

Scentre Group Trust 2 Half-Year Financial Report

For the half-year ended 30 June 2017

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SCENTRE GROUP TRUST 2

INCOME STATEMENT

for the half-year ended 30 June 2017

	Note	30 Jun 17 \$million	30 Jun 16 \$million
Revenue			
Property revenue		265.9	258.4
		265.9	258.4
Share of after tax profits of equity accounted entities			
Property revenue		272.3	268.7
Property revaluations		180.5	100.8
Property expenses, outgoings and other costs		(74.2)	(70.9)
Gain in respect of capital transactions		0.2	-
Net interest expense		(3.5)	(4.6)
Tax expense		(1.1)	(9.0)
		374.2	285.0
Expenses			
Property expenses, outgoings and other costs		(67.0)	(64.7)
Overheads		(3.7)	(3.8)
		(70.7)	(68.5)
Interest income		0.2	1.2
Currency gain		0.5	2.9
Financing costs		(86.1)	(53.0)
Property revaluations		285.4	80.5
Profit before tax		769.4	506.5
Tax expense		-	-
Profit after tax for the period		769.4	506.5
		cents	cents
Basic earnings per unit	5	14.45	9.51
Diluted earnings per unit	5	14.45	9.51

SCENTRE GROUP TRUST 2
STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 30 June 2017

	30 Jun 17 \$million	30 Jun 16 \$million
Profit after tax for the period	769.4	506.5
Other comprehensive income		
<i>Movement in foreign currency translation reserve</i> ⁽ⁱ⁾		
- Realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting	(2.5)	2.8
- Accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	(1.3)	-
Total comprehensive income for the period	765.6	509.3

⁽ⁱ⁾ This may be subsequently transferred to the profit and loss. In relation to the foreign currency translation reserve, the portion relating to the foreign operations may be transferred to the profit and loss depending on how the foreign operations are sold.

SCENTRE GROUP TRUST 2

BALANCE SHEET

as at 30 June 2017

	Note	30 Jun 17 \$million	31 Dec 16 \$million
Current assets			
Cash and cash equivalents		14.0	8.9
Trade debtors		2.0	0.8
Receivables		56.6	146.0
Other current assets		6.1	8.2
Total current assets		78.7	163.9
Non current assets			
Investment properties		8,308.4	7,879.2
Equity accounted investments		7,665.2	7,539.5
Derivative assets		114.6	111.5
Other non current assets		15.3	9.3
Total non current assets		16,103.5	15,539.5
Total assets		16,182.2	15,703.4
Current liabilities			
Trade creditors		55.0	49.0
Payables and other creditors		164.1	118.8
Interest bearing liabilities	6	1,654.5	1,980.8
Derivative liabilities		3.5	7.4
Total current liabilities		1,877.1	2,156.0
Non current liabilities			
Interest bearing liabilities	6	2,141.4	1,922.0
Derivative liabilities		44.7	41.5
Total non current liabilities		2,186.1	1,963.5
Total liabilities		4,063.2	4,119.5
Net assets		12,119.0	11,583.9
Equity attributable to members of Scentre Group Trust 2			
Contributed equity		8,159.8	8,159.8
Reserves		20.2	24.0
Retained profits		3,939.0	3,400.1
Total equity attributable to members of Scentre Group Trust 2		12,119.0	11,583.9
Total equity		12,119.0	11,583.9

SCENTRE GROUP TRUST 2
STATEMENT OF CHANGES IN EQUITY

for the half-year ended 30 June 2017

	<i>Contributed</i>		<i>Retained</i>	30 Jun 17	<i>Contributed</i>		<i>Retained</i>	30 Jun 16
	<i>Equity</i>	<i>Reserves</i>	<i>Profits</i>	Total	<i>Equity</i>	<i>Reserves</i>	<i>Profits</i>	Total
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	\$million	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	\$million
Changes in equity attributable to members of Scentre Group Trust 2								
Balance at the beginning of the period	8,159.8	24.0	3,400.1	11,583.9	8,159.8	37.0	2,619.7	10,816.5
- Profit after tax for the period ⁽ⁱ⁾	-	-	769.4	769.4	-	-	506.5	506.5
- Other comprehensive income ^{(i) (ii)}	-	(3.8)	-	(3.8)	-	2.8	-	2.8
Transactions with owners in their capacity as owners								
- Distributions paid or provided for	-	-	(230.5)	(230.5)	-	-	(324.8)	(324.8)
Closing balance of equity attributable to members of Scentre Group Trust 2	8,159.8	20.2	3,939.0	12,119.0	8,159.8	39.8	2,801.4	11,001.0

⁽ⁱ⁾ Total comprehensive income for the period amounts to a gain of \$765.6 million (30 June 2016: \$509.3 million).

⁽ⁱⁱ⁾ Movement in reserves attributable to members of Scentre Group Trust 2 comprises realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting of \$2.5 million (30 June 2016: gain of \$2.8 million) and accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of \$1.3 million (30 June 2016: nil).

SCENTRE GROUP TRUST 2

CASH FLOW STATEMENT

for the half-year ended 30 June 2017

	30 Jun 17 \$million	30 Jun 16 \$million
Cash flows from operating activities		
Receipts in the course of operations (including Goods and Services Tax (GST))	298.1	292.3
Payments in the course of operations (including GST)	(79.0)	(78.4)
Dividends/distributions received from equity accounted investments	267.1	165.0
GST paid	(21.4)	(20.6)
Net payments of financing costs (excluding interest capitalised)	(72.5)	(85.9)
Net cash flows from operating activities	392.3	272.4
Cash flows used in investing activities		
Capital expenditure on property investments	(105.3)	(82.6)
Proceeds from the disposition of property investments	110.4	-
Net outflows for investments in and loans to equity accounted investments	(22.3)	(62.8)
Financing costs capitalised to qualifying development projects and construction in progress	(5.0)	(3.3)
Settlement of currency derivatives hedging repatriation of foreign sale proceeds	(5.7)	-
Net cash flows used in investing activities	(27.9)	(148.7)
Cash flows used in financing activities		
Net proceeds from/(repayment of) interest bearing liabilities	185.3	(151.8)
Net loans received from/(paid to) related entities	(314.1)	370.6
Distributions paid	(230.5)	(324.8)
Net cash flows used in financing activities	(359.3)	(106.0)
Net increase in cash and cash equivalents held	5.1	17.7
Add opening cash and cash equivalents brought forward	8.9	11.7
Cash and cash equivalents at the end of the period⁽ⁱ⁾	14.0	29.4

⁽ⁱ⁾ Cash and cash equivalents comprises cash of \$14.0 million (30 June 2016: \$29.4 million) net of bank overdraft of nil (30 June 2016: nil).

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2017

1 Corporate information

This financial report of Scentre Group Trust 2 (SGT2) and its controlled entities (collectively the Trust) for the half-year ended 30 June 2017 was approved in accordance with a resolution of the Board of Directors of RE1 Limited as Responsible Entity of SGT2.

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited (SGL), Scentre Group Trust 1 (SGT1), SGT2, Scentre Group Trust 3 (SGT3) and their respective controlled entities. Scentre Group operates as a single coordinated economic entity, with a common Board of Directors and management team.

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

This 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.

This half-year financial report should be read in conjunction with the annual financial report of SGT2 as at 31 December 2016.

It is also recommended that this half-year financial report be considered together with any public announcements made by Scentre Group during the half-year ended 30 June 2017 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

This 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.

This 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 this half-year financial report, the half-year has been treated as a discrete reporting period.

This 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 2016 except for the changes required due to amendments to the accounting standards noted below.

This half-year 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 2017:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses;
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows; and
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 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 2017. The impact of these new standards or amendments (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, impairment and hedge accounting of financial instruments compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement. The Trust is currently assessing the impact of this standard on the financial statements which is expected to be immaterial.
- 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. This standard is not expected to have a significant impact on the financial statements on application.
- 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 2018)
The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. This standard is not expected to have an impact on the financial statements on application.

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2017

2 Basis of preparation of the financial report (continued)

(b) New accounting standards and interpretations (continued)

- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments (effective from 1 January 2018)

The amendments clarify certain requirements in:

- (i) AASB 1 First-time Adoption of Australian Accounting Standards – deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration;
- (ii) AASB 12 Disclosure of Interests in Other Entities – clarification of scope;
- (iii) AASB 128 Investments in Associates and Joint Ventures – measuring an associate or joint venture at fair value; and
- (iv) AASB 140 Investment Property – change in use.

The Trust is currently assessing the impact of these amendments on the financial statements which is expected to be immaterial.

- AASB 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. This standard is not expected to have a significant impact on the financial statements on application.

(c) Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in this 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.

3 Segment reporting

Geographic segments

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

The Trust's segment 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 and 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 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.

The following segment information comprises the earnings of the Trust's Australian and New Zealand operations.

(a) Income and expenses

	Australia \$million	New Zealand \$million	30 Jun 17 \$million	Australia \$million	New Zealand \$million	30 Jun 16 \$million
Shopping centre base rent and other property income	522.8	30.0	552.8	500.1	42.2	542.3
Amortisation of tenant allowances	(14.3)	(0.3)	(14.6)	(14.6)	(0.6)	(15.2)
Property revenue	508.5	29.7	538.2	485.5	41.6	527.1
Expenses						
Property expenses, outgoings and other costs	(132.8)	(8.4)	(141.2)	(123.6)	(12.0)	(135.6)
Segment result	375.7	21.3	397.0	361.9	29.6	391.5
Overheads			(3.7)			(3.8)
Interest income			0.4			1.6
Currency gain			0.5			2.9
Financing costs			(89.8)			(58.0)
Gain in respect of capital transactions			0.2			-
Property revaluations			465.9			181.3
Tax expense - current			(3.6)			(6.4)
Tax benefit/(expense) - deferred			2.5			(2.6)
Net profit attributable to members of SGT2			769.4			506.5

SCENTRE GROUP TRUST 2
NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2017

3 Segment reporting (continued)

(b) Assets and liabilities

	Australia	New Zealand	30 Jun 17	Australia	New Zealand	31 Dec 16
	\$million	\$million	\$million	\$million	\$million	\$million
Total segment assets	15,993.2	686.3	16,679.5	15,450.9	675.9	16,126.8
Total segment liabilities	4,165.4	395.1	4,560.5	4,238.4	304.5	4,542.9
Total segment net assets	11,827.8	291.2	12,119.0	11,212.5	371.4	11,583.9
Equity accounted investments included in segment assets	7,476.2	686.3	8,162.5	7,287.0	675.9	7,962.9
Equity accounted investments included in segment liabilities	102.2	395.1	497.3	118.9	304.5	423.4
Additions to segment non current assets during the period	159.2	10.3	169.5	513.8	6.8	520.6

(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	Equity accounted	30 Jun 17	Consolidated	Equity accounted	30 Jun 16
	\$million	\$million	\$million	\$million	\$million	\$million
Property revenue	265.9	272.3	538.2	258.4	268.7	527.1
Property expenses, outgoings and other costs	(67.0)	(74.2)	(141.2)	(64.7)	(70.9)	(135.6)
Segment result	198.9	198.1	397.0	193.7	197.8	391.5
Overheads	(3.7)	-	(3.7)	(3.8)	-	(3.8)
Interest income	0.2	0.2	0.4	1.2	0.4	1.6
Currency gain	0.5	-	0.5	2.9	-	2.9
Financing costs	(86.1)	(3.7)	(89.8)	(53.0)	(5.0)	(58.0)
Gain in respect of capital transactions	-	0.2	0.2	-	-	-
Property revaluations	285.4	180.5	465.9	80.5	100.8	181.3
Tax expense - current	-	(3.6)	(3.6)	-	(6.4)	(6.4)
Tax benefit/(expense) - deferred	-	2.5	2.5	-	(2.6)	(2.6)
Net profit attributable to members of SGT2	395.2	374.2	769.4	221.5	285.0	506.5
	Consolidated	Equity accounted	30 Jun 17	Consolidated	Equity accounted	31 Dec 16
	\$million	\$million	\$million	\$million	\$million	\$million
Cash and cash equivalents	14.0	18.7	32.7	8.9	12.6	21.5
Trade debtors and receivables	2.0	85.1	87.1	0.8	15.0	15.8
Shopping centre investments	8,000.6	7,976.7	15,977.3	7,521.9	7,785.9	15,307.8
Development projects and construction in progress	307.8	79.0	386.8	357.3	73.4	430.7
Investment properties held for sale	-	-	-	-	73.6	73.6
Other assets	192.6	3.0	195.6	275.0	2.4	277.4
Total assets	8,517.0	8,162.5	16,679.5	8,163.9	7,962.9	16,126.8
Interest bearing liabilities						
- Current	1,654.4	-	1,654.4	1,980.7	-	1,980.7
- Non current	2,130.6	307.9	2,438.5	1,911.5	204.5	2,116.0
Finance lease liabilities	10.9	16.5	27.4	10.6	16.3	26.9
Deferred tax liabilities	-	54.1	54.1	-	61.7	61.7
Other liabilities	267.3	118.8	386.1	216.7	140.9	357.6
Total liabilities	4,063.2	497.3	4,560.5	4,119.5	423.4	4,542.9
Net assets	4,453.8	7,665.2	12,119.0	4,044.4	7,539.5	11,583.9

SCENTRE GROUP TRUST 2
NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2017

	30 Jun 17 \$million	30 Jun 16 \$million
4 Distributions		
(a) Interim distribution		
6.71 cents per unit (30 June 2016: 7.15 cents per unit)	357.3	380.7
	357.3	380.7

Details of the full year components of distribution will be provided in the Annual Tax Statement which will be sent to members in July 2018.

The interim distribution will be paid on 31 August 2017. The record date for the entitlement to this distribution was 5pm, 14 August 2017. Scentre Group does not operate a Distribution Reinvestment Plan.

(b) Distribution paid		
Distribution in respect of the six months to 31 December 2016	230.5	-
Distribution in respect of the six months to 31 December 2015	-	324.8
	230.5	324.8

	cents	cents
5 Earnings per unit		
(a) Summary of earnings per unit		
Basic earnings per unit	14.45	9.51
Diluted earnings per unit	14.45	9.51

(b) Income and unit data

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

	\$million	\$million
Earnings used in calculating basic earnings per unit ⁽ⁱ⁾	769.4	506.5
Adjustment to earnings on options which are considered dilutive	-	-
Earnings used in calculating diluted earnings per unit	769.4	506.5

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

	No. of units	No. of units
Weighted average number of ordinary units used in calculating basic earnings per 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 unit	5,324,296,678	5,324,296,678

	30 Jun 17 \$million	31 Dec 16 \$million
6 Interest bearing liabilities		
Current		
Interest bearing liabilities	710.9	731.0
Interest bearing liabilities payable to related entities	943.5	1,249.7
Finance leases	0.1	0.1
	1,654.5	1,980.8
Non current		
Interest bearing liabilities	2,130.6	1,911.5
Finance leases	10.8	10.5
	2,141.4	1,922.0

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2017

	30 Jun 17 No of units	31 Dec 16 No of units
7 Contributed equity		
Number of units on issue		
Balance at the beginning and end of the period	5,324,296,678	5,324,296,678

Scentre Group stapled securities have the right to receive declared dividends from SGL and distributions from SGT1, SGT2 and SGT3 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 Corporations Act, either in person or by proxy, at a meeting of any of SGL, SGT1, SGT2 and SGT3 (as the case may be).

8 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 hierarchy	Fair value		Carrying amount	
		30 Jun 17 \$million	31 Dec 16 \$million	30 Jun 17 \$million	31 Dec 16 \$million
Consolidated assets					
Cash and cash equivalents		14.0	8.9	14.0	8.9
Trade debtors ⁽ⁱ⁾		2.0	0.8	2.0	0.8
Receivables					
- Other receivables ⁽ⁱ⁾		56.6	146.0	56.6	146.0
Derivative assets ⁽ⁱⁱ⁾	Level 2	114.6	111.5	114.6	111.5
Consolidated liabilities					
Payables ⁽ⁱ⁾		219.1	167.8	219.1	167.8
Interest bearing liabilities ⁽ⁱⁱ⁾					
- Fixed rate debt	Level 2	1,693.1	1,033.7	1,575.6	909.5
- Floating rate debt	Level 2	2,220.3	2,993.3	2,220.3	2,993.3
Derivative liabilities ⁽ⁱⁱ⁾	Level 2	48.2	48.9	48.2	48.9

⁽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 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 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.

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 half-year ended 30 June 2017, 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 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 thereto 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 2017 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 24 August 2017 in accordance with a resolution of the Board of Directors.



Brian Schwartz AM
Chairman



Michael Ihlein
Director

Independent Auditor's Review Report to the members of Scentre Group Trust 2

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Scentre Group Trust 2 and its controlled entities (the Trust), which comprises the balance sheet as at 30 June 2017, the income statement, the statement of comprehensive income, the 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Trust is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Trust as at 30 June 2017 and of its consolidated financial 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*.

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 control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

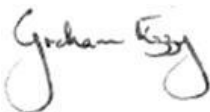
Auditor's Responsibility

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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's consolidated financial position as at 30 June 2017 and its consolidated financial 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 the Trust, 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*.



Graham Ezzy
Partner
Sydney
24 August 2017



Ernst & Young

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 2017 (Financial Period).

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited, Scentre Group Trust 1, the Trust, Scentre Group Trust 3 and their respective controlled entities. Scentre Group operates as a single coordinated economic entity, with a common Board of Directors and management team.

1. Directors

During the Financial Period and at the date of this report, the Board comprised the following Directors:

Brian Schwartz AM	Non-Executive Chairman
Peter Allen	Chief Executive Officer/Executive Director
Andrew Harmos	Non-Executive Director
Michael Ihlein	Non-Executive Director
Carolyn Kay	Non-Executive Director
Aliza Knox	Non-Executive Director
Steven Lowy AM	Non-Executive Director
Margaret Seale	Non-Executive Director

Scentre Group was established on 30 June 2014. Prior to that date, RE1 Limited formed part of the prior Westfield Retail Trust and the appointment dates of Mr Harmos (21 December 2010), Mr Ihlein (21 December 2010), Mr Allen (12 August 2010) and Mr Lowy (12 August 2010) pre-date the establishment of Scentre Group. Mr Schwartz was appointed on the establishment of Scentre Group (30 June 2014). Ms Knox was appointed on 7 May 2015 and Ms Kay and Ms Seale on 24 February 2016.

The Board of the Responsible Entity, RE1 Limited, is identical to the Board of Scentre Group Limited, the parent company of Scentre Group. If a Director ceases to be a Director of Scentre Group Limited for any reason, they must also retire as a Director of RE1 Limited.

2. Review and results of operations

The Trust's net profit for the Financial Period (attributable to members of SGT2) was \$769.4 million. The aggregate distribution (attributable to members of SGT2) for the Financial Period is \$357.3 million (being 6.71 cents per unit) with basic earnings per unit for the Financial Period of 14.45 cents.

As at 30 June 2017, the Trust's portfolio comprised interests in 38 centres in Australia and New Zealand with a combined value of \$16.4 billion.

As at 30 June 2017, the Trust's portfolio was more than 99.5% leased. Net property income for the Financial Period was \$397.0 million. Comparable net operating income growth across the portfolio was 2.6%, driven primarily by contracted rent increases. Comparable specialty retail sales grew 1.5% for the Financial Period and 2.0% for the twelve months to 30 June 2017.

During the Financial Period, Scentre Group has successfully completed the \$355 million (Trust share: \$178 million) development at Westfield Chermside in Brisbane. The \$80 million (Trust share: \$20 million) Westfield Whitford City development in Perth, comprising a cinema complex and restaurants, is also progressing well and is on track to open in September 2017.

During the Financial Period, Scentre Group also commenced \$900 million (Trust share: \$195 million) of developments including projects at Westfield Carousel in Perth, Westfield Plenty Valley in Melbourne and Westfield Coomera in Queensland's Gold Coast (Trust share: nil) which are all expected to be completed in 2018. Scentre Group is also undertaking pre-development activities on future development opportunities in excess of \$3 billion.

Scentre Group also settled the sale of Casey in February 2017 and West City in July 2017 with total proceeds of \$367 million (Trust share: \$184 million).

During the Financial Period, the Trust issued US\$500 million (A\$650 million) of bonds. Proceeds from the issue were used to repay borrowings under Scentre Group's revolving bank facilities.

Total available financing facilities at 30 June 2017 of \$2,679.5 million (31 December 2016: \$2,595.1 million) is in excess of the Trust's net current liabilities of \$1,798.4 million (31 December 2016: \$1,992.1 million). Net current liabilities comprise current assets less current liabilities.

On 24 August 2017, Scentre Group announced that it has extended its current practice to grow distributions at a lower rate than earnings growth until it reaches a payout ratio of 85% (89.4% forecast for 2017). Scentre Group's distribution is targeted to grow at 2% per annum until that target payout ratio is achieved. Once the target is achieved, Scentre Group's distribution is expected to grow in line with the growth in Scentre Group's funds from operations.

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

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

3. 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.

SCENTRE GROUP TRUST 2

DIRECTORS' REPORT (continued)

4. Subsequent events

No other circumstances have arisen since the end of the Financial Period which have significantly affected or may significantly affect the operations of the Trust, the results of those operations, or state of affairs of the Trust in future years.

5. Rounding

The Trust is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. 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.

6. ASX listing

ASX reserves the right (but without limiting its absolute discretion) to remove Scentre Group Limited, Scentre Group Trust 1, SGT2 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.

7. Auditor's independence declaration

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



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Fax: +61 2 9248 5959
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Auditor's Independence Declaration to the Directors of RE1 Limited

As lead auditor for the review of Scentre Group Trust 2 for the half-year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Scentre Group Trust 2 and the entities it controlled during the Financial Period.

Ernst & Young

Graham Ezzy
Partner

24 August 2017

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This report is made on 24 August 2017 in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Brian Schwartz AM
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)

Registered Office

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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
200 George Street
Sydney NSW 2000

Investor Information

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85 Castlereagh Street
Sydney NSW 2000
Telephone: +61 2 9358 7877
Facsimile: +61 2 9028 8500
E-mail: investor@scentregroup.com
Website: 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
Website: www.computershare.com

ADR Registry

Bank of New York Mellon
Depositary 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