including non-retail assets.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

## NOTE 16 DETAILS OF EQUITY ACCOUNTED INVESTMENTS

|                                                                                                           | Continuing operations  |                        |
|-----------------------------------------------------------------------------------------------------------|------------------------|------------------------|
|                                                                                                           | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
| <b>(a) Details of the Group's share of equity accounted entities' net profit and comprehensive income</b> |                        |                        |
| Shopping centre base rent and other property income                                                       | 184.3                  | 355.3                  |
| Amortisation of tenant allowances                                                                         | (2.7)                  | (7.2)                  |
| Property revenue                                                                                          | 181.6                  | 348.1                  |
| Interest income                                                                                           | 0.2                    | 0.5                    |
| Revenue                                                                                                   | 181.8                  | 348.6                  |
| Property expenses, outgoings and other costs                                                              | (41.2)                 | (77.6)                 |
| Financing costs                                                                                           | (0.8)                  | (0.3)                  |
| Expenses                                                                                                  | (42.0)                 | (77.9)                 |
| Share of profit before property revaluations and tax expense of equity accounted entities                 | 139.8                  | 270.7                  |
| Property revaluations                                                                                     | 80.9                   | 69.5                   |
| Share of profit before tax of equity accounted entities                                                   | 220.7                  | 340.2                  |
| Current tax expense                                                                                       | (6.5)                  | (8.6)                  |
| Deferred tax expense                                                                                      | (2.3)                  | (1.9)                  |
| Tax expense                                                                                               | (8.8)                  | (10.5)                 |
| <b>Share of after tax profit of equity accounted entities</b>                                             | <b>211.9</b>           | <b>329.7</b>           |
| Other comprehensive income <sup>(i)</sup>                                                                 | (31.9)                 | 6.8                    |
| <b>Share of total comprehensive income of equity accounted entities</b>                                   | <b>180.0</b>           | <b>336.5</b>           |

<sup>(i)</sup> Relates to the net exchange difference on translation of equity accounted foreign operations.

|                                                                                              | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|----------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>(b) Details of the Group's share of equity accounted entities' assets and liabilities</b> |                        |                        |
| Cash and cash equivalents                                                                    | 10.3                   | 0.9                    |
| Shopping centre investments                                                                  | 2,351.7                | 1,281.5                |
| Development projects and construction in progress                                            | 70.7                   | 9.3                    |
| Other assets                                                                                 | 6.6                    | 3.0                    |
| <b>Total assets</b>                                                                          | <b>2,439.3</b>         | <b>1,294.7</b>         |
| Payables                                                                                     | (35.8)                 | (7.8)                  |
| Interest bearing liabilities – finance leases                                                | (14.8)                 | –                      |
| Deferred tax liabilities                                                                     | (56.0)                 | –                      |
| <b>Total liabilities</b>                                                                     | <b>(106.6)</b>         | <b>(7.8)</b>           |
| <b>Net assets<sup>(i)</sup></b>                                                              | <b>2,332.7</b>         | <b>1,286.9</b>         |

<sup>(i)</sup> The Group's equity accounted investments include investments in Australia and New Zealand. The Group's investment in its New Zealand equity accounted entities is represented by equity of \$394.8 million (31 December 2014: nil) and long term loans of \$606.4 million (31 December 2014: nil).

### (c) Equity accounted entities economic interest

| Name of investments                           | Type of equity | Balance date | Economic interest |           |
|-----------------------------------------------|----------------|--------------|-------------------|-----------|
|                                               |                |              | 31 Dec 15         | 31 Dec 14 |
| <b>Australian investments <sup>(i)</sup></b>  |                |              |                   |           |
| Mt Druitt <sup>(ii)</sup>                     | Trust units    | 30 Jun       | <b>50.0%</b>      | 50.0%     |
| Southland <sup>(ii)</sup>                     | Trust units    | 30 Jun       | <b>50.0%</b>      | 50.0%     |
| Tea Tree Plaza <sup>(iii)</sup>               | Trust units    | 30 Jun       | <b>50.0%</b>      | 50.0%     |
| <b>New Zealand investments <sup>(i)</sup></b> |                |              |                   |           |
| Albany <sup>(iii)</sup>                       | Shares         | 31 Dec       | <b>51.0%</b>      | –         |
| Manukau <sup>(iii)</sup>                      | Shares         | 31 Dec       | <b>51.0%</b>      | –         |
| Newmarket <sup>(iii)</sup>                    | Shares         | 31 Dec       | <b>51.0%</b>      | –         |
| Riccarton <sup>(iii)</sup>                    | Shares         | 31 Dec       | <b>51.0%</b>      | –         |
| St Lukes <sup>(iii)</sup>                     | Shares         | 31 Dec       | <b>51.0%</b>      | –         |

<sup>(i)</sup> All equity accounted property partnerships, trusts and companies operate solely as retail property investors.

<sup>(ii)</sup> Notwithstanding that the financial year of these investments ends on 30 June, the consolidated financial statements have been made out so as to include the accounts for a period coinciding with the financial year of the Parent Company being 31 December.

<sup>(iii)</sup> In March 2015, the Group entered into a joint venture agreement with GIC in respect of these properties held through the following entities in New Zealand: Riccarton Shopping Centre (1997) Limited, Manukau City Centre Limited, St Lukes Group (No. 2) Limited, St Lukes Square (1993) Limited, Albany Shopping Centre Limited and Albany Shopping Centre (No. 2) Limited. GIC acquired from the Group a 49% ownership interest in each of these entities while the Group retained a 51% interest. Under the Shareholders' Agreement, the Group and GIC each has two representatives in the Shareholders' Committee with voting power in proportion to each shareholder's shareholding. While the Group has a 51% interest in these entities, 75% of the votes is required to pass a resolution. Accordingly, the Group lost control and ceased to consolidate these entities from 23 March 2015. The Group's remaining 51% interest is equity accounted from that date.

|                                             | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|---------------------------------------------|------------------------|------------------------|
| <b>NOTE 17 INTEREST BEARING LIABILITIES</b> |                        |                        |
| <b>Current</b>                              |                        |                        |
| <b>Unsecured</b>                            |                        |                        |
| Commercial paper                            | 787.1                  | 578.9                  |
| Finance leases                              | 0.5                    | 0.9                    |
| Bank loans                                  |                        |                        |
| – A\$ denominated                           | 6.0                    | –                      |
| Notes payable                               |                        |                        |
| – A\$ denominated                           | 919.5                  | –                      |
|                                             | <b>1,713.1</b>         | <b>579.8</b>           |
| <b>Non current</b>                          |                        |                        |
| <b>Unsecured</b>                            |                        |                        |
| Bank loans                                  |                        |                        |
| – A\$ denominated                           | 65.0                   | 2,938.0                |
| – NZ\$ denominated                          | 497.8                  | 1,055.7                |
| Notes payable                               |                        |                        |
| – US\$ denominated                          | 3,225.4                | 1,646.3                |
| – £ denominated                             | 1,618.1                | 761.2                  |
| – A\$ denominated                           | 583.2                  | 1,527.6                |
| – € denominated                             | 3,189.3                | 3,177.4                |
| Finance leases                              | 38.8                   | 56.2                   |
| <b>Secured</b>                              |                        |                        |
| Bank loans and mortgages                    |                        |                        |
| – A\$ denominated                           | 212.0                  | 209.5                  |
|                                             | <b>9,429.6</b>         | <b>11,371.9</b>        |
| <b>Total interest bearing liabilities</b>   | <b>11,142.7</b>        | <b>11,951.7</b>        |

The Group maintains a range of interest bearing liabilities. The sources of funding are spread over various counterparties to minimise credit risk and the terms of the instruments are negotiated to achieve a balance between capital availability and the cost of debt. Refer to Note 32 for details relating to fixed rate debt and derivatives which hedge floating rate liabilities.

|                                                        | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|--------------------------------------------------------|------------------------|------------------------|
| <b>(a) Summary of financing facilities</b>             |                        |                        |
| Committed financing facilities available to the Group: |                        |                        |
| Total financing facilities at the end of the year      | 14,754.7               | 13,356.6               |
| Total interest bearing liabilities                     | (11,142.7)             | (11,951.7)             |
| Total bank guarantees                                  | (35.0)                 | (17.5)                 |
| Available financing facilities <sup>(i)</sup>          | 3,577.0                | 1,387.4                |
| Cash                                                   | 142.7                  | 189.0                  |
| Financing resources available at the end of the year   | 3,719.7                | 1,576.4                |

<sup>(i)</sup> Total available financing facilities at the end of the financial period of \$3,577.0 million (31 December 2014: \$1,387.4 million) is in excess of the Group's net current liabilities of \$3,232.6 million (31 December 2014: \$287.0 million). Net current liabilities comprise current assets less current liabilities.

These facilities comprise fixed and floating rate notes and both secured and unsecured interest only floating rate facilities. Certain facilities are also subject to negative pledge arrangements which require the Group to comply with specific minimum financial and non-financial requirements. These facilities exclude other financial liabilities set out in Note 18. Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

## NOTE 17 INTEREST BEARING LIABILITIES (CONTINUED)

|                                                                                                                               | Committed<br>financing<br>facilities<br>31 Dec 15<br>\$million | Total interest<br>bearing<br>liabilities<br>31 Dec 15<br>\$million | Committed<br>financing<br>facilities<br>31 Dec 14<br>\$million | Total interest<br>bearing<br>liabilities<br>31 Dec 14<br>\$million |
|-------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------|
| <b>(b) Summary of maturity and amortisation profile of consolidated financing facilities and interest bearing liabilities</b> |                                                                |                                                                    |                                                                |                                                                    |
| Year ending December 2015                                                                                                     | –                                                              | –                                                                  | 0.9                                                            | 579.8                                                              |
| Year ending December 2016                                                                                                     | 920.0                                                          | 1,713.1                                                            | 1,044.7                                                        | 1,045.1                                                            |
| Year ending December 2017                                                                                                     | 150.5                                                          | 93.5                                                               | 1,958.1                                                        | 1,759.3                                                            |
| Year ending December 2018                                                                                                     | 1,696.9                                                        | 925.8                                                              | 2,623.9                                                        | 2,409.0                                                            |
| Year ending December 2019                                                                                                     | 2,681.7                                                        | 1,322.7                                                            | 2,868.2                                                        | 1,447.7                                                            |
| Year ending December 2020                                                                                                     | 3,025.1                                                        | 1,107.1                                                            | 1,190.2                                                        | 1,040.2                                                            |
| Year ending December 2021                                                                                                     | 1,386.7                                                        | 1,086.7                                                            | 400.4                                                          | 400.4                                                              |
| Year ending December 2022                                                                                                     | 840.8                                                          | 840.8                                                              | 31.9                                                           | 31.9                                                               |
| Year ending December 2023                                                                                                     | 804.2                                                          | 804.2                                                              | 807.3                                                          | 807.3                                                              |
| Year ending December 2024                                                                                                     | 895.2                                                          | 895.2                                                              | 889.6                                                          | 889.6                                                              |
| Year ending December 2025                                                                                                     | 1,510.3                                                        | 1,510.3                                                            | 732.3                                                          | 732.3                                                              |
| Due thereafter                                                                                                                | 843.3                                                          | 843.3                                                              | 809.1                                                          | 809.1                                                              |
|                                                                                                                               | <b>14,754.7</b>                                                | <b>11,142.7</b>                                                    | <b>13,356.6</b>                                                | <b>11,951.7</b>                                                    |

| Type | Maturity date | Committed<br>financing<br>facilities<br>(local currency)<br>31 Dec 15<br>million | Total interest<br>bearing<br>liabilities<br>(local currency)<br>31 Dec 15<br>million | Committed<br>financing<br>facilities<br>(local currency)<br>31 Dec 14<br>million | Total interest<br>bearing<br>liabilities<br>(local currency)<br>31 Dec 14<br>million |
|------|---------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|------|---------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|

## (c) Details of consolidated financing facilities and interest bearing liabilities

|                                                           |           |          |           |          |           |
|-----------------------------------------------------------|-----------|----------|-----------|----------|-----------|
| Commercial paper <sup>(i)</sup>                           | Current   | –        | A\$787.1  | –        | A\$578.9  |
| Uncommitted facility <sup>(i)</sup>                       | Current   | –        | A\$6.0    | –        | –         |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 1-Jul-16  | –        | –         | A\$100.0 | NZ\$79.0  |
|                                                           |           |          |           |          | A\$25.0   |
| Unsecured notes payable – bonds                           | 18-Oct-16 | A\$919.5 | A\$919.5  | A\$943.8 | A\$943.8  |
| Unsecured bank loan – bridge facility <sup>(ii)</sup>     | 20-Mar-17 | –        | –         | A\$57.0  | A\$57.0   |
| Unsecured bank loan – bilateral facility <sup>(iv)</sup>  | 20-Mar-17 | –        | –         | A\$50.0  | A\$50.0   |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 31-Mar-17 | –        | –         | A\$200.0 | NZ\$194.8 |
|                                                           |           |          |           |          | A\$18.0   |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 2-Jul-17  | –        | –         | A\$200.0 | A\$199.0  |
| Unsecured bank loan – bilateral facility                  | 3-Jul-17  | A\$50.0  | –         | A\$50.0  | A\$50.0   |
| Unsecured bank loan – bilateral facility                  | 3-Jul-17  | A\$100.0 | A\$10.0   | –        | –         |
|                                                           |           |          | NZ\$88.5  |          |           |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 3-Jul-17  | –        | –         | A\$250.0 | A\$250.0  |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 3-Jul-17  | –        | –         | A\$250.0 | A\$250.0  |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 3-Jul-17  | –        | –         | A\$250.0 | A\$246.0  |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 3-Jul-17  | –        | –         | A\$200.0 | –         |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 3-Jul-17  | –        | –         | A\$250.0 | A\$250.0  |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 3-Jul-17  | –        | –         | A\$100.0 | NZ\$107.0 |
| Unsecured bank loan – bilateral facility <sup>(iv)</sup>  | 3-Jul-17  | –        | –         | A\$100.0 | A\$100.0  |
| Unsecured bank loan – bilateral facility <sup>(iv)</sup>  | 20-Mar-18 | –        | –         | A\$50.0  | A\$50.0   |
| Unsecured bank loan – bilateral facility                  | 31-Mar-18 | A\$200.0 | NZ\$213.4 | –        | –         |
| Unsecured bank loan – bilateral facility                  | 2-Jul-18  | A\$100.0 | –         | A\$100.0 | A\$100.0  |
| Unsecured bank loan – bilateral facility                  | 2-Jul-18  | A\$100.0 | –         | A\$100.0 | A\$20.0   |
| Unsecured bank loan – bilateral facility                  | 2-Jul-18  | A\$200.0 | –         | –        | –         |
| Unsecured bank loan – bilateral facility                  | 2-Jul-18  | A\$200.0 | –         | –        | –         |
| Unsecured bank loan – bilateral facility                  | 2-Jul-18  | A\$200.0 | A\$35.0   | –        | –         |
| Unsecured bank loan – bilateral facility                  | 2-Jul-18  | A\$100.0 | NZ\$100.0 | –        | –         |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 2-Jul-18  | –        | –         | A\$250.0 | NZ\$171.0 |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 2-Jul-18  | –        | –         | A\$250.0 | A\$131.0  |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 2-Jul-18  | –        | –         | A\$250.0 | A\$158.0  |
|                                                           |           |          |           |          | NZ\$95.0  |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 2-Jul-18  | –        | –         | A\$100.0 | A\$100.0  |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 2-Jul-18  | –        | –         | A\$150.0 | NZ\$147.5 |
|                                                           |           |          |           |          | A\$85.0   |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 2-Jul-18  | –        | –         | A\$150.0 | A\$150.0  |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup> | 2-Jul-18  | –        | –         | A\$250.0 | A\$144.0  |
| Unsecured bank loan – bilateral facility <sup>(iv)</sup>  | 2-Jul-18  | –        | –         | A\$150.0 | A\$150.0  |
|                                                           |           |          |           |          | NZ\$128.5 |
| Unsecured notes payable – bonds                           | 16-Jul-18 | €400.0   | €400.0    | €400.0   | €400.0    |

**NOTE 17 INTEREST BEARING LIABILITIES (CONTINUED)**

| Type                                                                                                 | Maturity date | Committed<br>financing<br>facilities<br>(local currency)<br>31 Dec 15<br>million | Total interest<br>bearing<br>liabilities<br>(local currency)<br>31 Dec 15<br>million | Committed<br>financing<br>facilities<br>(local currency)<br>31 Dec 14<br>million | Total interest<br>bearing<br>liabilities<br>(local currency)<br>31 Dec 14<br>million |
|------------------------------------------------------------------------------------------------------|---------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| <b>(c) Details of consolidated financing facilities and interest bearing liabilities (continued)</b> |               |                                                                                  |                                                                                      |                                                                                  |                                                                                      |
| Secured mortgage – Carindale <sup>(iii)</sup>                                                        | 30-Oct-18     | –                                                                                | –                                                                                    | A\$230.0                                                                         | A\$209.5                                                                             |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup>                                            | 20-Mar-19     | –                                                                                | –                                                                                    | A\$200.0                                                                         | –                                                                                    |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup>                                            | 20-Mar-19     | –                                                                                | –                                                                                    | A\$200.0                                                                         | NZ\$96.2                                                                             |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-19      | A\$250.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-19      | A\$100.0                                                                         | A\$20.0                                                                              | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-19      | A\$150.0                                                                         | NZ\$129.0                                                                            | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-19      | A\$150.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-19      | A\$250.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-19      | A\$100.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-19      | A\$250.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-19      | A\$250.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup>                                            | 1-Jul-19      | –                                                                                | –                                                                                    | A\$250.0                                                                         | –                                                                                    |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup>                                            | 1-Jul-19      | –                                                                                | –                                                                                    | A\$250.0                                                                         | A\$205.0                                                                             |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup>                                            | 1-Jul-19      | –                                                                                | –                                                                                    | A\$250.0                                                                         | NZ\$50.0                                                                             |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup>                                            | 1-Jul-19      | –                                                                                | –                                                                                    | A\$100.0                                                                         | –                                                                                    |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup>                                            | 1-Jul-19      | –                                                                                | –                                                                                    | A\$150.0                                                                         | –                                                                                    |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup>                                            | 1-Jul-19      | –                                                                                | –                                                                                    | A\$150.0                                                                         | –                                                                                    |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup>                                            | 1-Jul-19      | –                                                                                | –                                                                                    | A\$250.0                                                                         | –                                                                                    |
|                                                                                                      |               |                                                                                  |                                                                                      |                                                                                  | NZ\$36.5                                                                             |
| Unsecured notes payable – bonds                                                                      | 23-Oct-19     | A\$151.9                                                                         | A\$151.9                                                                             | A\$152.4                                                                         | A\$152.4                                                                             |
| Unsecured notes payable – bonds                                                                      | 5-Nov-19      | US\$750.0                                                                        | US\$750.0                                                                            | US\$750.0                                                                        | US\$750.0                                                                            |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup>                                            | 30-Jun-20     | –                                                                                | –                                                                                    | A\$50.0                                                                          | –                                                                                    |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup>                                            | 30-Jun-20     | –                                                                                | –                                                                                    | A\$50.0                                                                          | A\$50.0                                                                              |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-20      | A\$250.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-20      | A\$250.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-20      | A\$250.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-20      | A\$200.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-20      | A\$100.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-20      | A\$150.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-20      | A\$200.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-20      | A\$150.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-20      | A\$250.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 1-Jul-20      | A\$100.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured notes payable – bonds                                                                      | 16-Jul-20     | €600.0                                                                           | €600.0                                                                               | €600.0                                                                           | €600.0                                                                               |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup>                                            | 31-Jul-20     | –                                                                                | –                                                                                    | A\$100.0                                                                         | –                                                                                    |
| Unsecured bank loan – bilateral facility <sup>(iii)</sup>                                            | 31-Jul-20     | –                                                                                | –                                                                                    | A\$100.0                                                                         | A\$100.0                                                                             |
| Secured mortgage – Carindale                                                                         | 31-Aug-20     | A\$230.0                                                                         | A\$212.0                                                                             | –                                                                                | –                                                                                    |
| Unsecured notes payable – bonds                                                                      | 28-Apr-21     | US\$500.0                                                                        | US\$500.0                                                                            | –                                                                                | –                                                                                    |
| Unsecured bank loan – bilateral facility                                                             | 30-Jul-21     | A\$300.0                                                                         | –                                                                                    | –                                                                                | –                                                                                    |
| Unsecured notes payable – bonds                                                                      | 8-Sep-21      | A\$400.0                                                                         | A\$400.0                                                                             | A\$400.0                                                                         | A\$400.0                                                                             |
| Unsecured notes payable – bonds                                                                      | 8-Apr-22      | £400.0                                                                           | £400.0                                                                               | –                                                                                | –                                                                                    |
| Unsecured notes payable – bonds                                                                      | 4-Jul-22      | A\$31.2                                                                          | A\$31.2                                                                              | A\$31.4                                                                          | A\$31.4                                                                              |
| Unsecured notes payable – bonds                                                                      | 11-Sep-23     | €539.0                                                                           | €539.0                                                                               | €544.4                                                                           | €544.4                                                                               |
| Unsecured notes payable – bonds                                                                      | 16-Jul-24     | €600.0                                                                           | €600.0                                                                               | €600.0                                                                           | €600.0                                                                               |
| Unsecured notes payable – bonds                                                                      | 12-Feb-25     | US\$600.0                                                                        | US\$600.0                                                                            | US\$600.0                                                                        | US\$600.0                                                                            |
| Unsecured notes payable – bonds                                                                      | 28-Oct-25     | US\$500.0                                                                        | US\$500.0                                                                            | –                                                                                | –                                                                                    |
| Unsecured notes payable – bonds                                                                      | 16-Jul-26     | £400.0                                                                           | £400.0                                                                               | £400.0                                                                           | £400.0                                                                               |
| Total A\$ equivalent of the above                                                                    |               | 14,715.4                                                                         | 11,103.4                                                                             | 13,299.5                                                                         | 11,894.6                                                                             |
| Add:                                                                                                 |               |                                                                                  |                                                                                      |                                                                                  |                                                                                      |
| Finance leases                                                                                       |               | 39.3                                                                             | 39.3                                                                                 | 57.1                                                                             | 57.1                                                                                 |
| <b>Consolidated financing facilities and interest bearing liabilities</b>                            |               | <b>14,754.7</b>                                                                  | <b>11,142.7</b>                                                                      | <b>13,356.6</b>                                                                  | <b>11,951.7</b>                                                                      |

<sup>(i)</sup> Drawings on the Group's commercial paper program and uncommitted facility may be refinanced by the Group's non current unsecured bank loan facilities.

<sup>(ii)</sup> During the year, these facilities were repaid and cancelled.

<sup>(iii)</sup> During the year, these bilateral facilities were extended and are shown separately at the new maturity date.

<sup>(iv)</sup> During the year, these bilateral facilities were increased and extended. These are shown separately at the new maturity date.

The Group consolidates 50% of the Carindale Property Trust and the borrowings in this Trust are secured by a mortgage over the Carindale centre. The recorded fair value of the Carindale centre is \$767.5 million (31 December 2014: \$748.6 million) compared to borrowings of \$212.0 million (31 December 2014: \$209.5 million).

The secured and unsecured bank loans, bank overdraft, uncommitted facility and notes payable are subject to negative pledge arrangements which require the Group to comply with certain minimum financial and non-financial requirements.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

|                                            | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|--------------------------------------------|------------------------|------------------------|
| <b>NOTE 18 OTHER FINANCIAL LIABILITIES</b> |                        |                        |
| <b>Property linked notes</b>               |                        |                        |
| Current                                    | 1,154.9                | –                      |
| Non current                                | –                      | 1,409.1                |
|                                            | <b>1,154.9</b>         | <b>1,409.1</b>         |

The Property Linked Notes (Notes) are designed to provide returns based on the economic performance of the following Westfield Australian super regional and regional shopping centres: Parramatta, Hornsby and Burwood in Sydney, Southland in Melbourne, Tea Tree Plaza in Adelaide and Belconnen in the ACT (collectively the Westfield centres). The return under the Notes is based on a proportional interest, in respect of the relevant Westfield centre, as specified in the Note (Reference Property Interest). The coupon is payable semi annually on 15 March and 15 September each year for as long as the Note remains outstanding. The review date for each Note is 31 December 2016 and each fifth anniversary of that date. Redemption events under the Notes include non performance events by the Issuer, changes in tax laws and sale of the relevant Westfield centre. The Notes may also be redeemed by agreement at a Review Date.

The redemption value of a Note is effectively calculated as the market value of the Note holder's Reference Property Interest at the date of redemption and the final coupon (if applicable). The Notes were initially recorded at fair value and are subsequently remeasured at fair value each reporting period with gains or losses recorded through the income statement. The gains or losses recorded through the income statement are directly related to the revaluation of the relevant Westfield centre. The fair value of the Notes is determined by reference to the fair value of the relevant Westfield centre. On redemption, the obligation to pay the amount due on the Notes, can, in certain circumstances, be satisfied by the transfer of the underlying Reference Property Interest to the Note holder. The Notes are subordinated to all other secured and unsecured debt of the Group. The Notes are guaranteed (on a subordinated basis) by the Parent Company and Westfield America Management Limited as responsible entity of WAT. However, under the Implementation Deed in relation to the Restructure and Merger, WAT has the benefit of an indemnity from the Group in the event liability under this guarantee arises.

In November 2015, \$279.7 million of the Notes were repaid and terminated. As at 31 December 2015, \$1,154.9 million Notes remain outstanding.

|                                       | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|---------------------------------------|------------------------|------------------------|
| <b>NOTE 19 DERIVATIVE LIABILITIES</b> |                        |                        |
| <b>Current</b>                        |                        |                        |
| Payables on currency derivatives      | 17.7                   | 1.3                    |
| Payables on interest rate derivatives | 1.2                    | 0.9                    |
|                                       | <b>18.9</b>            | <b>2.2</b>             |
| <b>Non current</b>                    |                        |                        |
| Payables on interest rate derivatives | 223.3                  | 124.9                  |
|                                       | <b>223.3</b>           | <b>124.9</b>           |

The Group presents the fair value mark to market of its derivative assets and derivative liabilities on a gross basis. However, certain derivative assets and liabilities are subject to legally enforceable master netting arrangements. As at 31 December 2015, when these netting arrangements are applied to the derivative portfolio, the derivative liabilities of \$242.2 million would be reduced by \$207.8 million to the net amount of \$34.4 million (31 December 2014: derivative liabilities of \$127.1 million reduced by \$103.7 million to the net amount of \$23.4 million).

|                                                                  | 31 Dec 15<br>Securities | 31 Dec 14<br>Securities |
|------------------------------------------------------------------|-------------------------|-------------------------|
| <b>NOTE 20 CONTRIBUTED EQUITY</b>                                |                         |                         |
| <b>(a) Number of securities on issue</b>                         |                         |                         |
| Balance at the beginning of the year                             | 5,311,595,241           | 2,072,220,261           |
| Conversion of securities on issue on a 1.246 for 1 basis         | –                       | 511,253,525             |
| Issuance of securities and the Restructure and Merger adjustment | –                       | 2,734,953,467           |
| Securities held in the Scentre Executive Option Plan Trust       | –                       | (6,832,012)             |
| Balance at the end of the year <sup>(i)</sup>                    | <b>5,311,595,241</b>    | <b>5,311,595,241</b>    |

<sup>(i)</sup> The Scentre Executive Option Plan Trust holds 12,701,437 (31 December 2014: 12,701,437) securities in the Group, which have been consolidated and eliminated in accordance with accounting standards.

Stapled securities have the right to receive declared dividends from the Parent Company and distributions from SGT1, SGT2 and SGT3 and, in the event of winding up the Parent Company, SGT1, SGT2 and SGT3, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on stapled securities held.

Holders of stapled securities can vote their shares and units in accordance with the Act, either in person or by proxy, at a meeting of any of the Parent Company, SGT1, SGT2 and SGT3 (as the case may be).

## NOTE 20 CONTRIBUTED EQUITY (CONTINUED)

|                                         | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|-----------------------------------------|------------------------|------------------------|
| <b>(b) Amount of contributed equity</b> |                        |                        |
| of the Parent Company                   | 674.4                  | 674.4                  |
| of SGT1, SGT2 and SGT3 <sup>(i)</sup>   | 9,820.8                | 9,820.8                |
| of the Group                            | 10,495.2               | 10,495.2               |

<sup>(i)</sup> Comprises SGT1 \$1,650.8 million (31 December 2014: \$1,650.8 million), SGT2 \$8,158.5 million (31 December 2014: \$8,158.5 million) and SGT3 \$11.5 million (31 December 2014: \$11.5 million).

### Movement in contributed equity attributable to members of the Group

|                                                                                                |                        |                        |
|------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Balance at the beginning of the year                                                           | 10,495.2               | 14,739.4               |
| Business combination with Westfield Retail Trust                                               | –                      | 8,170.0                |
| Capital distribution to Westfield Corporation                                                  | –                      | (12,413.9)             |
| Issuance of securities and the Restructure and Merger adjustment                               | –                      | 2.5                    |
| Transfer of residual balance of exercised rights from the employee share plan benefits reserve | –                      | (2.8)                  |
| Balance at the end of the year                                                                 | 10,495.2               | 10,495.2               |
|                                                                                                | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |

## NOTE 21 RESERVES

|                                       |       |       |
|---------------------------------------|-------|-------|
| of the Parent Company                 | 21.1  | 20.4  |
| of SGT1, SGT2 and SGT3 <sup>(i)</sup> | 116.3 | 259.2 |
| of the Group                          | 137.4 | 279.6 |

<sup>(i)</sup> Comprises SGT1 \$42.0 million (31 December 2014: \$133.9 million), SGT2 \$74.3 million (31 December 2014: \$125.3 million) and SGT3 nil (31 December 2014: nil).

### Total reserves of the Group

|                                      |       |       |
|--------------------------------------|-------|-------|
| Foreign currency translation reserve | 115.7 | 258.9 |
| Employee share plan benefits reserve | 21.7  | 20.7  |
| Balance at the end of the year       | 137.4 | 279.6 |

### Movement in foreign currency translation reserve

The foreign currency translation reserve is to record net exchange differences arising from the translation of the net investments, including qualifying hedges, in foreign controlled and equity accounted entities.

|                                                                                                                                                                                              |         |         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|
| Balance at the beginning of the year                                                                                                                                                         | 258.9   | (474.9) |
| Foreign exchange movement                                                                                                                                                                    |         |         |
| – realised and unrealised differences on the translation of investment in foreign operations, currency loans and asset hedging derivatives which qualify for hedge accounting <sup>(i)</sup> | (12.3)  | (211.5) |
| – accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations                                              | (130.9) | –       |
| – deferred tax effect                                                                                                                                                                        | –       | (0.4)   |
| – accumulated exchange differences transferred from foreign currency translation reserve on distribution of net investment in foreign operations                                             | –       | 838.9   |
| – Business combination with Westfield Retail Trust                                                                                                                                           | –       | 106.8   |
| Balance at the end of the year                                                                                                                                                               | 115.7   | 258.9   |

<sup>(i)</sup> Comprises net exchange loss on translation of foreign operations of \$61.6 million (31 December 2014: \$250.6 million) and net realised and unrealised gain on currency loans and asset hedging derivatives which qualify for hedge accounting of \$49.3 million (31 December 2014: \$39.1 million).

### Movement in employee share plan benefits reserve

The employee share plan benefits reserve is used to record the value of share based payments provided to employees as part of their remuneration.

|                                                                             |      |        |
|-----------------------------------------------------------------------------|------|--------|
| Balance at the beginning of the year                                        | 20.7 | 66.7   |
| – movement in equity settled share based payment                            | 1.0  | (0.5)  |
| – transfer of employee share plan benefits reserve to Westfield Corporation | –    | (45.5) |
| Balance at the end of the year                                              | 21.7 | 20.7   |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

|                                       | Note | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|---------------------------------------|------|------------------------|------------------------|
| <b>NOTE 22 RETAINED PROFITS</b>       |      |                        |                        |
| of the Parent Company                 |      | <b>40.4</b>            | 5.7                    |
| of SGT1, SGT2 and SGT3 <sup>(i)</sup> |      | <b>6,966.6</b>         | 5,390.4                |
| of the Group                          |      | <b>7,007.0</b>         | 5,396.1                |

<sup>(i)</sup> Comprises SGT1 \$4,459.4 million (31 December 2014: \$3,724.0 million), SGT2 \$2,495.8 million (31 December 2014: \$1,658.7 million) and SGT3 \$11.4 million (31 December 2014: \$7.7 million).

## Movement in retained profits

|                                                                                |    |                  |           |
|--------------------------------------------------------------------------------|----|------------------|-----------|
| Balance at the beginning of the year                                           |    | <b>5,396.1</b>   | 779.5     |
| Profit after tax for the period                                                |    | <b>2,707.8</b>   | 6,586.3   |
| Dividend/distribution paid                                                     |    | <b>(1,096.9)</b> | (1,073.9) |
| Market value adjustment on distribution of net assets to Westfield Corporation | 10 | –                | (6,605.9) |
| Retained earnings attributable to Westfield Corporation                        |    | –                | 4,654.0   |
| Business combination with Westfield Retail Trust                               | 3  | –                | 1,056.1   |
| Balance at the end of the year                                                 |    | <b>7,007.0</b>   | 5,396.1   |

|  | Note | Number<br>of rights<br>31 Dec 15 | Weighted<br>average<br>exercise<br>price<br>\$<br>31 Dec 15 | Number<br>of rights<br>31 Dec 14 | Weighted<br>average<br>exercise<br>price<br>\$<br>31 Dec 14 |
|--|------|----------------------------------|-------------------------------------------------------------|----------------------------------|-------------------------------------------------------------|
|--|------|----------------------------------|-------------------------------------------------------------|----------------------------------|-------------------------------------------------------------|

## NOTE 23 SHARE BASED PAYMENTS

### (a) Rights over Scentre Group stapled securities

|                            |           |                   |   |            |   |
|----------------------------|-----------|-------------------|---|------------|---|
| – Performance rights – STI | 28(b)(i)  | <b>7,414,264</b>  | – | 9,088,288  | – |
| – Performance rights – LTI | 28(b)(ii) | <b>3,855,886</b>  | – | 2,470,614  | – |
|                            |           | <b>11,270,150</b> | – | 11,558,902 | – |

### (b) Equity Settled Plans

#### (i) Performance rights – STI – Equity settled over Scentre Group stapled securities

|  | Number<br>of rights<br>31 Dec 15 | Number<br>of rights<br>31 Dec 14 |
|--|----------------------------------|----------------------------------|
|--|----------------------------------|----------------------------------|

### Movement in Performance rights – STI

|                                                                              |                    |             |
|------------------------------------------------------------------------------|--------------------|-------------|
| Balance at the beginning of the year                                         | <b>9,088,288</b>   | 12,146,826  |
| Rights transferred to Westfield Corporation <sup>(i)</sup>                   | –                  | (7,160,464) |
| Adjustment to rights upon the establishment of Scentre Group <sup>(ii)</sup> | –                  | 1,640,373   |
| Rights issued during the year                                                | <b>2,555,452</b>   | 4,911,936   |
| Rights exercised during the year                                             | <b>(3,494,591)</b> | (2,113,623) |
| Rights forfeited during the year                                             | <b>(734,885)</b>   | (336,760)   |
| Balance at the end of the year                                               | <b>7,414,264</b>   | 9,088,288   |

<sup>(i)</sup> Following implementation of the Restructure and Merger on 30 June 2014, this represents rights associated with employees who transferred to Westfield Corporation.

<sup>(ii)</sup> As a result of the Restructure and Merger, existing rights under Westfield Group's plans relating to Australian and New Zealand employees were modified such that the rights relate, at the option of the holder, to either: (i) securities in Scentre Group only; or (ii) securities in both Scentre Group and Westfield Corporation. The adjustment factor for rights relating to: (i) Scentre Group securities was calculated using the formula: (VWAP of a Scentre Group Security x 1.246 + VWAP of a Westfield Corporation security)/VWAP of a Scentre Group security; (ii) Scentre Group and Westfield Corporation securities in the same proportion and on the same terms implied through the application of the merger ratio applied to holders of Westfield Group securities.

The VWAP or volume weighted average price used for Scentre Group securities was \$3.27 and Westfield Corporation securities was \$7.31.

The value of rights adjusted immediately before the transaction was the same as the value of rights immediately after the transaction.

## NOTE 23 SHARE BASED PAYMENTS (CONTINUED)

### (b) Equity Settled Plans (continued)

#### (i) Performance rights – STI – Equity settled over Scentre Group stapled securities (continued)

| Vesting profile | Fair value granted \$million<br>31 Dec 15 | Number of rights at <sup>(i)</sup><br>31 Dec 15 | Fair value granted \$million<br>31 Dec 14 | Number of rights at <sup>(i)</sup><br>31 Dec 14 |
|-----------------|-------------------------------------------|-------------------------------------------------|-------------------------------------------|-------------------------------------------------|
| 2015            | –                                         | –                                               | 8.1                                       | 3,637,846                                       |
| 2016            | 10.8                                      | 4,388,990                                       | 11.8                                      | 4,783,731                                       |
| 2017            | 7.4                                       | 2,512,946                                       | 0.4                                       | 154,383                                         |
| 2018            | 1.2                                       | 512,328                                         | 1.2                                       | 512,328                                         |
|                 | 19.4                                      | 7,414,264                                       | 21.5                                      | 9,088,288                                       |

<sup>(i)</sup> The exercise price for these rights is nil.

The Performance rights – STI is a plan in which senior executives and high performing employees participate. The fair value of rights issued is measured at each grant date using a Black Scholes option pricing model. The inputs include the Group's 10 day volume weighted average security price prior to the grant date, the risk free interest rate, expected volatility and expected dividend yield during the vesting period. Expected volatility is based on the historical security price volatility over the past 3 years. Executives are not able to call for early exercise of the rights, however there are provisions in the plan to allow for early vesting at the discretion of the Board. Vesting conditions such as the number of employees remaining in service is taken into account in determining the total amortisation for each reporting period. The terms of the Performance rights – STI are described in section 8.4 of the Directors' Report.

#### (ii) Performance rights – LTI – Equity settled over Scentre Group stapled securities

|                                                                              | Number of rights<br>31 Dec 15 | Number of rights<br>31 Dec 14 |
|------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| <b>Movement in Performance rights – LTI</b>                                  |                               |                               |
| Balance at the beginning of the year                                         | 2,470,614                     | 3,597,990                     |
| Rights transferred to Westfield Corporation <sup>(i)</sup>                   | –                             | (2,678,057)                   |
| Adjustment to rights upon the establishment of Scentre Group <sup>(ii)</sup> | –                             | 258,261                       |
| Rights issued during the year <sup>(iii)</sup>                               | 2,028,748                     | 1,412,550                     |
| Rights exercised during the year                                             | (314,239)                     | –                             |
| Rights forfeited during the year                                             | (329,237)                     | (120,130)                     |
| Balance at the end of the year                                               | 3,855,886                     | 2,470,614                     |

<sup>(i)</sup> Following implementation of the Restructure and Merger on 30 June 2014, this represents rights associated with employees who transferred to Westfield Corporation.

<sup>(ii)</sup> As a result of the Restructure and Merger, existing rights under Westfield Group's plans relating to Australian and New Zealand employees were modified such that the rights relate, at the option of the holder, to either: (i) securities in Scentre Group only; or (ii) securities in both Scentre Group and Westfield Corporation.

The adjustment factor for rights relating to: (i) Scentre Group securities was calculated using the formula: (VWAP of a Scentre Group Security x 1.246 + VWAP of a Westfield Corporation security)/VWAP of a Scentre Group security; (ii) Scentre Group and Westfield Corporation securities in the same proportion and on the same terms implied through the application of the merger ratio applied to holders of Westfield Group securities.

The VWAP or volume weighted average price used for Scentre Group securities was \$3.27 and Westfield Corporation securities was \$7.31.

The value of rights adjusted immediately before the transaction was the same as the value of rights immediately after the transaction.

<sup>(iii)</sup> As outlined in section 8.4(c) of the Directors' Report, certain performance hurdles must be met in order for participants to be entitled to awards under the Performance rights – LTI.

For 2012 and 2013, the ROCE hurdle constituted 25% and 50% respectively of the total number of Performance rights – LTI awards. A full discussion of the nature of the ROCE hurdle is contained in the 2012 and 2013 Remuneration Reports published by Westfield Group. Given the fundamental restructuring of the Westfield Group, the Westfield Group Board agreed to waive these ROCE hurdles. Having regard to the actual performance of Westfield Group to the implementation of the Restructure and Merger and ROCE for the six months to 30 June 2014, the Board determined that the ROCE hurdles were met to 110% and 125% for the 2012 and 2013 years respectively.

For 2014, the awards were issued under the new Scentre Group Plans. With the prospect of the Restructure and Merger, the annual grant of LTI awards to Westfield Group executives in 2014 was deferred pending the outcome of the transaction. Specifically, the Westfield Group Remuneration Committee was of the view that awards which were subject to a Westfield Group related performance hurdle(s) should not be issued as, in the event of implementation of the Restructure and Merger, that hurdle would have to be waived.

Following implementation of the Restructure and Merger, the Board determined, having regard to the deferral of the issue of awards and the efforts and cooperation of senior executive team in effecting the Restructure and Merger, that it was appropriate to adopt a single performance hurdle for the 2014 LTI Plan awards. That hurdle related to achieving Scentre Group's FFO forecast for 2014 (being 10.88 cents per security). The vesting period for the 2014 LTIs is 50% in year 4 and 50% in year 5.

| Vesting profile | Fair value granted \$million<br>31 Dec 15 | Number of rights at <sup>(i)</sup><br>31 Dec 15 | Fair value granted \$million<br>31 Dec 14 | Number of rights at <sup>(i)</sup><br>31 Dec 14 |
|-----------------|-------------------------------------------|-------------------------------------------------|-------------------------------------------|-------------------------------------------------|
| 2015            | –                                         | –                                               | 0.6                                       | 332,364                                         |
| 2016            | 1.4                                       | 601,057                                         | 1.5                                       | 635,673                                         |
| 2017            | 4.9                                       | 1,754,299                                       | 2.4                                       | 909,337                                         |
| 2018            | 3.9                                       | 1,500,530                                       | 1.4                                       | 593,240                                         |
|                 | 10.2                                      | 3,855,886                                       | 5.9                                       | 2,470,614                                       |

<sup>(i)</sup> The exercise price for these rights is nil.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

## NOTE 23 SHARE BASED PAYMENTS (CONTINUED)

### (b) Equity Settled Plans (continued)

#### (ii) Performance rights – LTI – Equity settled over Scentre Group stapled securities (continued)

The senior leadership team of Scentre Group participate in the Performance rights – LTI. The fair value of rights issued is measured at each grant date using a Black Scholes option pricing model. The inputs include the Group's 10 day volume weighted average security price prior to the grant date, the risk free interest rate, expected volatility and expected dividend yield during the vesting period. Expected volatility is based on the historical security price volatility over the past 3 years. Other vesting conditions include meeting the performance hurdle(s) applicable under the Performance rights – LTI as determined annually by the Remuneration Committee. The hurdles chosen by the Remuneration Committee for the 2015 and 2016 qualifying years are set out in section 8.4(c) of the Directors' Report. Vesting conditions such as number of employees remaining in service is taken into account in determining the total amortisation for each reporting period. In calculating the Black Scholes' value of rights granted it has been assumed that the hurdle conditions are met and consequently, the value of the option is not reduced to reflect the hurdle conditions. The terms of the Performance rights – LTI are described in section 8.4 of the Directors' Report.

#### Accounting for equity settled Share Based Payments

During the year, \$10.5 million (31 December 2014: charge of \$11.2 million) was charged to the income statement as gross amortisation in respect of equity settled share based payments and the corresponding entry is recorded against employee share plan benefits reserve.

### (c) Cash Settled Plans

#### (i) The Executive Deferred Award Plan (EDA Plan)

The Executive Deferred Award Plan (EDA Plan) – Cash settled over Scentre Group stapled securities

|                                                                              | Number<br>of award<br>securities<br>31 Dec 15 | Number<br>of award<br>securities<br>31 Dec 14 |
|------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>Movement in Executive Deferred Awards</b>                                 |                                               |                                               |
| Balance at the beginning of the year                                         | 1,524,797                                     | 1,418,620                                     |
| Awards transferred to Westfield Corporation <sup>(i)</sup>                   | –                                             | (834,537)                                     |
| Adjustment to awards upon the establishment of Scentre Group <sup>(ii)</sup> | –                                             | 215,293                                       |
| Awards under the Westfield Retail Trust Plans <sup>(iii)</sup>               | –                                             | 1,356,801                                     |
| Awards exercised during the year                                             | (400,282)                                     | (374,002)                                     |
| Awards forfeited during the year                                             | –                                             | (257,378)                                     |
| Balance at the end of the year                                               | 1,124,515                                     | 1,524,797                                     |

<sup>(i)</sup> Following implementation of the Restructure and Merger on 30 June 2014, this represents awards associated with employees who transferred to Westfield Corporation.

<sup>(ii)</sup> As a result of the Restructure and Merger, existing awards under Westfield Group's plans relating to Australian and New Zealand employees were modified such that the awards relate, at the option of the holder, to either: (i) securities in Scentre Group only; or (ii) securities in both Scentre Group and Westfield Corporation. The adjustment factor for awards relating to: (i) Scentre Group securities was calculated using the formula: (VWAP of a Scentre Group Security x 1.246 + VWAP of a Westfield Corporation security)/VWAP of a Scentre Group security; (ii) Scentre Group and Westfield Corporation securities in the same proportion and on the same terms implied through the application of the merger ratio applied to holders of Westfield Group securities.

The VWAP or volume weighted average price used for Scentre Group securities was \$3.27 and Westfield Corporation securities was \$7.31.

The value of awards adjusted immediately before the transaction was the same as the value of awards immediately after the transaction.

<sup>(iii)</sup> Westfield Retail Trust's awards were converted to Scentre Group awards as part of the Restructure and Merger.

| Vesting profile | Cumulative<br>value<br>granted<br>\$million<br>31 Dec 15 | Number<br>of award<br>securities<br>31 Dec 15 | Cumulative<br>value<br>granted<br>\$million<br>31 Dec 14 | Number<br>of award<br>securities<br>31 Dec 14 |
|-----------------|----------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------|-----------------------------------------------|
| 2015            | –                                                        | –                                             | 0.9                                                      | 400,282                                       |
| 2016            | 2.6                                                      | 1,124,515                                     | 2.6                                                      | 1,124,515                                     |
|                 | 2.6                                                      | 1,124,515                                     | 3.5                                                      | 1,524,797                                     |

The Executive Deferred Award Plan (EDA Plan) – Cash settled over Westfield Corporation stapled securities

|                                                                            | Number<br>of award<br>securities<br>31 Dec 15 | Number<br>of award<br>securities<br>31 Dec 14 |
|----------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>Movement in Executive Performance Rights</b>                            |                                               |                                               |
| Balance at the beginning of the year                                       | 134,827                                       | –                                             |
| Awards issued over Westfield Corporation stapled securities <sup>(i)</sup> | –                                             | 252,171                                       |
| Awards exercised during the year                                           | (134,827)                                     | (117,344)                                     |
| Balance at the end of the year                                             | –                                             | 134,827                                       |

<sup>(i)</sup> As a result of the Restructure and Merger, existing awards under Westfield Group's plans relating to Australian and New Zealand employees were modified such that the awards relate, at the option of the holder, to either: (i) securities in Scentre Group only or (ii) securities in both Scentre Group and Westfield Corporation. The awards with an election to grant with Westfield Corporation securities will be cash settled. The adjustment factor for this awards is in the same proportion and on the same terms implied through the application of the merger ratio applied to holders of Westfield Group securities.

The value of awards adjusted immediately before the transaction was the same as the value of awards immediately after the transaction.

## NOTE 23 SHARE BASED PAYMENTS (CONTINUED)

### (c) Cash Settled Plans (continued)

#### (i) The Executive Deferred Award Plan (EDA Plan) (continued)

The Executive Deferred Award Plan (EDA Plan) – Cash settled over Westfield Corporation stapled securities (continued)

| Vesting profile | Cumulative<br>value<br>granted<br>\$million<br>31 Dec 15 | Number<br>of award<br>securities<br>31 Dec 15 | Cumulative<br>value<br>granted<br>\$million<br>31 Dec 14 | Number<br>of award<br>securities<br>31 Dec 14 |
|-----------------|----------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------|-----------------------------------------------|
| 2015            | –                                                        | –                                             | 0.8                                                      | 134,827                                       |

The EDA Plan is a plan in which senior executives and high performing employees participate. The fair value of the EDA Plan is measured at each reporting date using inputs that include the number of employees remaining in service, the volume weighted average of the Scentre Group stapled security prices and the distribution policy during the vesting period. The EDA Plan operates in much the same manner as the Performance rights – STI except that the entitlements will be satisfied by a cash payment as opposed to delivery of securities.

It is not anticipated that any further issues will be made under the EDA Plan.

#### (ii) The Partnership Incentive Plan (PIP Plan)

The Partnership Incentive Plan (PIP Plan) – Cash settled over Scentre Group stapled securities

|                                                                              | Number<br>of award<br>securities<br>31 Dec 15 | Number<br>of award<br>securities<br>31 Dec 14 |
|------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>Movement in Partnership Incentive Plan</b>                                |                                               |                                               |
| Balance at the beginning of the year                                         | 274,127                                       | 2,534,080                                     |
| Awards transferred to Westfield Corporation <sup>(i)</sup>                   | –                                             | (1,749,023)                                   |
| Adjustment to awards upon the establishment of Scentre Group <sup>(ii)</sup> | –                                             | 170,739                                       |
| Awards exercised during the year                                             | (274,127)                                     | (590,645)                                     |
| Awards forfeited during the year                                             | –                                             | (91,024)                                      |
| Balance at the end of the year                                               | –                                             | 274,127                                       |

<sup>(i)</sup> Following implementation of the Restructure and Merger on 30 June 2014, this represents awards associated with employees who transferred to Westfield Corporation.

<sup>(ii)</sup> As a result of the Restructure and Merger, existing awards under Westfield Group's plans relating to Australian and New Zealand employees were modified such that the awards relate, at the option of the holder, to either: (i) securities in Scentre Group only; or (ii) securities in both Scentre Group and Westfield Corporation. The adjustment factor for awards relating to: (i) Scentre Group securities was calculated using the formula: (VWAP of a Scentre Group Security x 1.246 + VWAP of a Westfield Corporation security)/VWAP of a Scentre Group security; (ii) Scentre Group and Westfield Corporation securities in the same proportion and on the same terms implied through the application of the merger ratio applied to holders of Westfield Group securities.

The VWAP or volume weighted average price used for Scentre Group securities was \$3.27 and Westfield Corporation securities was \$7.31.

The value of awards adjusted immediately before the transaction was the same as the value of awards immediately after the transaction.

| Vesting profile | Cumulative<br>value<br>granted<br>\$million<br>31 Dec 15 | Number<br>of award<br>securities<br>31 Dec 15 | Cumulative<br>value<br>granted<br>\$million<br>31 Dec 14 | Number<br>of award<br>securities<br>31 Dec 14 |
|-----------------|----------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------|-----------------------------------------------|
| 2015            | –                                                        | –                                             | 0.8                                                      | 274,127                                       |
|                 | –                                                        | –                                             | 0.8                                                      | 274,127                                       |

The Partnership Incentive Plan (PIP Plan) – Cash settled over Westfield Corporation stapled securities

|                                                             | Number<br>of award<br>securities<br>31 Dec 15 | Number<br>of award<br>securities<br>31 Dec 14 |
|-------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>Movement in Partnership Incentive Rights</b>             |                                               |                                               |
| Balance at the beginning of the year                        | 220,004                                       | –                                             |
| Awards issued over Westfield Corporation stapled securities | –                                             | 694,033                                       |
| Awards exercised during the year                            | (220,004)                                     | (474,029)                                     |
| Balance at the end of the year                              | –                                             | 220,004                                       |

| Vesting profile | Cumulative<br>value<br>granted<br>\$million<br>31 Dec 15 | Number<br>of award<br>securities<br>31 Dec 15 | Cumulative<br>value<br>granted<br>\$million<br>31 Dec 14 | Number<br>of award<br>securities<br>31 Dec 14 |
|-----------------|----------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------|-----------------------------------------------|
| 2015            | –                                                        | –                                             | 1.4                                                      | 220,004                                       |

The senior leadership team of Scentre Group, participate in the PIP Plan. The fair value of the PIP Plan is measured at each reporting date using inputs that include the Group achieving the performance hurdles, the number of employees remaining in service, the volume weighted average of the Scentre Group stapled security prices and the distribution policy during the vesting period. The PIP Plan operates in much the same manner as the Performance rights – LTI except that the entitlements will be satisfied by a cash payment as opposed to delivery of securities.

# Notes to the Financial Statements

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It is not anticipated that any further issues will be made under the PIP plan.

## NOTE 23 SHARE BASED PAYMENTS (CONTINUED)

### (c) Cash Settled Plans (continued)

#### (iii) Performance rights – STI – Cash settled over Westfield Corporation stapled securities

|                                                                          | Number<br>of award<br>securities<br>31 Dec 15 | Number<br>of award<br>securities<br>31 Dec 14 |
|--------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>Movement in Performance rights – STI</b>                              |                                               |                                               |
| Balance at the beginning of the year                                     | 3,314,460                                     | –                                             |
| Awards issued over Westfield Corporation stapled securities <sup>®</sup> | –                                             | 4,554,027                                     |
| Awards exercised during the year                                         | (2,624,653)                                   | (1,226,120)                                   |
| Awards forfeited during the year                                         | (64,189)                                      | (13,447)                                      |
| Balance at the end of the year                                           | 625,618                                       | 3,314,460                                     |

<sup>®</sup> As a result of the Restructure and Merger, existing awards under Westfield Group's plans relating to Australian and New Zealand employees were modified such that the awards relate, at the option of the holder, to either: (i) securities in Scentre Group only or (ii) securities in both Scentre Group and Westfield Corporation. The awards with an election to grant with Westfield Corporation securities will be cash settled. The adjustment factor for this awards is in the same proportion and on the same terms implied through the application of the merger ratio applied to holders of Westfield Group securities.

The value of awards adjusted immediately before the transaction was the same as the value of awards immediately after the transaction.

| Vesting profile | Cumulative<br>value<br>granted<br>\$million<br>31 Dec 15 | Number<br>of award<br>securities<br>31 Dec 15 | Cumulative<br>value<br>granted<br>\$million<br>31 Dec 14 | Number<br>of award<br>securities<br>31 Dec 14 |
|-----------------|----------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------|-----------------------------------------------|
| 2015            | –                                                        | –                                             | 17.6                                                     | 2,688,842                                     |
| 2016            | 3.1                                                      | 566,299                                       | 3.1                                                      | 566,299                                       |
| 2017            | 0.4                                                      | 59,319                                        | 0.4                                                      | 59,319                                        |
|                 | 3.5                                                      | 625,618                                       | 21.1                                                     | 3,314,460                                     |

The cash settled Performance rights – STI is a plan in which senior executives and high performing employees participate. The fair value is measured at each reporting date using inputs that include the number of employees remaining in service, the volume weighted average of the Westfield Corporation stapled security prices and the distribution policy during the vesting period. The cash settled Performance rights – STI operates in much the same manner as the Performance rights – STI except that the entitlements will be satisfied by a cash payment as opposed to delivery of securities.

#### (iv) Performance rights – LTI – Cash settled over Westfield Corporation stapled securities

|                                                             | Number<br>of award<br>securities<br>31 Dec 15 | Number<br>of award<br>securities<br>31 Dec 14 |
|-------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>Movement in Performance rights – LTI</b>                 |                                               |                                               |
| Balance at the beginning of the year                        | 1,049,774                                     | –                                             |
| Awards issued over Westfield Corporation stapled securities | –                                             | 1,049,774                                     |
| Awards exercised during the year                            | (252,195)                                     | –                                             |
| Awards forfeited during the year                            | (57,158)                                      | –                                             |
| Balance at the end of the year                              | 740,421                                       | 1,049,774                                     |

| Vesting profile | Cumulative<br>value<br>granted<br>\$million<br>31 Dec 15 | Number<br>of award<br>securities<br>31 Dec 15 | Cumulative<br>value<br>granted<br>\$million<br>31 Dec 14 | Number<br>of award<br>securities<br>31 Dec 14 |
|-----------------|----------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------|-----------------------------------------------|
| 2015            | –                                                        | –                                             | 1.4                                                      | 266,741                                       |
| 2016            | 2.8                                                      | 482,383                                       | 3.0                                                      | 510,165                                       |
| 2017            | 1.7                                                      | 258,038                                       | 1.8                                                      | 272,868                                       |
|                 | 4.5                                                      | 740,421                                       | 6.2                                                      | 1,049,774                                     |

The senior leadership team of Scentre Group participate in the Performance rights – LTI. The fair value is measured at each reporting date using inputs that include the Group achieving the performance hurdles, the number of employees remaining in service, the volume weighted average of the Westfield Corporation stapled security prices and the distribution policy during the vesting period. The cash settled Performance rights – LTI operates in much the same manner as the Performance rights – LTI except that the entitlements will be satisfied by a cash payment as opposed to delivery of securities.

### Accounting for cash settled Share Based Payments

The accounts of the Group and the remuneration disclosures in this Annual Report disclose the full liability to members of the grant of awards under the Group's equity-linked plans, and not simply the amortisation of the nominal amount of the grant when originally made.

At the date of granting an award, the nominal value of the award is adjusted for anticipated increases in the value of that award over its life. Assumptions regarding both future distributions and security price increases are made for the purposes of estimating the Group's future liability with respect to each award. The estimated future liability is then amortised over the life of the award. At the end of each accounting period (and at the date of settlement) the awards are adjusted to fair market value with any adjustments in fair value recognised in the profit or loss.

During the year, \$12.6 million (31 December 2014: \$22.9 million) was charged to the income statement as gross amortisation in respect of cash settled share based payments.

|                                                                                                             | 31 Dec 15<br>cents | 31 Dec 14<br>cents |
|-------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>NOTE 24 EARNINGS PER SECURITY</b>                                                                        |                    |                    |
| <b>(a) Summary of earnings per security</b>                                                                 |                    |                    |
| <i>Earnings per security</i>                                                                                |                    |                    |
| Basic earnings per stapled security attributable to members of Scentre Group                                | <b>50.98</b>       | 166.40             |
| Diluted earnings per stapled security attributable to members of Scentre Group                              | <b>50.83</b>       | 165.79             |
| <i>Earnings per security for continuing operations</i>                                                      |                    |                    |
| Basic earnings from continuing operations per stapled security attributable to members of Scentre Group     | <b>50.98</b>       | 36.48              |
| Diluted earnings from continuing operations per stapled security attributable to members of Scentre Group   | <b>50.83</b>       | 36.35              |
| Basic earnings from continuing operations per SGL share                                                     | <b>3.50</b>        | 5.19               |
| Diluted earnings from continuing operations per SGL share                                                   | <b>3.49</b>        | 5.17               |
| <i>Earnings per security for discontinued operations</i>                                                    |                    |                    |
| Basic earnings from discontinued operations per stapled security attributable to members of Scentre Group   | –                  | 199.16             |
| Diluted earnings from discontinued operations per stapled security attributable to members of Scentre Group | –                  | 197.96             |

**(b) Income and security data**

The following reflects the income data used in the calculations of basic and diluted earnings per stapled security:

|                                                                                 | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|---------------------------------------------------------------------------------|------------------------|------------------------|
| Earnings used in calculating basic earnings per stapled security <sup>(i)</sup> | <b>2,707.8</b>         | 6,586.3                |
| Adjustment to earnings on options which are considered dilutive                 | –                      | –                      |
| Earnings used in calculating diluted earnings per stapled security              | <b>2,707.8</b>         | 6,586.3                |

<sup>(i)</sup> Refer to the income statement for details of the profit after tax attributable to members of the Group.

*Continuing operations*

|                                                                                               |                |         |
|-----------------------------------------------------------------------------------------------|----------------|---------|
| Earnings used in calculating basic earnings from continuing operations per stapled security   | <b>2,707.8</b> | 1,443.9 |
| Adjustment to earnings on options which are considered dilutive                               | –              | –       |
| Earnings used in calculating diluted earnings from continuing operations per stapled security | <b>2,707.8</b> | 1,443.9 |
| Earnings used in calculating basic earnings from continuing operations per SGL share          | <b>186.1</b>   | 205.4   |
| Adjustment to earnings on options which are considered dilutive                               | –              | –       |
| Earnings used in calculating diluted earnings from continuing operations per SGL share        | <b>186.1</b>   | 205.4   |

*Discontinued operations*

|                                                                                                 |   |         |
|-------------------------------------------------------------------------------------------------|---|---------|
| Earnings used in calculating basic earnings from discontinued operations per stapled security   | – | 5,142.4 |
| Adjustment to earnings on options which are considered dilutive                                 | – | –       |
| Earnings used in calculating diluted earnings from discontinued operations per stapled security | – | 5,142.4 |

The following reflects the security data used in the calculations of basic and diluted earnings per stapled security:

|                                                                                                                                   | No. of<br>securities | No. of<br>securities |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Weighted average number of ordinary securities used in calculating basic earnings per stapled security                            | <b>5,311,595,241</b> | 3,958,029,966        |
| Weighted average potential employee awards scheme security options which, if issued would be dilutive <sup>(ii)</sup>             | <b>15,668,078</b>    | 14,573,853           |
| Adjusted weighted average number of ordinary securities used in calculating diluted earnings per stapled security <sup>(ii)</sup> | <b>5,327,263,319</b> | 3,972,603,819        |

<sup>(i)</sup> At 31 December 2015 11,270,150 actual employee award scheme security options were on hand (31 December 2014: 11,558,902).

<sup>(ii)</sup> The weighted average number of converted, lapsed or cancelled potential ordinary securities used in diluted earnings per stapled security was 4,411,277 (31 December 2014: 2,069,010).

**(c) Conversions, calls, subscription or issues after 31 December 2015**

There have been no conversions to, calls of, subscriptions for, or issuance of new or potential ordinary securities since the reporting date and before the completion of this report.

# Notes to the Financial Statements

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|                                                                                                                                                                                                                                                                                         | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>NOTE 25 DIVIDENDS/DISTRIBUTIONS</b>                                                                                                                                                                                                                                                  |                        |                        |
| <b>(a) Final dividend/distribution paid</b>                                                                                                                                                                                                                                             |                        |                        |
| Dividend/distribution in respect of the 6 months to 31 December 2015<br>– to be paid on 29 February 2016                                                                                                                                                                                |                        |                        |
| SGT1: 4.35 cents per unit, estimated to be fully taxable                                                                                                                                                                                                                                | 231.1                  | –                      |
| SGT2: 6.10 cents per unit, estimated to be fully taxable                                                                                                                                                                                                                                | 324.0                  | –                      |
| Dividend/distribution in respect of the 6 months to 31 December 2014<br>– paid on 27 February 2015                                                                                                                                                                                      |                        |                        |
| Parent Company: 2.85 cents per share, 100% franked                                                                                                                                                                                                                                      | –                      | 151.4                  |
| SGT1: 2.85 cents per unit, 15% tax deferred                                                                                                                                                                                                                                             | –                      | 151.4                  |
| SGT2: 4.50 cents per unit, 33% tax deferred                                                                                                                                                                                                                                             | –                      | 239.0                  |
| Scentre Group 10.45 cents per stapled security (31 December 2014: 10.20 cents)                                                                                                                                                                                                          | 555.1                  | 541.8                  |
| Interim dividend/distributions of 10.45 cents were paid on 31 August 2015. Final dividend/distributions will be paid on 29 February 2016. The record date for the final dividends/distributions was 5pm, 15 February 2016. The Group does not operate a Distribution Reinvestment Plan. |                        |                        |
| <b>(b) Dividends/distributions paid during the year</b>                                                                                                                                                                                                                                 |                        |                        |
| Dividend/distribution in respect of the 6 months to 30 June 2015                                                                                                                                                                                                                        |                        |                        |
| SGT1: 4.20 cents per unit, estimated to be fully taxable                                                                                                                                                                                                                                | 223.1                  | –                      |
| SGT2: 6.25 cents per unit, estimated to be fully taxable                                                                                                                                                                                                                                | 332.0                  | –                      |
| Dividend/distribution in respect of the 6 months to 31 December 2014                                                                                                                                                                                                                    |                        |                        |
| Parent Company: 2.85 cents per share, 100% franked                                                                                                                                                                                                                                      | 151.4                  | –                      |
| SGT1: 2.85 cents per unit, 15% tax deferred                                                                                                                                                                                                                                             | 151.4                  | –                      |
| SGT2: 4.50 cents per unit, 33% tax deferred                                                                                                                                                                                                                                             | 239.0                  | –                      |
| Dividend/distribution in respect of the 6 months to 30 June 2014                                                                                                                                                                                                                        |                        |                        |
| SGT1: 5.25 cents per unit, 15% tax deferred                                                                                                                                                                                                                                             | –                      | 109.1                  |
| SGT2: 10.20 cents per unit, 33% tax deferred                                                                                                                                                                                                                                            | –                      | 303.9                  |
| WAT: 21.00 cents per unit, 3% tax deferred <sup>Ⓢ</sup>                                                                                                                                                                                                                                 | –                      | 436.4                  |
| Dividend/distribution in respect of the 6 months to 31 December 2013                                                                                                                                                                                                                    |                        |                        |
| Parent Company: 7.92 cents per share, 100% franked                                                                                                                                                                                                                                      | –                      | 164.1                  |
| SGT1: 9.74 cents per unit, 2% tax deferred                                                                                                                                                                                                                                              | –                      | 201.8                  |
| WAT: 7.84 cents per unit, 27% tax deferred                                                                                                                                                                                                                                              | –                      | 162.5                  |
|                                                                                                                                                                                                                                                                                         | 1,096.9                | 1,377.8                |
| <sup>Ⓢ</sup> WAT distribution in respect of the 6 months to 30 June 2014 were paid on 29 August 2014 by Westfield Corporation.                                                                                                                                                          |                        |                        |
| Dividends paid by the Parent Company have been franked at the corporate tax rate of 30%.                                                                                                                                                                                                |                        |                        |
| <b>(c) Franking credit balance of the Parent Company</b>                                                                                                                                                                                                                                |                        |                        |
| The amount of franking credits available on a tax paid basis for future distributions are:                                                                                                                                                                                              |                        |                        |
| – franking credits balance as at the end of the year at the corporate tax rate of 30%                                                                                                                                                                                                   | 124.6                  | 164.4                  |
| – franking credits arising from the payment of income tax provided in this financial report                                                                                                                                                                                             | 25.3                   | –                      |
| Franking credits available for distribution                                                                                                                                                                                                                                             | 149.9                  | 164.4                  |
| – reduction in franking credits that arise from the payment of the final dividend                                                                                                                                                                                                       | –                      | (65.0)                 |
| Franking credits available for future distributions                                                                                                                                                                                                                                     | 149.9                  | 99.4                   |
|                                                                                                                                                                                                                                                                                         | 31 Dec 15<br>\$        | 31 Dec 14<br>\$        |

## NOTE 26 NET TANGIBLE ASSET BACKING

|                                         |      |      |
|-----------------------------------------|------|------|
| Net tangible asset backing per security | 3.32 | 3.04 |
|-----------------------------------------|------|------|

Net tangible asset backing per security is calculated by dividing total equity attributable to stapled security holders of the Group by the number of securities on issue. The number of securities used in the calculation of the consolidated net tangible asset backing is 5,311,595,241 (31 December 2014: 5,311,595,241).

## NOTE 27 LEASE COMMITMENTS

### Operating lease receivables

The following is prepared on a proportionate basis which includes both consolidated and equity accounted lease commitments.

Substantially all of the property owned and leased by the Group is leased to third party retailers. Lease terms vary between retailers and some leases include percentage rental payments based on sales revenue.

Future minimum rental revenues under non cancellable operating retail property leases:

|                                |                |         |
|--------------------------------|----------------|---------|
| Due within one year            | <b>1,534.2</b> | 1,669.5 |
| Due between one and five years | <b>3,745.8</b> | 4,115.7 |
| Due after five years           | <b>2,195.0</b> | 2,513.4 |
|                                | <b>7,475.0</b> | 8,298.6 |

These amounts do not include percentage rentals which may become receivable under certain leases on the basis of retailer sales in excess of stipulated minimums and do not include recovery of outgoings.

## NOTE 28 CAPITAL EXPENDITURE COMMITMENTS

The following is prepared on a proportionate basis which includes both consolidated and equity accounted capital expenditure commitments.

Estimated capital expenditure committed at balance date but not provided for in relation to development projects:

|                                |              |       |
|--------------------------------|--------------|-------|
| Due within one year            | <b>532.2</b> | 153.7 |
| Due between one and five years | <b>113.6</b> | 15.0  |
| Due after five years           | <b>–</b>     | –     |
|                                | <b>645.8</b> | 168.7 |

## NOTE 29 CONTINGENT LIABILITIES

The following is prepared on a proportionate basis which includes both consolidated and equity accounted contingent liabilities.

|                        |             |      |
|------------------------|-------------|------|
| Performance guarantees | <b>89.1</b> | 66.1 |
|                        | <b>89.1</b> | 66.1 |

Entities of Scentre Group have provided guarantees in respect of certain Westfield Corporation United Kingdom joint venture operations, borrowing facilities and derivatives counterparties. Under the Restructure and Merger Implementation Deed, the entities of Scentre Group and Westfield Corporation have cross indemnified each other for any claims that may be made or payment that may be required under such contracts or guarantees.

The Group's obligation in respect of performance guarantees may be called on at anytime dependant upon the performance or non performance of certain third parties.

From time to time, in the normal course of business, the Group is involved in lawsuits. The Directors believe that the ultimate outcome of such pending litigation will not materially affect the results of operations or the financial position of the Group.

## NOTE 30 CAPITAL RISK MANAGEMENT

The Group seeks to manage its capital requirements to maximise value to members through the mix of debt and equity funding, while ensuring that Group entities:

- comply with capital and distribution requirements of their constitutions and/or trust deeds;
- comply with capital requirements of relevant regulatory authorities;
- maintain strong investment grade credit ratings; and
- continue to operate as going concerns.

The Group assesses the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity mix) as part of its broader strategic plan. The Group continuously reviews its capital structure to ensure:

- sufficient funds and financing facilities, on a cost effective basis are available to implement the Group's property development and business acquisition strategies;
- financing facilities for unforeseen contingencies are maintained; and
- distributions to members are maintained within the stated distribution policy.

The Group is able to alter its capital mix by issuing new stapled securities and hybrid securities, establishing a distribution reinvestment plan and electing to have the distribution reinvestment underwritten, adjusting the amount of distributions paid to members, activating a security buy-back program, divesting assets or adjusting the timing of capital expenditure for its property redevelopment pipeline.

The Group also protects its equity in assets by taking out insurance.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

## NOTE 31 FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise cash, receivables, payables, interest bearing liabilities, other financial liabilities, other investments and derivative financial instruments.

The Group manages its exposure to key financial risks in accordance with the Group's treasury risk management policies. These policies have been established to manage the key financial risks such as interest rate, foreign exchange, counterparty credit and liquidity.

The Group's treasury risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training and procedures, has developed a disciplined and constructive control environment in which relevant treasury and finance personnel understand their roles and obligations in respect of the Group's treasury management objectives.

The Group has an established Board approved risk management framework including policies, procedures, limits and allowed types of derivative financial instruments. The Board has established an Audit and Risk Committee comprising three independent Directors. The Audit and Risk Committee reviews and oversees management's compliance with these policies, procedures and limits. The Audit and Risk Committee is assisted in its oversight role by the Group's Executive Committee.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates, foreign exchange, liquidity and credit risk. The Group enters into derivative financial instruments, principally interest rate swaps, interest rate options, cross currency swaps, forward exchange contracts and currency options. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's operations, cash flows, interest bearing liabilities and its net investments in foreign operations. The Group seeks to deal only with creditworthy counterparties and these assessments are regularly reviewed. Liquidity risk is monitored through the use of future rolling cash flow forecasts.

## NOTE 32 INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk on its borrowings and derivative financial instruments. This risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate interest bearing liabilities. Fixed rate debt is achieved either through fixed rate debt funding or through the use of derivative financial instruments approved by the Board. These activities are evaluated regularly to determine that the Group is not exposed to interest rate movements that could adversely impact its ability to meet its financial obligations and to comply with its borrowing covenants.

### Summary of interest rate positions at balance date

The Group has interest rate risk on borrowings which are typically floating rate debt or notional borrowings entered into under currency derivatives. The exposures at reporting date together with the interest rate risk management transactions are as follows:

#### (i) Interest payable and receivable exposures

|                                                                                                        | Note   | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|--------------------------------------------------------------------------------------------------------|--------|------------------------|------------------------|
| Principal amounts of all interest bearing liabilities:                                                 |        |                        |                        |
| Current interest bearing liabilities                                                                   | 17     | 1,713.1                | 579.8                  |
| Non current interest bearing liabilities                                                               | 17     | 9,429.6                | 11,371.9               |
| Share of equity accounted entities interest bearing liabilities                                        | 16(b)  | 14.8                   | –                      |
| Cross currency swaps                                                                                   |        |                        |                        |
| – A\$                                                                                                  | 33(ii) | 7,384.6                | 5,309.2                |
| Principal amounts subject to interest rate payable exposure                                            |        | 18,542.1               | 17,260.9               |
| Principal amounts of all interest bearing assets:                                                      |        |                        |                        |
| Cross currency swaps                                                                                   |        |                        |                        |
| – £800.0 million (31 December 2014: £400.0 million)                                                    | 33(ii) | 1,618.1                | 761.2                  |
| – US\$2,350.0 million (31 December 2014: US\$1,350.0 million)                                          | 33(ii) | 3,225.4                | 1,646.3                |
| – €2,100.0 million (31 December 2014: €2,100.0 million)                                                | 33(ii) | 3,131.1                | 3,111.6                |
| Cash                                                                                                   | 12(a)  | 142.7                  | 189.0                  |
| Share of equity accounted entities cash                                                                | 16(b)  | 10.3                   | 0.9                    |
| Principal amounts subject to interest rate receivable exposure                                         |        | 8,127.6                | 5,709.0                |
| <b>Principal amounts of net interest bearing liabilities subject to interest rate payable exposure</b> |        | <b>10,414.5</b>        | <b>11,551.9</b>        |

## NOTE 32 INTEREST RATE RISK MANAGEMENT (CONTINUED)

### Summary of interest rate positions at balance date (continued)

#### (i) Interest payable and receivable exposures (continued)

|                                                                                      | Note    | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|--------------------------------------------------------------------------------------|---------|------------------------|------------------------|
| Principal amounts of fixed interest rate liabilities:                                |         |                        |                        |
| Fixed rate loans                                                                     |         |                        |                        |
| – A\$                                                                                | 32(ii)  | <b>1,380.0</b>         | 1,380.0                |
| – £800.0 million (31 December 2014: £400.0 million)                                  | 32(ii)  | <b>1,618.1</b>         | 761.2                  |
| – US\$2,350.0 million (31 December 2014: US\$1,350.0 million)                        | 32(ii)  | <b>3,225.4</b>         | 1,646.3                |
| – €1,700.0 million (31 December 2014: €1,700.0 million)                              | 32(ii)  | <b>2,534.7</b>         | 2,518.9                |
| Fixed rate derivatives                                                               |         |                        |                        |
| – A\$                                                                                | 32(ii)  | <b>7,272.5</b>         | 5,462.0                |
| – NZ\$435.0 million (31 December 2014: NZ\$560.0 million)                            | 32(ii)  | <b>407.9</b>           | 534.8                  |
| Interest rate options                                                                |         |                        |                        |
| – A\$                                                                                | 32(iii) | –                      | 1,250.0                |
| – NZ\$70.0 million (31 December 2014: NZ\$70.0 million)                              | 32(iii) | <b>65.6</b>            | 66.8                   |
| Principal amounts on which interest rate payable exposure has been hedged            |         | <b>16,504.2</b>        | 13,620.0               |
| Principal amounts of fixed interest rate assets:                                     |         |                        |                        |
| Fixed rate derivatives                                                               |         |                        |                        |
| – A\$                                                                                | 32(ii)  | <b>150.0</b>           | 150.0                  |
| – £800.0 million (31 December 2014: £400.0 million)                                  | 32(ii)  | <b>1,618.1</b>         | 761.2                  |
| – US\$2,350.0 million (31 December 2014: US\$1,350.0 million)                        | 32(ii)  | <b>3,225.4</b>         | 1,646.3                |
| – €1,700.0 million (31 December 2014: €1,700.0 million)                              | 32(ii)  | <b>2,534.7</b>         | 2,518.9                |
| Principal amounts on which interest rate receivable exposure has been hedged         |         | <b>7,528.2</b>         | 5,076.4                |
| <b>Principal amounts on which net interest rate payable exposure has been hedged</b> |         | <b>8,976.0</b>         | 8,543.6                |

At 31 December 2015, the Group has hedged 86% of its net interest payable exposure by way of fixed rate borrowings, interest rate swaps and interest rate options of varying durations. The remaining 14% is exposed to floating rates on a principal payable of \$1,438.5 million, at an average interest rate of 3.4%, including margin (31 December 2014: 74% hedged with floating exposure on a principal payable of \$3,008.3 million at an average interest rate of 4.0%). Changes to derivatives due to interest rate movements are set out in Notes 32(ii) and 32(iii).

| Interest rate sensitivity                                                                |                        | 31 Dec 15<br>\$million                  | 31 Dec 14<br>\$million |
|------------------------------------------------------------------------------------------|------------------------|-----------------------------------------|------------------------|
| The sensitivity of interest expense to changes in floating interest rates is as follows: | Interest rate movement | (Increase)/decrease in interest expense |                        |
|                                                                                          | -2.0%                  | <b>28.8</b>                             | 60.2                   |
|                                                                                          | -1.0%                  | <b>14.4</b>                             | 30.1                   |
|                                                                                          | -0.5%                  | <b>7.2</b>                              | 15.0                   |
|                                                                                          | 0.5%                   | <b>(7.2)</b>                            | (15.0)                 |
|                                                                                          | 1.0%                   | <b>(14.4)</b>                           | (30.1)                 |
|                                                                                          | 2.0%                   | <b>(28.8)</b>                           | (60.2)                 |

# Notes to the Financial Statements

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## NOTE 32 INTEREST RATE RISK MANAGEMENT (CONTINUED)

### Summary of interest rate positions at balance date (continued)

#### (ii) Fixed rate debt and interest rate swaps

Notional principal or contract amounts and contracted rates of the Group's consolidated and share of equity accounted fixed rate debt and interest rate swaps:

| Fixed rate debt and swaps contracted as at the reporting date and outstanding at | Interest rate swaps                                     |                              | Fixed rate borrowings                       |                                                     | Interest rate swaps                                     |                              | Fixed rate borrowings                       |                                                     |
|----------------------------------------------------------------------------------|---------------------------------------------------------|------------------------------|---------------------------------------------|-----------------------------------------------------|---------------------------------------------------------|------------------------------|---------------------------------------------|-----------------------------------------------------|
|                                                                                  | 31 Dec 15<br>Notional<br>principal<br>amount<br>million | 31 Dec 15<br>Average<br>rate | 31 Dec 15<br>Principal<br>amount<br>million | 31 Dec 15<br>Average<br>rate<br>including<br>margin | 31 Dec 14<br>Notional<br>principal<br>amount<br>million | 31 Dec 14<br>Average<br>rate | 31 Dec 14<br>Principal<br>amount<br>million | 31 Dec 14<br>Average<br>rate<br>including<br>margin |
| <b>A\$ payable</b>                                                               |                                                         |                              |                                             |                                                     |                                                         |                              |                                             |                                                     |
| 31 December 2014                                                                 | –                                                       | –                            | –                                           | –                                                   | A\$(5,462.0)                                            | 3.18%                        | A\$(1,380.0)                                | 6.04%                                               |
| 31 December 2015                                                                 | <b>A\$(7,272.5)</b>                                     | <b>2.93%</b>                 | <b>A\$(1,380.0)</b>                         | <b>6.04%</b>                                        | A\$(6,062.5)                                            | 3.08%                        | A\$(1,380.0)                                | 6.04%                                               |
| 31 December 2016                                                                 | <b>A\$(7,867.5)</b>                                     | <b>2.92%</b>                 | <b>A\$(580.0)</b>                           | <b>4.71%</b>                                        | A\$(4,907.5)                                            | 3.17%                        | A\$(580.0)                                  | 4.71%                                               |
| 31 December 2017                                                                 | <b>A\$(7,658.5)</b>                                     | <b>2.91%</b>                 | <b>A\$(580.0)</b>                           | <b>4.71%</b>                                        | A\$(4,188.5)                                            | 3.16%                        | A\$(580.0)                                  | 4.71%                                               |
| 31 December 2018                                                                 | <b>A\$(7,245.0)</b>                                     | <b>2.89%</b>                 | <b>A\$(580.0)</b>                           | <b>4.71%</b>                                        | A\$(2,525.0)                                            | 3.19%                        | A\$(580.0)                                  | 4.71%                                               |
| 31 December 2019                                                                 | <b>A\$(5,730.0)</b>                                     | <b>2.86%</b>                 | <b>A\$(430.0)</b>                           | <b>4.60%</b>                                        | A\$(1,010.0)                                            | 3.38%                        | A\$(430.0)                                  | 4.60%                                               |
| 31 December 2020                                                                 | <b>A\$(3,960.0)</b>                                     | <b>2.96%</b>                 | <b>A\$(430.0)</b>                           | <b>4.60%</b>                                        | A\$(240.0)                                              | 4.94%                        | A\$(430.0)                                  | 4.60%                                               |
| 31 December 2021                                                                 | <b>A\$(2,260.0)</b>                                     | <b>3.06%</b>                 | <b>A\$(30.0)</b>                            | <b>5.96%</b>                                        | –                                                       | –                            | A\$(30.0)                                   | 5.96%                                               |
| 31 December 2022                                                                 | <b>A\$(750.0)</b>                                       | <b>3.10%</b>                 | –                                           | –                                                   | –                                                       | –                            | –                                           | –                                                   |
| <b>£ payable</b>                                                                 |                                                         |                              |                                             |                                                     |                                                         |                              |                                             |                                                     |
| 31 December 2014                                                                 | –                                                       | –                            | –                                           | –                                                   | –                                                       | –                            | £(400.0)                                    | 3.88%                                               |
| 31 December 2015                                                                 | –                                                       | –                            | <b>£(800.0)</b>                             | <b>3.13%</b>                                        | –                                                       | –                            | £(400.0)                                    | 3.88%                                               |
| 31 December 2016                                                                 | –                                                       | –                            | <b>£(800.0)</b>                             | <b>3.13%</b>                                        | –                                                       | –                            | £(400.0)                                    | 3.88%                                               |
| 31 December 2017                                                                 | –                                                       | –                            | <b>£(800.0)</b>                             | <b>3.13%</b>                                        | –                                                       | –                            | £(400.0)                                    | 3.88%                                               |
| 31 December 2018                                                                 | –                                                       | –                            | <b>£(800.0)</b>                             | <b>3.13%</b>                                        | –                                                       | –                            | £(400.0)                                    | 3.88%                                               |
| 31 December 2019                                                                 | –                                                       | –                            | <b>£(800.0)</b>                             | <b>3.13%</b>                                        | –                                                       | –                            | £(400.0)                                    | 3.88%                                               |
| 31 December 2020                                                                 | –                                                       | –                            | <b>£(800.0)</b>                             | <b>3.13%</b>                                        | –                                                       | –                            | £(400.0)                                    | 3.88%                                               |
| 31 December 2021                                                                 | –                                                       | –                            | <b>£(800.0)</b>                             | <b>3.13%</b>                                        | –                                                       | –                            | £(400.0)                                    | 3.88%                                               |
| 31 December 2022                                                                 | –                                                       | –                            | <b>£(400.0)</b>                             | <b>3.88%</b>                                        | –                                                       | –                            | £(400.0)                                    | 3.88%                                               |
| 31 December 2023                                                                 | –                                                       | –                            | <b>£(400.0)</b>                             | <b>3.88%</b>                                        | –                                                       | –                            | £(400.0)                                    | 3.88%                                               |
| 31 December 2024                                                                 | –                                                       | –                            | <b>£(400.0)</b>                             | <b>3.88%</b>                                        | –                                                       | –                            | £(400.0)                                    | 3.88%                                               |
| 31 December 2025                                                                 | –                                                       | –                            | <b>£(400.0)</b>                             | <b>3.88%</b>                                        | –                                                       | –                            | £(400.0)                                    | 3.88%                                               |
| <b>€ payable</b>                                                                 |                                                         |                              |                                             |                                                     |                                                         |                              |                                             |                                                     |
| 31 December 2014                                                                 | –                                                       | –                            | –                                           | –                                                   | –                                                       | –                            | €(1,700.0)                                  | 2.28%                                               |
| 31 December 2015                                                                 | –                                                       | –                            | <b>€(1,700.0)</b>                           | <b>2.28%</b>                                        | –                                                       | –                            | €(1,700.0)                                  | 2.28%                                               |
| 31 December 2016                                                                 | –                                                       | –                            | <b>€(1,700.0)</b>                           | <b>2.28%</b>                                        | –                                                       | –                            | €(1,700.0)                                  | 2.28%                                               |
| 31 December 2017                                                                 | –                                                       | –                            | <b>€(1,700.0)</b>                           | <b>2.28%</b>                                        | –                                                       | –                            | €(1,700.0)                                  | 2.28%                                               |
| 31 December 2018                                                                 | –                                                       | –                            | <b>€(1,700.0)</b>                           | <b>2.28%</b>                                        | –                                                       | –                            | €(1,700.0)                                  | 2.28%                                               |
| 31 December 2019                                                                 | –                                                       | –                            | <b>€(1,700.0)</b>                           | <b>2.28%</b>                                        | –                                                       | –                            | €(1,700.0)                                  | 2.28%                                               |
| 31 December 2020                                                                 | –                                                       | –                            | <b>€(1,100.0)</b>                           | <b>2.70%</b>                                        | –                                                       | –                            | €(1,100.0)                                  | 2.70%                                               |
| 31 December 2021                                                                 | –                                                       | –                            | <b>€(1,100.0)</b>                           | <b>2.70%</b>                                        | –                                                       | –                            | €(1,100.0)                                  | 2.70%                                               |
| 31 December 2022                                                                 | –                                                       | –                            | <b>€(1,100.0)</b>                           | <b>2.70%</b>                                        | –                                                       | –                            | €(1,100.0)                                  | 2.70%                                               |
| 31 December 2023                                                                 | –                                                       | –                            | <b>€(600.0)</b>                             | <b>2.25%</b>                                        | –                                                       | –                            | €(600.0)                                    | 2.25%                                               |

## NOTE 32 INTEREST RATE RISK MANAGEMENT (CONTINUED)

### Summary of interest rate positions at balance date (continued)

(ii) Fixed rate debt and interest rate swaps (continued)

| Fixed rate debt and swaps contracted as at the reporting date and outstanding at | Interest rate swaps                                     |                              | Fixed rate borrowings                       |                                                     | Interest rate swaps                                     |                              | Fixed rate borrowings                       |                                                     |
|----------------------------------------------------------------------------------|---------------------------------------------------------|------------------------------|---------------------------------------------|-----------------------------------------------------|---------------------------------------------------------|------------------------------|---------------------------------------------|-----------------------------------------------------|
|                                                                                  | 31 Dec 15<br>Notional<br>principal<br>amount<br>million | 31 Dec 15<br>Average<br>rate | 31 Dec 15<br>Principal<br>amount<br>million | 31 Dec 15<br>Average<br>rate<br>including<br>margin | 31 Dec 14<br>Notional<br>principal<br>amount<br>million | 31 Dec 14<br>Average<br>rate | 31 Dec 14<br>Principal<br>amount<br>million | 31 Dec 14<br>Average<br>rate<br>including<br>margin |
| <b>US\$ payable</b>                                                              |                                                         |                              |                                             |                                                     |                                                         |                              |                                             |                                                     |
| 31 December 2014                                                                 | –                                                       | –                            | –                                           | –                                                   | –                                                       | –                            | US\$(1,350.0)                               | 2.88%                                               |
| 31 December 2015                                                                 | –                                                       | –                            | US\$(2,350.0)                               | 2.85%                                               | –                                                       | –                            | US\$(1,350.0)                               | 2.88%                                               |
| 31 December 2016                                                                 | –                                                       | –                            | US\$(2,350.0)                               | 2.85%                                               | –                                                       | –                            | US\$(1,350.0)                               | 2.88%                                               |
| 31 December 2017                                                                 | –                                                       | –                            | US\$(2,350.0)                               | 2.85%                                               | –                                                       | –                            | US\$(1,350.0)                               | 2.88%                                               |
| 31 December 2018                                                                 | –                                                       | –                            | US\$(2,350.0)                               | 2.85%                                               | –                                                       | –                            | US\$(1,350.0)                               | 2.88%                                               |
| 31 December 2019                                                                 | –                                                       | –                            | US\$(1,600.0)                               | 3.07%                                               | –                                                       | –                            | US\$(600.0)                                 | 3.50%                                               |
| 31 December 2020                                                                 | –                                                       | –                            | US\$(1,600.0)                               | 3.07%                                               | –                                                       | –                            | US\$(600.0)                                 | 3.50%                                               |
| 31 December 2021                                                                 | –                                                       | –                            | US\$(1,100.0)                               | 3.39%                                               | –                                                       | –                            | US\$(600.0)                                 | 3.50%                                               |
| 31 December 2022                                                                 | –                                                       | –                            | US\$(1,100.0)                               | 3.39%                                               | –                                                       | –                            | US\$(600.0)                                 | 3.50%                                               |
| 31 December 2023                                                                 | –                                                       | –                            | US\$(1,100.0)                               | 3.39%                                               | –                                                       | –                            | US\$(600.0)                                 | 3.50%                                               |
| 31 December 2024                                                                 | –                                                       | –                            | US\$(1,100.0)                               | 3.39%                                               | –                                                       | –                            | US\$(600.0)                                 | 3.50%                                               |
| <b>NZ\$ payable</b>                                                              |                                                         |                              |                                             |                                                     |                                                         |                              |                                             |                                                     |
| 31 December 2014                                                                 | –                                                       | –                            | –                                           | –                                                   | NZ\$(560.0)                                             | 3.95%                        | –                                           | –                                                   |
| 31 December 2015                                                                 | NZ\$(435.0)                                             | 4.07%                        | –                                           | –                                                   | NZ\$(335.0)                                             | 4.19%                        | –                                           | –                                                   |
| 31 December 2016                                                                 | NZ\$(320.0)                                             | 4.00%                        | –                                           | –                                                   | NZ\$(170.0)                                             | 4.33%                        | –                                           | –                                                   |
| 31 December 2017                                                                 | NZ\$(230.0)                                             | 3.80%                        | –                                           | –                                                   | NZ\$(80.0)                                              | 4.12%                        | –                                           | –                                                   |
| 31 December 2018                                                                 | NZ\$(150.0)                                             | 3.62%                        | –                                           | –                                                   | –                                                       | –                            | –                                           | –                                                   |
| 31 December 2019                                                                 | NZ\$(150.0)                                             | 3.62%                        | –                                           | –                                                   | –                                                       | –                            | –                                           | –                                                   |
| 31 December 2020                                                                 | NZ\$(100.0)                                             | 3.68%                        | –                                           | –                                                   | –                                                       | –                            | –                                           | –                                                   |
| <b>A\$ receivable</b>                                                            |                                                         |                              |                                             |                                                     |                                                         |                              |                                             |                                                     |
| 31 December 2014                                                                 | –                                                       | –                            | –                                           | –                                                   | A\$150.0                                                | 3.05%                        | –                                           | –                                                   |
| 31 December 2015                                                                 | A\$150.0                                                | 3.05%                        | –                                           | –                                                   | A\$150.0                                                | 3.05%                        | –                                           | –                                                   |
| 31 December 2016                                                                 | A\$150.0                                                | 3.05%                        | –                                           | –                                                   | A\$150.0                                                | 3.05%                        | –                                           | –                                                   |
| 31 December 2017                                                                 | A\$150.0                                                | 3.05%                        | –                                           | –                                                   | A\$150.0                                                | 3.05%                        | –                                           | –                                                   |
| 31 December 2018                                                                 | A\$150.0                                                | 3.05%                        | –                                           | –                                                   | A\$150.0                                                | 3.05%                        | –                                           | –                                                   |
| <b>£ receivable</b>                                                              |                                                         |                              |                                             |                                                     |                                                         |                              |                                             |                                                     |
| 31 December 2014                                                                 | –                                                       | –                            | –                                           | –                                                   | £400.0                                                  | 3.88%                        | –                                           | –                                                   |
| 31 December 2015                                                                 | £800.0                                                  | 3.13%                        | –                                           | –                                                   | £400.0                                                  | 3.88%                        | –                                           | –                                                   |
| 31 December 2016                                                                 | £800.0                                                  | 3.13%                        | –                                           | –                                                   | £400.0                                                  | 3.88%                        | –                                           | –                                                   |
| 31 December 2017                                                                 | £800.0                                                  | 3.13%                        | –                                           | –                                                   | £400.0                                                  | 3.88%                        | –                                           | –                                                   |
| 31 December 2018                                                                 | £800.0                                                  | 3.13%                        | –                                           | –                                                   | £400.0                                                  | 3.88%                        | –                                           | –                                                   |
| 31 December 2019                                                                 | £800.0                                                  | 3.13%                        | –                                           | –                                                   | £400.0                                                  | 3.88%                        | –                                           | –                                                   |
| 31 December 2020                                                                 | £800.0                                                  | 3.13%                        | –                                           | –                                                   | £400.0                                                  | 3.88%                        | –                                           | –                                                   |
| 31 December 2021                                                                 | £800.0                                                  | 3.13%                        | –                                           | –                                                   | £400.0                                                  | 3.88%                        | –                                           | –                                                   |
| 31 December 2022                                                                 | £400.0                                                  | 3.88%                        | –                                           | –                                                   | £400.0                                                  | 3.88%                        | –                                           | –                                                   |
| 31 December 2023                                                                 | £400.0                                                  | 3.88%                        | –                                           | –                                                   | £400.0                                                  | 3.88%                        | –                                           | –                                                   |
| 31 December 2024                                                                 | £400.0                                                  | 3.88%                        | –                                           | –                                                   | £400.0                                                  | 3.88%                        | –                                           | –                                                   |
| 31 December 2025                                                                 | £400.0                                                  | 3.88%                        | –                                           | –                                                   | £400.0                                                  | 3.88%                        | –                                           | –                                                   |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

## NOTE 32 INTEREST RATE RISK MANAGEMENT (CONTINUED)

### Summary of interest rate positions at balance date (continued)

(ii) Fixed rate debt and interest rate swaps (continued)

|                                                                                  | Interest rate swaps                                     |                              | Fixed rate borrowings                       |                                                     | Interest rate swaps                                     |                              | Fixed rate borrowings                       |                                                     |
|----------------------------------------------------------------------------------|---------------------------------------------------------|------------------------------|---------------------------------------------|-----------------------------------------------------|---------------------------------------------------------|------------------------------|---------------------------------------------|-----------------------------------------------------|
|                                                                                  | 31 Dec 15<br>Notional<br>principal<br>amount<br>million | 31 Dec 15<br>Average<br>rate | 31 Dec 15<br>Principal<br>amount<br>million | 31 Dec 15<br>Average<br>rate<br>including<br>margin | 31 Dec 14<br>Notional<br>principal<br>amount<br>million | 31 Dec 14<br>Average<br>rate | 31 Dec 14<br>Principal<br>amount<br>million | 31 Dec 14<br>Average<br>rate<br>including<br>margin |
| Fixed rate debt and swaps contracted as at the reporting date and outstanding at |                                                         |                              |                                             |                                                     |                                                         |                              |                                             |                                                     |
| <b>€ receivable</b>                                                              |                                                         |                              |                                             |                                                     |                                                         |                              |                                             |                                                     |
| 31 December 2014                                                                 | –                                                       | –                            | –                                           | –                                                   | €1,700.0                                                | 2.28%                        | –                                           | –                                                   |
| 31 December 2015                                                                 | €1,700.0                                                | 2.28%                        | –                                           | –                                                   | €1,700.0                                                | 2.28%                        | –                                           | –                                                   |
| 31 December 2016                                                                 | €1,700.0                                                | 2.28%                        | –                                           | –                                                   | €1,700.0                                                | 2.28%                        | –                                           | –                                                   |
| 31 December 2017                                                                 | €1,700.0                                                | 2.28%                        | –                                           | –                                                   | €1,700.0                                                | 2.28%                        | –                                           | –                                                   |
| 31 December 2018                                                                 | €1,700.0                                                | 2.28%                        | –                                           | –                                                   | €1,700.0                                                | 2.28%                        | –                                           | –                                                   |
| 31 December 2019                                                                 | €1,700.0                                                | 2.28%                        | –                                           | –                                                   | €1,700.0                                                | 2.28%                        | –                                           | –                                                   |
| 31 December 2020                                                                 | €1,100.0                                                | 2.70%                        | –                                           | –                                                   | €1,100.0                                                | 2.70%                        | –                                           | –                                                   |
| 31 December 2021                                                                 | €1,100.0                                                | 2.70%                        | –                                           | –                                                   | €1,100.0                                                | 2.70%                        | –                                           | –                                                   |
| 31 December 2022                                                                 | €1,100.0                                                | 2.70%                        | –                                           | –                                                   | €1,100.0                                                | 2.70%                        | –                                           | –                                                   |
| 31 December 2023                                                                 | €600.0                                                  | 2.25%                        | –                                           | –                                                   | €600.0                                                  | 2.25%                        | –                                           | –                                                   |
| <b>US\$ receivable</b>                                                           |                                                         |                              |                                             |                                                     |                                                         |                              |                                             |                                                     |
| 31 December 2014                                                                 | –                                                       | –                            | –                                           | –                                                   | US\$1,350.0                                             | 2.88%                        | –                                           | –                                                   |
| 31 December 2015                                                                 | US\$2,350.0                                             | 2.85%                        | –                                           | –                                                   | US\$1,350.0                                             | 2.88%                        | –                                           | –                                                   |
| 31 December 2016                                                                 | US\$2,350.0                                             | 2.85%                        | –                                           | –                                                   | US\$1,350.0                                             | 2.88%                        | –                                           | –                                                   |
| 31 December 2017                                                                 | US\$2,350.0                                             | 2.85%                        | –                                           | –                                                   | US\$1,350.0                                             | 2.88%                        | –                                           | –                                                   |
| 31 December 2018                                                                 | US\$2,350.0                                             | 2.85%                        | –                                           | –                                                   | US\$1,350.0                                             | 2.88%                        | –                                           | –                                                   |
| 31 December 2019                                                                 | US\$1,600.0                                             | 3.07%                        | –                                           | –                                                   | US\$600.0                                               | 3.50%                        | –                                           | –                                                   |
| 31 December 2020                                                                 | US\$1,600.0                                             | 3.07%                        | –                                           | –                                                   | US\$600.0                                               | 3.50%                        | –                                           | –                                                   |
| 31 December 2021                                                                 | US\$1,100.0                                             | 3.39%                        | –                                           | –                                                   | US\$600.0                                               | 3.50%                        | –                                           | –                                                   |
| 31 December 2022                                                                 | US\$1,100.0                                             | 3.39%                        | –                                           | –                                                   | US\$600.0                                               | 3.50%                        | –                                           | –                                                   |
| 31 December 2023                                                                 | US\$1,100.0                                             | 3.39%                        | –                                           | –                                                   | US\$600.0                                               | 3.50%                        | –                                           | –                                                   |
| 31 December 2024                                                                 | US\$1,100.0                                             | 3.39%                        | –                                           | –                                                   | US\$600.0                                               | 3.50%                        | –                                           | –                                                   |

The Group's interest rate swaps do not meet the accounting requirements to qualify for hedge accounting treatment. Changes in fair value have been reflected in the income statement as a component of interest expense. At 31 December 2015, the aggregate fair value is a payable of \$0.9 million (31 December 2014: receivable of \$119.5 million). The change in fair value for the year ended 31 December 2015 was \$120.4 million (31 December 2014: \$87.6 million).

| Fair value sensitivity                                                                           | 31 Dec 15<br>\$million |         | 31 Dec 14<br>\$million                  |
|--------------------------------------------------------------------------------------------------|------------------------|---------|-----------------------------------------|
|                                                                                                  | Interest rate movement |         | (Increase)/decrease in interest expense |
| The sensitivity of fair value of interest rate swaps to changes in interest rates is as follows: |                        |         |                                         |
|                                                                                                  | -2.0%                  | 338.1   | 465.8                                   |
|                                                                                                  | -1.0%                  | 139.5   | 195.9                                   |
|                                                                                                  | -0.5%                  | 64.9    | 101.6                                   |
|                                                                                                  | 0.5%                   | (70.6)  | (86.0)                                  |
|                                                                                                  | 1.0%                   | (121.0) | (173.9)                                 |
|                                                                                                  | 2.0%                   | (213.4) | (333.4)                                 |

All fixed rate borrowings are carried at amortised cost, therefore increases or decreases arising from changes in fair value have not been recorded in these financial statements.

**NOTE 32 INTEREST RATE RISK MANAGEMENT (CONTINUED)****Summary of interest rate positions at balance date (continued)***(iii) Interest rate options*

Notional principal of the Group's consolidated and share of equity accounted interest rate options:

| Interest rate options contracted as at the reporting date and outstanding at | Interest rate options                                   |                                         | Interest rate options                                   |                                         |
|------------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------|---------------------------------------------------------|-----------------------------------------|
|                                                                              | 31 Dec 15<br>Notional<br>principal<br>amount<br>million | 31 Dec 15<br>Average<br>strike<br>rates | 31 Dec 14<br>Notional<br>principal<br>amount<br>million | 31 Dec 14<br>Average<br>strike<br>rates |
| <b>A\$ payable caps</b>                                                      |                                                         |                                         |                                                         |                                         |
| 31 December 2014                                                             | –                                                       | –                                       | A\$(1,200.0)                                            | 2.60%                                   |
| <b>A\$ payable collar</b>                                                    |                                                         |                                         |                                                         |                                         |
| 31 December 2014                                                             | –                                                       | –                                       | A\$(50.0)                                               | 2.53% – 4.00%                           |
| <b>NZ\$ payable collar</b>                                                   |                                                         |                                         |                                                         |                                         |
| 31 December 2014                                                             | –                                                       | –                                       | NZ\$(70.0)                                              | 4.45% – 5.25%                           |
| 31 December 2015                                                             | <b>NZ\$(70.0)</b>                                       | <b>3.39% – 5.25%</b>                    | NZ\$(70.0)                                              | 3.39% – 5.25%                           |
| 31 December 2016                                                             | <b>NZ\$(70.0)</b>                                       | <b>3.39% – 5.25%</b>                    | NZ\$(70.0)                                              | 3.39% – 5.25%                           |
| 31 December 2017                                                             | <b>NZ\$(70.0)</b>                                       | <b>3.39% – 5.25%</b>                    | NZ\$(70.0)                                              | 3.39% – 5.25%                           |
| 31 December 2018                                                             | <b>NZ\$(70.0)</b>                                       | <b>3.39% – 5.25%</b>                    | NZ\$(70.0)                                              | 3.39% – 5.25%                           |
| <b>A\$ swaptions<sup>(i)</sup></b>                                           |                                                         |                                         |                                                         |                                         |
| 31 December 2014                                                             | –                                                       | –                                       | A\$(600.0)                                              | 3.00%                                   |

<sup>(i)</sup> During the year, these swaptions were either lapsed or terminated.

The Group's interest rate options do not meet the accounting requirements to qualify for hedge accounting treatment. Changes in fair value have been reflected in the income statement as a component of interest expense. At 31 December 2015, the aggregate fair value is a payable of \$1.1 million (31 December 2014: \$2.7 million). The change in fair value for the year ended 31 December 2015 was \$1.6 million (31 December 2014: \$2.7 million).

| Fair value sensitivity                                                                             | 31 Dec 15<br>\$million |  | 31 Dec 14<br>\$million                  |
|----------------------------------------------------------------------------------------------------|------------------------|--|-----------------------------------------|
|                                                                                                    | Interest rate movement |  | (Increase)/decrease in interest expense |
| The sensitivity of fair value of interest rate options to changes in interest rates is as follows: | -2.0%                  |  | <b>(3.6)</b> (3.9)                      |
|                                                                                                    | -1.0%                  |  | <b>(1.7)</b> (1.5)                      |
|                                                                                                    | -0.5%                  |  | <b>(0.8)</b> (0.6)                      |
|                                                                                                    | 0.5%                   |  | <b>0.5</b> 3.3                          |
|                                                                                                    | 1.0%                   |  | <b>0.9</b> 13.9                         |
|                                                                                                    | 2.0%                   |  | <b>1.5</b> 38.4                         |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

## NOTE 33 EXCHANGE RATE RISK MANAGEMENT

The Group is exposed to exchange rate risk on its foreign currency earnings, its distribution and its foreign currency denominated shopping centre assets and other assets. The Group manages these exposures by entering into foreign currency derivative instruments and by borrowing in foreign currencies.

### Summary of foreign exchange balance sheet positions at balance date

The Group's foreign exchange exposures at reporting date together with the foreign exchange risk management transactions which have been entered into to manage these exposures are as follows:

|                                         | Note   | 31 Dec 15<br>million | 31 Dec 14<br>million |
|-----------------------------------------|--------|----------------------|----------------------|
| <b>Foreign currency net investments</b> |        |                      |                      |
| <b>New Zealand Dollar</b>               |        |                      |                      |
| NZ\$ net assets                         |        | <b>NZ\$1,545.1</b>   | NZ\$2,610.5          |
| NZ\$ borrowings                         |        | <b>NZ\$(547.3)</b>   | NZ\$(1,139.8)        |
| NZ\$ currency swaps                     | 33(i)  | <b>NZ\$(665.0)</b>   | NZ\$(580.0)          |
| NZ\$ denominated net assets             |        | <b>NZ\$332.8</b>     | NZ\$890.7            |
| <b>US Dollar</b>                        |        |                      |                      |
| US\$ net assets                         |        | <b>US\$1.8</b>       | US\$0.7              |
| US\$ borrowings                         |        | <b>US\$(2,350.0)</b> | US\$(1,350.0)        |
| US\$ cross currency swaps               | 33(ii) | <b>US\$2,350.0</b>   | US\$1,350.0          |
| US\$ denominated net assets             |        | <b>US\$1.8</b>       | US\$0.7              |
| <b>British Pound</b>                    |        |                      |                      |
| £ net assets                            |        | <b>-</b>             | £0.8                 |
| £ borrowings                            |        | <b>£(800.0)</b>      | £(400.0)             |
| £ cross currency swaps                  | 33(ii) | <b>£800.0</b>        | £400.0               |
| £ denominated net assets                |        | <b>-</b>             | £0.8                 |
| <b>Euro</b>                             |        |                      |                      |
| € borrowings                            |        | <b>€(2,100.0)</b>    | €(2,100.0)           |
| € cross currency swaps                  | 33(ii) | <b>€2,100.0</b>      | €2,100.0             |
| € denominated net assets                |        | <b>-</b>             | -                    |

The Group's foreign currency net assets are subject to exchange rate risk. Gains and losses arising from translation of the Group's foreign currency denominated net assets, and, where applicable, associated hedging instruments, where the Group has satisfied the accounting requirements to qualify for hedge accounting treatment, are reflected in the foreign currency translation reserve.

Where the Group does not satisfy the hedge accounting requirements, the changes in fair value are reflected in the income statement as either foreign exchange gains or losses as appropriate.

# NOTE 33 EXCHANGE RATE RISK MANAGEMENT (CONTINUED)

## Summary of foreign exchange balance sheet positions at balance date (continued)

| Foreign currency sensitivity                                                                                                            |                               | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million                                    | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million             |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------------|-----------------------------------------------------------|------------------------|------------------------------------|
| The sensitivity of NZ\$ denominated net assets to changes in the year end A\$/NZ\$1.0665 rate (31 December 2014: 1.0472) is as follows: | A\$/NZ\$<br>Currency movement |                        | Gain/(loss) to<br>foreign currency<br>translation reserve |                        | Gain/(loss) to<br>income statement |
|                                                                                                                                         | - 20 cents                    | 72.0                   | 200.8                                                     | -                      | -                                  |
|                                                                                                                                         | - 10 cents                    | 32.3                   | 89.8                                                      | -                      | -                                  |
|                                                                                                                                         | - 5 cents                     | 15.3                   | 42.6                                                      | -                      | -                                  |
|                                                                                                                                         | + 5 cents                     | (14.0)                 | (38.8)                                                    | -                      | -                                  |
|                                                                                                                                         | + 10 cents                    | (26.7)                 | (74.1)                                                    | -                      | -                                  |
|                                                                                                                                         | + 20 cents                    | (49.3)                 | (136.4)                                                   | -                      | -                                  |
| The sensitivity of US\$ denominated net assets to changes in the year end A\$/US\$0.7286 rate (31 December 2014: 0.8200) is as follows: | A\$/US\$<br>Currency movement |                        | Gain/(loss) to<br>foreign currency<br>translation reserve |                        | Gain/(loss) to<br>income statement |
|                                                                                                                                         | - 20 cents                    | -                      | -                                                         | 0.9                    | 0.3                                |
|                                                                                                                                         | - 10 cents                    | -                      | -                                                         | 0.4                    | 0.1                                |
|                                                                                                                                         | - 5 cents                     | -                      | -                                                         | 0.2                    | 0.1                                |
|                                                                                                                                         | + 5 cents                     | -                      | -                                                         | (0.2)                  | -                                  |
|                                                                                                                                         | + 10 cents                    | -                      | -                                                         | (0.3)                  | (0.1)                              |
|                                                                                                                                         | + 20 cents                    | -                      | -                                                         | (0.5)                  | (0.2)                              |
| The sensitivity of £ denominated net assets to changes in the year end A\$/£0.4944 rate (31 December 2014: 0.5255) is as follows:       | A\$/£<br>Currency movement    |                        | Gain/(loss) to<br>foreign currency<br>translation reserve |                        | Gain/(loss) to<br>income statement |
|                                                                                                                                         | - 20 pence                    | -                      | -                                                         | -                      | 0.9                                |
|                                                                                                                                         | - 10 pence                    | -                      | -                                                         | -                      | 0.3                                |
|                                                                                                                                         | - 5 pence                     | -                      | -                                                         | -                      | 0.2                                |
|                                                                                                                                         | + 5 pence                     | -                      | -                                                         | -                      | (0.1)                              |
|                                                                                                                                         | + 10 pence                    | -                      | -                                                         | -                      | (0.2)                              |
|                                                                                                                                         | + 20 pence                    | -                      | -                                                         | -                      | (0.4)                              |

### (i) Net investment hedges of the Group's foreign currency assets and liabilities

The following table details the foreign currency swaps outstanding at reporting date. These contracts have been designated and qualify as hedges of net investment of foreign operations, other than as noted below.

| Foreign exchange contracts as at the reporting date and outstanding at | Weighted average exchange rate |           | Amount receivable/(payable) million |             |           |             |
|------------------------------------------------------------------------|--------------------------------|-----------|-------------------------------------|-------------|-----------|-------------|
|                                                                        | 31 Dec 15                      | 31 Dec 14 | 31 Dec 15                           | 31 Dec 15   | 31 Dec 14 | 31 Dec 14   |
| Contracts to receive A\$ and pay NZ\$                                  |                                |           |                                     |             |           |             |
| 31 December 2014                                                       | -                              | 1.0517    | -                                   | -           | A\$551.5  | NZ\$(580.0) |
| 31 December 2015                                                       | 1.0979                         | -         | A\$605.7                            | NZ\$(665.0) | -         | -           |

The pay NZ\$ exposure is an effective net investment hedge and is recorded directly in the foreign currency translation reserve. At 31 December 2015, the aggregate fair value is a payable of \$17.0 million (31 December 2014: receivable of \$0.2 million). The change in fair value for the year ended 31 December 2015 was \$17.2 million (31 December 2014: \$0.2 million).

| Foreign currency sensitivity                                                                                                                         |                               | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------------|-----------------------------------------------------------|
| The sensitivity of fair value of foreign exchange contracts to changes in the year end A\$/NZ\$1.0665 rate (31 December 2014: 1.0472) is as follows: | A\$/NZ\$<br>Currency movement |                        | Gain/(loss) to<br>foreign currency<br>translation reserve |
|                                                                                                                                                      | - 20 cents                    | (143.2)                | (127.0)                                                   |
|                                                                                                                                                      | - 10 cents                    | (64.1)                 | (56.7)                                                    |
|                                                                                                                                                      | - 5 cents                     | (30.5)                 | (26.9)                                                    |
|                                                                                                                                                      | + 5 cents                     | 27.7                   | 25.1                                                      |
|                                                                                                                                                      | + 10 cents                    | 53.1                   | 47.9                                                      |
|                                                                                                                                                      | + 20 cents                    | 97.7                   | 88.0                                                      |

# Notes to the Financial Statements

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## NOTE 33 EXCHANGE RATE RISK MANAGEMENT (CONTINUED)

### (ii) Other foreign currency derivatives in respect of the Group's foreign currency assets and liabilities

The following table details the other financial derivatives in respect of the Group's foreign currency assets and liabilities outstanding at reporting date. These contracts do not qualify as hedges of net investments of foreign operations.

| Cross currency swaps contracted as at the reporting date and outstanding at | Weighted average exchange rate |           | Amount receivable/(payable) million |                    |              |             |
|-----------------------------------------------------------------------------|--------------------------------|-----------|-------------------------------------|--------------------|--------------|-------------|
|                                                                             | 31 Dec 15                      | 31 Dec 14 | 31 Dec 15                           | 31 Dec 15          | 31 Dec 14    | 31 Dec 14   |
| <b>US\$</b>                                                                 |                                |           |                                     |                    |              |             |
| Contracts to receive US\$ and pay A\$                                       |                                |           |                                     |                    |              |             |
| 31 December 2014                                                            | –                              | 0.8745    | –                                   | –                  | A\$(1,543.8) | US\$1,350.0 |
| 31 December 2015                                                            | <b>0.8270</b>                  | 0.8745    | <b>A\$(2,841.5)</b>                 | <b>US\$2,350.0</b> | A\$(1,543.8) | US\$1,350.0 |
| 31 December 2016                                                            | <b>0.8270</b>                  | 0.8745    | <b>A\$(2,841.5)</b>                 | <b>US\$2,350.0</b> | A\$(1,543.8) | US\$1,350.0 |
| 31 December 2017                                                            | <b>0.8270</b>                  | 0.8745    | <b>A\$(2,841.5)</b>                 | <b>US\$2,350.0</b> | A\$(1,543.8) | US\$1,350.0 |
| 31 December 2018                                                            | <b>0.8270</b>                  | 0.8745    | <b>A\$(2,841.5)</b>                 | <b>US\$2,350.0</b> | A\$(1,543.8) | US\$1,350.0 |
| 31 December 2019                                                            | <b>0.8009</b>                  | 0.8571    | <b>A\$(1,997.7)</b>                 | <b>US\$1,600.0</b> | A\$(700.0)   | US\$600.0   |
| 31 December 2020                                                            | <b>0.8009</b>                  | 0.8571    | <b>A\$(1,997.7)</b>                 | <b>US\$1,600.0</b> | A\$(700.0)   | US\$600.0   |
| 31 December 2021                                                            | <b>0.8155</b>                  | 0.8571    | <b>A\$(1,348.9)</b>                 | <b>US\$1,100.0</b> | A\$(700.0)   | US\$600.0   |
| 31 December 2022                                                            | <b>0.8155</b>                  | 0.8571    | <b>A\$(1,348.9)</b>                 | <b>US\$1,100.0</b> | A\$(700.0)   | US\$600.0   |
| 31 December 2023                                                            | <b>0.8155</b>                  | 0.8571    | <b>A\$(1,348.9)</b>                 | <b>US\$1,100.0</b> | A\$(700.0)   | US\$600.0   |
| 31 December 2024                                                            | <b>0.8155</b>                  | 0.8571    | <b>A\$(1,348.9)</b>                 | <b>US\$1,100.0</b> | A\$(700.0)   | US\$600.0   |
| <b>£</b>                                                                    |                                |           |                                     |                    |              |             |
| Contracts to receive £ and pay A\$                                          |                                |           |                                     |                    |              |             |
| 31 December 2014                                                            | –                              | 0.5491    | –                                   | –                  | A\$(728.5)   | £400.0      |
| 31 December 2015                                                            | <b>0.5311</b>                  | 0.5491    | <b>A\$(1,506.2)</b>                 | <b>£800.0</b>      | A\$(728.5)   | £400.0      |
| 31 December 2016                                                            | <b>0.5311</b>                  | 0.5491    | <b>A\$(1,506.2)</b>                 | <b>£800.0</b>      | A\$(728.5)   | £400.0      |
| 31 December 2017                                                            | <b>0.5311</b>                  | 0.5491    | <b>A\$(1,506.2)</b>                 | <b>£800.0</b>      | A\$(728.5)   | £400.0      |
| 31 December 2018                                                            | <b>0.5311</b>                  | 0.5491    | <b>A\$(1,506.2)</b>                 | <b>£800.0</b>      | A\$(728.5)   | £400.0      |
| 31 December 2019                                                            | <b>0.5311</b>                  | 0.5491    | <b>A\$(1,506.2)</b>                 | <b>£800.0</b>      | A\$(728.5)   | £400.0      |
| 31 December 2020                                                            | <b>0.5311</b>                  | 0.5491    | <b>A\$(1,506.2)</b>                 | <b>£800.0</b>      | A\$(728.5)   | £400.0      |
| 31 December 2021                                                            | <b>0.5311</b>                  | 0.5491    | <b>A\$(1,506.2)</b>                 | <b>£800.0</b>      | A\$(728.5)   | £400.0      |
| 31 December 2022                                                            | <b>0.5491</b>                  | 0.5491    | <b>A\$(728.5)</b>                   | <b>£400.0</b>      | A\$(728.5)   | £400.0      |
| 31 December 2023                                                            | <b>0.5491</b>                  | 0.5491    | <b>A\$(728.5)</b>                   | <b>£400.0</b>      | A\$(728.5)   | £400.0      |
| 31 December 2024                                                            | <b>0.5491</b>                  | 0.5491    | <b>A\$(728.5)</b>                   | <b>£400.0</b>      | A\$(728.5)   | £400.0      |
| 31 December 2025                                                            | <b>0.5491</b>                  | 0.5491    | <b>A\$(728.5)</b>                   | <b>£400.0</b>      | A\$(728.5)   | £400.0      |
| <b>€</b>                                                                    |                                |           |                                     |                    |              |             |
| Contracts to receive € and pay A\$                                          |                                |           |                                     |                    |              |             |
| 31 December 2014                                                            | –                              | 0.6915    | –                                   | –                  | A\$(3,036.9) | €2,100.0    |
| 31 December 2015                                                            | <b>0.6915</b>                  | 0.6915    | <b>A\$(3,036.9)</b>                 | <b>€2,100.0</b>    | A\$(3,036.9) | €2,100.0    |
| 31 December 2016                                                            | <b>0.6915</b>                  | 0.6915    | <b>A\$(3,036.9)</b>                 | <b>€2,100.0</b>    | A\$(3,036.9) | €2,100.0    |
| 31 December 2017                                                            | <b>0.6915</b>                  | 0.6915    | <b>A\$(3,036.9)</b>                 | <b>€2,100.0</b>    | A\$(3,036.9) | €2,100.0    |
| 31 December 2018                                                            | <b>0.6917</b>                  | 0.6917    | <b>A\$(2,457.7)</b>                 | <b>€1,700.0</b>    | A\$(2,457.7) | €1,700.0    |
| 31 December 2019                                                            | <b>0.6917</b>                  | 0.6917    | <b>A\$(2,457.7)</b>                 | <b>€1,700.0</b>    | A\$(2,457.7) | €1,700.0    |
| 31 December 2020                                                            | <b>0.6924</b>                  | 0.6924    | <b>A\$(1,588.7)</b>                 | <b>€1,100.0</b>    | A\$(1,588.7) | €1,100.0    |
| 31 December 2021                                                            | <b>0.6924</b>                  | 0.6924    | <b>A\$(1,588.7)</b>                 | <b>€1,100.0</b>    | A\$(1,588.7) | €1,100.0    |
| 31 December 2022                                                            | <b>0.6924</b>                  | 0.6924    | <b>A\$(1,588.7)</b>                 | <b>€1,100.0</b>    | A\$(1,588.7) | €1,100.0    |
| 31 December 2023                                                            | <b>0.6903</b>                  | 0.6903    | <b>A\$(869.2)</b>                   | <b>€600.0</b>      | A\$(869.2)   | €600.0      |

At 31 December 2015, none of the above described foreign exchange derivatives qualify for hedge accounting treatment. Changes in fair value have been reflected in the income statement. At 31 December 2015, the aggregate fair value is a receivable of \$565.3 million (31 December 2014: \$204.5 million). The change in fair value for the year ended 31 December 2015 was \$360.8 million (31 December 2014: \$252.3 million).

### NOTE 33 EXCHANGE RATE RISK MANAGEMENT (CONTINUED)

(ii) Other foreign currency derivatives in respect of the Group's foreign currency assets and liabilities (continued)

| Foreign currency sensitivity                                                                                                             |                                  | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million             |
|------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|------------------------|------------------------------------|
| The sensitivity of fair value of currency swaps to changes in the year end A\$/US\$0.7286 rate (31 December 2014: 0.8200) is as follows: | A\$/US\$<br>Currency<br>movement |                        | Gain/(loss) to<br>income statement |
|                                                                                                                                          | - 20 cents                       | <b>1,169.4</b>         | 517.8                              |
|                                                                                                                                          | - 10 cents                       | <b>491.7</b>           | 222.9                              |
|                                                                                                                                          | - 5 cents                        | <b>227.7</b>           | 104.2                              |
|                                                                                                                                          | + 5 cents                        | <b>(198.2)</b>         | (91.4)                             |
|                                                                                                                                          | + 10 cents                       | <b>(371.2)</b>         | (169.7)                            |
|                                                                                                                                          | + 20 cents                       | <b>(659.6)</b>         | (301.8)                            |
| The sensitivity of fair value of currency swaps to changes in the year end A\$/£0.4944 rate (31 December 2014: 0.5255) is as follows:    | A\$/£<br>Currency<br>movement    |                        | Gain/(loss) to<br>income statement |
|                                                                                                                                          | - 20 pence                       | <b>1,043.9</b>         | 450.3                              |
|                                                                                                                                          | - 10 pence                       | <b>389.6</b>           | 172.2                              |
|                                                                                                                                          | - 5 pence                        | <b>172.9</b>           | 77.1                               |
|                                                                                                                                          | + 5 pence                        | <b>(140.4)</b>         | (60.9)                             |
|                                                                                                                                          | + 10 pence                       | <b>(255.3)</b>         | (109.7)                            |
|                                                                                                                                          | + 20 pence                       | <b>(435.1)</b>         | (187.1)                            |
| The sensitivity of fair value of currency swaps to changes in the year end A\$/€0.6707 rate (31 December 2014: 0.6749) is as follows:    | A\$/€<br>Currency<br>movement    |                        | Gain/(loss) to<br>income statement |
|                                                                                                                                          | - 20 cents                       | <b>1,279.5</b>         | 1,277.6                            |
|                                                                                                                                          | - 10 cents                       | <b>527.6</b>           | 527.7                              |
|                                                                                                                                          | - 5 cents                        | <b>242.6</b>           | 242.7                              |
|                                                                                                                                          | + 5 cents                        | <b>(206.9)</b>         | (201.4)                            |
|                                                                                                                                          | + 10 cents                       | <b>(385.6)</b>         | (373.1)                            |
|                                                                                                                                          | + 20 cents                       | <b>(681.5)</b>         | (657.7)                            |

The foreign currency receivable exposures above are matched to the foreign currency borrowings disclosed in Note 17, therefore the income statement is not affected by any movements in exchange rates in relation to these contracts.

### NOTE 34 CREDIT AND LIQUIDITY RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit limits have been established to ensure that the Group deals 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 the Group, after allowing for appropriate set offs which are legally enforceable. A maximum credit limit is allocated to each counterparty based on its credit rating. The counterparty credit risk associated with investment instruments is assessed based on its outstanding face value.

At 31 December 2015, the aggregate credit risk in respect of cash and cash equivalents is \$153.0 million (31 December 2014: \$189.9 million).

At 31 December 2015, the aggregate credit risk in respect of derivative financial instruments is \$788.5 million (31 December 2014: \$448.7 million). In accordance with the Group policy, credit risk is spread among a number of creditworthy counterparties within specified limits. The Group had 36% (31 December 2014: 38%) of its aggregate credit risk spread over three counterparties each with an S&P long term rating of A+ or higher. The remainder is spread over counterparties each with less than 10% of the aggregate credit risk and with an S&P long term rating of BBB+ or higher.

The Group undertakes active liquidity and funding risk management to enable it to have sufficient funds available to meet its financial obligations as and when they fall due, working capital and expected committed capital expenditure requirements. The Group prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

Interest bearing liabilities, and funding facilities and their maturity profiles, are set out in Note 17.

# Notes to the Financial Statements

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## NOTE 35 FINANCIAL COVENANTS

The Group is required to comply with certain financial covenants in respect of its unsecured borrowings facilities and bond offerings. The major financial covenants are summarised as follows:

- a) Leverage ratio (net debt to net assets)
  - shall not exceed 65%
- b) Secured debt ratio (secured debt to total assets)
  - shall not exceed 40% (and not exceed 45% on certain facilities)
- c) Interest cover ratio (EBITDA to interest expense excluding gains or losses from mark to market)
  - at least 1.5 times
- d) Unencumbered leverage ratio (unencumbered assets to unsecured debt)
  - at least 150% (and at least 125% on certain facilities)

At and during the years ended 31 December 2015 and 2014, the Group was in compliance with all the above financial covenants.

## NOTE 36 INTEREST BEARING LIABILITIES, INTEREST AND DERIVATIVE CASH FLOW MATURITY PROFILE

|                                                                                                                                                                                                              | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Interest bearing liabilities and interest</b>                                                                                                                                                             |                        |                        |
| Maturity profile of the principal amounts of current and non current interest bearing liabilities (refer to Note 17) together with the aggregate future estimated nominal interest thereon is set out below: |                        |                        |
| Due within one year                                                                                                                                                                                          | (2,054.0)              | (994.6)                |
| Due between one and five years                                                                                                                                                                               | (4,475.5)              | (7,700.8)              |
| Due after five years                                                                                                                                                                                         | (6,487.1)              | (5,168.9)              |
|                                                                                                                                                                                                              | <b>(13,016.6)</b>      | <b>(13,864.3)</b>      |
| Comprising:                                                                                                                                                                                                  |                        |                        |
| – principal amounts of current and non current interest bearing liabilities                                                                                                                                  | (11,142.7)             | (11,951.7)             |
| – aggregate future estimated nominal interest                                                                                                                                                                | (1,873.9)              | (1,912.6)              |
|                                                                                                                                                                                                              | <b>(13,016.6)</b>      | <b>(13,864.3)</b>      |
| <b>Derivatives</b>                                                                                                                                                                                           |                        |                        |
| Maturity profile of the estimated future nominal cash flows in respect of interest and currency derivative contracts is set out below:                                                                       |                        |                        |
| Due within one year                                                                                                                                                                                          | (142.5)                | (112.1)                |
| Due between one and five years                                                                                                                                                                               | (175.0)                | (300.1)                |
| Due after five years                                                                                                                                                                                         | 245.7                  | (71.5)                 |
|                                                                                                                                                                                                              | <b>(71.8)</b>          | <b>(483.7)</b>         |

Contingent liabilities are set out in Note 29 and are not included in the amounts shown above.

## NOTE 37 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments.

|                                              |         | Fair value<br>31 Dec 15<br>\$million | 31 Dec 14<br>\$million | Carrying amount<br>31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|----------------------------------------------|---------|--------------------------------------|------------------------|-------------------------------------------|------------------------|
| <b>Consolidated assets</b>                   |         |                                      |                        |                                           |                        |
| Cash and cash equivalents                    |         | 142.7                                | 189.0                  | 142.7                                     | 189.0                  |
| Trade debtors <sup>(i)</sup>                 |         | 25.4                                 | 17.3                   | 25.4                                      | 17.3                   |
| Receivables <sup>(i)</sup>                   |         | 205.0                                | 168.2                  | 205.0                                     | 168.2                  |
| Derivative assets <sup>(ii)</sup>            | Level 2 | 788.5                                | 448.7                  | 788.5                                     | 448.7                  |
| <b>Consolidated liabilities</b>              |         |                                      |                        |                                           |                        |
| Payables <sup>(i)</sup>                      |         | 1,172.2                              | 1,169.4                | 1,172.2                                   | 1,169.4                |
| Interest bearing liabilities <sup>(ii)</sup> |         |                                      |                        |                                           |                        |
| – Fixed rate debt                            | Level 2 | 8,922.1                              | 6,764.8                | 8,839.0                                   | 6,419.8                |
| – Floating rate debt                         | Level 2 | 2,305.5                              | 5,518.1                | 2,303.7                                   | 5,531.9                |
| Other financial liabilities <sup>(ii)</sup>  | Level 3 | 1,154.9                              | 1,409.1                | 1,154.9                                   | 1,409.1                |
| Derivative liabilities <sup>(ii)</sup>       | Level 2 | 242.2                                | 127.1                  | 242.2                                     | 127.1                  |

<sup>(i)</sup> These financial assets and liabilities are not subject to interest rate risk and the fair value approximates carrying amount.

<sup>(ii)</sup> These financial assets and liabilities are subject to interest rate and market risks, the basis of determining the fair value is set out in the fair value hierarchy below.

### Determination of fair value

The Group uses the following hierarchy for determining and disclosing the fair value of a financial instrument. The valuation techniques comprise:

Level 1: the fair value is calculated using quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: the fair value is estimated using inputs other than quoted prices that are observable, either directly (as prices) or indirectly (derived from prices).

Level 3: the fair value is estimated using inputs that are not based on observable market data.

In assessing the fair value of the Group's financial instruments, consideration is given to the available market data and if the market for a financial instrument changes then the valuation technique applied will change accordingly.

During the year, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

|                                                                              | Property<br>linked notes <sup>(i)</sup><br>31 Dec 15<br>\$million | Redeemable<br>preference<br>shares/units <sup>(ii)</sup><br>31 Dec 15<br>\$million | Property<br>linked notes <sup>(i)</sup><br>31 Dec 14<br>\$million | Redeemable<br>preference<br>shares/units <sup>(ii)</sup><br>31 Dec 14<br>\$million |
|------------------------------------------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------------------------|
| <b>Level 3 fair value movement</b>                                           |                                                                   |                                                                                    |                                                                   |                                                                                    |
| Balance at the beginning of the year                                         | 1,409.1                                                           | –                                                                                  | 1,371.4                                                           | 389.1                                                                              |
| Repayment of other financial liabilities                                     | (279.7)                                                           | –                                                                                  | –                                                                 | –                                                                                  |
| Disposals                                                                    | –                                                                 | –                                                                                  | –                                                                 | (155.1)                                                                            |
| Net fair value gain/loss included in financing costs in the income statement | 25.5                                                              | –                                                                                  | 37.7                                                              | (13.2)                                                                             |
| Retranslation of foreign operations                                          | –                                                                 | –                                                                                  | –                                                                 | (12.6)                                                                             |
| Distributed to Westfield Corporation                                         | –                                                                 | –                                                                                  | –                                                                 | (208.2)                                                                            |
| Balance at the end of the year                                               | 1,154.9                                                           | –                                                                                  | 1,409.1                                                           | –                                                                                  |

<sup>(i)</sup> The fair value of the property linked notes has been determined by reference to the fair value of the relevant Westfield shopping centres (refer to Note 18).

<sup>(ii)</sup> The fair value of the redeemable preference shares/units has generally been determined by applying the relevant earnings yield to the underlying net income of the relevant securities.

Investment properties are considered Level 3, refer to Note 15: Details of shopping centre investments for relevant fair value disclosures.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

|                                                                                                                                                                                                                                                   | 31 Dec 15<br>\$million | 31 Dec 14<br>\$million |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>NOTE 38 PARENT COMPANY</b>                                                                                                                                                                                                                     |                        |                        |
| The Parent Company financial information is presented in accordance with the amendments to the Corporations Regulations 2001 and the Corporations Amendment Regulations 2010 (No. 6). Summary data of the Parent Company is disclosed as follows: |                        |                        |
| <b>(a) Assets</b>                                                                                                                                                                                                                                 |                        |                        |
| Current assets                                                                                                                                                                                                                                    | 0.1                    | 43.0                   |
| Non current assets                                                                                                                                                                                                                                | 4,471.2                | 4,079.2                |
| <b>Total assets</b>                                                                                                                                                                                                                               | <b>4,471.3</b>         | <b>4,122.2</b>         |
| <b>(b) Liabilities</b>                                                                                                                                                                                                                            |                        |                        |
| Current liabilities                                                                                                                                                                                                                               | 700.5                  | 715.9                  |
| Non current liabilities                                                                                                                                                                                                                           | 56.3                   | 56.0                   |
| <b>Total liabilities</b>                                                                                                                                                                                                                          | <b>756.8</b>           | <b>771.9</b>           |
| <b>(c) Total equity</b>                                                                                                                                                                                                                           |                        |                        |
| Contributed equity                                                                                                                                                                                                                                | 371.1                  | 371.1                  |
| Employee share plan benefits reserve                                                                                                                                                                                                              | 2.3                    | 2.3                    |
| Asset revaluation reserve                                                                                                                                                                                                                         | 3,247.9                | 2,856.1                |
| Reserves <sup>(i)</sup>                                                                                                                                                                                                                           | 144.2                  | 171.8                  |
| Retained profits                                                                                                                                                                                                                                  | (51.0)                 | (51.0)                 |
| <b>Total equity</b>                                                                                                                                                                                                                               | <b>3,714.5</b>         | <b>3,350.3</b>         |
| <b>(d) Comprehensive income</b>                                                                                                                                                                                                                   |                        |                        |
| Profit after tax for the period                                                                                                                                                                                                                   | 124.1                  | 161.4                  |
| Other comprehensive income                                                                                                                                                                                                                        | 391.8                  | (322.0)                |
| <b>Total comprehensive income for the period</b>                                                                                                                                                                                                  | <b>515.9</b>           | <b>(160.6)</b>         |
| <b>(e) Contingent liabilities</b>                                                                                                                                                                                                                 |                        |                        |
| Guaranteed borrowings of controlled entities                                                                                                                                                                                                      | 11,965.3               | 12,980.7               |
| Guaranteed borrowings of subsidiaries                                                                                                                                                                                                             | –                      | –                      |
| <b>Total contingent liabilities</b>                                                                                                                                                                                                               | <b>11,965.3</b>        | <b>12,980.7</b>        |

<sup>(i)</sup> During the period, the Directors of the Parent Company approved the transfer of \$124.1 million of the Company's profit for the 2015 financial year to reserves. In 2014, the Directors of the Parent Company approved the transfer of \$161.4 million of the Parent Company's profit for the 2014 financial year to reserves.

## NOTE 39 SUBSIDIARIES

Financial information of SGT1 and SGT2 are provided below as they have material non controlling interests:

### Scentre Group Trust 1

As at 31 December 2015, SGT1 held current assets of \$1.1 billion, non current assets of \$16.2 billion, current liabilities of \$2.8 billion and non current liabilities of \$8.0 billion (31 December 2014: current assets of \$0.5 billion, non current assets of \$15.7 billion, current liabilities of \$2.4 billion and non current liabilities of \$8.0 billion).

As at 31 December 2015, the total equity held by SGT1 was \$6.5 billion (31 December 2014: \$5.8 billion).

The profit after tax for the period was \$1,139.4 million and total comprehensive income was \$1,047.6 million (31 December 2014: profit after tax for the period was \$1,869.3 million, total comprehensive income was \$1,084.8 million). The revenue for the period was \$582.8 million (31 December 2014: \$574.9 million).

### Scentre Group Trust 2

As at 31 December 2015, SGT2 held current assets of \$0.1 billion, non current assets of \$14.4 billion, current liabilities of \$2.6 billion and non current liabilities of \$1.0 billion (31 December 2014: current assets of \$0.5 billion, non current assets of \$14.0 billion, current liabilities of \$0.7 billion and non current liabilities of \$3.7 billion).

As at 31 December 2015, the total equity held by SGT2 was \$10.8 billion (31 December 2014: \$10.1 billion).

The profit after tax for the period was \$1,420.0 million and total comprehensive income was \$1,331.6 million (31 December 2014: profit after tax for the period was \$1,022.4 million and total comprehensive income was \$1,047.8 million). The revenue for the period was \$527.0 million (31 December 2014: \$528.0 million).

#### NOTE 40 AUDITOR'S REMUNERATION

Auditor's Remuneration for the year ended 31 December 2015 represents amounts received or due and receivable by the auditor or affiliates of the auditor of Scentre Group, Ernst & Young. Auditor's remuneration for the year ended 31 December 2014 represents amounts received or due and receivable by the auditor or affiliates of the auditor of the Parent Company of the former Westfield Group (now the restructured Scentre Group) for the six months ended 30 June 2014 and the amounts received or due and receivable by the auditor or affiliates of the auditor of Scentre Group for the six months ended 31 December 2014.

Amounts received or due and receivable by the auditor of the Parent Company and any other entity in the Group for:

|                                            |              |       |
|--------------------------------------------|--------------|-------|
| - Audit or review of the financial reports | <b>2,588</b> | 3,441 |
| - Assurance and compliance services        | <b>1,192</b> | 1,094 |
| - Taxation advice and compliance           | -            | 117   |
| - Technical accounting advice and services | <b>133</b>   | 286   |
| - Due diligence services                   | -            | 3,519 |
|                                            | <b>3,913</b> | 8,457 |

Amounts received or due and receivable by affiliates of the auditor of the Parent Company for:

|                                            |              |        |
|--------------------------------------------|--------------|--------|
| - Audit or review of the financial reports | <b>256</b>   | 1,166  |
| - Assurance and compliance services        | <b>37</b>    | 36     |
| - Taxation advice and compliance           | -            | 271    |
| - Technical accounting advice and services | -            | 152    |
|                                            | <b>293</b>   | 1,625  |
|                                            | <b>4,206</b> | 10,082 |

#### NOTE 41 SUPERANNUATION COMMITMENTS

The Group sponsors accumulation style superannuation funds to provide retirement benefits to its employees. There are no unfunded liabilities in respect of these superannuation funds and plans.

The Group does not sponsor defined benefits style superannuation funds and plans.

#### NOTE 42 RELATED PARTY DISCLOSURES

Information required to be disclosed concerning relationships, transactions and balances with related parties of the Group is set out in this Note unless disclosed elsewhere in this financial report.

##### Nature of relationship with related parties

###### Key Management Personnel of the entity

Refer to Note 43 and the Remuneration Report in the Directors' Report for details of Key Management Personnel.

###### Other Related Parties

Prior to the Restructure and Merger implemented on 30 June 2014, Westfield Corporation was a related party of the Group as it formed part of the former Westfield Group (now the restructured Scentre Group) during the 2014 financial year. Westfield Corporation is not a related party of the Group for the 2015 financial year.

Prior to the Restructure and Merger implemented on 30 June 2014, Westfield Retail Trust was considered to be a related party of the former Westfield Group (now the restructured Scentre Group). From 30 June 2014, Westfield Retail Trust is part of Scentre Group.

LFG Services Pty Limited (LFG), its related entities and other entities controlled by members of the Lowy family are considered to be related parties of the Group. This is due to LFG being under the control or significant influence of certain Directors of the Group, being Mr Frank Lowy and Mr Steven Lowy.

The Lowy Institute for International Policy (the Lowy Institute) is considered to be a related party of the Group. This is due to the entity being under the control or significant influence of certain Directors of the Group, being Mr Frank Lowy and Mr Steven Lowy.

##### Transactions and their terms and conditions with related parties

###### Transactions with Key Management Personnel of the entity

Refer to Note 43 and the Remuneration Report in the Directors' Report for remuneration of Key Management Personnel.

###### Transactions with Other Related Parties

The Group has established protocols governing transactions with other related parties which are monitored and reviewed by the Audit and Risk Committee.

###### (a) Current arrangements with LFG and the Lowy Institute

In 2012 the Group has entered into a leasing agreement with LFG to provide office space at Westfield Sydney. The Group charged LFG \$1,851,408 (31 December 2014: \$1,391,449) for lease of office space at Westfield Sydney on commercial arm's length terms.

During the financial year, the Group provided development services to LFG and the Lowy Institute totalling \$536,388 (31 December 2014: \$7,682). The amount charged was on commercial arm's length terms.

There were no amounts payable to or receivable from LFG and the Lowy Institute at 31 December 2015 and 2014.

No provision for doubtful debts has been recognised or bad debts incurred with respect to amounts payable or receivable from LFG and the Lowy Institute for the year ended 31 December 2015 and 2014.

###### (b) Former arrangements prior to the Restructure and Merger with LFG and the Lowy Institute

These arrangements ceased from 30 June 2014 being the commencement of operations of Scentre Group.

The Group's aircraft interchange agreement and aircraft operation, maintenance, crew sharing and hangar facility agreements with LFG were terminated as a result of the Restructure and Merger on 30 June 2014. For the year ended 31 December 2014, LFG utilised 86.7 hours of the Group's aircraft which was offset by the Group's business use of the LFG aircraft for an equivalent number of hours.

## NOTE 42 RELATED PARTY DISCLOSURES (CONTINUED)

### (b) Former arrangements prior to the Restructure and Merger with LFG and the Lowy Institute (continued)

In addition to the interchange agreement, there were arrangements between the Group and LFG in relation to the use of the Group's aircraft by LFG and use of LFG's aircraft by the Group. These arrangements, including rates, were at arm's length. For the year ended 31 December 2014, the Group incurred costs amounting to \$409,043 in relation to the use of the LFG aircraft in excess of the interchange agreement. Amounts charged were payable on 30 day terms.

The Group also had aircraft operation, maintenance, crew sharing, and hangar facility agreements with LFG. For the year ended 31 December 2014, the Group charged LFG \$963,738 in relation to the provision of aircrew, aircraft maintenance, aircraft services and use of the hangar facility, which amounts were payable on seven day terms.

As a result of the Restructure and Merger, the Group is no longer responsible for providing communication, security and other services to LFG and the Lowy Institute. In the prior year ended 31 December 2014, the Group charged LFG and the Lowy Institute \$892,807 for service costs in relation to the provision of communication, security and other services on arm's length terms and conditions.

There were no amounts payable to or receivable from LFG and the Lowy Institute at 31 December 2014.

No provision for doubtful debts has been recognised or bad debts incurred with respect to amounts payable or receivable from LFG and the Lowy Institute for the year ended 31 December 2014.

### (c) Westfield Corporation

#### *Arrangements with Westfield Corporation*

Following the Restructure and Merger on 30 June 2014, the Group has the following ongoing contractual arrangements with Westfield Corporation:

- The Group has an exclusive, royalty free licence to use the Westfield brand for its existing shopping centres and any future shopping centres in Australia and New Zealand meeting certain agreed characteristics;
- The Group has access to the digital innovation activities of Westfield Labs; and
- The Group provides limited transitional services to Westfield Corporation while both entities develop standalone resources and support services.

#### *Comparative period transactions with Westfield Corporation*

The transactions with Westfield Corporation for the six months to 31 December 2014, were as follows:

#### *Access to the digital innovation activities of Westfield Labs (LABS)*

For the six months to 31 December 2014, Westfield Corporation charged the Group \$5.5 million for access to LABS' digital services.

#### *Provision of transitional services*

For the six months to 31 December 2014, the Group charged Westfield Corporation \$6.2 million for transitional services.

For the six months to 31 December 2014, Westfield Corporation charged the Group \$0.3 million for the provision of corporate services.

#### *Other*

For the six months to 31 December 2014, the Group charged Westfield Corporation \$0.7 million for lease of office space at its Westfield Sydney premises.

As at 31 December 2014, amounts payable and receivable by the Group to Westfield Corporation amounted to \$5.5 million and \$0.6 million, respectively.

### (d) SGT2 and SGT3 (formerly the stapled Westfield Retail Trust) Arrangements with Westfield Retail Trust (WRT)

Prior to the Restructure and Merger implemented on 30 June 2014, the primary arrangements between the former Westfield Group (now the restructured Scentre Group) and WRT are summarised as follows:

- the Westfield Group and WRT directly and indirectly co-owned the properties including properties where there were existing third party joint venture partners;
- the Westfield Group acted as the property manager;
- the Westfield Group acted in most cases as the property developer;
- the Westfield Group and WRT were required to co-operate to source new investment opportunities in Australia and New Zealand;
- the Westfield Group owned the WRT responsible entities and WRT had access to the Westfield brand; and
- the Westfield Group provided corporate services to WRT.

#### *Comparative period transactions with Westfield Retail Trust*

The transactions with WRT for the six months to 30 June 2014, were as follows:

#### *Property management fee*

For the six months to 30 June 2014, Westfield Group charged WRT property management fees of \$26.9 million.

#### *Tenancy coordination fee*

For the six months to 30 June 2014, Westfield Group charged WRT tenancy coordination fees of \$2.3 million.

#### *Reimbursement of expenses*

For the six months to 30 June 2014, Westfield Group charged WRT \$10.1 million for the reimbursement of shopping centre indirect overheads expenses. In addition, Westfield Group also recharged WRT for direct expenses of shopping centre employees (salaries, wages and all on-costs).

#### *Corporate services agreement*

For the six months to 30 June 2014, Westfield Group charged WRT corporate service fees of \$10.0 million.

#### *Development framework agreements*

For the six months to 30 June 2014, Westfield Group charged WRT property development progress billings and fees of \$97.1 million.

#### *Westfield Sydney redevelopment arrangements*

The Westfield Sydney income guarantee fee for the period from April 2013 to March 2014, paid during the six months to 30 June 2014 to WRT by Westfield Group under the income guarantee arrangements amounted to \$3.4 million.

#### *Other*

For the six months to 30 June 2014, Westfield Group charged WRT \$0.1 million for the lease of office space.

For the six months to 30 June 2014, Westfield Group paid WRT \$3.2 million for the lease of office space.

Net property related advertising and promotional income collected by Westfield Group on behalf of WRT for the six months ended 30 June 2014 amounted to \$3.7 million.

As a result of the Restructure and Merger on 30 June 2014, no payable or receivable balances were recorded with WRT on the Group's balance sheet as at 31 December 2015 and 2014.

## NOTE 43 DETAILS AND REMUNERATION OF KEY MANAGEMENT PERSONNEL

### (a) Key Management Personnel

As at 31 December 2015, the Board comprises the following directors:

|                                  |                                               |
|----------------------------------|-----------------------------------------------|
| Frank Lowy AC                    | Chairman/Non-Executive Director               |
| Brian Schwartz AM                | Deputy Chairman/Non-Executive Director        |
| Peter Allen                      | Chief Executive Officer/Executive Director    |
| Richard Egerton-Warburton AO LVO | Non-Executive Director                        |
| Andrew Harmos                    | Non-Executive Director                        |
| Michael Ihlein                   | Non-Executive Director                        |
| Aliza Knox                       | Non-Executive Director (appointed 7 May 2015) |
| Steven Lowy AM                   | Non-Executive Director                        |

The following directors retired from the Board effective 7 May 2015:

Laurence Brindle and Sandra McPhee AM.

The following directors retired from the Board effective 30 June 2014:

Ilana Atlas, Roy Furman, Peter Goldsmith QC PC, Mark G. Johnson, Mark R. Johnson AO, Peter Lowy, John McFarlane and Judith Sloan.

In October 2015, the Group announced Mr Frank Lowy would retire as Chairman of Scentre Group at the Annual General Meeting in May 2016. Mr Lowy will be succeeded by Mr Brian Schwartz with effect from the date of Mr Lowy's retirement.

In addition to the Directors noted above, during the year the following Key Management Personnel were responsible for the strategic direction and management of the Group.

|             |                                                                                                                           |
|-------------|---------------------------------------------------------------------------------------------------------------------------|
| Mark Bloom  | Chief Financial Officer                                                                                                   |
| Greg Miles  | Chief Operating Officer (effective from 1 November 2015)                                                                  |
| John Widdup | Chief Operating Officer Development, Design and Construction<br>(Mr Widdup retired from Scentre Group on 31 January 2015) |

Robert Jordan, Managing Director Australia, New Zealand and United States and Michael Gutman, Managing Director UK/Europe and New Markets ceased to be Key Management Personnel of the Group effective 30 June 2014.

### (b) Remuneration of Key Management Personnel

The amounts below represent the total remuneration amounts for Key Management Personnel of Scentre Group. The Group has applied AASB 124 Related Party Disclosures which allows certain remuneration details to be disclosed in the Directors' Report rather than the financial report so as to avoid duplication of information. These transferred disclosures have been audited. As such refer to the Remuneration Report in the Directors' Report for further details concerning Key Management Personnel remuneration disclosures.

The comparative remuneration information for the year ended 31 December 2014 also includes amounts relating to Non-Executive Directors who retired from the Board on 30 June 2014 and amounts relating to Michael Gutman and Robert Jordan both of whom ceased to be Key Management Personnel of the Group on 30 June 2014. Remuneration details relating to Key Management Personnel who retired in 2014 are disclosed in (e) below.

The aggregate remuneration for the twelve months was:

|                                                 |                                                             | Short term benefits                                    |                             |                                                         | Post Employment                      | Termination Benefits       | Share Based                                                                        | TOTAL             |
|-------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------|-----------------------------|---------------------------------------------------------|--------------------------------------|----------------------------|------------------------------------------------------------------------------------|-------------------|
| Key Management Personnel                        | Cash salary, fees and short term compensated absences<br>\$ | Short term cash profit sharing and other bonuses<br>\$ | Non-monetary benefits<br>\$ | Other short term employee benefits <sup>(i)</sup><br>\$ | Other post employment benefits<br>\$ | Termination benefits<br>\$ | Amortisation of cash and equity settled share based payments <sup>(ii)</sup><br>\$ | \$                |
| <b>Key management personnel – directors</b>     |                                                             |                                                        |                             |                                                         |                                      |                            |                                                                                    |                   |
| <b>31 December 2015</b>                         | <b>3,920,354</b>                                            | <b>1,606,500</b>                                       | <b>–</b>                    | <b>25,769</b>                                           | <b>–</b>                             | <b>–</b>                   | <b>5,606,228</b>                                                                   | <b>11,158,851</b> |
| 1st half                                        | 4,756,072                                                   | 5,104,165                                              | –                           | 244,847                                                 | –                                    | –                          | 6,471,829                                                                          | 16,576,913        |
| 2nd half                                        | 1,895,000                                                   | 1,250,000                                              | –                           | 212,698                                                 | –                                    | –                          | 2,757,987                                                                          | 6,115,685         |
| 31 December 2014                                | 6,651,072                                                   | 6,354,165                                              | –                           | 457,545                                                 | –                                    | –                          | 9,229,816                                                                          | 22,692,598        |
| <b>Key management personnel – non directors</b> |                                                             |                                                        |                             |                                                         |                                      |                            |                                                                                    |                   |
| <b>31 December 2015</b>                         | <b>1,431,250</b>                                            | <b>913,500</b>                                         | <b>–</b>                    | <b>(43,042)</b>                                         | <b>–</b>                             | <b>893,750</b>             | <b>3,948,427</b>                                                                   | <b>7,143,885</b>  |
| 1st half                                        | 1,400,000                                                   | 2,487,500                                              | 65,581                      | 35,726                                                  | 33,935                               | 2,800,000                  | 7,042,047                                                                          | 13,864,789        |
| 2nd half                                        | 1,037,500                                                   | 1,337,500                                              | –                           | 38,083                                                  | –                                    | –                          | 2,159,930                                                                          | 4,573,013         |
| 31 December 2014                                | 2,437,500                                                   | 3,825,000                                              | 65,581                      | 73,809                                                  | 33,935                               | 2,800,000                  | 9,201,977                                                                          | 18,437,802        |
| <b>Total key management personnel</b>           |                                                             |                                                        |                             |                                                         |                                      |                            |                                                                                    |                   |
| <b>31 December 2015</b>                         | <b>5,351,604</b>                                            | <b>2,520,000</b>                                       | <b>–</b>                    | <b>(17,273)</b>                                         | <b>–</b>                             | <b>893,750</b>             | <b>9,554,655</b>                                                                   | <b>18,302,736</b> |
| 1st half                                        | 6,156,072                                                   | 7,591,665                                              | 65,581                      | 280,573                                                 | 33,935                               | 2,800,000                  | 13,513,876                                                                         | 30,441,702        |
| 2nd half                                        | 2,932,500                                                   | 2,587,500                                              | –                           | 250,781                                                 | –                                    | –                          | 4,917,917                                                                          | 10,688,698        |
| 31 December 2014                                | 9,088,572                                                   | 10,179,165                                             | 65,581                      | 531,354                                                 | 33,935                               | 2,800,000                  | 18,431,793                                                                         | 41,130,400        |

<sup>(i)</sup> Other short term employee benefits represents amounts accrued with respect to annual leave and long service leave entitlements unless stated otherwise.

<sup>(ii)</sup> Cash settled share based payments represent amounts amortised relating to the EDA and PIP Plans. Equity settled share based payments represent amounts amortised relating to the Performance rights. Refer to the Remuneration Report in the Directors' Report for further details regarding the operation of these plans.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

## NOTE 43 DETAILS AND REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

### (c) Options and Rights – Holdings of Key Management Personnel

Rights held by Key Management Personnel under the Group's equity-linked incentive plans are disclosed in the Remuneration Report in the Directors' Report.

### (d) Other transactions and balances with Key Management Personnel

(i) Other related party transactions and balances with Key Management Personnel are included in Note 42.

(ii) During the financial year, transactions occurred between the Group and Key Management Personnel which were within normal employee, customer or supplier relationships on terms and conditions no more favourable than those available to other employees, customers or suppliers, being the performance of contracts of employment; the reimbursement of expenses; and the payment of dividends/distributions by the Group in respect of stapled securities held in the Group.

### (e) Prior year comparative remuneration of Key Management Personnel who retired in June 2014

In addition to remuneration details disclosed in the Directors' Report, the amounts below represent the total remuneration for Key Management Personnel who retired in 2014.

|                          |                                                          | Short term benefits                                 |                          |                                       | Post Employment                   | Termination Benefits    | Share Based                                                     | TOTAL      |
|--------------------------|----------------------------------------------------------|-----------------------------------------------------|--------------------------|---------------------------------------|-----------------------------------|-------------------------|-----------------------------------------------------------------|------------|
| Key Management Personnel | Cash salary, fees and short term compensated absences \$ | Short term cash profit sharing and other bonuses \$ | Non-monetary benefits \$ | Other short term employee benefits \$ | Other post employment benefits \$ | Termination benefits \$ | Amortisation of cash and equity settled share based payments \$ | \$         |
| Non-executive directors  | 728,700                                                  | –                                                   | –                        | –                                     | –                                 | –                       | –                                                               | 728,700    |
| Robert Jordan            | 700,000                                                  | 1,575,000                                           | –                        | 6,282                                 | –                                 | 2,800,000               | 5,448,351*                                                      | 10,529,633 |
| Michael Gutman           | 700,000                                                  | 912,500                                             | 65,581                   | 29,444                                | 33,935                            | –                       | 1,593,696                                                       | 3,335,156  |
| 31 December 2014         | 2,128,700                                                | 2,487,500                                           | 65,581                   | 35,726                                | 33,935                            | 2,800,000               | 7,042,047                                                       | 14,593,489 |

#### (i) Mr Robert Jordan

Mr Robert Jordan held the position of Managing Director, Australia, New Zealand and United States for Westfield Group. Mr Jordan joined Westfield Group in 1987.

The remuneration shown for Mr Jordan is for the 6 months ended 30 June 2014. On that date Mr Jordan stepped down as an Executive Key Management Personnel of Scentre Group Limited. However, Mr Jordan remained employed by Scentre Group up to 31 December 2015. Following his retirement on 31 December 2015, Mr Jordan entered into a 2 year consultancy arrangement to provide advice on development, design and construction matters at a fee of \$750,000 per annum. The consultancy agreement includes a requirement that Mr Jordan does not provide similar services to competitors of the Group.

Under that agreement, on termination of his employment Mr Jordan is entitled to a payment of 2 years base salary (shown in the table above as Termination benefits). In accordance with the terms of the equity-linked plans and his employment arrangements, Mr Jordan will remain in those plans in respect of his awards which will vest over the ordinary course of those plans.

\* As Mr Robert Jordan stepped down as an Executive Key Management Personnel on 30 June 2014, the future amortisation of his awards were brought forward in 2014.

#### (ii) Mr Michael Gutman

The remuneration shown for Mr Michael Gutman is for the 6 months ended 30 June 2014. Mr Michael Gutman ceased to be an Executive Key Management Personnel of Scentre Group Limited as on implementation of the Restructure and Merger, he joined the senior executive team of Westfield Corporation.

## NOTE 44 DETAILS OF MATERIAL AND SIGNIFICANT ENTITIES

| Name of entity                              | 31 Dec 15 – Interest |                                           |                                    | 31 Dec 14 – Interest |                                           |                                    |
|---------------------------------------------|----------------------|-------------------------------------------|------------------------------------|----------------------|-------------------------------------------|------------------------------------|
|                                             | Parent Company %     | Beneficial <sup>(i)</sup> Scentre Group % | Consolidated or Equity accounted % | Parent Company %     | Beneficial <sup>(i)</sup> Scentre Group % | Consolidated or Equity accounted % |
| <b>ENTITIES INCORPORATED IN AUSTRALIA</b>   |                      |                                           |                                    |                      |                                           |                                    |
| <b>Parent Company</b>                       |                      |                                           |                                    |                      |                                           |                                    |
| Scentre Group Limited                       | 100.0                | 100.0                                     | 100.0                              | 100.0                | 100.0                                     | 100.0                              |
| <b>Consolidated Controlled Entities</b>     |                      |                                           |                                    |                      |                                           |                                    |
| Scentre Group Trust 1                       | –                    | 100.0                                     | 100.0                              | –                    | 100.0                                     | 100.0                              |
| Scentre Group Trust 2                       | –                    | 100.0                                     | 100.0                              | –                    | 100.0                                     | 100.0                              |
| Scentre Group Trust 3                       | –                    | 100.0                                     | 100.0                              | –                    | 100.0                                     | 100.0                              |
| Scentre Finance (Aust) Limited              | 100.0                | 100.0                                     | 100.0                              | 100.0                | 100.0                                     | 100.0                              |
| Scentre Limited                             | 100.0                | 100.0                                     | 100.0                              | 100.0                | 100.0                                     | 100.0                              |
| <b>ENTITIES INCORPORATED IN NEW ZEALAND</b> |                      |                                           |                                    |                      |                                           |                                    |
| <b>Consolidated Controlled Entities</b>     |                      |                                           |                                    |                      |                                           |                                    |
| RE (NZ) Finance Limited                     | –                    | 100.0                                     | 100.0                              | –                    | 100.0                                     | 100.0                              |
| RE (NZ) Finance No. 2 Limited               | –                    | 100.0                                     | 100.0                              | –                    | 100.0                                     | 100.0                              |
| Scentre NZ Holdings Limited                 | –                    | 100.0                                     | 100.0                              | –                    | 100.0                                     | 100.0                              |
| SCG1 Finance (NZ) Limited                   | –                    | 100.0                                     | 100.0                              | –                    | 100.0                                     | 100.0                              |
| SCG1 Finance (NZ) No. 2 Limited             | –                    | 100.0                                     | 100.0                              | –                    | 100.0                                     | 100.0                              |

<sup>(i)</sup> Beneficial interest in underlying controlled and equity accounted entities reflects the Parent Company being Scentre Group Limited and its subsidiaries (excluding SGT1, SGT2 and SGT3) and Scentre Group's ownership interest as determined under International Financial Reporting Standards (IFRS).

# Directors' Declaration

FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors of Scentre Group Limited (Company) declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors opinion, the Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including:
  - (i) complying with accounting standards and regulations in accordance with section 296 of the Corporations Act 2001;
  - (ii) giving a true and fair view of the financial position as at 31 December 2015 and the performance of the consolidated entity for the year ended on that date in accordance with section 297 of the Corporations Act 2001;
  - (iii) the International Financial Reporting Standards issued by the International Accounting Standards Board; and
- (c) they have been provided with the declarations required by section 295A of the Corporations Act 2001 (Cwlth).

Made on 23 February 2016 in accordance with a resolution of the Board of Directors.



**Frank Lowy AC**  
Chairman



**Michael Ihlein**  
Director

23 February 2016

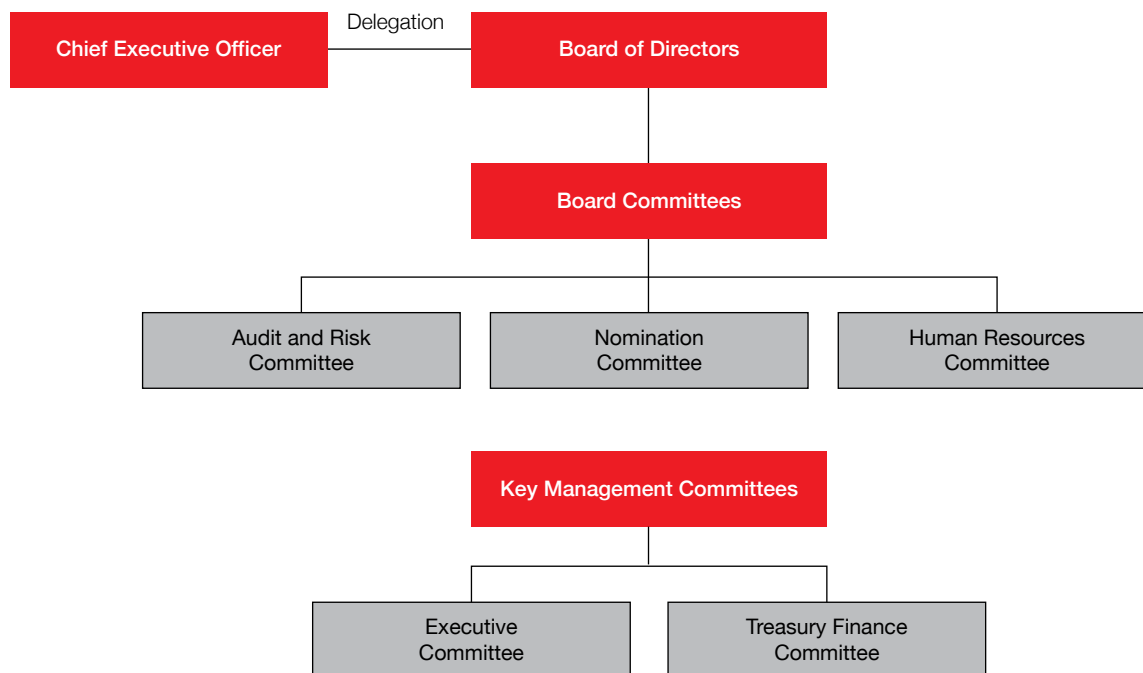
# Corporate Governance Statement

## Introduction

Scentre Group<sup>®</sup> is committed to ensuring that its policies and practices reflect a high level of corporate governance. During the year, the Group's corporate governance framework was consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition), other than that the Chair of the Board should be an independent director.

The Group's governance framework is outlined in the diagram below. The Group's corporate governance documentation, including charters and relevant corporate policies and codes, are available in the corporate governance section on Scentre Group's website – <http://www.scentregroup.com/about/governance/>.

## GOVERNANCE FRAMEWORK



At the date of this report, the Board comprised 7 Non-Executive Directors and one Executive Director. The independence status of, and the period of office held by, each Director is as follows.

| Name                      | Position Held                               | Independent (Y/N) | Year Appointed <sup>(i)</sup> |
|---------------------------|---------------------------------------------|-------------------|-------------------------------|
| Frank Lowy                | Non-Executive Chairman                      | N                 | 1979                          |
| Brian Schwartz            | Non-Executive Director and Deputy Chairman  | Y                 | 2009                          |
| Peter Allen               | Chief Executive Officer/ Executive Director | N                 | 2011                          |
| Richard Egerton-Warburton | Non-Executive Director                      | Y                 | 2014                          |
| Andrew Hamos              | Non-Executive Director                      | Y                 | 2014                          |
| Michael Ihlein            | Non-Executive Director                      | Y                 | 2014                          |
| Aliza Knox                | Non-Executive Director                      | Y                 | 2015                          |
| Steven Lowy               | Non-Executive Director                      | N                 | 1989                          |

Details of the qualifications, experience and responsibilities of the Directors are set out in the Directors' Report. On 23 October 2015, the Group announced that the Chairman, Mr Frank Lowy would retire at the Company's AGM to be held in May 2016 and that Mr Brian Schwartz, Deputy Chairman will succeed Mr Lowy as Chairman.

During the year, Mr Laurence Brindle and Ms Sandra McPhee retired from the Board at the conclusion of the AGM of on 7 May 2015. As part of the ongoing renewal of the Board, Ms Aliza Knox was appointed to the Board at the AGM.

<sup>(i)</sup> Scentre Group is a stapled entity comprising Scentre Group Limited, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3. The Boards of Scentre Group Limited, Scentre Management Limited (as responsible entity of Scentre Group Trust 1), RE1 Limited (as responsible entity of Scentre Group Trust 2) and RE2 Limited (as responsible entity of Scentre Group Trust 3) are identical. Each Board has adopted a common Board Charter which sets out the objectives and responsibilities of the Scentre Group Board. Each Board Committee has the same membership and, for all purposes, operate as one "Scentre Group" Committee.

<sup>(ii)</sup> Reference to the date of appointment is to the date of appointment to Scentre Group Limited (formerly Westfield Holdings Limited).

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### 1.1 Responsibilities of Board and management

#### *Board charter*

The Board is responsible for overseeing the effective management and operation of the Group. The Board is ultimately accountable to securityholders and seeks to ensure that the business objectives of the Group are aligned with the expectations of securityholders and that the operations of the Group are effectively managed in a manner that is focussed on those business objectives, as well as meeting all regulatory and ethical requirements.

The Board Charter sets out the primary objectives of the Board and the practices and processes the Board has adopted to discharge its responsibilities including the matters reserved for the Board and the delegation of authority to the Chief Executive Officer (CEO) and other executive Key Management Personnel (KMP), including the limits on the execution of that authority by those officers.

This framework ensures accountability and a balance of authority by clearly defining the respective roles and responsibilities of the Board and the senior management team. In turn, this enables the Board to maintain its focus on strategic guidance, while exercising effective oversight of the Group.

Key responsibilities of the Board are to:

- oversee the effective management and control of Scentre Group including the composition, performance and remuneration of the senior executive team;
- set and review the strategic direction of Scentre Group;
- approve and monitor key budgets, business plans, financial statements, financial policies and financial reporting;
- establish, promote and maintain proper processes and controls and to maintain the integrity of financial accounting, financial records and reporting;
- develop and implement key corporate policies, procedures and controls as necessary to ensure appropriate standards of accountability, risk management and corporate governance and responsibility;
- oversee the adequacy of managerial resources to ensure there is adequate depth of resources and appropriate succession planning;
- monitor the performance of senior executives and the implementation of strategy;
- approve proposals for major new investments, capital expenditure and capital management initiatives as proposed by management;
- ensure that securityholders receive high quality, relevant and accurate information in a timely manner and that investors generally are able to trade in Scentre Group's securities in a market which is efficient, competitive and informed;
- determine and adopt distribution policies for Scentre Group; and
- oversee compliance by Scentre Group with its legal and regulatory obligations.

The Board Charter is available in the corporate governance section of the Group's website.

#### *Board Committees*

The Board delegates certain responsibilities to standing Committees which operate in accordance with charters approved by the Board. There are 3 standing Board Committees: the Audit and Risk Committee, the Human Resources Committee and the Nomination Committee.

The roles and responsibilities of the Committees are explained later in this report. The Board receives copies of the minutes of all Committee meetings. This ensures that all Directors have oversight and the opportunity for full discussion of the issues being considered by the Committees.

The Chair of each Committee (or a person nominated by the Chair of the Committee for that purpose) reports to the Board at the Board's next meeting on any matters relevant to the Committee's duties and responsibilities.

#### *Delegation to Management*

Day to day management of the business and operations of Scentre Group is delegated by the Board to management through the CEO subject to the agreed authority limits applicable to the senior executive management team.

The Board has delegated to management responsibility for:

- Strategy: development of strategies and the management and performance of the business and operations, and making recommendations to the Board on such strategies.
- Management: managing the Group in accordance with the strategy, business plans and policies approved by the Board.
- Financial performance: developing the Group's annual budget, managing day to day operations within the budget and ensuring that the financial reports present a true and fair view of the Group's financial condition and operational results and are in accordance with the relevant accounting standards.
- Risk management: establishing and maintaining appropriate and effective risk management frameworks and internal control systems.
- Continuous disclosure: keeping the Board and the market fully informed about material developments in the Group's business.
- Selection of senior management: making recommendations for the appointment of senior executives, determining terms of appointment, evaluating performance and developing and maintaining succession plans for senior management.

The CEO reports regularly to the Board on the progress being made by the Group in all aspects of the business including shopping centre operations, developments, capital markets and potential new business opportunities.

### 1.2 New appointments

Appropriate checks are undertaken before a new candidate is recommended to the Board for appointment. These include checks as to the person's experience, educational qualifications, character, criminal record and bankruptcy history.

The notice of meeting and explanatory notes for the Group's 2016 AGM will contain the relevant applicable information as specified by Recommendation 1.2.

### 1.3 Written agreements with Directors

New Directors receive a letter of appointment which sets out the main terms and conditions on which each Director is appointed. This letter provides that if a Director ceases to be a Director of Scentre Group Limited for any reason, they must also resign as a Director of Scentre Management Limited, RE1 Limited and RE2 Limited. The letter of appointment conforms to Recommendation 1.3.

The letter of appointment clearly defines the role of Directors, including expectations in terms of independence, participation, time commitment and continuous development. Directors are required to disclose, on an ongoing basis, circumstances that may affect, or be perceived to affect their ability to exercise independent judgment so that the Board can determine independence on a regular basis.

Procedures are also set out by which Directors are able to take independent professional advice at the Group's expense. Directors are encouraged to direct any enquiries or requests for additional information to the Company Secretary, who will facilitate a response to the query and/or provide the Director with the requested information. Further, Directors have access to key members of the senior management team, who regularly attend Board meetings to make presentations and respond to questions and comments from the Board.

## 1.4 Role of the Company Secretary

The Company Secretary is directly accountable to the Board, through the Chairman, on all matters relating to the proper functioning of the Board and its Committees. The Company Secretary works with the Chairman, the Board and the Board Committees and is responsible for ensuring the smooth running of the Board and Board Committees and that all governance matters are properly addressed. All Directors have access to the Company Secretary for the purpose of obtaining information or advice.

## 1.5 Diversity

The Group is committed to the success of its business and growth in securityholder value. The Board and senior management recognise the following principles as key contributors to the achievement of those goals.

- A workforce that is reflective of the communities in which the Group operates.
- Recognition that diversity in the workforce is a key contributor to the success of our business.
- Creating an inclusive culture that supports employees at all stages of their career and encourages employees to succeed to the best of their ability.

FY15 was a period of significant activity for the Group, both operationally and in its continued evolution as an independent entity with its own “Scentre Group” identity.

The Group continued to demonstrate its ongoing commitment to diversity and inclusion by developing targeted initiatives aimed at attracting, developing and retaining a diverse workforce to help fulfil our purpose of “creating extraordinary places, connecting and enriching communities”.

While gender remains a strong focus for the Group, our view is that diversity is about recognising and valuing the contribution of people from different backgrounds, with different perspectives and experiences. With this focus, in FY15 the Group implemented a number of people and culture focused initiatives including:

- Establishing a Diversity and Inclusion Council.
- Introducing a flexible work arrangement policy.
- Introducing a purchase additional annual leave policy.
- Expanding the parental leave policy.

During the year, the CEO, Mr Peter Allen, continued in his role as a Property Male Champion of Change. Mr Allen was also recognised for his efforts on diversity and inclusion as a finalist in the Australian Human Resources Institute’s CEO Diversity and Inclusion Award. The Group is also a finalist in the diversity category of the 2016 Property Council of Australia’s Innovation & Excellence Awards.

In terms of gender representation, Scentre Group currently has one woman, Ms Aliza Knox, on its Board. The Board’s intention is to increase the number of women on the Board and has confirmed its support of the 30% Club. The Board continues to plan Non-Executive Director succession with a view to meeting the 30% Club’s target (30% female representation on the board) by 2018.

In terms of Scentre Group’s total workforce, there is effectively equal representation of men and women with 50.5% being male and 49.5% female.

The Group’s senior executives are those executives who are general manager level and above (CEO – 3). At the senior executive level, 83% of senior executives are male and 17% are female. By the first quarter of FY16 the representation of females will have increased to 20%. The Group’s FY16 goal is to increase the representation of females at the senior executive level to 22% by the end of the year.

Progress against the Group’s FY15 objectives is set out in the table below.

In addition to these objectives, pay equity remains under constant review by the Group. Following targeted reviews in 2013 and 2014, a total business review of all roles was undertaken in FY15.

| Focus area                                                     | Commitment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | What we achieved                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Diversity and inclusion</b>                                 | <p>▶ To establish a Diversity and Inclusion Council.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>▶ A Diversity and Inclusion Council was established in March 2015. The Council is chaired by the Director, Design and Construction with membership reflecting representation from across the broader business.</p> <p>The Council's objective is to promote diversity and inclusion as a key corporate strategy. The Council reports to the Executive Committee which is chaired by the Chief Executive Officer, Mr Peter Allen and comprises the entire senior leadership team.</p> <p>For FY15, the Council focused on 4 key initiatives being:</p> <ul style="list-style-type: none"> <li>– Gender representation.</li> <li>– Workplace flexibility.</li> <li>– Awareness and education.</li> <li>– Indigenous employment.</li> </ul> <p>The outcomes of these initiatives are outlined below.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Increased representation of females in senior positions</b> | <p>▶ The Group is committed in 2015 to achieving 20% representation of females at the senior executive level (Director and General Manager), an increase from 17% in 2014.</p> <p>Executives from Scentre Group will also participate in the Property Council's Women in Property Mentoring Program. Executives will participate both as mentors and mentees. The key objective of the program is for mentees to gain new perspectives to advance their career and develop meaningful professional connections and personal sponsors.</p> | <p>▶ As at 31 December 2015, plans had been implemented to ensure the 20% target will be achieved by the end of the first quarter FY16.</p> <p>As at 31 December 2015, the representation of females at the senior executive level was 17%. The shortfall in the target of 20% was due to unanticipated staff movements.</p> <p>During FY15, in Australia, the Group achieved an increase in female representation at the senior management level (one level below general manager) from 19% (FY14) to 25%.</p> <p>Succession planning continued at the senior management level, with 42% of the identified high performing employees being female.</p> <p>During FY15, 1 in every 2 promotions was female with females representing 49% of total promotions during the year.</p> <p>The Director, Human Resources and 3 other executives participated as mentors in the Property Council of Australia's Women in Property Mentoring Program, with 4 executives participating as mentees.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Flexible work practices</b>                                 | <p>▶ Identification of barriers to flexible work arrangements will continue as a priority with the implementation of a flexible work policy.</p> <p>As part of this initiative, the Group recognises the importance of having a consistent policy and message on flexible work practices. Existing policies will be reviewed and a consistent policy developed and implemented. A focus will be on identifying barriers including negative perceptions of flexible work arrangements.</p>                                                 | <p>▶ In FY15, a flexible workplace arrangements policy was launched. The underlying principle of the policy is the belief that all roles, regardless of level or location, can be undertaken with some form of flexibility.</p> <p>During the year, a revised parental leave policy was launched which expanded the periods of parental leave and annual leave for primary carers. Superannuation contributions will be made during periods of unpaid leave and a reimbursement of childcare costs up to \$2,500 on the employees return to work.</p> <p>A parents@work program was launched which provides coaching support to parents returning to work including a bi-monthly networking forum.</p> <p>A purchase additional annual leave policy was also introduced which enables employees to take up to 4 weeks additional annual leave with the cost of the leave distributed over the year.</p> <p>In FY15, in Australia, employee engagement was maintained above 80%. FY15 also saw:</p> <ul style="list-style-type: none"> <li>– The reduction in voluntary employee turnover from 13.2% (FY14) to 11.6%.</li> <li>– The reduction in female turnover from 44% (FY14) to 40% and with 42% of total hires being female.</li> <li>– The reduction in parental leave resignations from 15% (FY14) to 11%.</li> </ul> <p>Since the launch of the flexible workplace arrangements policy, a pulse survey was undertaken that confirms, amongst those surveyed, 100% awareness of the policy with 83% working flexibly.</p> |

# Corporate Governance Statement (continued)

| Focus area             | Commitment                                                                                                                                                                                                                                                                                                                                                   | What we achieved                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Education</b>       | <p>▶ Development of a diversity and inclusiveness change management plan and integration of the plan into the organisation through continued education of executives including the senior leadership team.</p> <p>As part of the change management plan, a Diversity and Inclusion program will be offered aimed at people managers within the business.</p> | <p>▶ During FY15, 54 of the Group's most senior executives completed an assessment to measure conscious and unconscious biases and their ability to provide inclusive leadership and to be diversity champions within the business.</p> <p>These executives also participated in a workshop to provide them with an understanding of the impact of leadership behaviour on fostering an inclusive culture as well as techniques to help them mitigate and, in the longer term, eliminate any biases.</p> <p>Diversity and Inclusion Champions were appointed from across the business to support implementation of the Diversity and Inclusion Council's strategies.</p> |
| <b>AES sponsorship</b> | <p>▶ The Group will continue with its involvement in the Generation One partnership with Aboriginal Employment Strategy Limited (AES).</p>                                                                                                                                                                                                                   | <p>▶ The Group also continued its involvement in the Generation One partnership with AES.</p> <p>AES is a 100% Indigenous-managed, national, not-for-profit recruitment company. In FY15, the Group agreed to recruit 21 trainees across New South Wales and Queensland. The recruitment of a further 15 trainees is scheduled for FY16.</p> <p>Members of the Diversity and Inclusion Council also participated in a cultural immersion training and community experience sponsored by AES.</p> <p>In FY15, the Group also commenced preparation of a Reconciliation Action Plan (RAP).</p>                                                                             |

In FY16, the Group has determined 3 core objectives which will be used to measure diversity and inclusion performance. These are:

| Objective                                                                                                                                        | Focus                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Diversity</b></p> <p>To increase our attraction, recruitment and retention of a diverse workforce</p>                                      | <p>▶ Achieving 22% representation of females at the senior executive level (general manager and above), an increase from its prior target of 20% which will be achieved in the first quarter of FY16. This target will form part of the Key Performance Indicators in FY16 for the senior executive team.</p> <p>Reviewing the Group's engagement of external recruitment agencies to include specialist agencies to ensure that a diverse range of candidates are identified.</p> <p>Continued involvement in the Generation One partnership with AES, in relation to the recruitment of an additional 15 trainees.</p> <p>Finalisation and implementation of the RAP.</p> |
| <p><b>Inclusion</b></p> <p>To provide a supportive work environment that leverages all the ways we are different</p>                             | <p>▶ The development of plans to support strategies in connection with:</p> <ul style="list-style-type: none"> <li>– Mental health.</li> <li>– The lesbian, gay, bisexual, transgender, intersex and questioning (LGBTIQ) community.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <p><b>Awareness and education</b></p> <p>To raise awareness and increase commitment to workplace diversity and inclusion across the business</p> | <p>▶ The continued rollout of a diversity and inclusiveness change management plan and integration of the plan into the broader organisation through continued education.</p> <p>Implementation of an awareness program on domestic violence.</p> <p>Development and implementation of a diversity and inclusion calendar recognising key events and dates in support of the diversity and inclusion strategy.</p>                                                                                                                                                                                                                                                          |

## 1.6 Board self-assessment and performance

The Board considers that ongoing self-assessment on various aspects of the Board's performance including skill sets is an important tool in reviewing Board performance.

As FY15 was the first full year of operation of the Group, a board survey was conducted by the Deputy Chairman (and Chairman elect), Mr Brian Schwartz, rather than appointing an external facilitator.

Matters considered in the Board survey include an assessment of the performance of the Board and its Committees; the composition and skills sets of the Board and the Board's relationship with management. The results of the survey were presented to the Board for discussion.

## 1.7 Process for evaluating the performance of senior executives

Scentre Group has an established process of objective setting and performance review of all employees, which is conducted on an annual basis. Senior executives, with a discretionary or at risk element in their total remuneration package, have well defined objectives which are discussed and agreed at the commencement of each financial year. Each executive's Key Performance Indicators (KPIs) are set annually with the purpose of motivating that executive to achieve performance objectives which will contribute to the short and longer term success of the Group.

KPIs are established each year under a performance and development system. KPIs are designed to measure both financial and non-financial performance. The objectives vary according to the role of the executive and typically relate to development, construction, retail management or corporate or strategic targets. Non-financial objectives include matters such as health and safety, risk management, compliance, people and culture, sustainability and a range of other matters relevant to the success of the Group.

During the year, each member of Scentre Group's senior executive team, including the CEO, were subject to a performance review as described above. Details of the performance criteria against which the CEO and Chief Financial Officer (CFO) were assessed for FY15 are set out in section 8.5 of the Remuneration Report.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

### 2.1 Structure of the Board and role of the Nomination Committee

The membership of the Board is reviewed by the full Board, having regard to the ongoing and evolving needs of Scentre Group. It is the policy of the Board that its membership should reflect a wide range of general commercial skills, expertise and experience.

Board renewal and succession planning is a central component of the Group's overall governance program. The Board is committed to ensuring the Board draws on a combination of executive and non-executive members with exceptional track records and reputations at the highest levels of business and commerce generally.

Under the Board Charter, the appointment of a new member to the Board is only made after consultation between the Nomination Committee and the Board.

#### Nomination Committee

The role of the Nomination Committee is to support and make recommendations to the Board on the selection and appointment of Directors who are able to meet the needs of the Group presently and in the future. The Committee also facilitates the ongoing evaluation and review of the performance and effectiveness of the Board and the Directors.

Membership of the Nomination Committee during the year was as following:

| Name                      | Position | Status                             | Term                        |
|---------------------------|----------|------------------------------------|-----------------------------|
| Richard Egerton-Warburton | Chairman | Independent Non-Executive Director | Member for the whole period |
| Andrew Harnos             | Member   | Independent Non-Executive Director | Member for the whole period |
| Brian Schwartz            | Member   | Independent Non-Executive Director | Member for the whole period |

The Nomination Committee met 7 times during the year, with the full Committee in attendance at all meetings.

The responsibilities of the Nomination Committee include:

- having regard to the strategic direction of the Group, assessing periodically the skills of current Board members against the collective skill set required by the Board to competently discharge the Board's duties;
- regularly reviewing and making recommendations to the Board regarding the structure, size, diversity and composition (including the balance of skills, knowledge and experience) of the Board and reviewing the effectiveness of the Board;
- identifying suitable candidates (executive and non-executive) to fill Board vacancies as and when they arise and nominating candidates for approval of the Board;
- annually reviewing the performance of the Board; and
- ensuring the existence of proper succession planning processes and plans for the Board.

No member of the Committee participates in a review of their own performance or nomination for re-election.

The Board, on the recommendation of the Nomination Committee, determines if it will endorse a retiring Director for re-election. The Notice of Meeting will provide information that is material to a securityholder's decision whether or not to support the re-election of a director. It will also state whether or not a re-election is supported by the Board.

Recommendations regarding future appointment of additional directors are made by the Nomination Committee and considered by the Board having regard to:

- the assessment made on the skill set required to discharge the responsibilities of the Board compared with the skills currently represented on the Board;
- the current strategic direction of Scentre Group and the consequent need to consider skills which may be required in the future; and
- the suitability of available candidates identified in the context of a detailed description of the role and capabilities required for a particular appointment.

Recommendations made by the Nomination Committee are considered by the Board, which retains an unfettered discretion on the appointment of a Director to fill a casual vacancy or act as an additional Director, prior to the formal election of that Director by the securityholders of the Company at a general meeting.

In relation to Non-Executive Directors, the Nomination Committee retains the services of external recruitment specialists to help identify potential candidates for appointment to the Board. The external firm operates independently of the Group and does not have any other connection with the Group.

Once a candidate is identified, the Nomination Committee, with the assistance of external consultants where required, conducts appropriate background and reference checks before the candidate is appointed to the Board or put forward to members for election.

New Board members are provided with the opportunity to experience first-hand the business and operations of the Group, and to meet and discuss all aspects of the Group's operations with key members of the senior executive team. As part of the induction program, the Company Secretary provides access to information in areas such as operations, finance, and treasury and risk management to assist the new Board member as required. This typically includes briefings with members of the senior executive team to provide the new director with a deeper understanding of the main issues and strategic direction of each key business unit within the Group.

The Committee's Charter is available in the corporate governance section of the Group's website.

# Corporate Governance Statement (continued)

## 2.2 Board Skills Matrix

The Board considers that a diversity of skills, backgrounds, knowledge, experience, expertise and gender is required in order to effectively govern the business. The Board and the Nomination Committee work together to ensure that the Board continues to have the appropriate balance of skills, experience, independence and Group knowledge necessary to discharge its responsibilities.

As noted, the Board's intention is to increase the number of women on the Board. The Board is also reviewing the need for any additional skills to be represented on the Board.

The current mix of skills is set out in the matrix below.

| Skills and experience                                                                                                      | Number of Directors / Board representation (out of 8) |
|----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| <b>Leadership</b> – organisational, including senior executive leadership experience                                       | 8                                                     |
| <b>Strategy</b> – experience in developing and implementing strategic business plans                                       | 8                                                     |
| <b>Financial acumen</b> – senior experience in finance, including in financial accounting and reporting                    | 7                                                     |
| <b>Real estate</b> – experience in real estate management, leasing, funds management, development, design and construction | 4                                                     |
| <b>Retail</b> – experience in retail formats including physical and digital                                                | 6                                                     |
| <b>Capital management</b> – senior experience in capital management strategies, corporate finance and capital markets      | 6                                                     |
| <b>Governance</b> – experience with governance in the listed sector                                                        | 7                                                     |
| <b>Human resources</b> – senior experience in people management and human resources policy                                 | 8                                                     |
| <b>Risk management</b> – experience relating to workplace health and safety, environmental and insurance                   | 7                                                     |
| <b>Technology</b> – experience relating to digital technology and social media                                             | 5                                                     |

## 2.3 Directors' Independence

The Board considers that it should include significant representation by Directors who are capable and willing to make decisions which are in the best interests of securityholders, free from interests and influences which conflict with that duty and are also independent of management.

The Board regularly assesses the independence of each Director in accordance with the terms of the Board Charter, the interests they have disclosed and such other factors as the Board determines are appropriate to take into account.

In making this determination the Board sought to assess whether Directors were:

- independent of management; and
- free of any business or other relationship that could materially interfere or be perceived to materially interfere with their unfettered and independent judgement; and
- capable of making decisions without bias and which are in the best interests of all securityholders.

A Non-Executive Director is considered to be independent director if that Director:

- is not a substantial securityholder of Scentre Group or an officer of, or otherwise associated directly with, a substantial securityholder of Scentre Group;
- is not and has not within the last 3 years had been employed in an executive capacity by any member of Scentre Group;
- is not and has not within the last 3 years had been a partner or a senior management executive with audit responsibilities of a firm which has acted in the capacity of statutory auditor of any member of the Group;
- is not has not within the last 3 years had been a principal, employee or consultant of a material professional adviser to any member of the Group;
- is not a principal, employee or associate of a material supplier to, or material customer of, any member of the Group;
- does not have a material contractual relationship with any member of the Group other than as a Director of the Board; and
- does not have any interest or business or other relationship which could materially interfere with the Director's ability to act in the best interests of the Group and independently of management.

## 2.4 Independent Directors

As regards the Non-Executive Directors, applying the above criteria, the following directors are considered independent:

Mr Brian Schwartz, Mr Richard Egerton-Warburton, Mr Andrew Harmos, Mr Michael Ihlein and Ms Aliza Knox.

## 2.5 Chairperson and Independence

Scentre Group notes the ASX Corporate Governance Council's recommendation that listed companies should have an independent director as Chairman.

Mr Frank Lowy was appointed as Chairman of Scentre Group on its establishment in June 2014.

As Mr Lowy is the co-founder of Westfield and has overseen the success of Westfield since 1960, the Board was of the view that it was in the best interests of securityholders that Mr Lowy, with his extensive background and experience, be appointed Chairman on the formation of the Group.

However, as noted earlier, Mr Lowy will be stepping down as Chairman at the AGM to be held in May 2016. Mr Brian Schwartz, currently Deputy Chairman and an independent Director, will succeed Mr Lowy as Chairman, effective on the date of Mr Lowy's retirement.

## 2.6 Induction and ongoing education

Upon appointment, a new Director undertakes an induction program designed to their needs to help familiarise them with issues relating to the current business before the Board.

On an ongoing basis, Directors are provided with regular updates on legal and corporate developments, including updates on the responsibilities of boards and directors generally, changes to the Corporations Act, corporate governance principles, tax and accounting developments and other matters of interest. In addition, management conducts regular briefing sessions to the Board and Board Committees on operational, financial, treasury, legal and tax issues. The Board also undertakes site visits of major developments. Scentre Group recognises that developing industry and corporate knowledge is an ongoing process.

## PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

### 3.1 Codes of Conduct

#### *Directors' Code of Conduct*

The Directors' Code of Conduct outlines the responsibilities of Directors in maintaining Scentre Group's commitment to high standards of ethical conduct. The Code of Conduct is available in the corporate governance section of the Scentre Group corporate website.

As part of the Code of Conduct, Directors are required to undertake, amongst other things, to: always act fairly, honestly and with integrity in all matters relating to the Group; perform their duties to the best of their ability; never act in a manner which is likely to harm the reputation of the Group and always abide by applicable laws.

#### *Scentre Group Values*

Scentre Group's values expressed as the Group's DNA require staff, at all times, to:

- Act with integrity.
- Act as an owner.
- Work together.
- Push the limits.
- Never give up.
- Create a positive legacy.

The Group's DNA is the cultural blueprint for the Group's organisational behaviour. These are the fundamental principles that guide staff and the conduct of staff in all dealings with stakeholders.

The Group is committed to high standards of ethical conduct and promotes a diverse and inclusive culture where employees are encouraged to succeed to the best of their ability.

#### *Employee Handbook*

Scentre Group's core principles are supplemented by the Employee Handbook which is provided to all employees at the time of joining the Group. The handbook outlines, among other matters, the high standards of personal conduct and ethical behaviour expected of all employees.

#### *Compliance Manuals*

Scentre Group has developed compliance manuals to provide guidance to employees of the Group on the laws applicable in the jurisdiction in which they work and the standards of conduct and the procedures to be adopted to comply with those laws. Management seminars are also conducted on an ongoing basis to help employees understand the legal requirements with which the Group must comply.

#### *Whistleblower Policy*

Scentre Group has adopted a whistleblower policy to ensure that any concerns regarding unethical, unlawful or improper conduct can be raised without fear of reprisal. Employees are encouraged to report any genuine matter or behaviour that they honestly believe contravenes the Group's code of conduct, policies or the law. A summary of the policy is available in the corporate governance section of the Group's website.

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

### 4.1 Audit and Risk Committee

The primary role of the Audit and Risk Committee is to oversee and monitor the integrity of consolidated financial reports and statements of the listed entities within the Group, and the Group's systems of risk management, internal controls and legal compliance.

Membership of the Audit and Risk Committee during the year was as follows:

| Name                      | Position | Status                             | Term                        |
|---------------------------|----------|------------------------------------|-----------------------------|
| Michael Ihlein            | Chairman | Independent Non-Executive Director | Member for the whole period |
| Richard Egerton-Warburton | Member   | Independent Non-Executive Director | Member for the whole period |
| Brian Schwartz            | Member   | Independent Non-Executive Director | Member from 7 May 2015      |
| Laurence Brindle          | Member   | Independent Non-Executive Director | Member until 7 May 2015     |

The Committee met 5 times during the year. There was full attendance by Committee members at the meetings.

All members of the Committee are independent Non-Executive Directors, financially literate with significant relevant financial and/or accounting experience and significant understanding of the Group's business. Members of the Committee have a sound understanding of the Group's structure, internal controls and typical transactions which enabled them to assess the risks faced by the Group.

The objective of the Committee is to assist the Board in fulfilling its corporate governance responsibilities by:

(a) monitoring and reviewing:

- the accuracy, integrity and reliability of financial reports and statements of listed entities of the Group;
- the effectiveness of the Group's internal control environment including the systems of internal controls, risk management and legal compliance;
- the objectivity and effectiveness of the internal audit function; and
- the independence, objectivity and effectiveness of the external audit function;

(b) overseeing the processes for:

- identifying and managing significant risks faced by the Group;
- the Group's compliance with applicable laws and regulations; and
- implementing appropriate and adequate control, monitoring and reporting systems; and

(c) making recommendations to the Board in relation to the appointment of the external auditors and approving the remuneration and terms of their engagement.

The Committee is assisted in its role and responsibilities by the Executive Committee, details of which are outlined below. The Committee is also assisted by the independent assurance function provided by the Group's Business Review and Audit department (internal auditors) and the Group's external auditors.

Assessment of material economic, environment and social sustainability risks forms part of the Group's Enterprise Risk Management Framework. Details regarding this assessment will be included in the Group's Sustainability Report which is published annually on its website. The FY15 report will be published in the first quarter of FY16.

The Committee, on at least on annual basis, reviews the appropriateness of the Enterprise Risk Management Policy and the Enterprise Risk Management Framework and control systems adopted by Scentre Group. The Committee undertook such a review during the year.

The Audit and Risk Committee also monitors regulatory developments in relation to the audit regime and the role of audit and risk committees generally and how these developments may impact the Group's corporate governance.

# Corporate Governance Statement (continued)

The Group's external auditor is Ernst & Young. The Committee meets with external auditors at least twice each year without management being present to review the adequacy of existing external audit arrangements and the scope of the external audit. The lead audit partner is required to rotate after 5 years.

The internal audit function is overseen by the Audit and Risk Committee. The head of internal audit attends all meetings of the Audit and Risk Committee and reports on a regular basis as the adequacy and effectiveness of the internal audit function. The Committee meets with the internal auditor at least twice a year, without management being present.

## **Non-Audit Services Protocol**

Scentre Group's Non-Audit Services Protocol is designed to ensure that the external auditor carries out the statutory audit function in a manner which is, at all times, demonstrably independent of Scentre Group.

The Protocol sets out key requirements in the relationship between the external auditor and Scentre Group, and defines the scope and value of the non-audit services which could be provided by the external auditor to Scentre Group, without impacting on the actual or perceived independence of the external auditor.

The Committee's Charter is available in the corporate governance section of the Group's website.

## **Executive Committee**

To assist management in providing the information necessary to allow the Audit and Risk Committee to discharge its responsibilities, the Board has delegated specific risk related responsibilities to the Executive Committee which includes the CEO, CFO, Chief Operating Officer, Chief Risk Officer and General Counsel as its members.

This Committee is responsible for:

- assisting in the formulation of all aspects of the risk management process to be adopted by the Group;
- overseeing the implementation by management of the Group's policies and procedures by ensuring that all phases of the process of identification, assessment, control, review and reporting are reflected appropriately in the policies, processes, performance requirements and controls in the Group;
- ensuring that there is a proper allocation of responsibility for the implementation and conduct of the risk management process between the Group's management in Australia and New Zealand; and
- implementing appropriate systems to monitor compliance with all relevant laws and other regulatory obligations and for ensuring that the risk management processes of the Group are such that the CEO and the CFO are able to give the certifications required in order to comply with the Corporations Act, applicable accounting standards and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Executive Committee reports to the Audit and Risk Committee on the effectiveness of Scentre Group's management of its material risks.

## **4.2 CEO and CFO declarations**

The CEO and CFO are required to confirm in writing to the Board, at the time the financial statements of the Group are being considered for approval by the Board, that in all material respects:

- the financial statements present a true and fair view;
- that this assertion is founded on a sound system of financial risk management and internal compliance and control which implements the policies adopted by the Board; and
- that the Group's financial risk management and internal compliance and control systems are operating efficiently and effectively in all material respects in relation to financial reporting risks.

The Board receives regular reports from management and the Audit and Risk Committee on areas where there are considered to be significant business risks and on the management of those risks. The internal audit function also monitors these risks and reports to the Audit and Risk Committee.

## **4.3 External auditor attendance at AGM**

The lead audit partner of Ernst and Young attends the AGM and is available to answer questions on the Group's financial statements and the conduct of the audit.

## **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

### **5.1 Continuous Disclosure and Communications Policy**

Scentre Group is committed to providing securityholders with comprehensive, timely and equal access to information about its activities to enable them to make informed investment decisions.

Scentre Group's Continuous Disclosure and Communications Policy underlines the Group's commitment to ensuring that its securityholders and the market are provided with high quality, relevant and accurate information regarding its activities in a timely manner and that investors are able to trade in Scentre Group securities in a market which is efficient, competitive and informed as well as ensuring that market participants have an equal opportunity to review and assess information disclosed by the Group. The Group is also committed to complying with continuous disclosure obligations contained in the applicable ASX Listing Rules and the Corporations Act.

The policy includes a vetting and authorisation process to ensure that all disclosures are factual, do not omit material matters and are expressed in a clear and objective manner. The policy also outlines how the Group identifies and disseminates information to securityholders and the market generally.

The Continuous Disclosure and Communications Policy is available in the corporate governance section of the Group's website.

## **PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITYHOLDERS**

### **6.1 Corporate website**

Scentre Group monitors and continues to utilise a broad range of communication approaches including direct communications with securityholders, publication of all relevant company information in the Investor Services section of the [scentregroup.com/](http://scentregroup.com/) corporate website, access to market briefings via webcasting and teleconferencing facilities.

The Group's corporate website forms a key part of its communication platform to securityholders and the broader investment community. A section of this website is dedicated to securityholders. Current and past media releases, investor presentations and interim and full year financial reports are available for review on the website. These announcements, presentations and reports continue to be posted on the Group's corporate website immediately after they have been released to the market.

The website also contains an overview of the Group, its structure and history and biographical details of its Directors.

### **6.2 Investor relations program**

Scentre Group has developed a program on investor engagement for engaging with securityholders, debt investors, and broader investment community. The aim of this program is for investors and other stakeholders to understand the Group's business, governance, financial performance and prospects.

### **6.3 Annual General Meeting**

The Company's AGM represents a key opportunity for securityholders to meet the Board and ask questions of the Directors. Securityholders who are not able to attend the AGM in person may appoint proxies to represent them at the meeting. Key members of senior management, including the CEO and CFO are present and available to answer questions.

The AGM is webcast live from the Group's corporate website. Copies of the address delivered by the Chairman and CEO to the AGMs are released to the ASX and posted to the Group's corporate website. A summary of the meeting and the outcome of voting on items of business before the meeting are released to the ASX and posted to the corporate website as soon as they are available following completion of the AGM. These announcements are archived and searchable on the corporate website.

### **6.4 Electronic communications**

Securityholders may elect to receive all or some of the Group's communications, including the annual report, electronically.

The Group's registry provides securityholders with the option to update their details electronically via their website.

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Group adopts a rigorous approach to understanding and managing its business risks. There is a discussion of the Group's approach to risk under Principle 4.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

### 8.1 Human Resources Committee

The role of the Human Resources Committee includes determining and agreeing with the Board the broad policy establishing appropriate human resources strategies including remuneration. The Committee also has oversight of policies that promote and support equal opportunity and diversity within Scentre Group.

Membership of the Committee during the year was as follows:

| Name           | Position | Status                             | Term                        |
|----------------|----------|------------------------------------|-----------------------------|
| Brian Schwartz | Chairman | Independent Non-Executive Director | Member for the whole period |
| Andrew Harmos  | Member   | Independent Non-Executive Director | Member for the whole period |
| Michael Ihlein | Member   | Independent Non-Executive Director | Member from 7 May 2015      |
| Sandra McPhee  | Member   | Independent Non-Executive Director | Member until 7 May 2015     |

The Committee met 4 times during the year. The full Committee was in attendance at all meetings.

The objective of the Committee is to assist the Board in establishing appropriate human resources strategies including remuneration policies and practices which:

- enable the Group to attract and retain executives and Directors who will create sustainable value and returns for securityholders and other stakeholders;
- fairly and responsibly reward executives and Directors, having regard to the performance of the Group, the executive and the external compensation environment; and
- appropriately align the interests of executives with securityholders.

The responsibilities of the Committee include:

- determining and reviewing remuneration policies that apply to Directors and to members of the senior executive team;
- determining the specific remuneration packages for the CEO, and other executive KMPs;
- reviewing contractual rights of termination for members of the senior executive team;
- reviewing the depth of the senior executive team and the appropriateness of the succession planning policies in place; and
- reviewing the performance of the CEO, and other executive KMP and report on such reviews to the Board.

The Group's remuneration objectives and policies and further details on the role of the Committee are set out in the remuneration report section of the Directors' Report.

The Committee's Charter and the Hedging of Executive Awards and Performance Rights Policy are available in the corporate governance section of the Group's website.

Scentre Group is listed on the Australian Securities Exchange (ASX) under the code "SCG" and as an ADR under code "SCTRY".

Please visit our website at [www.scentregroup.com/investors](http://www.scentregroup.com/investors) for a variety of investor information.

## Scentre Group securities

A Scentre Group stapled security comprises:

- 1 Scentre Group Limited share
- 1 Scentre Group Trust 1 unit
- 1 Scentre Group Trust 2 unit
- 1 Scentre Group Trust 3 unit

and trade together as one security.

## Scentre Group Website

- About Scentre Group
- News
- Centres
- Investor Information

## Electronic Information

By becoming an electronic investor and registering your email address, you can receive via email, news, notifications and announcements, dividend/distribution statements, taxation statements and annual reports.

## Secure Access to Your Securityholding Online

You can go to [www.scentregroup.com/investors](http://www.scentregroup.com/investors) to access your securityholding information by clicking on 'My SCG Securityholder Login' as well as extensive information on the Group including the latest press releases, results announcements, presentations and more.

To view your securityholding, you will need your Holder Number (SRN/HIN) and will be asked to verify your registered postcode (inside Australia) or your country of residence (outside Australia).

**Phone** – you can confirm your holding balance, request forms and access distribution and trading information by phoning:

1300 730 458 or call +61 3 9946 4471 (outside Australia) then, pressing 1. You will be asked to enter your Holder Number (SRN/HIN).

## Scentre Group Distribution Details

Your interim distribution will be paid at the end of August and your final distribution paid at the end of February. Details of the 2015 year distributions are provided in the table to the right. To ensure timely receipt of your distribution, please consider the following:

### Direct Credit

You can receive your distribution payment efficiently and safely by having it direct credited to your bank account. If you wish to register for direct credit, please complete the form and return it to the registry. This form can be downloaded from <http://scentregroup.com/investors/security-holder-forms> or by phoning our Registry on 1300 730 458 (Please have your Holder Number (SRN/HIN) available to quote). Alternatively, you can update your details directly online at [www.scentregroup.com/investors](http://www.scentregroup.com/investors) and by clicking on "Access your online account".

## Ordinary Securities (Cents per Security)

|                                                               |       |
|---------------------------------------------------------------|-------|
| * Dividends/distributions for the year ended 31 December 2015 | 20.90 |
|---------------------------------------------------------------|-------|

### Dividend/distribution for the six months ended 30 June 2015 paid on 31 August 2015 10.45

|                                                         |      |
|---------------------------------------------------------|------|
| Dividend in respect of a Scentre Group Limited share    | Nil  |
| Distribution in respect of a Scentre Group Trust 1 unit | 4.20 |
| Distribution in respect of a Scentre Group Trust 2 unit | 6.25 |
| Distribution in respect of a Scentre Group Trust 3 unit | Nil  |

### Dividend/distribution for the six months ended 31 December 2015 to be paid on 29 February 2016 10.45

|                                                         |      |
|---------------------------------------------------------|------|
| Dividend in respect of a Scentre Group Limited share    | Nil  |
| Distribution in respect of a Scentre Group Trust 1 unit | 4.35 |
| Distribution in respect of a Scentre Group Trust 2 unit | 6.10 |
| Distribution in respect of a Scentre Group Trust 3 unit | Nil  |

Note: The Group does not operate a distribution reinvestment plan.

## Tax File Number (TFN)

You are not required by law to provide your Tax File Number (TFN), Australian Business Number (ABN) or Exemption.

However, if you do not provide your TFN, ABN or Exemption, withholding tax at the highest marginal rate, currently 49% for Australian resident members, may be deducted from distributions paid to you. If you have not supplied this information and wish to do so, please advise our Registry or your sponsoring broker.

Alternatively, you can update your details directly online at [www.scentregroup.com/investors](http://www.scentregroup.com/investors) and by clicking on "My SCG Securityholder Login".

## Annual Tax Statement and 2016 Tax Guide

The Annual Tax Statement and Tax Guide are dispatched to securityholders in July each year.

### Unpresented Cheques & Unclaimed Funds

Scentre Group is required to remit to the NSW Office of State Revenue amounts greater than \$100 held in an account that has been inactive for at least 6 years. If you believe you have unpresented cheques please contact the Registry which will be able to check the records and assist you in recovering any funds. Checks can be done for the last 7 years. For any enquiries beyond 7 years, you will need to contact the NSW Office of State Revenue ([www.osr.nsw.gov.au](http://www.osr.nsw.gov.au)) to check for unclaimed money.

### Australian Capital Gains Tax Considerations

A Scentre Group stapled security comprises four separate assets for capital gains tax purposes. For capital gains tax purposes you need to apportion the cost of each stapled security and the proceeds on sale of each stapled security over the separate assets that make up the stapled security. This apportionment should be done on a reasonable basis. One possible method of apportionment is on the basis of the relative Net Tangible Assets (NTAs) of the individual entities.

These are set out by entity in the table below.

| Relative Net tangible Assets (NTA)<br>of entities in Scentre Group | 30 Jun 15 | 31 Dec 15 |
|--------------------------------------------------------------------|-----------|-----------|
| Scentre Group Limited                                              | 3.74%     | 4.17%     |
| Scentre Group Trust 1                                              | 34.39%    | 34.83%    |
| Scentre Group Trust 2                                              | 61.74%    | 60.87%    |
| Scentre Group Trust 3                                              | 0.13%     | 0.13%     |

### American Depositary Receipts (ADR)

Scentre Group has an established ADR program providing a tradeable security in the United States.

Details of the ADR program are available on our website at <http://www.scentregroup.com/american-depositary-receipts/>

### Contact Details

All changes of name, address, tax file number, payment instructions and document requests should be passed to the Registry or alternatively, you can update your details directly online at [www.scentregroup.com/investors](http://www.scentregroup.com/investors) and by clicking on "Access your online account".

### Principal Share Registry

Computershare Investor Services P/L  
GPO Box 2975  
Melbourne VIC 3001  
Telephone 1300 730 458  
International +61 3 9946 4471  
Facsimile +61 3 9473 2500

All other queries are best directed to Scentre Group Investor Relations:

Level 30, 85 Castlereagh Street  
Sydney NSW 2000, Australia  
GPO Box 4004  
Sydney NSW 2001  
Telephone +61 2 9358 7877  
[investor@scentregroup.com](mailto:investor@scentregroup.com)  
[www.scentregroup.com/investors](http://www.scentregroup.com/investors)

### Investor Feedback

If you have any complaints or feedback, please direct these in writing to Scentre Group Investor Relations at GPO Box 4004, Sydney NSW 2001.

### Scentre Group Calendar

February

- Full year results released
- Distribution for 6 months ending December

March

- Trust Accounts
- Shareholder Review

May

- 1st Quarter Update
- Annual General Meeting

July

- Annual Tax Statements released

August

- Half year results released
- Distribution for the 6 months ending June

November

- 3rd Quarter Update

# Members' Information

FOR THE YEAR ENDED 31 DECEMBER 2015

## Twenty Largest Holders of Stapled Securities in Scentre Group\*

|                                                                       | Number of Securities |
|-----------------------------------------------------------------------|----------------------|
| 1. HSBC Custody Nominees (Australia) Limited                          | 1,794,446,351        |
| 2. J P Morgan Nominees Australia Limited                              | 877,630,926          |
| 3. National Nominees Limited                                          | 623,325,189          |
| 4. BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>              | 389,112,455          |
| 5. Citicorp Nominees Pty Limited                                      | 386,615,567          |
| 6. Cordera Holdings Pty Limited                                       | 181,710,620          |
| 7. BNP Paribas Noms Pty Ltd <DRP>                                     | 176,575,241          |
| 8. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>       | 86,923,446           |
| 9. RBC Investor Services Australia Nominees Pty Limited <APN A/C>     | 71,302,129           |
| 10. AMP Life Limited                                                  | 55,069,858           |
| 11. RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C> | 19,207,495           |
| 12. Mr Frank P Lowy                                                   | 17,577,810           |
| 13. HSBC Custody Nominees (Australia) Limited-Gsco Eca                | 13,637,667           |
| 14. RBC Investor Services Australia Nominees Pty Limited <PISELECT>   | 13,459,300           |
| 15. Bond Street Custodians Limited <ENH Property Securities A/C>      | 11,909,964           |
| 16. Australian Foundation Investment Company Limited                  | 11,736,859           |
| 17. Argo Investments Limited                                          | 8,526,662            |
| 18. SBN Nominees Pty Limited <10004 Account>                          | 7,400,000            |
| 19. Amondi Pty Ltd <S E O P T A/C>                                    | 7,313,304            |
| 20. BNP Paribas Noms (NZ) Ltd <DRP>                                   | 6,462,494            |
|                                                                       | 4,759,943,337        |

\* Ordinary shares in Scentre Group Limited are stapled to units in Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3.

The stapled securities trade on the Australian Securities Exchange under the code SCG.

## Voting Rights

*Scentre Group Limited* – At a meeting of members, on a show of hands, every person present who is a member or representative of a member has one vote, and on a poll every member present in person or by proxy or attorney and every person who is a representative of a member has one vote for each share they hold or represent.

*Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3* – At a meeting of members, on a show of hands, every person present who is a member or representative of a member has one vote, and on a poll, every member present in person or by proxy or attorney and every person who is a representative of a member has one vote for each dollar value of the total interest they have in the respective trusts.

## Distribution Schedule

| Category         | Number of Stapled securities* | Number of Security-holders | % of securities in each category |
|------------------|-------------------------------|----------------------------|----------------------------------|
| 1-1,000          | 14,278,593                    | 33,103                     | 0.27                             |
| 1,001-5,000      | 109,844,692                   | 45,114                     | 2.06                             |
| 5,001-10,000     | 79,703,646                    | 11,360                     | 1.50                             |
| 10,001-100,000   | 162,870,457                   | 7,735                      | 3.06                             |
| 100,001 and over | 4,957,599,290                 | 369                        | 93.11                            |
| Total            | 5,324,296,678                 | 97,681                     | 100.00                           |

As at 15 February 2016, 6,873 security holders hold less than a marketable parcel of quoted securities in Scentre Group.

\* There are 11,270,149 performance rights on issue to a total of 122 Scentre Group employees. These rights may be satisfied by either the transfer or issue of Scentre Group securities to employees, or settled by way of cash payout which amount is calculated by reference to the market price of Scentre Group securities at the time of vesting. Under the stapling arrangement, in the case of the issue of securities, each of the Company, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 is required to issue securities on the vesting of a performance right.

\*\* During FY15, 3,532,360 Group securities (at an average price \$4.0493) were acquired on-market by the Group's Performance Rights Trust to satisfy executive entitlements on the vesting of rights under the Group's equity-linked incentive plans.

## Substantial Securityholders

The names of the Scentre Group substantial securityholders and the number of ordinary stapled securities in which each has a relevant interest, as disclosed in substantial shareholding notices given to the Group, are as follows:

|                                                     |             |
|-----------------------------------------------------|-------------|
| The Vanguard Group                                  | 383,562,964 |
| BlackRock Group                                     | 340,719,406 |
| National Nominees as custodian for Unisuper Limited | 294,417,792 |

# Directory

## **Scentre Group**

Scentre Group Limited  
ABN 66 001 671 496

## **Scentre Group Trust 1**

ARSN 090 849 746  
(responsible entity Scentre Management Limited  
ABN 41 001 670 579, AFS Licence No 230329)

## **Scentre Group Trust 2**

ARSN 146 934 536  
(responsible entity RE1 Limited  
ABN 80 145 743 862, AFS Licence No 380202)

## **Scentre Group Trust 3**

ARSN 146 934 652  
(responsible entity RE2 Limited  
ABN 41 145 744 065, AFS Licence No 380203)

## **Registered Office**

Level 30  
85 Castlereagh Street  
Sydney NSW 2000  
Telephone: +61 2 9358 7000  
Facsimile: +61 2 9028 8500

## **New Zealand Office**

Level 2, Office Tower  
277 Broadway  
Newmarket, Auckland 1023  
Telephone: +64 9 978 5050  
Facsimile: +64 9 978 5070

## **Secretaries**

Maureen T McGrath  
Paul F Giugni

## **Auditor**

Ernst & Young  
The Ernst & Young Centre  
680 George Street  
Sydney NSW 2000

## **Investor Information**

Scentre Group  
Level 30  
85 Castlereagh Street  
Sydney NSW 2000  
Telephone: +61 2 9358 7877  
Facsimile: +61 2 9028 8500  
E-mail: [investor@scentregroup.com](mailto:investor@scentregroup.com)  
Website: [www.scentregroup.com](http://www.scentregroup.com)

## **Principal Share Registry**

Computershare Investor Services Pty Limited  
Level 4, 60 Carrington Street  
Sydney NSW 2000  
GPO Box 2975  
Melbourne VIC 3001  
Telephone: +61 3 9946 4471  
Enquiries: 1300 730 458  
Facsimile: +61 3 9473 2500  
E-mail: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)  
Website: [www.computershare.com](http://www.computershare.com)

## **ADR Registry**

Bank of New York Mellon  
Depository Receipts Division  
101 Barclay St  
22nd Floor  
New York, New York 10286  
Telephone: +1 212 815 2293  
Facsimile: +1 212 571 3050  
Website: [www.adrbny.com](http://www.adrbny.com)  
Code: SCTRY

## **Listing**

Australian Securities Exchange – SCG

## **Website**

[www.scentregroup.com](http://www.scentregroup.com)



The papers used in the production of this year's Scentre Group reports are produced using environmentally responsible papers produced from FSC® (mixed sources) certified pulp from well managed forests.

SCENTRE GROUP

Owner and Operator of *Westfield* in Australia and New Zealand