

SCENTRE GROUP

25 August 2015

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

Dear Sir/Madam

SCENTRE GROUP
SCENTRE GROUP TRUST 2 HALF-YEAR FINANCIAL REPORT

In relation to the half-year for the 6 months ended 30 June 2015, attached is the half-year financial report for Scentre Group Trust 2. This financial report was lodged by Scentre Group with the Australian Securities Exchange today.

Yours faithfully



Maureen McGrath
Company Secretary

Enc.

Owner and Operator of **Westfield** 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 80 145 743 862 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

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Scentre Group Trust 2

Half-Year Financial Report

For the half-year ended 30 June 2015

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SCENTRE GROUP TRUST 2

INCOME STATEMENT

for the half-year ended 30 June 2015

	Note	30 Jun 15 \$million	30 Jun 14 ⁽ⁱ⁾ \$million
Revenue			
Property revenue		267.0	268.5
		267.0	268.5
Share of after tax profits of equity accounted entities			
Property revenue		287.9	287.5
Property revaluations		84.9	61.0
Property expenses, outgoings and other costs		(76.5)	(75.3)
Net interest income/(expense)		(6.5)	0.2
Tax benefit/(expense)		18.5	(10.5)
		308.3	262.9
Expenses			
Property expenses, outgoings and other costs		(67.5)	(70.0)
Manager's service charge		(2.6)	(10.0)
Overheads		(1.0)	(7.9)
		(71.1)	(87.9)
Interest income		5.4	0.7
Currency gain	3	82.7	2.7
Financing costs		(118.1)	(66.5)
Charges in respect of the Restructure and Merger	4	-	(46.4)
Property revaluations		122.0	100.5
Profit before tax for the period		596.2	434.5
Tax expense		-	(0.8)
Profit after tax for the period		596.2	433.7
Profit after tax for the period attributable to:			
- Members of Scentre Group Trust 2		596.2	431.3
- Members of Scentre Group Trust 3		-	2.4
Profit after tax for the period		596.2	433.7
		cents	cents
Basic earnings per Scentre Group Trust 2 unit	5	11.20	8.10
Diluted earnings per Scentre Group Trust 2 unit	5	11.20	8.10

⁽ⁱ⁾ Comparative financial information for the half-year ended 30 June 2014 comprises the earnings of the former Westfield Retail Trust. Westfield Retail Trust comprised of Scentre Group Trust 2 (formerly Westfield Retail Trust 1) and Scentre Group Trust 3 (formerly Westfield Retail Trust 2), which prior to 30 June 2014 were collectively known as Westfield Retail Trust. Scentre Group Trust 2 and Scentre Group Trust 3 merged with Scentre Group Limited and Scentre Group Trust 1 on 30 June 2014 to form Scentre Group. Refer to Note 11 for further details.

SCENTRE GROUP TRUST 2
STATEMENT OF COMPREHENSIVE INCOME
for the half-year ended 30 June 2015

	30 Jun 15 \$million	30 Jun 14 ⁽ⁱ⁾ \$million
Profit after tax for the period	596.2	433.7
Other comprehensive income		
<i>Movement in foreign currency translation reserve ⁽ⁱⁱ⁾</i>		
- Net exchange difference on translation of foreign operations	(53.7)	6.8
- Accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	(50.0)	-
Total comprehensive income for the period	492.5	440.5
Total comprehensive income for the period attributable to:		
- Members of Scentre Group Trust 2	492.5	438.1
- Members of Scentre Group Trust 3	-	2.4
Total comprehensive income for the period	492.5	440.5

⁽ⁱ⁾ Comparative financial information for the half-year ended 30 June 2014 comprises the earnings of the former Westfield Retail Trust.

⁽ⁱⁱ⁾ 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 may be recycled to the profit and loss depending on how the foreign operations are sold.

SCENTRE GROUP TRUST 2

BALANCE SHEET

as at 30 June 2015

	Note	30 Jun 15 \$million	31 Dec 14 \$million
Current assets			
Cash and cash equivalents		13.0	10.6
Trade debtors		1.5	2.4
Derivative assets		35.7	0.9
Receivables	6	45.1	439.6
Prepayments and deferred costs		6.8	9.3
Total current assets		102.1	462.8
Non current assets			
Investment properties		7,214.3	7,044.7
Equity accounted investments		7,009.6	6,885.8
Derivative assets		75.4	106.5
Prepayments and deferred costs		10.5	11.4
Total non current assets		14,309.8	14,048.4
Total assets		14,411.9	14,511.2
Current liabilities			
Trade creditors		43.7	46.1
Payables and other creditors		151.2	123.3
Interest bearing liabilities		1,112.8	579.1
Derivative liabilities		1.0	0.9
Total current liabilities		1,308.7	749.4
Non current liabilities			
Interest bearing liabilities		2,740.2	3,648.9
Derivative liabilities		52.8	55.6
Total non current liabilities		2,793.0	3,704.5
Total liabilities		4,101.7	4,453.9
Net assets		10,310.2	10,057.3
Equity attributable to members of Scentre Group Trust 2			
Contributed equity		8,159.8	8,159.8
Reserves		21.7	125.4
Retained profits		2,128.7	1,772.1
Total equity attributable to members of Scentre Group Trust 2		10,310.2	10,057.3
Total equity		10,310.2	10,057.3

SCENTRE GROUP TRUST 2
STATEMENT OF CHANGES IN EQUITY
for the half-year ended 30 June 2015

	<i>Comprehensive Income</i>	<i>Equity and Reserves</i>	<i>Total</i>	<i>Total</i>
	30 Jun 15	30 Jun 15	30 Jun 15	30 Jun 14
	\$million	\$million	\$million	\$million
Changes in equity attributable to members of Scentre Group Trust 2				
Opening balance of contributed equity	-	8,159.8	8,159.8	9,010.2
- Payment of capital return	-	-	-	(850.0)
- Stapling distribution applied on behalf of investors to subscribe for shares in Scentre Group Limited and units in Scentre Group Trust 1 as part of the Restructure and Merger	-	-	-	(3.0)
- Issuance of securities resulting from the Restructure and Merger	-	-	-	2.6
Closing balance of contributed equity	-	8,159.8	8,159.8	8,159.8
Opening balance of reserves	-	125.4	125.4	100.0
- Movement in foreign currency translation reserve ^{(i),(ii)}	(103.7)	-	(103.7)	6.8
Closing balance of reserves	(103.7)	125.4	21.7	106.8
Opening balance of retained profits	-	1,772.1	1,772.1	1,343.0
- Profit after tax for the period ⁽ⁱ⁾	596.2	-	596.2	431.3
- Distribution paid or provided for	-	(239.6)	(239.6)	(591.0)
Closing balance of retained profits	596.2	1,532.5	2,128.7	1,183.3
Closing balance of equity attributable to members of Scentre Group Trust 2	492.5	9,817.7	10,310.2	9,449.9
Changes in equity attributable to members of Scentre Group Trust 3				
Opening balance of equity	-	-	-	22.1
- Profit after tax for the period ⁽ⁱ⁾	-	-	-	2.4
- Distribution paid or provided for	-	-	-	(8.6)
- Issuance of securities resulting from the Restructure and Merger	-	-	-	0.3
- Deconsolidation of Scentre Group Trust 3	-	-	-	(16.2)
Closing balance of equity attributable to members of Scentre Group Trust 3	-	-	-	-
Total equity	492.5	9,817.7	10,310.2	9,449.9

⁽ⁱ⁾ Total comprehensive income for the period amounts to a gain of \$492.5 million (30 June 2014: \$440.5 million).

⁽ⁱⁱ⁾ Movement in reserves attributable to members of Scentre Group Trust 2 consists of the net exchange loss on translation of foreign operations of \$53.7 million (30 June 2014: \$6.8 million gain) and accumulated exchange differences transferred from foreign currency translation reserve to the income statement on realisation of net investment in foreign operations of \$50.0 million (30 June 2014: nil).

SCENTRE GROUP TRUST 2

CASH FLOW STATEMENT

for the half-year ended 30 June 2015

	Note	30 Jun 15 \$million	30 Jun 14 ⁽ⁱ⁾ \$million
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		300.2	305.9
Payments in the course of operations (including GST)		(75.6)	(93.8)
Settlement of income hedging currency derivatives		-	(0.5)
Distributions received from equity accounted entities		156.7	189.8
Interest received from equity accounted entities		-	14.7
Income and withholding taxes paid		-	(2.5)
GST paid		(20.6)	(21.5)
Net cash flows from operating activities		360.7	392.1
Cash flows used in investing activities			
Capital expenditure on property investments		(43.4)	(43.7)
Net outflows for investments in and loans to equity accounted entities		(25.3)	(77.6)
Financing costs capitalised to qualifying development projects and construction in progress		(1.5)	(5.2)
Deconsolidation of Scentre Group Trust 3 cash balance resulting from the Restructure and Merger		-	(1.5)
Net cash flows used in investing activities		(70.2)	(128.0)
Cash flows used in financing activities			
Net (repayment)/proceeds from interest bearing liabilities		(864.3)	1,242.4
Loans from/(to) other entities of Scentre Group		914.2	(238.1)
Payments of financing costs (excluding interest capitalised)		(103.9)	(91.9)
Interest received		5.5	0.7
Distributions paid	8(c)	(239.6)	(295.7)
Capital and stapling distributions resulting from the Restructure and Merger	8(a)	-	(853.0)
Issuance of units resulting from the Restructure and Merger		-	2.8
Charges in respect of the Restructure and Merger		-	(36.3)
Net cash flows used in financing activities		(288.1)	(269.1)
Net increase/(decrease) in cash and cash equivalents held		2.4	(5.0)
Add opening cash and cash equivalents brought forward		10.6	21.4
Cash and cash equivalents at the end of the period		13.0	16.4

⁽ⁱ⁾ Comparative financial information for the half-year ended 30 June 2014 comprises the cash flows of the former Westfield Retail Trust.

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2015

1 Corporate information

The financial report of Scentre Group Trust 2 (SGT2) and its controlled entities (collectively the Trust) for the half-year ended 30 June 2015 was approved on 25 August 2015, in accordance with a resolution of the Board of Directors of RE1 Limited as Responsible Entity of SGT2.

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

2 Basis of preparation of the financial report

The half-year financial report does not include all notes of the type normally included in the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Trust as the annual financial report.

The half-year financial report should be read in conjunction with the annual financial report of SGT2 as at 31 December 2014.

It is also recommended that the half-year financial report be considered together with any public announcements made by Scentre Group during the half-year ended 30 June 2015 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Regulations 2001 and AASB 134 Interim Financial Reporting.

The half-year financial report has been prepared on a historical cost basis, except for investment properties, investment properties within equity accounted investments, derivative financial instruments and financial assets at fair value through profit and loss. The carrying value 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.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 31 December 2014 except for the changes required due to amendments to the accounting standards noted below.

This financial report is presented in Australian dollars.

(b) New accounting standards and interpretations

The Trust has adopted the following new or amended standards which became applicable on 1 January 2015:

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

The adoption of these amended standards has no material impact on the financial statements of the Trust.

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Trust for the half-year ended 30 June 2015. The impact of these new standards (to the extent relevant to the Trust) 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 of financial assets compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

- AASB 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.

- AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations (effective from 1 January 2016)

This standard amends AASB 11 - Joint Arrangements to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

- 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)

This standard amends AASB 10 - Consolidated Financial Statements and AASB 128 - Investments in Associates and Joint Ventures to address an inconsistency between the requirements in AASB 10 and AASB 128 in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

- AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101

This standard amends AASB 101 - Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to encourage companies to apply professional judgment in determining what information to disclose in the financial statements.

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

This standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

The Trust is currently assessing the impact of these recently issued or amended standards.

(c) Rounding

In accordance with ASIC Class Order 98/100, the amounts shown in the half-year 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.

SCENTRE GROUP TRUST 2
NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2015

	30 Jun 15 \$million	30 Jun 14 ⁽ⁱ⁾ \$million
3 Currency gain		
Realised loss on income hedging currency derivatives	-	(0.5)
Net fair value gain on currency derivatives that do not qualify for hedge accounting	0.3	3.2
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	82.4	-
	82.7	2.7

4 Charges in respect of the Restructure and Merger		
Transaction and implementation costs ⁽ⁱⁱ⁾	-	(46.4)
	-	(46.4)

	30 Jun 15 cents	30 Jun 14 cents
5 Earnings per unit		
Basic earnings per Scentre Group Trust 2 unit	11.20	8.10
Diluted earnings per Scentre Group Trust 2 unit	11.20	8.10

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

	\$million	\$million
Earnings used in calculating basic earnings per Scentre Group Trust 2 unit ⁽ⁱⁱⁱ⁾	596.2	431.3
Adjustment to earnings on options which are considered dilutive	-	-
Earnings used in calculating diluted earnings per Scentre Group Trust 2 unit	596.2	433.7
	No. of units	No. of units
Weighted average number of ordinary units used in calculating basic earnings per Scentre Group Trust 2 unit	5,324,296,678	5,324,296,678
Security options which are dilutive	-	-
Adjusted weighted average number of ordinary units used in calculating diluted earnings per Scentre Group Trust 2 unit	5,324,296,678	5,324,296,678

⁽ⁱ⁾ Comparative financial information for the half-year ended 30 June 2014 comprises the earnings of the former Westfield Retail Trust.

⁽ⁱⁱ⁾ Includes third party advisory fees, listing and administrative fees and other expenses associated with the Restructure and Merger.

⁽ⁱⁱⁱ⁾ Refer to the income statement for details of the profit after tax attributable to members of the Trust.

SCENTRE GROUP TRUST 2
NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2015

	30 Jun 15 \$million	31 Dec 14 \$million
6 Receivables		
Interest bearing loans receivable from related entities	-	415.4
Sundry debtors	45.1	24.2
	45.1	439.6

	30 Jun 15 No. of units	31 Dec 14 No. of units
7 Contributed equity		
Number of units on issue		
Balance at the beginning of the period	5,324,296,678	2,979,214,029
Conversion of units on issue on a 0.918 for 1 basis	-	(244,260,562)
Issuance of units resulting from the Restructure and Merger	-	2,589,343,211
Balance at the end of the period	5,324,296,678	5,324,296,678

Scentre Group stapled securities have the right to receive declared dividends from Scentre Group Limited (SGL) and distributions from SGT1 (Scentre Group Trust 1), SGT2 and SGT3 (Scentre Group Trust 3) and, in the event of winding up SGL, 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 Scentre Group stapled securities held.

Holders of Scentre Group 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 SGL, SGT1, SGT2 and SGT3 (as the case may be).

	30 Jun 15 \$million	30 Jun 14 \$million
8 Distributions		
(a) Interim distributions		
SGT2: 6.25 cents per unit ⁽ⁱ⁾ (30 June 2014: 10.20 cents per unit, 33% tax deferred)	332.8	303.8
Capital and stapling distributions paid as part of the Restructure and Merger		
SGT2: nil (30 June 2014: 28.53 cents per unit)	-	850.0
SGT2: nil (30 June 2014: 0.11 cents per converted unit)	-	3.0
	332.8	1,156.8

⁽ⁱ⁾ The distribution in respect of SGT2 units for the period ending 30 June 2015 is expected to be fully taxable.

The interim distribution is to be paid on 31 August 2015. The record date for the entitlement to this distribution was 5pm, 17 August 2015. Scentre Group does not operate a Distribution Reinvestment Plan.

(b) Interim distribution in respect of SGT3 earnings for the six months to 30 June 2014

SGT3: nil cents per unit	-	-
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(c) Distributions paid

Distributions in respect of the six months to 31 December 2014

SGT2: 4.50 cents per unit, 33% tax deferred	239.6	-
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Distributions in respect of the six months to 31 December 2013

SGT2: 9.635 cents per unit, 16% tax deferred and 4% capital gains tax concession	-	287.1
SGT3: 0.290 cents per unit, 100% franked	-	8.6
	239.6	295.7

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2015

9 Segment reporting

Geographic segments

The Trust has investments in a portfolio of shopping centres across Australia and New Zealand.

The Trust's income and expenses as well as the details of segment assets and liabilities have been prepared on a proportionate format on a geographic basis. 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, expenses, assets and liabilities.

The proportionate format is used by management in assessing and understanding the performance and results of operations of the Trust, as it allows management to observe and analyse revenue and expense results and trends on a portfolio-wide basis. Management of the Trust considers that, given the assets underlying both the consolidated and the equity accounted components of the statutory income statement are similar, the centres are under common management, and that therefore, the drivers of their results are similar, the proportionate format income statement 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 centres and only reflecting their performance as a single item of profit or loss, as the statutory format requires.

(a) Income and expenses

	Australia		New Zealand		Total	
	30 Jun 15	30 Jun 14 ⁽ⁱ⁾	30 Jun 15	30 Jun 14 ⁽ⁱ⁾	30 Jun 15	30 Jun 14 ⁽ⁱ⁾
	\$million	\$million	\$million	\$million	\$million	\$million
Revenue						
Property revenue	496.9	487.5	58.0	68.5	554.9	556.0
	496.9	487.5	58.0	68.5	554.9	556.0
Expenses						
Property expenses, outgoings and other costs	(127.3)	(126.4)	(16.7)	(18.9)	(144.0)	(145.3)
Manager's service charge	(2.6)	(10.0)	-	-	(2.6)	(10.0)
Segment result	367.0	351.1	41.3	49.6	408.3	400.7
Overheads					(1.0)	(7.9)
Currency gain					82.7	2.7
Charges in respect of the Restructure and Merger					-	(46.4)
Interest income					5.9	1.2
Financing costs					(125.1)	(66.8)
Property revaluations					206.9	161.5
Tax benefit/(expense)					18.5	(11.3)
Net profit attributable to members					596.2	433.7

⁽ⁱ⁾ Comparative financial information for the half-year ended 30 June 2014 comprises the earnings of the former Westfield Retail Trust.

(b) Assets and liabilities

	Australia		New Zealand		Total	
	30 Jun 15	31 Dec 14	30 Jun 15	31 Dec 14	30 Jun 15	31 Dec 14
	\$million	\$million	\$million	\$million	\$million	\$million
Total segment assets	13,825.4	13,919.6	832.2	1,392.6	14,657.6	15,312.2
Total segment liabilities	4,210.7	4,554.9	136.7	700.0	4,347.4	5,254.9
Total segment net assets	9,614.7	9,364.7	695.5	692.6	10,310.2	10,057.3
Equity accounted investments included in segment assets	6,423.1	6,294.9	832.2	1,392.6	7,255.3	7,687.5
Equity accounted investments included in segment liabilities	109.0	101.7	136.7	700.0	245.7	801.7
Additions to segment non current assets during the period	86.0	324.7	2.3	11.8	88.3	336.5

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2015

9 Segment reporting (continued)

(c) Reconciliation of segment results

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

	Consolidated \$million	Equity accounted \$million	Total \$million
30 June 2015			
Revenue			
Property revenue	267.0	287.9	554.9
	267.0	287.9	554.9
Expenses			
Property expenses, outgoings and other costs	(67.5)	(76.5)	(144.0)
Manager's service charge	(2.6)	-	(2.6)
Segment result	196.9	211.4	408.3
Overheads	(1.0)	-	(1.0)
Currency gain	82.7	-	82.7
Interest income	5.4	0.5	5.9
Financing costs	(118.1)	(7.0)	(125.1)
Property revaluations	122.0	84.9	206.9
Tax benefit	-	18.5	18.5
Net profit attributable to members	287.9	308.3	596.2
As at 30 June 2015			
Cash and cash equivalents	13.0	16.5	29.5
Trade debtors and receivables	46.6	16.3	62.9
Shopping centre investments	7,099.7	7,133.0	14,232.7
Development projects and construction in progress	114.6	86.0	200.6
Other assets	128.4	3.5	131.9
Total assets	7,402.3	7,255.3	14,657.6
Interest bearing liabilities	3,853.0	35.1	3,888.1
Deferred tax liabilities	-	79.6	79.6
Other liabilities	248.7	131.0	379.7
Total liabilities	4,101.7	245.7	4,347.4
Net assets	3,300.6	7,009.6	10,310.2

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2015

9 Segment reporting (continued)

(c) Reconciliation of segment results (continued)

30 June 2014 ⁽ⁱ⁾	Consolidated \$million	Equity accounted \$million	Total \$million
Revenue			
Property revenue	268.5	287.5	556.0
	268.5	287.5	556.0
Expenses			
Property expenses, outgoings and other costs	(70.0)	(75.3)	(145.3)
Manager's service charge	(10.0)	-	(10.0)
Segment result	188.5	212.2	400.7
Overheads	(7.9)	-	(7.9)
Currency gain	2.7	-	2.7
Interest income	0.7	0.5	1.2
Financing costs	(66.5)	(0.3)	(66.8)
Property revaluations	100.5	61.0	161.5
Tax expense	(0.8)	(10.5)	(11.3)
Charges in respect of the Restructure and Merger	(46.4)	-	(46.4)
Net profit attributable to members	170.8	262.9	433.7
As at 31 December 2014			
Cash and cash equivalents	10.6	12.2	22.8
Trade debtors and receivables	442.0	13.3	455.3
Shopping centre investments	6,953.0	7,564.3	14,517.3
Development projects and construction in progress	91.7	95.6	187.3
Other assets	128.1	2.1	130.2
Total assets	7,625.4	7,687.5	15,312.9
Interest bearing liabilities	4,228.0	549.4	4,777.4
Deferred tax liabilities	-	112.8	112.8
Other liabilities	225.9	139.5	365.4
Total liabilities	4,453.9	801.7	5,255.6
Net assets	3,171.5	6,885.8	10,057.3

⁽ⁱ⁾ Comparative financial information for the half-year ended 30 June 2014 comprises the earnings of the former Westfield Retail Trust.

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2015

10 Fair value of financial assets and liabilities

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

	Fair value		Carrying amount	
	30 Jun 15	31 Dec 14	30 Jun 15	31 Dec 14
	\$million	\$million	\$million	\$million
Consolidated assets				
Cash and cash equivalents	13.0	10.6	13.0	10.6
Trade debtors ⁽ⁱ⁾	1.5	2.4	1.5	2.4
Receivables				
- Interest bearing loans receivable ⁽ⁱⁱ⁾	-	415.4	-	415.4
- Other receivables ⁽ⁱ⁾	45.1	24.2	45.1	24.2
Derivative assets ⁽ⁱⁱ⁾	111.1	107.4	111.1	107.4
Consolidated liabilities				
Payables ⁽ⁱ⁾	194.9	169.4	194.9	169.4
Interest bearing liabilities ⁽ⁱⁱ⁾				
- Fixed rate debt	1,839.1	1,898.9	1,707.8	1,720.9
- Floating rate debt	2,145.5	2,507.1	2,145.2	2,507.1
Derivative liabilities ⁽ⁱⁱ⁾	53.8	56.5	53.8	56.5

⁽ⁱ⁾ These financial assets and liabilities are not subject to interest rate risk and the fair value approximates carrying amount.

⁽ⁱⁱ⁾ These financial assets and liabilities are subjected 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 Trust uses the following hierarchy for determining and disclosing the fair value of its financial instruments. 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.

SCENTRE GROUP TRUST 2
NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2015

10 Fair value of financial assets and liabilities (continued)

Determination of fair value (continued)

	30 Jun 15 \$million	Level 1 \$million	Level 2 \$million	Level 3 \$million
Consolidated assets measured at fair value				
Derivative assets				
- Currency derivatives	43.5	-	43.5	-
- Interest rate derivatives	67.6	-	67.6	-
Consolidated liabilities measured at fair value				
Interest bearing liabilities				
- Fixed rate debt	1,839.1	-	1,839.1	-
- Floating rate debt	2,145.5	-	2,145.5	-
Derivative liabilities				
- Currency derivatives	0.2	-	0.2	-
- Interest rate derivatives	53.6	-	53.6	-

In assessing the fair value of the Trust'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 financial period, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

	31 Dec 14 \$million	Level 1 \$million	Level 2 \$million	Level 3 \$million
Consolidated assets measured at fair value				
Derivative assets				
- Currency derivatives	21.4	-	21.4	-
- Interest rate derivatives	86.0	-	86.0	-
Interest bearing loans receivable	415.4	-	415.4	-
Consolidated liabilities measured at fair value				
Interest bearing liabilities				
- Fixed rate debt	1,898.9	-	1,898.9	-
- Floating rate debt	2,507.1	-	2,507.1	-
Derivative liabilities				
- Currency derivatives	0.6	-	0.6	-
- Interest rate derivatives	55.9	-	55.9	-

During the year, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Investment properties are considered Level 3.

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2015

11 Details of the Restructure and Merger

Background

On 30 June 2014, the Westfield Group implemented the restructure (Restructure and Merger) of the Westfield Group, 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 (SGL), Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2) and Scentre Group Trust 3 (SGT3) respectively.

Accounting for Scentre Group

Scentre Group was established through the Restructure and Merger as outlined above. 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 securities of SGL, SGT1, SGT2 and SGT3 are stapled and cannot be traded separately.

As a result of the Restructure and Merger, SGL, 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.

SGL previously controlled SGT1 as a result of the stapling transaction which created Westfield Group on 2 July 2004. SGL continues to control SGT1 post Merger and accordingly the net assets and results of SGT1 continue to be consolidated by SGL.

Refer to Note 22 of Scentre Group's Half-Year Financial Report for further details regarding the business combinations.

Accounting for the deconsolidation of Scentre Group Trust 2

Prior to the Restructure and Merger on 30 June 2014, Westfield Retail Trust was a separately listed stapled group, comprising Westfield Retail Trust 1 (WRT1) and Westfield Retail Trust 2 (WRT2).

WRT1 was deemed to be the Parent Entity of the Westfield Retail Trust stapled group. On 30 June 2014, the securities of SGT2 (WRT1) and SGT3 (WRT2) were stapled to the securities of SGL and SGT1 to form Scentre Group.

Effective from this date, SGT2 no longer controlled SGT3 as a result of the Restructure and Merger.

12 Subsequent events

Since the end of the financial period, Scentre Group has disposed of its interest in Figtree, North Rocks, Strathpine and Warrawong shopping centres for \$783 million (Trust share: \$391.5 million).

SCENTRE GROUP TRUST 2

DIRECTORS' DECLARATION

The Directors of RE1 Limited, the Responsible Entity of Scentre Group Trust 2 (Trust) declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the Financial Statements and Notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the financial position as at 30 June 2015 and the performance of the consolidated entity for the half-year ended on that date in accordance with section 305 of the *Corporations Act 2001*.

Made on 25 August 2015 in accordance with a resolution of the Board of Directors.



Frank Lowy AC
Chairman



Michael Ihlein
Director

Independent auditor's report to the members of Scentre Group Trust 2

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Scentre Group Trust 2 (the Trust), which comprises the balance sheet as at 30 June 2015, the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the trust and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of RE1 Limited, the Responsible Entity of the Trust, are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Scentre Group Trust 2 and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

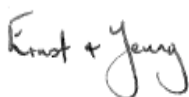
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of RE1 Limited a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Scentre Group Trust 2 is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young

Sydney, 25 August 2015



Graham Ezzy
Partner

SCENTRE GROUP TRUST 2

DIRECTORS' REPORT

The Directors of RE1 Limited (the Responsible Entity), the Responsible Entity of Scentre Group Trust 2 (the Trust or SGT2) submit the following report for the half-year ended 30 June 2015 (Financial Period).

Directors

The current Board of Directors is as follows:

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
Steven Lowy AM	Non-Executive Director
Aliza Knox	Non-Executive Director (appointed 7 May 2015)

The following Directors retired from the Board effective 7 May 2015:

Laurence Brindle	Non-Executive Director
Sandra McPhee AM	Non-Executive Director

Review and results of operations

The Trust reported a net profit (attributable to members of SGT2) of \$596.2 million and a distribution of \$332.8 million for the Financial Period. Basic earnings per unit is 11.20 cents and the distribution per unit is 6.25 cents for the Financial Period. The distribution will be paid on 31 August 2015 and is expected to be fully taxable.

In March 2015, Scentre Group completed the sale of its 49% interest in five properties in New Zealand. Subsequent to 30 June 2015, Scentre Group has also disposed of its interest in four non-core assets in Australia namely Figtree, North Rocks, Strathpine and Warrawong for \$783 million (Trust share: \$391.5 million).

As at 30 June 2015, the Trust has total consolidated and equity accounted properties of \$14.4 billion, and for the six months to 30 June 2015 the Australian and New Zealand operations contributed net property income of \$410.9 million.

Post the sale of the four non-core assets in Australia, the Trust's interest in 42 shopping centres comprises 11,750 retail outlets and approximately 3.6 million square metres of retail space, and occupancy rates for those properties continue to be in excess of 99.5% leased. Comparable specialty retail sales for the six months to 30 June 2015 increased by 6.2% and comparable net operating income growth is 2.4%.

In 2015, Scentre Group commenced \$825 million (Trust share: \$289 million) of developments including Casey Central in Melbourne, Chatswood, Hurstville and Warringah Mall in Sydney, North Lakes in Brisbane and Kotara in Newcastle.

There have been no significant changes in the Trust's state of affairs during the Financial Period.

A detailed operating and financial review for Scentre Group is contained in the Directors' Report in the Scentre Group Half-Year Financial Report which is available at www.scentregroup.com.

Principal Activities

The principal activities of the Trust during the Financial Period were the ownership and improvement of shopping centres. There were no significant changes in the nature of those activities during the Financial Period.

Rounding

The Trust 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.

ASX listing rule

ASX reserves the right (but without limiting its absolute discretion) to remove SGL, SGT1, SGT2 and SGT3 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.

SCENTRE GROUP TRUST 2

DIRECTORS' REPORT (continued)

Auditor's independence declaration

The Directors have obtained the following independence declaration from the auditor, Ernst & Young.



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Auditor's Independence Declaration to the Directors of RE1 Limited

In relation to our review of the financial report of Scentre Group Trust 2 for the half-year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Graham Ezzy
Partner

Sydney, 25 August 2015

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This Report is made on 25 August 2015 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

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)

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Secretaries

Maureen T McGrath
Paul F Giugni

Auditor

Ernst & Young
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E-mail: investor@scentregroup.com
Website: www.scentregroup.com

Principal Share Registry

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Enquiries: 1300 730 458
Facsimile: +61 3 9473 2500
E-mail: web.queries@computershare.com.au
Website: www.computershare.com

ADR Registry

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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
Code: SCTRY

Listing

Australian Securities Exchange – SCG

Website

www.scentregroup.com