

SCENTRE GROUP

SGX Announcement

16 March 2018

Scentre Group

Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 2017 Annual Reports

On 21 February 2018, Scentre Group released its 2017 results and Annual Financial Report.

Attached are the 2017 Annual Financial Reports for each of Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3. The results of these Trusts are consolidated into Scentre Group's accounts. As Scentre Group operates as a co-ordinated economic entity, reference should be made to Scentre Group's consolidated accounts for an understanding of the results and operations of Scentre Group as a whole.

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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 80 145 743 862 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

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

Scentre Group Trust 1 Annual Financial Report 31 December 2017

Scentre Management Limited ABN 41 001 670 579
AFSL No. 230329 as responsible entity of
Scentre Group Trust 1 ARSN 090 849 746

Scentre Group Trust 2 Annual Financial Report 31 December 2017

RE1 Limited ABN 80 145 743 862
AFSL No. 380202 as responsible entity of
Scentre Group Trust 2 ARSN 146 934 536

Scentre Group Trust 3 Annual Financial Report 31 December 2017

RE2 Limited ABN 41 145 744 065
AFSL No. 380203 as responsible entity of
Scentre Group Trust 3 ARSN 146 934 652

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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Melbourne VIC 3001
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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

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.adrbnymellon.com
Code: SCTRY

Listing

Australian Securities Exchange – SCG

Website

www.scentregroup.com

Annual Financial Report

SCENTRE GROUP TRUST 1

For the Financial Year ended 31 December 2017

Contents

2	Income Statement
3	Statement of Comprehensive Income
4	Balance Sheet
5	Statement of Changes in Equity
6	Cash Flow Statement
7	Notes to the Financial Statements
33	Directors' Declaration
34	Independent Auditor's Report
37	Directors' Report
40	Corporate Governance Statement
41	Members' Information

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 17 \$million	31 Dec 16 \$million
Revenue			
Property revenue		590.6	577.3
		590.6	577.3
Share of after tax profits of equity accounted entities			
Property revenue		550.4	546.9
Property revaluations		751.7	447.0
Property expenses, outgoings and other costs		(147.3)	(146.0)
Gain in respect of capital transactions		0.0	–
Net interest expense		(0.1)	(0.1)
Tax benefit/(expense)		(3.8)	6.5
	5(a)	1,150.9	854.3
Expenses			
Property expenses, outgoings and other costs		(152.3)	(146.8)
Overheads		(14.9)	(12.9)
		(167.2)	(159.7)
Interest income	10(a)	32.4	43.4
Currency gain	9	9.2	47.0
Financing costs	10(b)	(593.8)	(328.1)
Gain in respect of capital transactions	11	–	18.8
Property revaluations		864.2	380.6
Profit before tax		1,886.3	1,433.6
Tax expense	6	–	–
Profit after tax for the period		1,886.3	1,433.6
Profit after tax for the period attributable to:			
– Members of Scentre Group Trust 1		1,872.8	1,402.6
– External non controlling interests		13.5	31.0
Profit after tax for the period		1,886.3	1,433.6
		cents	cents
Basic earnings per unit attributable to members of Scentre Group Trust 1	8(a)	35.17	26.34
Diluted earnings per unit attributable to members of Scentre Group Trust 1	8(a)	35.17	26.34

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 17 \$million	31 Dec 16 \$million
Profit after tax for the period	1,886.3	1,433.6
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	(13.1)	4.6
– Accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	(3.2)	(19.3)
Total comprehensive income for the period	1,870.0	1,418.9
Total comprehensive income attributable to:		
– Members of Scentre Group Trust 1	1,856.5	1,387.9
– External non controlling interests	13.5	31.0
Total comprehensive income for the period	1,870.0	1,418.9

⁽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.

Balance Sheet

AS AT 31 DECEMBER 2017

	Note	31 Dec 17 \$million	31 Dec 16 \$million
Current assets			
Cash and cash equivalents	12(a)	11.0	11.0
Trade debtors		0.3	1.1
Derivative assets	17(a)	35.6	–
Receivables	13	886.8	1,677.3
Other current assets		20.3	15.8
Total current assets		954.0	1,705.2
Non current assets			
Investment properties	3	9,711.3	8,525.4
Equity accounted investments	5(b)	8,599.9	7,839.5
Derivative assets	17(a)	475.7	677.0
Other non current assets		31.4	38.5
Total non current assets		18,818.3	17,080.4
Total assets		19,772.3	18,785.6
Current liabilities			
Trade creditors		68.4	55.7
Payables and other creditors	14	1,269.8	1,250.5
Interest bearing liabilities	15	912.4	204.4
Other financial liabilities	16	–	416.6
Derivative liabilities	17(b)	5.3	8.8
Total current liabilities		2,255.9	1,936.0
Non current liabilities			
Interest bearing liabilities	15	7,642.0	8,496.4
Other financial liabilities	16	673.7	595.9
Derivative liabilities	17(b)	328.7	317.3
Total non current liabilities		8,644.4	9,409.6
Total liabilities		10,900.3	11,345.6
Net assets		8,872.0	7,440.0
Equity attributable to members of Scentre Group Trust 1			
Contributed equity	18(b)	1,658.1	1,658.1
Reserves	19	10.9	27.2
Retained profits	20	6,955.6	5,487.5
Total equity attributable to members of Scentre Group Trust 1		8,624.6	7,172.8
Equity attributable to external non controlling interests			
Contributed equity		81.5	88.3
Retained profits		165.9	178.9
Total equity attributable to external non controlling interests		247.4	267.2
Total equity		8,872.0	7,440.0

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

	Contributed Equity \$million	Reserves \$million	Retained Profits \$million	31 Dec 17 Total \$million	Contributed Equity \$million	Reserves \$million	Retained Profits \$million	31 Dec 16 Total \$million
Changes in equity attributable to members of Scentre Group Trust 1								
Balance at the beginning of the period	1,658.1	27.2	5,487.5	7,172.8	1,658.1	41.9	4,502.9	6,202.9
– Profit after tax for the period ⁽ⁱ⁾	–	–	1,872.8	1,872.8	–	–	1,402.6	1,402.6
– Other comprehensive income ^{(i) (ii)}	–	(16.3)	–	(16.3)	–	(14.7)	–	(14.7)
Transactions with owners in their capacity as owners								
– Distributions paid or provided for	–	–	(404.7)	(404.7)	–	–	(418.0)	(418.0)
Closing balance of equity attributable to members of Scentre Group Trust 1	1,658.1	10.9	6,955.6	8,624.6	1,658.1	27.2	5,487.5	7,172.8
Changes in equity attributable to external non controlling interests								
Balance at the beginning of the period	88.3	–	178.9	267.2	94.0	–	172.6	266.6
Profit after tax for the period attributable to external non controlling interests ⁽ⁱ⁾	–	–	13.5	13.5	–	–	31.0	31.0
Distribution paid or provided for	–	–	(12.6)	(12.6)	–	–	(13.4)	(13.4)
Decrease in external non controlling interest	(6.8)	–	(13.9)	(20.7)	(5.7)	–	(11.3)	(17.0)
Closing balance of equity attributable to external non controlling interests	81.5	–	165.9	247.4	88.3	–	178.9	267.2
Total equity	1,739.6	10.9	7,121.5	8,872.0	1,746.4	27.2	5,666.4	7,440.0

⁽ⁱ⁾ Total comprehensive income for the period amounts to \$1,870.0 million (31 December 2016: \$1,418.9 million).

⁽ⁱⁱ⁾ Movement in reserves attributable to members of Scentre Group Trust 1 comprises realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting of \$13.1 million (31 December 2016: gain of \$4.6 million) and accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of \$3.2 million (31 December 2016: \$19.3 million).

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 17 \$million	31 Dec 16 \$million
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		661.6	650.1
Payments in the course of operations (including GST)		(188.1)	(169.0)
Dividends/distributions received from equity accounted entities		487.8	460.5
GST paid		(45.3)	(47.7)
Payments of financing costs (excluding interest capitalised)		(400.3)	(409.0)
Interest received		33.0	39.9
Net cash flows from operating activities	12(b)	548.7	524.8
Cash flows used in investing activities			
Capital expenditure on property investments		(260.5)	(238.9)
Proceeds from the disposition of property investments		110.4	–
Acquisition of property investments		–	(8.5)
Acquisition of listed securities		(20.0)	(16.9)
Net outflows for investments in equity accounted entities		(138.4)	(17.6)
Financing costs capitalised to qualifying development projects and construction in progress		(11.5)	(9.9)
Settlement of currency derivatives hedging the repatriation of foreign sales proceeds		(7.5)	(4.1)
Net cash flows used in investing activities		(327.5)	(295.9)
Cash flows used in financing activities			
Net (repayments of)/proceeds from interest bearing liabilities	15(c)	(168.5)	883.7
Repayment of other financial liabilities	27	(416.6)	(161.5)
Net loans received from/(paid to) related entities	15(c)	781.7	(520.6)
Distributions paid		(404.7)	(418.0)
Distribution paid by controlled entities to non controlling interests		(13.1)	(13.6)
Net cash flows used in financing activities		(221.2)	(230.0)
Net decrease in cash and cash equivalents held		–	(1.1)
Add opening cash and cash equivalents brought forward		11.0	12.1
Cash and cash equivalents at the end of the period [®]	12(a)	11.0	11.0

[®] Cash and cash equivalents comprises cash of \$11.0 million (31 December 2016: \$11.0 million) net of bank overdraft of nil (31 December 2016: nil).

Index of Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

Note	Description	Page
1	Basis of preparation of the Financial Report	8
Operational results, assets and liabilities		
2	Segment reporting	9
3	Investment properties	11
4	Details of shopping centre investments	12
5	Details of equity accounted investments	12
6	Taxation	13
7	Distributions	14
8	Earnings per unit	14
Financing and capital management		
9	Currency gain	15
10	Interest income and financing costs	15
11	Gain in respect of capital transactions	15
12	Cash and cash equivalents	16
13	Receivables	16
14	Payables and other creditors	16
15	Interest bearing liabilities	17
16	Other financial liabilities	18
17	Derivative assets and liabilities	19
18	Contributed equity	20
19	Reserves	20
20	Retained profits	20
21	Capital risk management	21
22	Financial risk management	21
23	Interest rate risk management	22
24	Exchange rate risk management	24
25	Credit and liquidity risk management	27
26	Financial covenants	27
27	Fair value of financial assets and liabilities	28
Other disclosures		
28	Other significant accounting policies	28
29	Share based payments	29
30	Lease commitments	29
31	Capital expenditure commitments	30
32	Contingent liabilities	30
33	Parent entity	30
34	Auditor's remuneration	30
35	Related party disclosures	31
36	Details and remuneration of Key Management Personnel	32
37	Details of material and significant entities	32
38	Investment in Carindale Property Trust	32

NOTE 1 BASIS OF PREPARATION OF THE FINANCIAL REPORT

(a) Corporate information

This financial report of Scentre Group Trust 1 (SGT1) and its controlled entities (collectively the Trust) for the year ended 31 December 2017 was approved in accordance with a resolution of the Board of Directors of Scentre Management Limited as Responsible Entity of SGT1.

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

(b) Accounting for the Trust

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited (SGL), SGT1, Scentre Group Trust 2 (SGT2), Scentre Group Trust 3 (SGT3) and their respective controlled entities. Scentre Group was established on 30 June 2014. The securities of each of SGL, SGT1, SGT2 and SGT3 are stapled and trade as one security on the Australian Securities Exchange (ASX) under the code SCG. The stapled securities of SGL, SGT1, SGT2 and SGT3 cannot be traded separately. The stapling transaction is referred to as the "Merger".

(c) 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 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 results 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 year ended 31 December 2017. 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 new requirements for classification and measurement, impairment and hedge accounting of financial instruments compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

Following a detailed assessment of the requirements of the standard, the Trust expects that there will not be a significant impact on the financial statements on application. The Trust will adopt AASB 9 from 1 January 2018 and will not restate comparative information as permitted by the Standard.

(i) Classification and measurement

The Trust does not expect any impact on its balance sheet or equity on applying the classification and measurement requirements of AASB 9. Financial assets currently held at fair value will continue to be measured at fair value. Trade debtors, loans and other receivables are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. These receivables will be measured at amortised cost.

(ii) Impairment

Under AASB 9, expected credit losses on financial assets are to be recorded either on a 12-month or lifetime basis. The Trust will apply the general approach on all eligible financial assets, except for trade debtors which will adopt the simplified approach. It is expected that the revised methodology for calculation of impairment will not have a significant impact on the financial statements.

(iii) Hedge accounting

As the Trust currently does not have any existing hedge relationships that are designated in effective hedging relationships, there is no impact from the application of hedging requirements on the financial statements.

- AASB 15 Revenue from Contracts with Customers (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 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.

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

- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective from 1 January 2018)

This interpretation clarifies that in applying paragraphs 21-22 of AASB 121 – The Effects of Changes in Foreign Exchange Rates, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it), is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. This standard is not expected to have a significant impact on the financial statements on application.

- 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.

- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)

This Standard amends AASB 128 Investments in Associates and Joint Ventures to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128. This standard is not expected to have a significant impact on the financial statements on application.

- AASB Interpretation 23 Uncertainty over Income Tax Treatments, and relevant amending standards (effective 1 January 2019)

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. 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 2022)

This standard amends AASB 10 – Consolidated Financial Statements and AASB 128 – Investments in Associates and Joint Ventures to address an inconsistency between the requirements of AASB 10 and AASB 128 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. This standard is not expected to have a significant impact on the financial statements on application.

(d) Basis of Accounting

This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 (Corporations Act), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. This 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.

This financial report is presented in Australian dollars.

NOTE 1 BASIS OF PREPARATION OF THE FINANCIAL REPORT (CONTINUED)

(e) 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 28: Other significant accounting policies, Note 3: Investment Properties and Note 27: Fair value of financial assets and liabilities. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the Trust's financial results or the financial position in future periods.

(f) Comparative information

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

(g) Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in this 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 2 SEGMENT REPORTING

Geographic segments

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

The Trust's operating segments' 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 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	31 Dec 17 \$million	Australia \$million	New Zealand \$million	31 Dec 16 \$million
Property revenue						
Shopping centre base rent and other property income	1,116.2	55.9	1,172.1	1,076.8	77.7	1,154.5
Amortisation of tenant allowances	(30.5)	(0.6)	(31.1)	(29.4)	(0.9)	(30.3)
	1,085.7	55.3	1,141.0	1,047.4	76.8	1,124.2
Expenses						
Property expenses, outgoings and other costs	(284.8)	(14.8)	(299.6)	(270.3)	(22.5)	(292.8)
Segment result	800.9	40.5	841.4	777.1	54.3	831.4
Overheads			(14.9)			(12.9)
Interest income			32.8			44.0
Currency gain			9.2			47.0
Financing costs			(594.3)			(328.8)
Gain in respect of capital transactions			0.0			18.8
Property revaluations			1,615.9			827.6
Tax benefit/(expense)			(3.8)			6.5
External non controlling interests			(13.5)			(31.0)
Net profit attributable to members of SGT1^(a)			1,872.8			1,402.6

^(a) Net profit attributable to members of SGT1 was \$1,872.8 million (31 December 2016: \$1,402.6 million). Net profit after tax for the period which includes profit attributable to external non controlling interests of \$13.5 million (31 December 2016: \$31.0 million) was \$1,886.3 million (31 December 2016: \$1,433.6 million).

(b) Assets and liabilities

	Australia \$million	New Zealand \$million	31 Dec 17 \$million	Australia \$million	New Zealand \$million	31 Dec 16 \$million
Total segment assets	19,363.7	604.7	19,968.4	18,325.9	676.4	19,002.3
Total segment liabilities	10,714.5	381.9	11,096.4	11,258.1	304.2	11,562.3
Total segment net assets	8,649.2	222.8	8,872.0	7,067.8	372.2	7,440.0
Equity accounted investments included in segment assets	8,191.9	604.1	8,796.0	7,380.4	675.8	8,056.2
Equity accounted investments included in segment liabilities	113.1	83.0	196.1	117.9	98.8	216.7
Additions to segment non current assets during the year	387.3	28.2	415.5	326.7	6.8	333.5

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 2 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	31 Dec 17 \$million	Consolidated \$million	Equity Accounted \$million	31 Dec 16 \$million
Property revenue	590.6	550.4	1,141.0	577.3	546.9	1,124.2
Property expenses, outgoings and other costs	(152.3)	(147.3)	(299.6)	(146.8)	(146.0)	(292.8)
Segment result	438.3	403.1	841.4	430.5	400.9	831.4
Overheads	(14.9)	–	(14.9)	(12.9)	–	(12.9)
Interest income	32.4	0.4	32.8	43.4	0.6	44.0
Currency gain	9.2	–	9.2	47.0	–	47.0
Financing costs	(593.8)	(0.5)	(594.3)	(328.1)	(0.7)	(328.8)
Gain in respect of capital transactions	–	0.0	0.0	18.8	–	18.8
Property revaluations	864.2	751.7	1,615.9	380.6	447.0	827.6
Tax benefit/(expense)	–	(3.8)	(3.8)	–	6.5	6.5
External non controlling interests	(13.5)	–	(13.5)	(31.0)	–	(31.0)
Net profit attributable to members of SGT1	721.9	1,150.9	1,872.8	548.3	854.3	1,402.6
Cash and cash equivalents	11.0	10.0	21.0	11.0	12.7	23.7
Shopping centre investments	9,481.3	8,669.1	18,150.4	8,329.5	7,949.8	16,279.3
Development projects and construction in progress	230.0	93.5	323.5	195.9	76.2	272.1
Other assets	1,450.1	23.4	1,473.5	2,409.7	17.5	2,427.2
Total assets	11,172.4	8,796.0	19,968.4	10,946.1	8,056.2	19,002.3
Interest bearing liabilities	8,554.4	18.5	8,572.9	8,700.8	16.3	8,717.1
Other financial liabilities	673.7	–	673.7	1,012.5	–	1,012.5
Deferred tax liabilities	–	52.5	52.5	–	61.7	61.7
Other liabilities	1,672.2	125.1	1,797.3	1,632.3	138.7	1,771.0
Total liabilities	10,900.3	196.1	11,096.4	11,345.6	216.7	11,562.3
Net assets	272.1	8,599.9	8,872.0	(399.5)	7,839.5	7,440.0

Accounting Policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust 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.

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 revenue.

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.

All other revenues are recognised on an accruals basis.

Expenses

Expenses are brought to account on an accruals basis.

	Note	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 3 INVESTMENT PROPERTIES			
Shopping centre investments	4	9,481.3	8,329.5
Development projects and construction in progress		230.0	195.9
		9,711.3	8,525.4
Movement in total investment properties			
Balance at the beginning of the year		8,525.4	8,037.0
Acquisition of properties		–	8.5
Disposal of properties		–	(91.3)
Redevelopment costs		321.7	190.6
Net revaluation increment		864.2	380.6
Balance at the end of the year ⁽ⁱ⁾		9,711.3	8,525.4

⁽ⁱ⁾ The fair value of investment properties at the end of the year of \$9,711.3 million (31 December 2016: \$8,525.4 million) comprises investment properties at market value of \$9,699.7 million (31 December 2016: \$8,514.7 million) and ground leases included as finance leases of \$11.6 million (31 December 2016: \$10.7 million).

Accounting Policies

Investment properties

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

(i) Shopping centre investments

The Trust'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 Trust'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 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.

(ii) Development projects and construction in progress

The Trust'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. 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.

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 Scentre 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 Scentre Group to carry out property appraisals for the current financial year:

Australian shopping centres

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

New Zealand shopping centres

- CBRE Limited
- Colliers International New Zealand Limited
- 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.

The property capitalisation rates for the year ended 31 December 2017 range from 4.00% to 7.00% (31 December 2016: 4.25% to 7.00%). Refer to Notes 4(a) and (b) of Scentre Group's 2017 Annual Financial Report for details of property capitalisation rates by shopping centre.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 4 DETAILS OF SHOPPING CENTRE INVESTMENTS		
Consolidated Australian shopping centres	9,481.3	8,329.5
Equity accounted Australian shopping centres	8,117.6	7,316.4
Equity accounted New Zealand shopping centres	551.5	633.4
	18,150.4	16,279.3

NOTE 5 DETAILS OF EQUITY ACCOUNTED INVESTMENTS

(a) Share of equity accounted entities' net profit and comprehensive income

Share of after tax profit of equity accounted entities	1,150.9	854.3
Other comprehensive income ⁽ⁱ⁾	(16.4)	11.7
Share of total comprehensive income of equity accounted entities	1,134.5	866.0

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

(b) Share of equity accounted entities' assets and liabilities

The Trust's equity accounted investments of \$8,599.9 million (31 December 2016: \$7,839.5 million) comprise investments in joint ventures in Australia and New Zealand represented by equity of \$221.9 million (31 December 2016: \$371.3 million) and interest bearing loans of \$299.2 million (31 December 2016: \$205.7 million). Inter-entity interest charges on the loans amounted to \$7.9 million (31 December 2016: \$7.7 million).

	31 Dec 17 \$million	31 Dec 16 \$million
(c) Equity accounted gain in respect of capital transactions		
Asset dispositions		
– proceeds from asset dispositions	77.4	211.9
– less: carrying value of assets disposed and other capital costs	(77.4)	(211.9)
Gain in respect of capital transactions	0.0	–
(d) Details of the Trust's share of equity accounted entities' tax benefit/(expense)		
Current tax expense – underlying operations	(5.4)	(11.3)
Deferred tax benefit	1.6	17.8
	(3.8)	6.5

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	1,154.7	847.8
Less: Trust income not assessable by the Trust – tax payable by members	(1,121.9)	(798.7)
	32.8	49.1
Prima facie tax expense at 30%	(9.8)	(14.7)
Tax rate differential on New Zealand foreign income	0.7	1.6
Deferred tax release on New Zealand capital transactions	3.4	20.3
Other	1.9	(0.7)
Tax benefit/(expense)	(3.8)	6.5

Name of investments	Type of equity	Balance Date	Investment property economic interest	
			31 Dec 17	31 Dec 16

NOTE 5 DETAILS OF EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

(e) Equity accounted entities economic interest

Australian investments ⁽ⁱ⁾

Bondi Junction	Trust units	31 Dec	50.0%	50.0%
Chatswood	Trust units	31 Dec	50.0%	50.0%
Doncaster	Trust units	31 Dec	25.0%	25.0%
Fountain Gate	Trust units	31 Dec	50.0%	50.0%
Garden City	Trust units	31 Dec	50.0%	50.0%
Hornsby	Trust units	31 Dec	50.0%	50.0%
Knox	Trust units	31 Dec	25.0%	25.0%
Kotara	Trust units	31 Dec	50.0%	50.0%
Mt Druitt ⁽ⁱⁱ⁾	Trust units	30 Jun	25.0%	25.0%
Southland ⁽ⁱⁱ⁾	Trust units	30 Jun	25.0%	25.0%
Sydney Central Plaza	Trust units	31 Dec	50.0%	50.0%
Tea Tree Plaza ⁽ⁱⁱ⁾	Trust units	30 Jun	31.3%	31.3%
Tuggerah	Trust units	31 Dec	50.0%	50.0%
Warringah Mall	Trust units	31 Dec	25.0%	25.0%

New Zealand investments ⁽ⁱ⁾

Albany	Shares	31 Dec	25.5%	25.5%
Manukau	Shares	31 Dec	25.5%	25.5%
Newmarket	Shares	31 Dec	25.5%	25.5%
Riccarton	Shares	31 Dec	25.5%	25.5%
St Lukes	Shares	31 Dec	25.5%	25.5%
WestCity ⁽ⁱⁱⁱ⁾	Shares	31 Dec	–	50.0%

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

⁽ⁱⁱ⁾ Notwithstanding that the financial year of these investments 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 Entity being 31 December.

⁽ⁱⁱⁱ⁾ In July 2017, Scentre Group completed the sale of its 100% (Trust share: 50%) interest in this centre.

	31 Dec 17 \$million	31 Dec 16 \$million
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NOTE 6 TAXATION

Tax benefit/(expense)

Current – underlying operations	–	–
	–	–

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	1,886.3	1,433.6
Less: Trust income not taxable for the Trust – tax payable by members	(1,886.3)	(1,433.6)
	–	–

Accounting Policies

Taxation

The Trust comprises taxable and non taxable entities. Income tax expense is only recognised in respect of taxable entities.

- (i) Under current Australian income tax legislation Australian trusts forming part of the Trust are not liable to Australian income tax, including capital gains tax, provided that members are presently entitled to the income of each Australian Trust as determined in accordance with the relevant trust's constitution.

The Trust's New Zealand entities are subject to New Zealand tax on their earnings.

- (ii) Deferred tax is provided on all temporary differences at 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 substantially 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 7 DISTRIBUTIONS		
(a) Final distribution paid		
2.60 cents per unit (31 December 2016: 3.45 cents per unit)	138.4	183.7
	138.4	183.7

Details of the full year components of distribution are provided in the Annual Tax Statements which are sent to members annually.

Interim distribution of 4.15 cents per unit was paid on 31 August 2017. Final distribution was paid on 28 February 2018. The record date for the final distribution was 5pm, 14 February 2018. Scentre Group does not operate a Distribution Reinvestment Plan.

	31 Dec 17 \$million	31 Dec 16 \$million
(b) Distributions paid during the year		
Distribution in respect of the 6 months to 30 June 2017	221.0	–
Distribution in respect of the 6 months to 31 December 2016	183.7	–
Distribution in respect of the 6 months to 30 June 2016	–	186.4
Distribution in respect of the 6 months to 31 December 2015	–	231.6
	404.7	418.0

NOTE 8 EARNINGS PER UNIT

(a) Summary of earnings per unit	cents	cents
Basic earnings per unit attributable to members of Scentre Group Trust 1	35.17	26.34
Diluted earnings per unit attributable to members of Scentre Group Trust 1	35.17	26.34

(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⁾	1,872.8	1,402.6
Adjustment to earnings on options which are considered dilutive	–	–
Earnings used in calculating diluted earnings per unit	1,872.8	1,402.6

⁽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

(c) Conversions, calls, subscription or issues after 31 December 2017

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

Accounting Policies

Earnings per unit

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

	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 9 CURRENCY GAIN		
Net fair value gain and associated credit risk on currency derivatives that do not qualify for hedge accounting	6.0	27.7
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	3.2	19.3
	9.2	47.0

Accounting Policies

Translation of foreign currency transactions

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 on the settlement of or on translating amounts payable or receivable in foreign currency at rates different from those at which they were translated on initial recognition, are recognised in the income statement in the period in which they arise, except where hedge accounting is applied.

Refer to Notes 17 and 19 for other items included in currency gain/(loss).

	Note	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 10 INTEREST INCOME AND FINANCING COSTS			
(a) Interest income			
Interest income		0.4	2.1
Interest income from related entities	35(b)	32.0	41.3
		32.4	43.4

(b) Financing costs

Gross financing costs (excluding net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting)

– External		(223.4)	(233.7)
– Related entities	35(b)	(152.3)	(132.3)
Financing costs capitalised to qualifying development projects and construction in progress		11.5	9.9
Financing costs		(364.2)	(356.1)
Net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting		(118.5)	106.2
Finance leases interest expense		(0.6)	(0.6)
Interest expense on other financial liabilities		(32.7)	(58.5)
Net fair value loss on other financial liabilities		(77.8)	(19.1)
		(593.8)	(328.1)

Accounting Policies

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 Trust for the acquisition or construction of a qualifying asset, the financing costs are capitalised.

Refer to Note 17 for other items included in financing costs.

	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 11 GAIN IN RESPECT OF CAPITAL TRANSACTIONS		
Asset dispositions		
– proceeds from asset dispositions	–	110.4
– less: carrying value of assets disposed and other capital costs	–	(91.6)
Gain in respect of capital transactions	–	18.8

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 12 CASH AND CASH EQUIVALENTS		
(a) Components of cash and cash equivalents		
Cash	11.0	11.0
Bank overdrafts	–	–
Total cash and cash equivalents	11.0	11.0

(b) Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	1,886.3	1,433.6
Property revaluations	(864.2)	(380.6)
Share of equity accounted profit in excess of dividends/distributions received	(655.7)	(384.8)
Net fair value gain and associated credit risk on currency derivatives	(6.0)	(27.7)
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	(3.2)	(19.3)
Net fair value loss/(gain) on interest rate hedges that do not qualify for hedge accounting	118.5	(106.2)
Net fair value loss on other financial liabilities	77.8	19.1
Gain from capital transactions	–	(18.8)
Decrease/(increase) in working capital attributable to operating activities	(4.8)	9.5
Net cash flows from operating activities	548.7	524.8

Accounting Policies

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.

	Note	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 13 RECEIVABLES			
Interest bearing loans receivable from related entities	35(b)	794.1	1,469.3
Sundry debtors		92.7	208.0
		886.8	1,677.3

Accounting Policies

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 Trust will not be able to collect the receivable. Interest bearing loan receivables from related entities are carried at amortised cost, are callable on demand and therefore classified as a current asset.

	Note	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 14 PAYABLES AND OTHER CREDITORS			
Payables and other creditors		291.4	272.1
Non interest bearing loans payable to related entities	35(b)	978.4	978.4
		1,269.8	1,250.5

Accounting Policies

Payables and other creditors

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 Trust prior to the end of the financial year that are unpaid and arise when the Trust 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. Loan payables to related entities are carried at amortised cost, are callable on demand and therefore classified as a current liability.

	Note	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 15 INTEREST BEARING LIABILITIES			
Current			
Unsecured			
Loans payable to related entities	35(b)	297.4	204.3
Notes payable			
– € denominated		614.9	–
Finance leases		0.1	0.1
		912.4	204.4
Non current			
Unsecured			
Bank loans			
– A\$ denominated		–	175.0
Notes payable			
– US\$ denominated		3,009.3	3,260.3
– £ denominated		1,384.3	1,369.6
– € denominated		2,613.4	3,063.9
– A\$ denominated		400.0	400.0
Finance leases		11.5	10.6
Secured			
Bank loans and mortgages			
– A\$ denominated		223.5	217.0
		7,642.0	8,496.4
Total interest bearing liabilities		8,554.4	8,700.8
The maturity profile in respect of current and non current interest bearing liabilities is set out below:			
Due within one year		912.4	204.4
Due between one year and five years		3,839.3	3,985.6
Due after five years		3,802.7	4,510.8
		8,554.4	8,700.8

The Trust 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 23 for details relating to fixed rate debt and derivatives which hedge the floating rate liabilities.

The Trust consolidates Carindale Property Trust (CPT) and the borrowings in CPT are secured by a mortgage over CPT's interest in Westfield Carindale. The recorded fair value of the Carindale centre is \$813.6 million (31 December 2016: \$807.6 million) compared to borrowings of \$223.5 million (31 December 2016: \$217.0 million).

	31 Dec 17 \$million	31 Dec 16 \$million
(a) Summary of financing facilities		
Committed financing facilities available to the Trust:		
Total financing facilities at the end of the year	10,505.0	10,609.3
Total interest bearing liabilities	(8,554.4)	(8,700.8)
Total bank guarantees	(0.3)	(0.3)
Available financing facilities	1,950.3	1,908.2
Cash	11.0	11.0
Financing resources available at the end of the year	1,961.3	1,919.2
(b) Maturity profile of financing facilities		
Maturity profile in respect of the above financing facilities:		
Due within one year	912.4	204.4
Due between one year and five years	5,477.9	5,494.0
Due after five years	4,114.7	4,910.9
	10,505.0	10,609.3

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 Scentre Group to comply with specific minimum financial and non-financial requirements. These facilities exclude the property linked note liability of \$673.7 million (31 December 2016: \$1,012.5 million).

The available financing facilities above totalling \$1,950.3 million (31 December 2016: \$1,908.2 million) are available to the Trust and other members of Scentre Group at year end. The Trust is able to draw on these financing facilities, provided they are unutilised by other members of Scentre Group. These are interest only unsecured multicurrency multi-option facilities.

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 2017

NOTE 15 INTEREST BEARING LIABILITIES (CONTINUED)

	31 Dec 17 \$million
(c) Movements in interest bearing liabilities, other loan receivables and payables and currency derivatives hedging borrowings in foreign currency, arising from financing activities	
Balance at the beginning of the year	7,928.8
Net repayments of interest bearing liabilities	(168.5)
Net loans received from related entities	781.7
Effects of exchange rate changes including fair value gains and associated credit risk on currency derivatives	(19.6)
Balance at the end of the year ⁽ⁱ⁾	8,522.4

⁽ⁱ⁾ Comprises total interest bearing liabilities of \$8,554.4 million (31 December 2016: \$8,700.8 million) disclosed above and the non interest bearing loan payable of \$978.4 million (31 December 2016: \$978.4 million) disclosed in Note 14, less interest bearing loan receivables of \$794.1 million (31 December 2016: \$1,469.3 million) disclosed in Note 13 less net receivables on currency derivatives hedging borrowings in foreign currency of \$216.3 million (31 December 2016: \$281.1 million) disclosed in Note 17.

Accounting Policies

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. Loan payables to related entities are callable on demand and therefore classified as a current liability.

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

The fair value of the Trust's interest bearing borrowings as disclosed in Note 27 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 Trust's borrowing rate at the balance date, for debt with similar maturity, credit risk and terms.

	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 16 OTHER FINANCIAL LIABILITIES		
Property linked notes		
Current	–	416.6
Non current	673.7	595.9
	673.7	1,012.5

The Property Linked Notes (Notes) are designed to provide returns based on the economic performance of certain Westfield Australian super regional and regional shopping centres. When the Notes were originally issued, these centres were: Parramatta, Hornsby and Burwood in Sydney, Southland in Melbourne, Tea Tree Plaza in Adelaide and Belconnen in the Australian Capital Territory (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). 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 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 Scentre Group. The Notes are guaranteed (on a subordinated basis) by SGL and RE1 Limited as responsible entity of SGT2.

During the year, \$416.6 million (31 December 2016: \$161.5 million) of the Notes were repaid and terminated. The review dates for the remaining Notes linked to Parramatta, Southland and Hornsby are 31 December 2021, 2022 and 2023, respectively. The coupon on the remaining Notes is payable quarterly on 15 March, 15 June, 15 September and 15 December each year for as long as the Notes remain outstanding.

Accounting Policies

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.

31 Dec 17
\$million

31 Dec 16
\$million

NOTE 17 DERIVATIVE ASSETS AND LIABILITIES

(a) Derivative assets

Current

Receivables on currency derivatives hedging borrowings in foreign currency	35.6	–
	35.6	–

Non current

Receivables on currency derivatives hedging borrowings in foreign operations	–	0.1
Receivables on currency derivatives hedging borrowings in foreign currency	310.7	421.2
Receivables on interest rate derivatives	165.0	255.7
	475.7	677.0

(b) Derivative liabilities

Current

Payables on currency derivatives hedging investments in foreign operations	–	6.2
Payables on interest rate derivatives	5.3	2.6
	5.3	8.8

Non current

Payables on currency derivatives hedging borrowings in foreign operations	–	3.6
Payables on currency derivatives hedging borrowings in foreign currency	130.0	140.1
Payables on interest rate derivatives	198.7	173.6
	328.7	317.3

The Trust 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 2017, when these netting arrangements are applied to the derivative portfolio, derivative assets of \$511.3 million would be reduced by \$332.2 million to the net amount of \$179.1 million and derivative liabilities of \$334.0 million would be reduced by \$332.2 million to the net amount of \$1.8 million. As at 31 December 2016, derivative assets of \$677.0 million would be reduced by \$323.1 million to the net amount of \$353.9 million and derivative liabilities of \$326.1 million would be reduced by \$323.1 million to the net amount of \$3.0 million.

Accounting Policies

Derivative financial instruments

The Trust utilises derivative financial instruments, including forward exchange contracts, 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.

Scentre Group has set defined policies and a comprehensive hedging program to manage interest and exchange rate risks. Derivative instruments are transacted to achieve the economic outcomes in line with Scentre Group's treasury policy and hedging program. Derivative instruments are not transacted for speculative purposes. Accounting standards require detailed compliance with documentation, designation and effectiveness parameters before a derivative financial instrument is deemed to qualify for hedge accounting treatment. As these requirements are not met, derivative instruments, other than currency derivatives that hedge net investments in foreign operations, are deemed not to qualify for hedge accounting and changes in fair value are recorded in the income statement.

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 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 17 No. of units	31 Dec 16 No. of units
NOTE 18 CONTRIBUTED EQUITY		
(a) Number of units on issue		
Balance at the beginning and end of the year	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 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).

	31 Dec 17 \$million	31 Dec 16 \$million
(b) Amount of contributed equity attributable to members of SGT1		
Balance at the beginning and end of the year	1,658.1	1,658.1

Accounting Policies

Contributed equity

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

	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 19 RESERVES		
Foreign currency translation reserve	10.9	27.2
Balance at the end of the year	10.9	27.2

Movement in foreign currency translation reserve

The foreign currency translation reserve is used 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	27.2	41.9
Foreign exchange movement		
– realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting ^①	(13.1)	4.6
– accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	(3.2)	(19.3)
Balance at the end of the year	10.9	27.2

^① Comprises net exchange loss on translation of foreign operations of \$16.5 million (31 December 2016: gain of \$11.7 million) and net realised and unrealised gain on asset hedging derivatives which qualify for hedge accounting of \$3.4 million (31 December 2016: loss of \$7.1 million).

Accounting Policies

Translation of accounts of foreign operations

The functional and presentation currency of the Trust and its Australian controlled entities is Australian dollars. The functional currency of the 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 Trust to be reported in a common currency.

The balance sheets of foreign controlled entities and equity accounted investments are translated at exchange rates ruling at balance date and the income statement of foreign controlled entities and equity accounted investments are translated at average exchange rates for the period. Exchange differences arising on translation of the interests in foreign operations are taken directly to the foreign currency translation reserve.

Refer to Note 17 for other items included in foreign currency translation reserve.

	Note	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 20 RETAINED PROFITS			
Movement in retained profits			
Balance at the beginning of the year		5,487.5	4,502.9
Profit after tax for the period		1,872.8	1,402.6
Distributions paid	7(b)	(404.7)	(418.0)
Balance at the end of the year		6,955.6	5,487.5

NOTE 21 CAPITAL RISK MANAGEMENT

Scentre Group, of which the Trust forms part, operates as a single economic entity with a common board of Directors and management team.

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

Scentre 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. Scentre Group continuously reviews its capital structure to ensure:

- sufficient funds and financing facilities, on a cost effective basis, are available to implement Scentre 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.

Scentre 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.

Scentre Group also protects its equity in assets through insurance.

NOTE 22 FINANCIAL RISK MANAGEMENT

Scentre Group, of which the Trust forms part, operates as a single economic entity with a common board of Directors and management team.

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

The Trust manages its exposure to key financial risks in accordance with Scentre 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.

Scentre Group's treasury risk management policies are established to identify and analyse the risks faced by the Trust, 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 Trust's activities. Scentre 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 Trust's treasury management objectives.

Scentre 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 Scentre Group's Executive Committee.

Scentre Group uses different methods to measure and manage different types of risks to which the Trust is exposed. These include monitoring levels of exposure to interest rates, foreign exchange, liquidity and credit risk. The Trust 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 Trust's operations, cash flows, interest bearing liabilities and its net investments in foreign operations. Scentre 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 23 INTEREST RATE RISK MANAGEMENT

The Trust is exposed to interest rate risk on its borrowings and derivative financial instruments. This risk is managed by the Trust 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 Trust 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 Trust 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 17 \$million	31 Dec 16 \$million
Principal amounts of all interest bearing liabilities and derivative liabilities:			
Interest bearing liabilities	15	8,554.4	8,700.8
Share of equity accounted entities' interest bearing liabilities	2(c)	18.5	16.3
Cross currency swaps			
– A\$	24(ii)	7,409.6	7,409.6
Total interest bearing liabilities		15,982.5	16,126.7
Principal amounts of all interest bearing assets and derivative assets:			
Loan receivables from related entities			
– A\$	13, 35(b)	794.1	1,469.3
Cross currency swaps			
– US\$2,350.0 million (31 December 2016: US\$2,350.0 million)	24(ii)	3,009.3	3,260.3
– £800.0 million (31 December 2016: £800.0 million)	24(ii)	1,384.3	1,369.6
– €2,100.0 million (31 December 2016: €2,100.0 million)	24(ii)	3,228.3	3,063.9
Cash	2(c)	21.0	23.7
Total interest bearing assets		8,437.0	9,186.8

Principal amounts of net interest bearing liabilities	7,545.5	6,939.9
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Principal amounts of fixed interest rate liabilities:

Fixed rate debt			
– A\$	23(ii)	400.0	400.0
– £800.0 million (31 December 2016: £800.0 million)	23(ii)	1,384.3	1,369.6
– US\$2,350.0 million (31 December 2016: US\$2,350.0 million)	23(ii)	3,009.3	3,260.3
– €1,700.0 million (31 December 2016: €1,700.0 million)	23(ii)	2,613.4	2,480.3
Fixed rate derivatives			
– A\$	23(ii)	7,038.5	6,984.5
– NZ\$290.0 million (31 December 2016: NZ\$325.0 million)	23(ii)	263.6	312.7
Interest rate options			
– NZ\$70.0 million (31 December 2016: NZ\$70.0 million)	23(iii)	63.6	67.3
Principal amounts on which interest rate payable exposure has been hedged		14,772.7	14,874.7

Principal amounts of fixed interest rate assets:

Fixed rate derivatives			
– £800.0 million (31 December 2016: £800.0 million)	23(ii)	1,384.3	1,369.6
– US\$2,350.0 million (31 December 2016: US\$2,350.0 million)	23(ii)	3,009.3	3,260.3
– €1,700.0 million (31 December 2016: €1,700.0 million)	23(ii)	2,613.4	2,480.3
Principal amounts on which interest rate receivable exposure has been hedged		7,007.0	7,110.2

Principal amounts of net interest bearing liabilities hedged by fixed rate debt and derivatives	7,765.7	7,764.5
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At 31 December 2017, the Trust has hedged 103% of its net interest bearing liabilities by way of fixed rate borrowings, interest rate swaps and interest rate options of varying durations. The additional 3% is exposed to floating rates on a principal of \$220.2 million, at an average interest rate of 3.1%, including margin (31 December 2016: 112% hedged with floating exposure on a principal of \$824.6 million at an average rate of 3.2%). After excluding net intercompany loan receivables of \$496.7 million (31 December 2016: \$1,265.0 million), the net interest payable exposure would be 97% hedged (31 December 2016: 95%). Changes to the fair value of derivatives due to interest rate movements are set out in Notes 23(ii) and 23(iii).

Interest rate sensitivity

The sensitivity of interest expense to changes in the floating exposure interest rate is proportional. An increase or decrease in interest rates of 100 basis points would decrease or increase interest expense by \$2.2 million (31 December 2016: \$8.2 million) for each year thereafter.

NOTE 23 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 Trust's 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 17 Notional principal amount million	31 Dec 17 Average rate	31 Dec 17 Principal amount million	31 Dec 17 Average rate including margin	31 Dec 16 Notional principal amount million	31 Dec 16 Average rate	31 Dec 16 Principal amount million	31 Dec 16 Average rate including margin
A\$ payable								
31 December 2016	–	–	–	–	A\$(6,984.5)	2.80%	A\$(400.0)	4.50%
31 December 2017	A\$(7,038.5)	2.81%	A\$(400.0)	4.50%	A\$(7,023.5)	2.81%	A\$(400.0)	4.50%
31 December 2018	A\$(7,025.0)	2.82%	A\$(400.0)	4.50%	A\$(7,010.0)	2.82%	A\$(400.0)	4.50%
31 December 2019	A\$(6,015.0)	2.76%	A\$(400.0)	4.50%	A\$(6,000.0)	2.76%	A\$(400.0)	4.50%
31 December 2020	A\$(4,505.0)	2.78%	A\$(400.0)	4.50%	A\$(4,490.0)	2.78%	A\$(400.0)	4.50%
31 December 2021	A\$(3,295.0)	2.91%	–	–	A\$(3,280.0)	2.91%	–	–
31 December 2022	A\$(1,785.0)	2.79%	–	–	A\$(1,770.0)	2.80%	–	–
31 December 2023	A\$(515.0)	2.65%	–	–	A\$(500.0)	2.66%	–	–
£ receivable/(payable)								
31 December 2016	–	–	–	–	£800.0	3.13%	£(800.0)	3.13%
31 December 2017	£800.0	3.13%	£(800.0)	3.13%	£800.0	3.13%	£(800.0)	3.13%
31 December 2018	£800.0	3.13%	£(800.0)	3.13%	£800.0	3.13%	£(800.0)	3.13%
31 December 2019	£800.0	3.13%	£(800.0)	3.13%	£800.0	3.13%	£(800.0)	3.13%
31 December 2020	£800.0	3.13%	£(800.0)	3.13%	£800.0	3.13%	£(800.0)	3.13%
31 December 2021	£800.0	3.13%	£(800.0)	3.13%	£800.0	3.13%	£(800.0)	3.13%
31 December 2022	£400.0	3.88%	£(400.0)	3.88%	£400.0	3.88%	£(400.0)	3.88%
31 December 2023	£400.0	3.88%	£(400.0)	3.88%	£400.0	3.88%	£(400.0)	3.88%
31 December 2024	£400.0	3.88%	£(400.0)	3.88%	£400.0	3.88%	£(400.0)	3.88%
31 December 2025	£400.0	3.88%	£(400.0)	3.88%	£400.0	3.88%	£(400.0)	3.88%
US\$ receivable/(payable)								
31 December 2016	–	–	–	–	US\$2,350.0	2.85%	US\$(2,350.0)	2.85%
31 December 2017	US\$2,350.0	2.85%	US\$(2,350.0)	2.85%	US\$2,350.0	2.85%	US\$(2,350.0)	2.85%
31 December 2018	US\$2,350.0	2.85%	US\$(2,350.0)	2.85%	US\$2,350.0	2.85%	US\$(2,350.0)	2.85%
31 December 2019	US\$1,600.0	3.07%	US\$(1,600.0)	3.07%	US\$1,600.0	3.07%	US\$(1,600.0)	3.07%
31 December 2020	US\$1,600.0	3.07%	US\$(1,600.0)	3.07%	US\$1,600.0	3.07%	US\$(1,600.0)	3.07%
31 December 2021	US\$1,100.0	3.39%	US\$(1,100.0)	3.39%	US\$1,100.0	3.39%	US\$(1,100.0)	3.39%
31 December 2022	US\$1,100.0	3.39%	US\$(1,100.0)	3.39%	US\$1,100.0	3.39%	US\$(1,100.0)	3.39%
31 December 2023	US\$1,100.0	3.39%	US\$(1,100.0)	3.39%	US\$1,100.0	3.39%	US\$(1,100.0)	3.39%
31 December 2024	US\$1,100.0	3.39%	US\$(1,100.0)	3.39%	US\$1,100.0	3.39%	US\$(1,100.0)	3.39%
€ receivable/(payable)								
31 December 2016	–	–	–	–	€1,700.0	1.73%	€(1,700.0)	1.73%
31 December 2017	€1,700.0	1.73%	€(1,700.0)	1.73%	€1,700.0	1.73%	€(1,700.0)	1.73%
31 December 2018	€1,700.0	1.73%	€(1,700.0)	1.73%	€1,700.0	1.73%	€(1,700.0)	1.73%
31 December 2019	€1,700.0	1.73%	€(1,700.0)	1.73%	€1,700.0	1.73%	€(1,700.0)	1.73%
31 December 2020	€1,100.0	1.85%	€(1,100.0)	1.85%	€1,100.0	1.85%	€(1,100.0)	1.85%
31 December 2021	€1,100.0	1.85%	€(1,100.0)	1.85%	€1,100.0	1.85%	€(1,100.0)	1.85%
31 December 2022	€1,100.0	1.85%	€(1,100.0)	1.85%	€1,100.0	1.85%	€(1,100.0)	1.85%
31 December 2023	€600.0	2.25%	€(600.0)	2.25%	€600.0	2.25%	€(600.0)	2.25%
NZ\$ payable								
31 December 2016	–	–	–	–	NZ\$(325.0)	3.29%	–	–
31 December 2017	NZ\$(290.0)	3.17%	–	–	NZ\$(290.0)	3.17%	–	–
31 December 2018	NZ\$(210.0)	3.34%	–	–	NZ\$(210.0)	3.34%	–	–
31 December 2019	NZ\$(230.0)	3.45%	–	–	NZ\$(230.0)	3.45%	–	–
31 December 2020	NZ\$(180.0)	3.43%	–	–	NZ\$(180.0)	3.43%	–	–
31 December 2021	NZ\$(100.0)	3.36%	–	–	NZ\$(100.0)	3.36%	–	–
31 December 2022	NZ\$(50.0)	3.26%	–	–	NZ\$(50.0)	3.26%	–	–

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 23 INTEREST RATE RISK MANAGEMENT (CONTINUED)

Summary of interest rate positions at balance date (continued)

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

The Trust'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. As at 31 December 2017, the aggregate fair value is a payable of \$37.9 million (31 December 2016: receivable of \$80.9 million). The change in fair value for the year ended 31 December 2017 was a loss of \$118.8 million (31 December 2016: gain of \$106.5 million).

Fair value sensitivity	Interest rate movement	31 Dec 17 \$million	31 Dec 16 \$million
The sensitivity of fair value of interest rate swaps to changes in interest rates is as follows:			(Increase)/decrease in interest expense
	-2.0%	210.3	254.2
	-1.0%	97.5	116.8
	-0.5%	45.6	55.3
	0.5%	(41.2)	(48.4)
	1.0%	(78.5)	(90.9)
	2.0%	(139.6)	(160.7)

The assumed movement in basis points for the interest rate sensitivity analysis is based on the current observable market environment.

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.

(iii) Interest rate options

Notional principal and contracted rates of the Trust's interest rate options:

	Interest rate options			Interest rate options		
	31 Dec 17	31 Dec 17	31 Dec 17	31 Dec 16	31 Dec 16	31 Dec 16
Interest rate options contracted and outstanding as at the reporting date	Maturity	Notional principal amount million	Average strike rates	Maturity	Notional principal amount million	Average strike rates
NZ\$ payable collar	Jan 19	NZ\$(70.0)	3.39%-5.25%	Jan 19	NZ\$(70.0)	3.39%-5.25%

The Trust'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 2017, the aggregate fair value is a payable of \$1.1 million (31 December 2016: \$1.4 million). The change in fair value for the year ended 31 December 2017 was a gain of \$0.3 million (31 December 2016: loss of \$0.3 million).

The sensitivity of the fair value of interest rate options to changes in interest rates is insignificant.

NOTE 24 EXCHANGE RATE RISK MANAGEMENT

The Trust 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 Trust 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 Trust'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 17 million	31 Dec 16 million
Foreign currency net investments			
New Zealand Dollar			
NZ\$ net assets		NZ\$584.8	NZ\$607.1
NZ\$ borrowings		NZ\$(337.8)	NZ\$(220.3)
NZ\$ currency swaps	24(i)	–	NZ\$(146.6)
NZ\$ denominated net assets		NZ\$247.0	NZ\$240.2
US Dollar			
US\$ net assets		–	US\$0.1
US\$ borrowings		US\$(2,350.0)	US\$(2,350.0)
US\$ cross currency swaps	24(ii)	US\$2,350.0	US\$2,350.0
US\$ denominated net assets		–	US\$0.1
British Pound			
£ borrowings		£(800.0)	£(800.0)
£ cross currency swaps	24(ii)	£800.0	£800.0
£ denominated net assets		–	–
Euro			
€ borrowings		€(2,100.0)	€(2,100.0)
€ cross currency swaps	24(ii)	€2,100.0	€2,100.0
€ denominated net assets		–	–

NOTE 24 EXCHANGE RATE RISK MANAGEMENT (CONTINUED)

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

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

Where the Trust 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.

Foreign currency sensitivity		31 Dec 17 \$million	31 Dec 16 \$million
The sensitivity of NZ\$ denominated net assets to changes in the year end A\$/NZ\$1.002 rate (31 December 2016: 1.0395) is as follows:	A\$/NZ\$ Currency movement		Gain/(loss) to foreign currency translation reserve
	-20 cents	49.9	55.1
	-10 cents	22.4	24.6
	-5 cents	10.7	11.7
	+5 cents	(9.8)	(10.6)
	+10 cents	(18.7)	(20.3)
	+20 cents	(34.5)	(37.3)

The assumed currency movement for the foreign currency sensitivity analysis is based on the current observed market environment.

The sensitivity of US\$, £ and € denominated net assets to changes in exchange rates is insignificant.

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

The following table summarises the foreign currency swaps outstanding at reporting date. These contracts were designated as hedges of net investment in foreign operations.

Foreign exchange contracts as at the reporting date and outstanding at	Weighted average exchange rate		Amount receivable/(payable) million			
	31 Dec 17	31 Dec 16	31 Dec 17	31 Dec 17	31 Dec 16	31 Dec 16
Contracts to receive A\$ and pay NZ\$						
31 December 2016	–	1.1250	–	–	A\$130.4	NZ\$(146.6)
31 December 2017	–	1.1306	–	–	A\$47.9	NZ\$(54.1)

The pay NZ\$ exposure was an effective net investment hedge and was recorded directly in the foreign currency translation reserve. As at 31 December 2017, the aggregate fair value is nil (31 December 2016: payable of \$9.7 million). The change in fair value for the year ended 31 December 2017 was a gain of \$9.7 million (31 December 2016: loss of \$1.2 million).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 24 EXCHANGE RATE RISK MANAGEMENT (CONTINUED)

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

The Trust has transacted cross currency swaps in respect of its foreign currency assets and liabilities outstanding at reporting date. These contracts do not qualify as hedges of net investments in foreign operations.

Cross currency swaps contracted as at the reporting date and outstanding at	Weighted average exchange rate		Amount receivable/(payable) million			
	31 Dec 17	31 Dec 16	31 Dec 17	31 Dec 17	31 Dec 16	31 Dec 16
US\$						
Contracts to receive US\$ and pay A\$						
31 December 2016	–	0.8270	–	–	A\$(2,841.5)	US\$2,350.0
31 December 2017	0.8270	0.8270	A\$(2,841.5)	US\$2,350.0	A\$(2,841.5)	US\$2,350.0
31 December 2018	0.8270	0.8270	A\$(2,841.5)	US\$2,350.0	A\$(2,841.5)	US\$2,350.0
31 December 2019	0.8009	0.8009	A\$(1,997.7)	US\$1,600.0	A\$(1,997.7)	US\$1,600.0
31 December 2020	0.8009	0.8009	A\$(1,997.7)	US\$1,600.0	A\$(1,997.7)	US\$1,600.0
31 December 2021	0.8155	0.8155	A\$(1,348.9)	US\$1,100.0	A\$(1,348.9)	US\$1,100.0
31 December 2022	0.8155	0.8155	A\$(1,348.9)	US\$1,100.0	A\$(1,348.9)	US\$1,100.0
31 December 2023	0.8155	0.8155	A\$(1,348.9)	US\$1,100.0	A\$(1,348.9)	US\$1,100.0
31 December 2024	0.8155	0.8155	A\$(1,348.9)	US\$1,100.0	A\$(1,348.9)	US\$1,100.0
£						
Contracts to receive £ and pay A\$						
31 December 2016	–	0.5311	–	–	A\$(1,506.2)	£800.0
31 December 2017	0.5311	0.5311	A\$(1,506.2)	£800.0	A\$(1,506.2)	£800.0
31 December 2018	0.5311	0.5311	A\$(1,506.2)	£800.0	A\$(1,506.2)	£800.0
31 December 2019	0.5311	0.5311	A\$(1,506.2)	£800.0	A\$(1,506.2)	£800.0
31 December 2020	0.5311	0.5311	A\$(1,506.2)	£800.0	A\$(1,506.2)	£800.0
31 December 2021	0.5311	0.5311	A\$(1,506.2)	£800.0	A\$(1,506.2)	£800.0
31 December 2022	0.5491	0.5491	A\$(728.5)	£400.0	A\$(728.5)	£400.0
31 December 2023	0.5491	0.5491	A\$(728.5)	£400.0	A\$(728.5)	£400.0
31 December 2024	0.5491	0.5491	A\$(728.5)	£400.0	A\$(728.5)	£400.0
31 December 2025	0.5491	0.5491	A\$(728.5)	£400.0	A\$(728.5)	£400.0
€						
Contracts to receive € and pay A\$						
31 December 2016	–	0.6858	–	–	A\$(3,061.9)	€2,100.0
31 December 2017	0.6858	0.6858	A\$(3,061.9)	€2,100.0	A\$(3,061.9)	€2,100.0
31 December 2018	0.6847	0.6847	A\$(2,482.7)	€1,700.0	A\$(2,482.7)	€1,700.0
31 December 2019	0.6847	0.6847	A\$(2,482.7)	€1,700.0	A\$(2,482.7)	€1,700.0
31 December 2020	0.6816	0.6816	A\$(1,613.8)	€1,100.0	A\$(1,613.8)	€1,100.0
31 December 2021	0.6816	0.6816	A\$(1,613.8)	€1,100.0	A\$(1,613.8)	€1,100.0
31 December 2022	0.6816	0.6816	A\$(1,613.8)	€1,100.0	A\$(1,613.8)	€1,100.0
31 December 2023	0.6903	0.6903	A\$(869.2)	€600.0	A\$(869.2)	€600.0

As at 31 December 2017, none of the above described foreign exchange derivatives qualify for hedge accounting treatment. Changes in fair value have been reflected in the income statement. As at 31 December 2017, the aggregate fair value is a receivable of \$216.3 million (31 December 2016: \$281.1 million). The change in fair value for the year ended 31 December 2017 was a loss of \$64.8 million (31 December 2016: \$259.4 million).

The foreign currency receivable exposures above are matched to the foreign currency borrowings disclosed in Note 15, therefore the income statement is not affected by any movements in exchange rates in relation to these net positions.

NOTE 25 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 Trust. Credit limits have been established to ensure that the Trust 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 Trust, 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.

The maximum exposure to credit risk at balance date is the aggregate of the carrying amounts of financial assets as disclosed in Note 27. The credit risk in respect of derivative financial instruments was with a related entity within Scentre Group.

The Trust 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 Trust prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

Interest bearing liabilities, financing facilities and their maturity profiles are disclosed in Note 15. The maturity profiles of the principal amounts of the interest bearing liabilities including aggregate future estimated nominal interest and the estimated future nominal cashflows of derivative financial instruments are set out below:

	31 Dec 17 \$million	31 Dec 16 \$million
Interest bearing liabilities and interest		
Due within one year	(1,119.0)	(421.7)
Due between one year and five years	(4,468.6)	(4,728.4)
Due after five years	(4,036.8)	(4,865.2)
	(9,624.4)	(10,015.3)
Comprising:		
– principal amounts of current and non current interest bearing liabilities	(8,554.4)	(8,700.8)
– aggregate future estimated nominal interest	(1,070.0)	(1,314.5)
	(9,624.4)	(10,015.3)
Derivatives inflows/(outflows)		
Due within one year	(100.9)	(145.9)
Due between one year and five years	(268.5)	(167.1)
Due after five years	84.1	(28.7)
	(285.3)	(341.7)

The non interest bearing loan payables to related entities disclosed in Note 14 and the contingent liabilities set out in Note 32 and are not included in the amounts shown above.

NOTE 26 FINANCIAL COVENANTS

Scentre Group, of which the Trust is part, is required to comply with certain financial covenants in respect of its unsecured borrowing 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).

As at and during the years ended 31 December 2017 and 2016, Scentre Group was in compliance with all the above financial covenants.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 27 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

	Fair value hierarchy	Fair value 31 Dec 17 \$million	31 Dec 16 \$million	Carrying amount 31 Dec 17 \$million	31 Dec 16 \$million
Consolidated assets					
Cash and cash equivalents		11.0	11.0	11.0	11.0
Trade debtors ^(a)		0.3	1.1	0.3	1.1
Receivables					
– Interest bearing loan receivables ^(a)	Level 2	794.1	1,469.3	794.1	1,469.3
– Other receivables ^(a)		92.7	208.0	92.7	208.0
Derivative assets ^(a)	Level 2	511.3	677.0	511.3	677.0
Consolidated liabilities					
Payables ^(a)		1,338.2	1,306.2	1,338.2	1,306.2
Interest bearing liabilities ^(a)					
– Fixed rate debt	Level 2	7,662.7	7,723.6	7,407.0	7,510.2
– Floating rate debt	Level 2	1,149.2	1,193.3	1,147.4	1,190.6
Other financial liabilities ^(a)	Level 3	673.7	1,012.5	673.7	1,012.5
Derivative liabilities ^(a)	Level 2	334.0	326.1	334.0	326.1

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

^(a) 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 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 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 year, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

	Property linked notes ^(a) 31 Dec 17 \$million	Property linked notes ^(a) 31 Dec 16 \$million
Level 3 fair value movements		
Balance at the beginning of the year	1,012.5	1,154.9
Repayment of other financial liabilities	(416.6)	(161.5)
Net fair value loss included in financing costs in the income statement	77.8	19.1
Balance at the end of the year	673.7	1,012.5

^(a) The fair value of the property linked notes has been determined by reference to the fair value of the relevant Westfield shopping centres (refer Note 16).

Investment properties are considered Level 3, refer to Note 3: Investment Properties for relevant fair value disclosures.

NOTE 28 OTHER SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation and classification

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

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.

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 Responsible Entity 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 SGT1.

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 SGT1 being 31 December.

NOTE 28 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation and classification (continued)

ii) Joint arrangements

Joint operations

The Trust 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 Trust 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 Trust 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 Trust 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 Trust's share of net assets of the joint ventures. The consolidated income statement reflects the Trust'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.

(b) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on purchase of goods and services is not recoverable from the tax authority, in which case the GST 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 GST included.

The net amount of GST 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 GST 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 GST recoverable from, or payable to, the taxation authority.

(c) Recoverable amount of assets

At each reporting date, the Trust assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Trust 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.

NOTE 29 SHARE BASED PAYMENTS

Performance Rights – Short Term Incentives (STI) and Long Term Incentives (LTI) issued to employees of related entities

As at 31 December 2017, there were 10,951,853 (31 December 2016: 10,651,290) performance rights held by participants in Scentre Group's Performance Rights Plan. A performance right is the right, for no payment, to receive Scentre Group stapled securities or a cash equivalent on vesting. As at 31 December 2017, the 10,951,853 (31 December 2016: 10,651,290) performance rights held by participants equated to 10,951,853 (31 December 2016: 10,651,290) Scentre Group stapled securities. A description of the Performance Rights Plan is in Scentre Group's Remuneration Report in the 2017 Annual Financial Report.

	31 Dec 17 Number of rights	31 Dec 16 Number of rights
Vesting profile – Performance Rights – STI and LTI		
2017	–	4,208,412
2018	5,039,293	5,054,341
2019	4,510,707	1,282,500
2020	1,401,853	106,037
	10,951,853	10,651,290
	31 Dec 17 \$million	31 Dec 16 \$million

NOTE 30 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 Trust 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	787.1	792.5
Due between one year and five years	1,989.7	1,963.4
Due after five years	1,065.5	1,089.3
	3,842.3	3,845.2

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 31 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:

	31 Dec 17 \$million	31 Dec 16 \$million
Due within one year	346.6	242.5
Due between one year and five years	204.8	79.1
	551.4	321.6

NOTE 32 CONTINGENT LIABILITIES

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

Performance guarantees	0.3	3.8
Guaranteed borrowings of associates of the Responsible Entity	3,980.1	3,052.4
	3,980.4	3,056.2

The Trust has provided guarantees in respect of certain Westfield Corporation joint venture operations in the United Kingdom. Under the Restructure and Merger Implementation Deed, the Trust and Westfield Corporation have cross indemnified each other for any claims that may be made or payment that may be required under such guarantees.

The Trust's obligation in respect of performance guarantees may be called on at any time dependent upon the performance or non performance of certain third parties.

From time to time, in the normal course of business, the Trust 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 Trust.

NOTE 33 PARENT ENTITY

The Parent Entity 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 Entity is disclosed as follows:

	31 Dec 17 \$million	31 Dec 16 \$million
(a) Assets		
Current assets	1,079.0	1,808.0
Non current assets	18,007.2	16,371.2
Total assets	19,086.2	18,179.2
(b) Liabilities		
Current liabilities	2,052.8	1,825.7
Non current liabilities	8,408.8	9,180.7
Total liabilities	10,461.6	11,006.4
(c) Equity		
Contributed equity	1,658.1	1,658.1
Reserves	7,308.7	6,516.0
Retained profits	(342.2)	(1,001.3)
Total equity	8,624.6	7,172.8
(d) Comprehensive income		
Profit after tax for the period	1,063.8	817.5
Other comprehensive income	792.7	570.4
Total comprehensive income for the period	1,856.5	1,387.9
(e) Contingent liabilities		
Performance guarantees	0.3	0.1
Guaranteed borrowings of associates of the Responsible Entity	3,980.1	3,052.4
Total contingent liabilities	3,980.4	3,052.5
	31 Dec 17 \$'000	31 Dec 16 \$'000

NOTE 34 AUDITOR'S REMUNERATION

Amounts received or due and receivable by the auditor of the Parent Entity and any other entity in the Trust for:

- Audit or review of the financial reports	578	555
- Assurance and compliance services	410	454
	988	1,009

Amounts received or due and receivable by affiliates of the auditor of the Parent Entity for:

- Audit or review of the financial reports	129	116
- Assurance and compliance services	19	19
	148	135
	1,136	1,144

NOTE 35 RELATED PARTY DISCLOSURES

Information required to be disclosed concerning relationships, transactions and balances with related parties of the Trust is set out in this Note unless disclosed elsewhere in this financial report.

The Trust forms part of Scentre Group and the related party disclosures for Scentre Group have the same applicability to it. As such while the related party disclosures below make reference to Scentre Group, they also relate to the Trust.

Nature of relationship with related parties

Key Management Personnel of the Trust

Refer to Note 36 for details of Key Management Personnel.

Other Related Parties

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 Scentre Group. This is due to LFG being under the control or significant influence of Mr Steven Lowy, a Non-Executive Director of Scentre Group.

The Lowy Institute for International Policy (the Lowy Institute) is considered to be a related party of Scentre Group. This is due to the entity being under the control or significant influence of Mr Steven Lowy, a Non-Executive Director of Scentre Group.

SGL, SGT2 and SGT3 are considered to be related parties of the Trust, as their securities are stapled to the securities of SGT1 to form Scentre Group.

Transactions and their terms and conditions with related parties

Transactions with Key Management Personnel of the Trust

Refer to Note 36 for details of Key Management Personnel.

Transactions with Other Related Parties

(a) LFG and the Lowy Institute

Scentre Group has a leasing agreement with LFG to provide office space at Westfield Sydney. Scentre Group charged LFG \$2,001,870 (31 December 2016: \$1,914,501) for lease of office space at Westfield Sydney on commercial arm's length terms.

During the financial year, Scentre Group provided development services to LFG and the Lowy Institute totalling \$5,360 (31 December 2016: \$45,270). The amounts charged were on commercial arm's length terms.

There were no amounts payable to or receivable from LFG and the Lowy Institute as at 31 December 2017 (31 December 2016: nil).

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 2017 (31 December 2016: nil).

Scentre Group has established protocols governing transactions with other related parties which are monitored and reviewed by the Audit and Risk Committee.

(b) Scentre Group Limited, Scentre Group Trust 2 and Scentre Group Trust 3

During the year the Trust and SGL transacted on normal commercial terms with respect to the following:

Property management fee

Property management fee of \$55.4 million (31 December 2016: \$54.8 million) of which \$4.9 million was payable to SGL as at 31 December 2017 (31 December 2016: \$4.6 million).

Manager's service charge

Manager's service charge expensed of \$10.3 million (31 December 2016: \$10.0 million) of which \$2.5 million was payable to SGL as at 31 December 2017 (31 December 2016: \$2.4 million).

Reimbursement of expenses

Reimbursement of shopping centre indirect overhead expenses of \$22.0 million (31 December 2016: \$22.2 million).

Tenancy coordination fees

Tenancy coordination fees of \$4.4 million (31 December 2016: \$4.3 million).

Construction contracts

Amounts charged (excluding GST) by SGL for construction contracts amounted to \$335.4 million (31 December 2016: \$322.7 million).

Loans

Loans to/from SGL

During the year, an A\$ interest bearing loan of \$644.7 million from the Trust to SGL was repaid. The interest income for the year on this loan was \$7.0 million (31 December 2016: \$14.4 million).

During the year, the Trust had an A\$ non-interest bearing loan from SGL. As at 31 December 2017, the balance of the loan is a payable of \$978.4 million (31 December 2016: \$978.4 million).

Loans to SGT2

During the year, the Trust had an A\$ interest bearing loan to SGT2. As at 31 December 2017, the balance of the loan is a receivable of \$794.1 million (31 December 2016: \$824.6 million), with accrued interest receivable of \$0.3 million (31 December 2016: \$0.1 million). Interest accrues on the loan based on a floating rate. The interest income for the year in respect of the loan to SGT2 was \$25.0 million (31 December 2016: \$26.9 million).

Loans from SGT3

During the year, the Trust had a NZ\$ interest bearing loan from SGT3. As at 31 December 2017, the balance of the loan is a payable of \$297.4 million (31 December 2016: \$204.3 million), with accrued interest payable of \$1.6 million (31 December 2016: \$1.2 million). Interest accrues on the loan based on a floating rate. The interest expense for the year in respect of the loan from SGT3 was \$7.9 million (31 December 2016: \$7.6 million).

Facility Fees

During the year, the Trust reimbursed SGT2 for external facility related costs incurred on its behalf totalling \$8.4 million (31 December 2016: \$9.0 million).

Financial derivatives

The following financial derivatives are included in total derivatives disclosed in Notes 23(ii), 23(iii), 24(i) and 24(ii) and were transacted with SGL:

- i) As at 31 December 2017, the notional principals of interest rate swaps outstanding with SGL were A\$6,950.0 million and NZ\$290.0 million (31 December 2016: A\$6,900.0 million and NZ\$325.0 million). Net accrued interest payable was the A\$ equivalent of \$15.0 million (31 December 2016: \$13.5 million), which was based on the respective fixed and floating rates relating to the swapped cashflows. The net interest expense for the year in respect of these derivatives was \$79.4 million (31 December 2016: \$52.3 million).
- ii) As at 31 December 2017, the notional principal of interest rate options outstanding with SGL was NZ\$70.0 million (31 December 2016: NZ\$70.0 million). Net accrued interest payable was the A\$ equivalent of \$0.2 million (31 December 2016: \$0.2 million), which was based on the respective strike and floating rates of the derivative. The net interest expense for the year in respect of these derivatives was \$0.9 million (31 December 2016: \$0.6 million).
- iii) As at 31 December 2017, the notional principals of cross currency swaps outstanding with SGL were US\$2,350.0 million, £800.0 million and €2,100.0 million receivables and aggregate A\$7,409.6 million payable (31 December 2016: US\$2,350.0 million, £800.0 million and €2,100.0 million receivables and aggregate A\$7,409.6 million payable). Net accrued interest receivable was the A\$ equivalent of \$27.5 million (31 December 2016: \$27.8 million net receivable), which was based on the respective fixed and floating rates relating to the swapped cashflows. The net interest expense for the year in respect of these derivatives was \$64.1 million (31 December 2016: \$71.6 million). The net foreign currency loss in respect of the cross currency swap principals with SGL was \$64.8 million (31 December 2016: loss of \$259.4 million).
- iv) During the year, the Trust received net A\$130.4 million (31 December 2016: A\$173.6 million) from SGL in exchange for the Trust paying NZ\$146.6 million (31 December 2016: NZ\$185.9 million). The foreign currency contracts matured during the year and the net realised loss was \$6.9 million (31 December 2016: loss of \$5.4 million).

The Trust and SGL entered into additional foreign currency contracts during the year. The Trust received net A\$37.7 million (31 December 2016: nil) from SGL in exchange for the Trust paying net NZ\$41.1 million (31 December 2016: nil) to SGL. The foreign currency contracts matured during the year and the net loss from the contracts was \$0.5 million (31 December 2016: nil).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 36 DETAILS AND REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key Management Personnel are those individuals having the authority and responsibility for planning, directing and controlling the activities of the Trust, either directly or indirectly. The Non-Executive Directors, Chief Executive Officer and other senior executives are considered Key Management Personnel.

(a) Key Management Personnel

The Trust forms part of Scentre Group. Scentre Group's remuneration framework and philosophy and remuneration outcomes for the Key Management Personnel are detailed in the Remuneration Report in Scentre Group's 2017 Annual Financial Report.

The Responsible Entity does not have any employees. Key Management Personnel of the Trust are paid by related entities within Scentre Group.

As at 31 December 2017, the Board comprises 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

The Board of the Responsible Entity, Scentre Management Limited, is identical to the Board of Scentre Group Limited (SGL), the parent company of Scentre Group. Scentre Management Limited is a subsidiary of SGL. 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.

In addition to the Chief Executive Officer, during the year the following executives were Key Management Personnel:

Mark Bloom	Chief Financial Officer
Greg Miles	Chief Operating Officer

(b) Remuneration of Key Management Personnel

The Directors of the Responsible Entity receive remuneration in their capacity as Directors of the Responsible Entity.

These amounts are paid directly by SGL. Other Key Management Personnel are paid by Scentre Limited, a wholly owned subsidiary of SGL.

The Manager's service charge payable by the Trust to the Responsible Entity covers all costs in relation to the management of the Trust. The remuneration of the Key Management Personnel is not set by the Trust nor is it able to be influenced by the Trust. The remuneration of the Key Management Personnel is approved by the Board on the recommendation of the Human Resources Committee.

NOTE 37 DETAILS OF MATERIAL AND SIGNIFICANT ENTITIES

Name of entity	31 Dec 17 – Interest			31 Dec 16 – Interest		
	Beneficial ^(a) Parent Entity %	Scentre Group Trust 1 %	Consolidated or Equity accounted %	Beneficial ^(a) Parent Entity %	Scentre Group Trust 1 %	Consolidated or Equity accounted %
ENTITIES INCORPORATED IN AUSTRALIA						
Parent Entity						
Scentre Group Trust 1	100.0	100.0	100.0	100.0	100.0	100.0
Consolidated Controlled Entities						
Carindale Property Trust	56.6	56.6	100.0	53.0	53.0	100.0
Scentre Sub Trust G	100.0	100.0	100.0	100.0	100.0	100.0
Equity Accounted Entities						
Bondi Junction Trust	–	50.0	50.0	–	50.0	50.0
WestArt Trust	–	50.0	50.0	–	50.0	50.0
ENTITIES INCORPORATED IN NEW ZEALAND						
Consolidated Controlled Entities						
SCG1 Finance (NZ) Limited	100.0	100.0	100.0	100.0	100.0	100.0
SCG1 Finance (NZ) No. 2 Limited	100.0	100.0	100.0	100.0	100.0	100.0
Equity Accounted Entities						
Scentre NZ Holdings Limited	–	50.0	50.0	–	50.0	50.0

^(a) Beneficial interest in underlying controlled and equity accounted entities reflects the Parent Entity and the Trust's ownership interest as determined under International Financial Reporting Standards (IFRS).

NOTE 38 INVESTMENT IN CARINDALE PROPERTY TRUST

During the financial year, the Trust has acquired additional securities in Carindale Property Trust (CPT) increasing the Trust's interest in CPT to 56.6% (31 December 2016: 53.0%).

Directors' Declaration

The Directors of Scentre Management Limited, the Responsible Entity of Scentre Group Trust 1 (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;
- (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 2017 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.

Made on 16 March 2018 in accordance with a resolution of the Board of Directors.



Brian Schwartz AM
Chairman



Michael Ihlein
Director

16 March 2018

Independent Auditor's Report

TO MEMBERS OF SCENTRE GROUP TRUST 1



Ernst & Young Centre
200 George Street
Sydney NSW 2000 Australia
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www.ey.com/au

Report on the Audit of the Financial Report Opinion

We have audited the financial report of Scentre Group Trust 1 and its controlled entities (the Trust), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated income statement and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying financial report of the Trust is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated financial position of the Trust as at 31 December 2017 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Shopping Centre Investment Property Portfolio – Carrying values and revaluations

Why significant

The Trust holds economic interests in shopping centre investment properties which are carried at a fair value of \$18 billion at 31 December 2017. These include shopping centres recorded directly in the consolidated statement of financial position as investment properties and indirectly through equity accounted investments as disclosed in Note 4 of the financial report. Collectively they represent 91% of total assets.

Fair values were determined by the Trust at the end of the reporting period with changes in fair value recognised in the income statement.

We considered this to be a key audit matter as property valuations are based upon a number of assumptions which are judgmental in nature. Minor changes in certain assumptions can lead to significant changes in the valuation and the result of the Trust for the period.

Note 3 of the financial report discloses the sensitivity of these valuations to changes in key assumptions.

Note 3 of the financial report describes the accounting policy for these assets.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We analysed movements in the fair values of individual properties within the portfolio assets having regard to external market data and the performance of specific properties.
- In relation to property valuations, we considered the competence, capability and objectivity of valuation experts, evaluated the suitability of the scope and methodology used in the valuation reports and tested a sample of valuation reports for mathematical accuracy.
- For a sample of investment properties we considered the key inputs and assumptions used in the valuations, by:
 - assessing the appropriateness of valuation inputs in the context of the financial performance of the specific properties; and
 - assessing the valuation assumptions in the context of external market data and expectations developed in conjunction with EY real estate valuation specialists.

A sample of individual property valuations were evaluated by our real estate valuation specialists.

2. Interest Bearing Liabilities and Financing Costs

Why significant

The Trust has interest bearing liabilities of \$9 billion at 31 December 2017. During the year the Trust incurred \$376 million in financing and interest costs of which \$12 million has been capitalised to property under development.

The Trust has established a range of finance facilities with various terms, counterparties and currencies.

This was considered to be a key audit matter as the Trust's gearing, liquidity, solvency, covenant obligations and financing cost profile are influenced by this portfolio of interest bearing liabilities.

Note 15 of the financial report discloses the Trust's interest bearing liabilities and contains a description of the accounting policies treatment for these liabilities.

Note 10 of the financial report discloses the Trust's financing costs and contains a description of the accounting policies.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed the design and operating effectiveness of the Trust's processes over recording and reporting the terms and conditions of interest bearing liabilities, including their classification as either current or non-current and associated costs.
- We confirmed interest bearing liabilities to external third party sources.
- We tested the calculation of interest recognised as both expense and capitalised to properties under development during the period to assess whether these were calculated in accordance with Australian Accounting Standards.
- We assessed whether loans maturing within twelve months from the reporting date were classified as current liabilities.

3. Derivative Financial Instruments

Why significant

The Trust manages interest and foreign currency risks through the use of derivative financial instruments ("derivatives") which have been set out in Note 17, Note 23 and Note 24 of the financial report.

Fair value movements in derivatives are driven by movements in financial markets.

This was considered to be a key audit matter as the valuation of these instruments require judgement, are significant to the financial statements and require extensive disclosure in the financial report.

Note 17 of the financial report discloses the fair value of the Trust's derivative assets and liabilities outstanding at balance date and contains a description of the accounting policies for these instruments.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed the Trust's processes for recording, reviewing and reporting the terms and conditions of its derivatives.
- Our treasury specialists assessed the accuracy with which the Trust determined the fair value of derivative instruments and whether they were calculated in accordance with Australian Accounting Standards.
- We confirmed derivative financial instruments to third party sources.
- We tested that the fair value movements on derivatives during the period were recognised in the consolidated income statement.

Information other than the Financial Report and Auditor's Report

The Directors of Scentre Management Limited, the Responsible Entity of the Trust, are responsible for the other information. The other information comprises the information in the Trust's Annual Report for the year ended 31 December 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of Scentre Management Limited, the Responsible Entity of the Trust, 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 control as the Directors of Scentre Management Limited, the Responsible Entity of the Trust, determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors of Scentre Management Limited, the Responsible Entity of the Trust, are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors of Scentre Management Limited, the Responsible Entity of the Trust, either intend to liquidate the Trust or cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of Scentre Management Limited, the Responsible Entity of the Trust.
- Conclude on the appropriateness of the Directors' of Scentre Management Limited, the Responsible Entity of the Trust, use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit of the Trust. We remain solely responsible for our audit opinion.

We communicate with the Directors of Scentre Management Limited, the Responsible Entity of the Trust, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the Directors of Scentre Management Limited, the Responsible Entity of the Trust, with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors of Scentre Management Limited, the Responsible Entity of the Trust, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Ernst & Young

Sydney, 16 March 2018



Graham Ezzy
Partner

Liability limited by a scheme approved under Professional Standards Legislation.

Directors' Report

The Directors of Scentre Management Limited (Responsible Entity), the responsible entity of Scentre Group Trust 1 (the Trust or SGT1) submit the following report for the year ended 31 December 2017 (Financial Year).

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited (SGL), the Trust, Scentre Group Trust 2 (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.

1. OPERATIONS AND ACTIVITIES

1.1 Review of Operations and Results of Operations

The Trust's net profit for the Financial Year (attributable to members of SGT1) was \$1,872.8 million. The aggregate distribution (attributable to members of SGT1) for the Financial Year is \$359.4 million (being 6.75 cents per unit) with basic earnings per unit for the Financial Year of 35.17 cents.

As at 31 December 2017, the Trust's portfolio comprised interests in 39 centres in Australia and New Zealand with a combined value of \$18.5 billion.

As at 31 December 2017, the Trust's portfolio was more than 99.5% leased. Net property income for the Financial Year was \$841.4 million. Comparable net operating income growth across the portfolio was 2.75%, driven primarily by contracted annual rent escalations.

During the Financial Year, Scentre Group commenced over \$1.1 billion (Trust share: \$526 million) of developments including projects at Westfield Carousel in Perth, Westfield Plenty Valley in Melbourne, Westfield Kotara in Newcastle and Westfield Coomera on Queensland's Gold Coast.

Westfield Coomera is Scentre Group's first greenfield development in more than 12 years. The new 59,000 square metre regional centre will comprise Coles and Woolworths supermarkets, an Event Cinemas complex including Gold Class, Kmart and Target discount department stores and 140 specialty stores including an alfresco leisure and dining precinct.

During the Financial Year, Scentre Group also completed \$435 million of redevelopments (Trust share: \$198 million) at Westfield Chermide and Westfield Whitford City, and settled the Casey and WestCity asset sales with total proceeds of \$367 million (Trust share: \$184 million).

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% (89.5% 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.

A detailed operating and financial review for Scentre Group is contained in the Directors' Report in Scentre Group's 2017 Annual Financial Report which is available at www.scentregroup.com.

1.2 Principal Activities

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

1.3 Subsequent Events

No events have occurred since the end of the year which would significantly effect the operations of the Trust.

1.4 Future Developments

At the date of this report there is no proposed change to the principal activities of the Trust. The strategy, key drivers and outlook of Scentre Group are described in the Directors' Report in Scentre Group's 2017 Annual Financial Report.

1.5 Risks

Scentre Group looks at risk from a number of perspectives: global risk trends, social and environmental risks and retail property specific risks. These risks are subject to continuous assessment and review.

As a property group involved in the design, development, management and operation of retail shopping centres, Scentre Group faces a number of operational risks which have the potential to affect the achievement of our targeted financial outcomes.

A number of important strategic risks and how such risks are managed and monitored are outlined in Scentre Group's 2017 Annual Financial Report which can be found at www.scentregroup.com.

1.6 Sustainability

Environmental laws and regulations in force in the various jurisdictions in which Scentre Group operates are applicable to areas of Scentre Group's operations and in particular to its development, construction and shopping centre management activities. Scentre 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.

Scentre Group's Sustainability Report will be published in the first quarter of 2018 and will be available on Scentre Group's website.

2. DISTRIBUTIONS

For the 6 months ended 31 December 2016, the Trust distribution of 3.45 cents per ordinary unit formed part of the distribution of 10.65 cents per Scentre Group stapled security, paid on 28 February 2017. This distribution was an aggregate of a distribution from the Trust, SGT2, SGT3 and a dividend from SGL. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

For the 6 months ended 30 June 2017, the Trust distribution of 4.15 cents per ordinary unit formed part of the distribution of 10.86 cents per Scentre Group stapled security, paid on 31 August 2017. This distribution was an aggregate of a distribution from the Trust and a distribution from SGT2. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

For the 6 months ended 31 December 2017, the Trust distribution of 2.60 cents per ordinary unit formed part of the distribution of 10.87 cents per Scentre Group stapled security, paid on 28 February 2018. This distribution was an aggregate of a distribution from the Trust, SGT2 and a dividend from SGL. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

3. THE DIRECTORS

The Board of Directors of the Responsible Entity at the date of this report is set out below.

Names	Position Held	Independent (Y/N)
Brian Schwartz AM	Non-Executive Chairman	Y
Peter Allen	Chief Executive Officer/ Executive Director	N
Andrew Harmos	Non-Executive Director	Y
Michael Ihlein	Non-Executive Director	Y
Carolyn Kay	Non-Executive Director	Y
Aliza Knox	Non-Executive Director	Y
Steven Lowy AM	Non-Executive Director	N
Margaret Seale	Non-Executive Director	Y

Scentre Group was established on 30 June 2014. Prior to that date, Scentre Management Limited formed part of the prior Westfield Group and the appointment dates of Brian Schwartz (6 May 2009), Peter Allen (25 May 2011) and Steven Lowy (28 June 1989) pre-date the establishment of Scentre Group. Andrew Harmos and Michael Ihlein were both appointed to Scentre Management Limited on 30 June 2014. Aliza Knox was appointed to the board on 7 May 2015 and Carolyn Kay and Margaret Seale on 24 February 2016.

Biographies of the current Board can be found in Scentre Group's 2017 Annual Financial Report and on Scentre Group's website.

The Board of the Responsible Entity, Scentre Management 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 resign as a Director of Scentre Management Limited.

The names of the Directors in office and the relevant interests of each Director in stapled securities in Scentre Group as at the date of this report are shown below. Units in the Trust are stapled to shares in SGL and units in SGT2 and SGT3. The stapled securities trade on the ASX under the code SCG.

Directors' Report (continued)

Director	Number of Stapled Securities
Brian Schwartz	133,781
Peter Allen	3,184,750
Andrew Harmos	50,000
Michael Ihlein	33,048
Carolyn Kay	27,000
Aliza Knox	34,900
Steven Lowy	216,467,389
Margaret Seale	56,750

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 Scentre Group.

Details of the performance rights held by the Chief Executive Officer are set out in the Remuneration Report in Scentre Group's 2017 Annual Financial Report.

4. DIRECTORS' DIRECTORSHIPS OF OTHER LISTED COMPANIES

The following table sets out the directorships of other Australian listed companies held by Directors of the Responsible Entity 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
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	31 March 2016
	Westfield America Management Limited^	6 May 2009	Continuing
	Westfield Corporation Limited^	8 April 2014	Continuing
Peter Allen	Scentre Management Limited*	25 May 2011	Continuing
	RE1 Limited*	12 August 2010	Continuing
	RE2 Limited*	12 August 2010	Continuing
Andrew Harmos	Scentre Management Limited*	30 June 2014	Continuing
	RE1 Limited*	21 December 2010	Continuing
	RE2 Limited*	21 December 2010	Continuing
	AMP Limited	1 June 2017	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
	MG Unit Trust	3 July 2015	27 October 2017
Carolyn Kay	Scentre Management Limited*	24 February 2016	Continuing
	RE1 Limited*	24 February 2016	Continuing
	RE2 Limited*	24 February 2016	Continuing
	Brambles Limited	21 August 2006	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
Margaret Seale	Scentre Management Limited*	24 February 2016	Continuing
	RE1 Limited*	24 February 2016	Continuing
	RE2 Limited*	24 February 2016	Continuing
	Ramsay Health Care Limited	28 April 2015	Continuing
	Telstra Corporation Limited	7 May 2012	Continuing
	Bank of Queensland Limited	21 January 2014	Continuing

Notes:

* Scentre Group comprises SGL, SGT1, SGT2 and SGT3. The responsible entity of SGT1 is Scentre Management Limited. The responsible entity of SGT2 is RE1 Limited and the responsible entity of SGT3 is RE2 Limited. Scentre Management Limited is also the responsible entity of Carindale Property Trust, a listed managed investment scheme (ASX:CDP).

^ Westfield Corporation comprises Westfield Corporation Limited, Westfield America Trust and WFD Trust (ASX:WFD). The responsible entity of each scheme is Westfield America Management Limited.

5. OPTIONS

No options were issued by the Trust 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 or units in the Trust.

Details of the performance rights held by the executive Key Management Personnel are set out in the Remuneration Report in Scentre Group's 2017 Annual Financial 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 out of the assets of the Trust in regards to a person who is or has been an officer or auditor of the Responsible Entity. So long as the Responsible Entity acts in accordance with the Constitution and the Corporations Act, it remains indemnified out of the assets of the Trust against any losses incurred while acting as the Responsible Entity.

The Responsible Entity's Constitution provides that a person who is or has been a Director or Secretary of the Responsible Entity may be indemnified by the Responsible Entity 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 Responsible Entity is forbidden by statute to indemnify the person or the indemnity would, if given, be made void by statute.

A related corporation of the Responsible Entity has paid premiums for directors' and officers' liability insurance in respect of Directors, Secretaries and Executive Officers of the Responsible Entity 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 the Responsible Entity's documents and records, subject to undertakings as to confidentiality.

To the extent permitted by law, the Responsible Entity has agreed to indemnify its auditor, 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 with respect to such indemnity has been made to Ernst & Young during or since the Financial Year.

7. SPECIAL RULES FOR REGISTERED SCHEMES

- \$70.1 million in fees were paid and payable to the Responsible Entity and its associates out of the assets of the Trust during the Financial Year.
- No units in the Trust were held by the Responsible Entity at the end of the Financial Year. Associates of the Responsible Entity held 221,559,146 units as at the end of the Financial Year.
- Details of units issued in the Trust during the Financial Year are set out in Note 18 to the Financial Report on page 20.
- No withdrawals were made from the scheme during the Financial Year.
- Details of the value of the Trust's assets as at the end of the Financial Year and the basis for the valuation are set out in Notes 3, 4 and 5 to the Financial Report on pages 11, 12 and 13.
- Details of the number of units in the Trust as at the end of the Financial Year are set out in Note 18 to the Financial Report on page 20.

8. AUDIT

8.1 Audit and Risk Committee

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

8.2 Audit Independence

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



Auditor's Independence Declaration to the Directors of Scentre Management Limited

As lead auditor for the audit of Scentre Group Trust 1 for the financial year ended 31 December 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Scentre Group Trust 1 and the entities it controlled during the Financial Year.

Ernst & Young

Sydney, 16 March 2018

Graham Ezzy
Partner

Liability limited by a scheme approved under Professional Standards Legislation.

9. ASIC DISCLOSURES

9.1 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.

9.2 Synchronisation of financial year

By an order dated 5 November 2001 made by the Australian Securities and Investments Commission, the Directors have been relieved from compliance with the requirement to ensure that the financial year of Carindale Property Trust is synchronised with the financial year of SGT1. Although the financial year of Carindale Property Trust ends on 30 June, the financial statements of SGT1 have been prepared to include accounts for Carindale Property Trust for a period coinciding with the Financial Year of SGT1.

10. 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.

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

Brian Schwartz AM
Chairman

16 March 2018

Michael Ihlein
Director

Corporate Governance Statement

The Corporate Governance Statement for Scentre Group Trust 1 for the financial year ended 31 December 2017 has been incorporated into the Corporate Governance Statement prepared for Scentre Group. This Statement can be found in the 2017 Scentre Group Annual Financial Report. Scentre Group's Annual Financial Report is available on the scentregroup.com website.

Members' Information

Twenty Largest Holders of Stapled Securities in Scentre Group*

		Number of Securities
1	HSBC Custody Nominees (Australia) Limited	2,103,545,630
2	J P Morgan Nominees Australia Limited	978,209,841
3	BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	503,265,541
4	Citicorp Nominees Pty Limited	470,403,949
5	National Nominees Limited	280,677,684
6	BNP Paribas Noms Pty Ltd <DRP>	70,826,141
7	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	70,419,284
8	Cordera Holdings Pty Limited	60,570,206
9	Franley Holdings Pty Ltd	50,693,432
10	Franley Securities Pty Ltd	50,693,432
11	AMP Life Limited	41,105,627
12	HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	23,944,161
13	FP Pty Limited <The Frank Lowy Living A/C>	17,577,810
14	Australian Foundation Investment Company Limited	12,950,000
15	Bond Street Custodians Limited <ENH Property Securities A/C>	11,913,823
16	Franley Holdings Pty Ltd	9,876,775
17	Franley Securities Pty Ltd	9,876,775
18	Navigator Australia Ltd <SMA Antares Inv Dv Build A/C>	8,775,925
19	Argo Investments Limited	7,526,662
20	Amondi Pty Ltd <S E O P T A/C>	7,313,304
		4,790,166,002

* 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	12,548,203	29,451	0.24
1,001-5,000	95,091,006	38,669	1.79
5,001-10,000	71,052,985	10,054	1.33
10,001-100,000	148,408,522	6,937	2.79
100,001 and over	4,997,195,962	344	93.86
Total	5,324,296,678	85,455	100.00

As at 16 February 2018, 7,104 securityholders hold less than a marketable parcel (being 133 securities at the closing price of \$3.77) of quoted securities in Scentre Group.

* There are 10,681,146 performance rights on issue to a total of 112 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 Scentre Group Limited, 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 FY17, 3,700,560 securities (at an average price of \$3.97) were acquired on-market by Scentre Group's Performance Rights Trust to satisfy executive entitlements on the vesting of rights under Scentre Group's equity-linked 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 Scentre Group, are as follows:

The Vanguard Group	493,780,757
BlackRock Group	450,144,001
National Nominees as custodian for Unisuper Limited	294,417,792
State Street	290,301,657

Annual Financial Report

SCENTRE GROUP TRUST 2

For the Financial Year ended 31 December 2017

Contents

2	Income Statement
3	Statement of Comprehensive Income
4	Balance Sheet
5	Statement of Changes in Equity
6	Cash Flow Statement
7	Notes to the Financial Statements
31	Directors' Declaration
32	Independent Auditor's Report
35	Directors' Report
38	Corporate Governance Statement
39	Members' Information

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 17 \$million	31 Dec 16 \$million
Revenue			
Property revenue		543.2	524.4
		543.2	524.4
Share of after tax profits of equity accounted entities			
Property revenue		541.9	538.7
Property revaluations		742.6	447.4
Property expenses, outgoings and other costs		(144.2)	(143.3)
Gain in respect of capital transactions		0.0	–
Net interest expense		(8.0)	(7.7)
Tax benefit/(expense)		(3.8)	6.5
	5(a)	1,128.5	841.6
Expenses			
Property expenses, outgoings and other costs		(138.0)	(132.4)
Overheads		(9.2)	(7.3)
		(147.2)	(139.7)
Interest income		0.5	1.9
Currency gain	9	2.1	20.0
Financing costs	10	(181.9)	(126.4)
Gain in respect of capital transactions	11	–	19.2
Property revaluations		859.9	344.9
Profit before tax		2,205.1	1,485.9
Tax expense	6	–	–
Profit after tax for the period		2,205.1	1,485.9
		cents	cents
Basic earnings per unit	8(a)	41.42	27.91
Diluted earnings per unit	8(a)	41.42	27.91

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 17 \$million	31 Dec 16 \$million
Profit after tax for the period	2,205.1	1,485.9
Other comprehensive income		
<i>Movement in foreign currency translation reserve ^①</i>		
– Realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting	(13.0)	4.5
– Accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	(2.5)	(17.5)
Total comprehensive income for the period	2,189.6	1,472.9

^① 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.

Balance Sheet

AS AT 31 DECEMBER 2017

	Note	31 Dec 17 \$million	31 Dec 16 \$million
Current assets			
Cash and cash equivalents	12(a)	10.7	8.9
Trade debtors		0.4	0.8
Receivables		34.4	146.0
Other current assets		13.3	8.2
Total current assets		58.8	163.9
Non current assets			
Investment properties	3	9,008.4	7,879.2
Equity accounted investments	5(b)	8,195.8	7,539.5
Derivative assets	15(a)	128.5	111.5
Other non current assets		17.8	9.3
Total non current assets		17,350.5	15,539.5
Total assets		17,409.3	15,703.4
Current liabilities			
Trade creditors		63.6	49.0
Payables and other creditors	13	156.6	118.8
Interest bearing liabilities	14	1,761.7	1,980.8
Derivative liabilities	15(b)	3.6	7.4
Total current liabilities		1,985.5	2,156.0
Non current liabilities			
Interest bearing liabilities	14	2,173.3	1,922.0
Derivative liabilities	15(b)	64.8	41.5
Total non current liabilities		2,238.1	1,963.5
Total liabilities		4,223.6	4,119.5
Net assets		13,185.7	11,583.9
Equity attributable to members of Scentre Group Trust 2			
Contributed equity	16(b)	8,159.8	8,159.8
Reserves	17	8.5	24.0
Retained profits	18	5,017.4	3,400.1
Total equity attributable to members of Scentre Group Trust 2		13,185.7	11,583.9
Total equity		13,185.7	11,583.9

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

	Contributed Equity \$million	Reserves \$million	Retained Profits \$million	31 Dec 17 Total \$million	Contributed Equity \$million	Reserves \$million	Retained Profits \$million	31 Dec 16 Total \$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⁾	–	–	2,205.1	2,205.1	–	–	1,485.9	1,485.9
– Other comprehensive income ^{(i) (ii)}	–	(15.5)	–	(15.5)	–	(13.0)	–	(13.0)
Transactions with owners in their capacity as owners								
– Distributions paid or provided for	–	–	(587.8)	(587.8)	–	–	(705.5)	(705.5)
Closing balance of equity attributable to members of Scentre Group Trust 2	8,159.8	8.5	5,017.4	13,185.7	8,159.8	24.0	3,400.1	11,583.9

⁽ⁱ⁾ Total comprehensive income for the period amounts to \$2,189.6 million (31 December 2016: \$1,472.9 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 \$13.0 million (31 December 2016: gain of \$4.5 million) and accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of \$2.5 million (31 December 2016: \$17.5 million).

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 17 \$million	31 Dec 16 \$million
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		607.6	589.5
Payments in the course of operations (including GST)		(161.1)	(150.6)
Dividends/distributions received from equity accounted entities		483.3	455.4
GST paid		(41.6)	(43.9)
Net payments of financing costs (excluding interest capitalised)		(138.1)	(168.0)
Net cash flows from operating activities	12(b)	750.1	682.4
Cash flows used in investing activities			
Capital expenditure on property investments		(220.1)	(222.8)
Proceeds from the disposition of property investments		110.4	–
Acquisition of property investments		–	(194.2)
Net outflows for investments in equity accounted entities		(25.9)	(66.0)
Financing costs capitalised to qualifying development projects and construction in progress		(10.9)	(7.0)
Settlement of currency derivatives hedging the repatriation of foreign sales proceeds		(7.5)	(4.1)
Net cash flows used in investing activities		(154.0)	(494.1)
Cash flows used in financing activities			
Net proceeds from interest bearing liabilities	14(c)	459.9	15.8
Net loans received from/(paid to) related entities	14(c)	(466.4)	498.6
Distributions paid		(587.8)	(705.5)
Net cash flows used in financing activities		(594.3)	(191.1)
Net increase/(decrease) in cash and cash equivalents held		1.8	(2.8)
Add opening cash and cash equivalents brought forward		8.9	11.7
Cash and cash equivalents at the end of the period ⁽ⁱ⁾	12(a)	10.7	8.9

⁽ⁱ⁾ Cash and cash equivalents comprises cash of \$10.7 million (31 December 2016: \$8.9 million) net of bank overdraft of nil (31 December 2016: nil).

Index of Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

Note	Description	Page
1	Basis of preparation of the Financial Report	8
Operational results, assets and liabilities		
2	Segment reporting	9
3	Investment properties	11
4	Details of shopping centre investments	12
5	Details of equity accounted investments	12
6	Taxation	13
7	Distributions	14
8	Earnings per unit	14
Financing and capital management		
9	Currency gain	14
10	Financing costs	15
11	Gain in respect of capital transactions	15
12	Cash and cash equivalents	15
13	Payables and other creditors	16
14	Interest bearing liabilities	16
15	Derivative assets and liabilities	18
16	Contributed equity	19
17	Reserves	19
18	Retained profits	20
19	Capital risk management	20
20	Financial risk management	20
21	Interest rate risk management	21
22	Exchange rate risk management	23
23	Credit and liquidity risk management	25
24	Financial covenants	25
25	Fair value of financial assets and liabilities	26
Other disclosures		
26	Other significant accounting policies	26
27	Share based payments	27
28	Lease commitments	27
29	Capital expenditure commitments	27
30	Contingent liabilities	27
31	Parent entity	28
32	Auditor's remuneration	28
33	Related party disclosures	29
34	Details and remuneration of Key Management Personnel	30
35	Details of material and significant entities	30

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 1 BASIS OF PREPARATION OF THE FINANCIAL REPORT

(a) Corporate information

This financial report of Scentre Group Trust 2 (SGT2) and its controlled entities (collectively the Trust) for the year ended 31 December 2017 was approved 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.

(b) Accounting for the Trust

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 was established on 30 June 2014. The securities of each of SGL, SGT1, SGT2 and SGT3 are stapled and trade as one security on the Australian Securities Exchange (ASX) under the code SCG. The stapled securities of SGL, SGT1, SGT2 and SGT3 cannot be traded separately. The stapling transaction is referred to as the "Merger".

(c) 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 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 results 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 year ended 31 December 2017. 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 new requirements for classification and measurement, impairment and hedge accounting of financial instruments compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

Following a detailed assessment of the requirements of the standard, the Trust expects that there will not be a significant impact on the financial statements on application. The Trust will adopt AASB 9 from 1 January 2018 and will not restate comparative information as permitted by the Standard.

(i) Classification and measurement

The Trust does not expect any impact on its balance sheet or equity on applying the classification and measurement requirements of AASB 9. Financial assets currently held at fair value will continue to be measured at fair value. Trade and other receivables are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. These receivables will be measured at amortised cost.

(ii) Impairment

Under AASB 9, expected credit losses on financial assets are to be recorded either on a 12-month or lifetime basis. The Trust will apply the simplified approach and record lifetime expected losses on all eligible financial assets. It is expected that the revised methodology for calculation of impairment will not have any impact on the financial statements.

(iii) Hedge accounting

As the Trust currently does not have any existing hedge relationships that are designated in effective hedging relationships, there is no impact from the application of hedging requirements on the financial statements.

- AASB 15 Revenue from Contracts with Customers (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 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.

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

- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective from 1 January 2018)

This interpretation clarifies that in applying paragraphs 21-22 of AASB 121 – The Effects of Changes in Foreign Exchange Rates, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it), is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. This standard is not expected to have a significant impact on the financial statements on application.

- 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.

- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)

This Standard amends AASB 128 Investments in Associates and Joint Ventures to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128. This standard is not expected to have a significant impact on the financial statements on application.

- AASB Interpretation 23 Uncertainty over Income Tax Treatments, and relevant amending standards (effective 1 January 2019)

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. 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 2022)

This standard amends AASB 10 – Consolidated Financial Statements and AASB 128 – Investments in Associates and Joint Ventures to address an inconsistency between the requirements of AASB 10 and AASB 128 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. This standard is not expected to have a significant impact on the financial statements on application.

NOTE 1 BASIS OF PREPARATION OF THE FINANCIAL REPORT (CONTINUED)

(d) Basis of Accounting

This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 (Corporations Act), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. This financial report has also 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 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.

This financial report is presented in Australian dollars.

(e) Significant accounting judgements, estimates and assumptions

The preparation of this 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 26: Other significant accounting policies, Note 3: Investment properties and Note 25: Fair value of financial assets and liabilities. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the Trust's financial results or its financial position in future periods.

(f) Comparative information

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

(g) Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in this 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 2 SEGMENT REPORTING

Geographic segments

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

The Trust's operating segments' 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 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	31 Dec 17 \$million	Australia \$million	New Zealand \$million	31 Dec 16 \$million
Property revenue						
Shopping centre base rent and other property income	1,058.7	55.9	1,114.6	1,013.8	77.7	1,091.5
Amortisation of tenant allowances	(28.9)	(0.6)	(29.5)	(27.5)	(0.9)	(28.4)
	1,029.8	55.3	1,085.1	986.3	76.8	1,063.1
Expenses						
Property expenses, outgoings and other costs	(267.4)	(14.8)	(282.2)	(253.2)	(22.5)	(275.7)
Segment result	762.4	40.5	802.9	733.1	54.3	787.4
Overheads			(9.2)			(7.3)
Interest income			0.9			2.5
Currency gain			2.1			20.0
Financing costs			(190.3)			(134.7)
Gain in respect of capital transactions			0.0			19.2
Property revaluations			1,602.5			792.3
Tax benefit/(expense)			(3.8)			6.5
Net profit attributable to members of SGT2			2,205.1			1,485.9
(b) Assets and liabilities						
Total segment assets	17,301.0	604.1	17,905.1	15,450.9	675.9	16,126.8
Total segment liabilities	4,337.2	382.2	4,719.4	4,238.4	304.5	4,542.9
Total segment net assets	12,963.8	221.9	13,185.7	11,212.5	371.4	11,583.9
Equity accounted investments included in segment assets	8,087.5	604.1	8,691.6	7,287.0	675.9	7,962.9
Equity accounted investments included in segment liabilities	113.6	382.2	495.8	118.9	304.5	423.4
Additions to segment non current assets during the year	345.6	28.2	373.8	513.8	6.8	520.6

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 2 SEGMENT REPORTING (CONTINUED)

(c) Reconciliation of segment results

The Trust's segment income and expenses as well as 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	31 Dec 17 \$million	Consolidated \$million	Equity accounted \$million	31 Dec 16 \$million
Property revenue	543.2	541.9	1,085.1	524.4	538.7	1,063.1
Property expenses, outgoings and other costs	(138.0)	(144.2)	(282.2)	(132.4)	(143.3)	(275.7)
Segment result	405.2	397.7	802.9	392.0	395.4	787.4
Overheads	(9.2)	–	(9.2)	(7.3)	–	(7.3)
Interest income	0.5	0.4	0.9	1.9	0.6	2.5
Currency gain	2.1	–	2.1	20.0	–	20.0
Financing costs	(181.9)	(8.4)	(190.3)	(126.4)	(8.3)	(134.7)
Gain in respect of capital transactions	–	0.0	0.0	19.2	–	19.2
Property revaluations	859.9	742.6	1,602.5	344.9	447.4	792.3
Tax benefit/(expense)	–	(3.8)	(3.8)	–	6.5	6.5
Net profit attributable to members	1,076.6	1,128.5	2,205.1	644.3	841.6	1,485.9
Cash and cash equivalents	10.7	9.8	20.5	8.9	12.6	21.5
Shopping centre investments	8,667.8	8,569.1	17,236.9	7,521.9	7,859.5	15,381.4
Development projects and construction in progress	340.6	89.9	430.5	357.3	73.4	430.7
Other assets	194.4	22.8	217.2	275.8	17.4	293.2
Total assets	9,213.5	8,691.6	17,905.1	8,163.9	7,962.9	16,126.8
Interest bearing liabilities	3,935.0	316.1	4,251.1	3,902.8	220.8	4,123.6
Deferred tax liabilities	–	52.5	52.5	–	61.7	61.7
Other liabilities	288.6	127.2	415.8	216.7	140.9	357.6
Total liabilities	4,223.6	495.8	4,719.4	4,119.5	423.4	4,542.9
Net assets	4,989.9	8,195.8	13,185.7	4,044.4	7,539.5	11,583.9

Accounting Policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust 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.

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 revenue.

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.

All other revenues are recognised on an accruals basis.

Expenses

Expenses are brought to account on an accruals basis.

	Note	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 3 INVESTMENT PROPERTIES			
Shopping centre investments	4	8,667.8	7,521.9
Development projects and construction in progress		340.6	357.3
		9,008.4	7,879.2
Movement in total investment properties			
Balance at the beginning of the year		7,879.2	7,243.0
Acquisition of properties		–	194.2
Disposal of properties		–	(91.2)
Redevelopment costs		269.3	188.3
Net revaluation increment		859.9	344.9
Balance at the end of the year ⁽ⁱ⁾		9,008.4	7,879.2

⁽ⁱ⁾ The fair value of investment properties at the end of the year of \$9,008.4 million (31 December 2016: \$7,879.2 million) comprises investment properties at market value of \$8,996.9 million (31 December 2016: \$7,868.6 million) and ground leases included as finance leases of \$11.5 million (31 December 2016: \$10.6 million).

Accounting Policies

Investment properties

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

(i) Shopping centre investments

The Trust'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 Trust'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 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.

(ii) Development projects and construction in progress

The Trust'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. 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.

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 Scentre 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 Scentre Group to carry out property appraisals for the current financial year:

Australian shopping centres

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

New Zealand shopping centres

- CBRE Limited
- Colliers International New Zealand Limited
- 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.

The property capitalisation rates for the year ended 31 December 2017 range from 4.00% to 7.00% (31 December 2016: 4.25% to 7.00%). Refer to Notes 4(a) and (b) of Scentre Group's 2017 Annual Financial Report for details of property capitalisation rates by shopping centre.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 4 DETAILS OF SHOPPING CENTRE INVESTMENTS		
Consolidated Australian shopping centres	8,667.8	7,521.9
Equity accounted Australian shopping centres	8,017.6	7,226.1
Equity accounted New Zealand shopping centres	551.5	633.4
	17,236.9	15,381.4

NOTE 5 DETAILS OF EQUITY ACCOUNTED INVESTMENTS

(a) Share of equity accounted entities' net profit and comprehensive income

Share of after tax profit of equity accounted entities	1,128.5	841.6
Other comprehensive income ⁽ⁱ⁾	(16.4)	11.7
Share of total comprehensive income of equity accounted entities	1,112.1	853.3

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

(b) Share of equity accounted entities' assets and liabilities

The Trust's equity accounted investments of \$8,195.8 million (31 December 2016: \$7,539.5 million) comprise investments in joint ventures in Australia and New Zealand.

	31 Dec 17 \$million	31 Dec 16 \$million
(c) Equity accounted gain in respect of capital transactions		
Asset dispositions		
– proceeds from asset dispositions	77.4	211.9
– less: carrying value of assets disposed and other capital costs	(77.4)	(211.9)
Gain in respect of capital transactions	0.0	–
(d) Details of the Trust's share of equity accounted entities' tax benefit/(expense)		
Current tax expense – underlying operations	(5.4)	(11.3)
Deferred tax benefit	1.6	17.8
	(3.8)	6.5

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	1,132.3	835.1
Less: Trust income not assessable by the Trust – tax payable by members	(1,099.6)	(789.0)
	32.7	46.1
Prima facie tax expense at 30%	(9.8)	(13.8)
Tax rate differential on New Zealand foreign income	0.7	0.7
Deferred tax release on New Zealand capital transactions	3.4	20.3
Other	1.9	(0.7)
Tax benefit/(expense)	(3.8)	6.5

NOTE 5 DETAILS OF EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

Name of investments	Type of equity	Balance date	Investment property economic interest	
			31 Dec 17	31 Dec 16
(e) Equity accounted entities economic interest				
Australian investments ⁽ⁱ⁾				
Bondi Junction	Trust units	31 Dec	50.0%	50.0%
Chatswood	Trust units	31 Dec	50.0%	50.0%
Doncaster	Trust units	31 Dec	25.0%	25.0%
Fountain Gate	Trust units	31 Dec	50.0%	50.0%
Garden City	Trust units	31 Dec	50.0%	50.0%
Hornsby	Trust units	31 Dec	50.0%	50.0%
Knox	Trust units	31 Dec	25.0%	25.0%
Kotara	Trust units	31 Dec	50.0%	50.0%
Mt Druitt ⁽ⁱⁱ⁾	Trust units	30 Jun	25.0%	25.0%
Southland ⁽ⁱⁱ⁾	Trust units	30 Jun	25.0%	25.0%
Sydney Central Plaza	Trust units	31 Dec	50.0%	50.0%
Tea Tree Plaza ⁽ⁱⁱ⁾	Trust units	30 Jun	18.8%	18.8%
Tuggerah	Trust units	31 Dec	50.0%	50.0%
Warringah Mall	Trust units	31 Dec	25.0%	25.0%
New Zealand investments ⁽ⁱ⁾				
Albany	Shares	31 Dec	25.5%	25.5%
Manukau	Shares	31 Dec	25.5%	25.5%
Newmarket	Shares	31 Dec	25.5%	25.5%
Riccarton	Shares	31 Dec	25.5%	25.5%
St Lukes	Shares	31 Dec	25.5%	25.5%
WestCity ⁽ⁱⁱⁱ⁾	Shares	31 Dec	–	50.0%

⁽ⁱ⁾ All equity accounted property partnership, trusts and companies operate solely as retail property investors.

⁽ⁱⁱ⁾ Notwithstanding that the financial year of these investments 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 Entity being 31 December.

⁽ⁱⁱⁱ⁾ In July 2017, Scentre Group completed the sale of its 100% (Trust share: 50%) interest in this centre.

	31 Dec 17 \$million	31 Dec 16 \$million
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NOTE 6 TAXATION

Tax expense

Current – underlying operations	–	–
	–	–

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	2,205.1	1,485.9
Less: Trust income not taxable for the Trust – tax payable by members	(2,205.1)	(1,485.9)
	–	–

Accounting Policies

Taxation

The Trust comprises taxable and non taxable entities. Income tax expense is only recognised in respect of taxable entities.

- (i) Under current Australian income tax legislation Australian trusts forming part of the Trust are not liable to Australian income tax, including capital gains tax, provided that members are presently entitled to the income of each Australian Trust as determined in accordance with the relevant trust's constitution.

The Trust's New Zealand entities are subject to New Zealand tax on their earnings.

- (ii) Deferred tax is provided on all temporary differences at 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 substantially 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 7 DISTRIBUTIONS		
(a) Final distribution paid		
5.92 cents per unit (31 December 2016: 4.33 cents per unit)	315.2	230.5
	315.2	230.5

Details of the full year components of distribution are provided in the Annual Tax Statements which are sent to members annually. Interim distribution of 6.71 cents per unit was paid on 31 August 2017. Final distribution was paid on 28 February 2018. The record date for the final distribution was 5pm, 14 February 2018. Scentre Group does not operate a Distribution Reinvestment Plan.

	31 Dec 17 \$million	31 Dec 16 \$million
(b) Distributions paid during the year		
Distribution in respect of the 6 months to 30 June 2017	357.3	–
Distribution in respect of the 6 months to 31 December 2016	230.5	–
Distribution in respect of the 6 months to 30 June 2016	–	380.7
Distribution in respect of the 6 months to 31 December 2015	–	324.8
	587.8	705.5
	31 Dec 17 cents	31 Dec 16 cents

NOTE 8 EARNINGS PER UNIT

(a) Summary of earnings per unit

Basic earnings per unit	41.42	27.91
Diluted earnings per unit	41.42	27.91

(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⁾	2,205.1	1,485.9
Adjustment to earnings on options which are considered dilutive	–	–
Earnings used in calculating diluted earnings per unit	2,205.1	1,485.9

⁽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

(c) Conversions, calls, subscription or issues after 31 December 2017

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

Accounting Policies

Earnings per unit

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

	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 9 CURRENCY GAIN		
Net fair value gain/(loss) and associated credit risk on currency derivatives that do not qualify for hedge accounting	(0.4)	2.5
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	2.5	17.5
	2.1	20.0

Accounting Policies

Translation of foreign currency transactions

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 on the settlement of or on translating amounts payable or receivable in foreign currency at rates different from those at which they were translated on initial recognition, are recognised in the income statement in the period in which they arise, except where hedge accounting is applied.

Refer to Notes 15 and 17 for other items included in currency gain/(loss).

	Note	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 10 FINANCING COSTS			
Gross financing costs (excluding net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting)			
– External		(125.9)	(137.8)
– Related entities	33(b)	(26.4)	(33.1)
Financing costs capitalised to qualifying development projects and construction in progress		10.9	7.0
Financing costs		(141.4)	(163.9)
Net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting		(39.9)	38.1
Finance leases interest expense		(0.6)	(0.6)
		(181.9)	(126.4)

Accounting Policies

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 Trust for the acquisition or construction of a qualifying asset, the financing costs are capitalised.

Refer to Note 15 for other items included in financing costs.

	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 11 GAIN IN RESPECT OF CAPITAL TRANSACTIONS		
Asset dispositions		
– proceeds from asset dispositions	–	110.4
– less: carrying value of assets disposed and other capital costs	–	(91.2)
Gain in respect of capital transactions	–	19.2

NOTE 12 CASH AND CASH EQUIVALENTS

(a) Components of cash and cash equivalents

Cash	10.7	8.9
Bank overdrafts	–	–
Total cash and cash equivalents	10.7	8.9

(b) Reconciliation of profit after tax to net cash flows from operating activities

Profit after tax	2,205.1	1,485.9
Property revaluations	(859.9)	(344.9)
Share of equity accounted profit in excess of dividends/distributions received	(645.2)	(386.2)
Net fair value loss/(gain) and associated credit risk on currency derivatives	0.4	(2.5)
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	(2.5)	(17.5)
Net fair value loss/(gain) on interest rate hedges that do not qualify for hedge accounting	39.9	(38.1)
Gain from capital transactions	–	(19.2)
Decrease in working capital attributable to operating activities	12.3	4.9
Net cash flows from operating activities	750.1	682.4

Accounting Policies

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 13 PAYABLES AND OTHER CREDITORS			
Payables and other creditors		141.3	92.4
Non interest bearing loans payable to related entities	33(b)	15.3	26.4
		156.6	118.8

Accounting Policies

Payables and other creditors

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 Trust prior to the end of the financial year that are unpaid and arise when the Trust 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. Loan payables to related entities are carried at amortised cost, are callable on demand and therefore classified as a current liability.

	Note	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 14 INTEREST BEARING LIABILITIES			
Current			
Unsecured			
Commercial paper and uncommitted facilities		967.5	730.9
Finance leases		0.1	0.1
Loans payable to related entities	33(b)	794.1	1,249.8
		1,761.7	1,980.8
Non current			
Unsecured			
Bank loans			
– A\$ denominated		573.0	1,002.0
Notes payable			
– A\$ denominated		180.0	180.0
– € denominated		768.6	729.5
– US\$ denominated		640.3	–
Finance leases		11.4	10.5
		2,173.3	1,922.0
Total interest bearing liabilities		3,935.0	3,902.8
The maturity profile in respect of current and non current interest bearing liabilities is set out below:			
Due within one year		1,761.7	1,980.8
Due between one year and five years		565.5	1,052.4
Due after five years		1,607.8	869.6
		3,935.0	3,902.8

The Trust 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 21 for details relating to fixed rate debt and derivatives which hedge the floating rate liabilities.

NOTE 14 INTEREST BEARING LIABILITIES (CONTINUED)

	31 Dec 17 \$million	31 Dec 16 \$million
(a) Summary of financing facilities		
Committed financing facilities available to the Trust:		
Total financing facilities at the end of the year	6,439.1	6,505.4
Total interest bearing liabilities	(3,935.0)	(3,902.8)
Total bank guarantees	(19.8)	(7.5)
Available financing facilities	2,484.3	2,595.1
Cash	10.7	8.9
Financing resources available at the end of the year	2,495.0	2,604.0
(b) Maturity profile of financing facilities		
Maturity profile in respect of the above financing facilities:		
Due within one year	794.2	1,249.9
Due between one year and five years	3,725.1	3,985.8
Due after five years	1,919.8	1,269.7
	6,439.1	6,505.4

These facilities comprise fixed and floating rate notes and unsecured interest only floating rate facilities. Certain facilities are also subject to negative pledge arrangements which require Scentre Group to comply with specific minimum financial and non financial requirements.

The available financing facilities above totalling \$2,484.3 million (31 December 2016: \$2,595.1 million) are available to the Trust and other members of Scentre Group at year end. The Trust is able to draw on these financing facilities, provided they are unutilised by other members of Scentre Group. These are interest only unsecured multicurrency multioption facilities.

Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

	31 Dec 17 \$million
(c) Movements in interest bearing liabilities, other loans payable and currency derivatives hedging borrowings in foreign currency, arising from financing activities	
Balance at the beginning of the year	3,919.7
Net proceeds from interest bearing liabilities	459.9
Net loans paid to related entities	(466.4)
Effects of exchange rate changes and fair value gains on currency derivatives	(0.2)
Balance at the end of the year ⁽ⁱ⁾	3,913.0

⁽ⁱ⁾ Comprises total interest bearing liabilities of \$3,935.0 million (31 December 2016: \$3,902.8 million) disclosed above and the non interest bearing loan payable of \$15.3 million (31 December 2016: \$26.4 million) disclosed in Note 13, less net receivables on currency derivatives hedging borrowings in foreign currency of \$37.3 million (31 December 2016: \$9.5 million) disclosed in Note 15.

Accounting Policies**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. Loan payables to related entities are callable on demand and therefore classified as a current liability.

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

The fair value of the Trust's interest bearing borrowings as disclosed in Note 25 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 Trust's borrowing rate at the balance date, for debt with similar maturity, credit risk and terms.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 15 DERIVATIVE ASSETS AND LIABILITIES		
(a) Derivative assets		
Non Current		
Receivables on currency derivatives hedging investments in foreign operations	–	0.1
Receivables on currency derivatives hedging borrowings in foreign currency	48.1	9.5
Receivables on interest rate derivatives	80.4	101.9
	128.5	111.5
(b) Derivative liabilities		
Current		
Payables on currency derivatives hedging investments in foreign operations	–	6.2
Payables on interest rate derivatives	3.6	1.2
	3.6	7.4
Non current		
Payables on currency derivatives hedging investments in foreign operations	–	3.6
Payables on currency derivatives hedging borrowings in foreign currency	10.8	–
Payables on interest rate derivatives	54.0	37.9
	64.8	41.5

The Trust 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 2017, when these netting arrangements are applied to the derivative portfolio, derivative assets of \$128.5 million would be reduced by \$29.6 million to the net amount of \$98.9 million and derivative liabilities of \$68.4 million would be reduced by \$29.6 million to the net amount of \$38.8 million. As at 31 December 2016, derivative assets of \$111.5 million would be reduced by \$38.6 million to the net amount of \$72.9 million and derivative liabilities of \$48.9 million would be reduced by \$38.6 million to the net amount of \$10.3 million.

Accounting Policies

Derivative financial instruments

The Trust utilises derivative financial instruments, including forward exchange contracts, 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.

Scentre Group has set defined policies and a comprehensive hedging program to manage interest and exchange rate risks. Derivative instruments are transacted to achieve the economic outcomes in line with Scentre Group's treasury policy and hedging program. Derivative instruments are not transacted for speculative purposes. Accounting standards require detailed compliance with documentation, designation and effectiveness parameters before a derivative financial instrument is deemed to qualify for hedge accounting treatment. As these requirements are not met, derivative instruments, other than currency derivatives that hedge net investments in foreign operations, are deemed not to qualify for hedge accounting and changes in fair value are recorded in the income statement.

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 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.

31 Dec 17
No. of units

31 Dec 16
No. of units

NOTE 16 CONTRIBUTED EQUITY

(a) Number of units on issue

Balance at the beginning and end of the year	5,324,296,678	5,324,296,678
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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 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).

31 Dec 17
\$million

31 Dec 16
\$million

(b) Amount of contributed equity attributable to members of SGT2

Balance at the beginning and end of the year	8,159.8	8,159.8
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Accounting Policies

Contributed equity

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

31 Dec 17
\$million

31 Dec 16
\$million

NOTE 17 RESERVES

Foreign currency translation reserve	8.5	24.0
Balance at the end of the year	8.5	24.0

Movement in foreign currency translation reserve

The foreign currency translation reserve is used 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	24.0	37.0
Foreign exchange movement		
– realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting ^①	(13.0)	4.5
– accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	(2.5)	(17.5)
Balance at the end of the year	8.5	24.0

^① Comprises net exchange loss on translation of foreign operations of \$16.4 million (31 December 2016: gain of \$11.6 million) and net realised and unrealised gain on asset hedging derivatives which qualify for hedge accounting of \$3.4 million (31 December 2016: loss of \$7.1 million).

Accounting Policies

Translation of accounts of foreign operations

The functional and presentation currency of the Trust and its Australian controlled entities is Australian dollars. The functional currency of the 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 Trust to be reported in a common currency.

The balance sheets of foreign controlled entities and equity accounted investments are translated at exchange rates ruling at balance date and the income statement of foreign controlled entities and equity accounted investments are translated at average exchange rates for the period. Exchange differences arising on translation of the interests in foreign operations are taken directly to the foreign currency translation reserve.

Refer to Note 15 for other items included in foreign currency translation reserve.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 18 RETAINED PROFITS			
Movement in retained profits			
Balance at the beginning of the year		3,400.1	2,619.7
Profit after tax for the period		2,205.1	1,485.9
Distributions paid	7(b)	(587.8)	(705.5)
Balance at the end of the year		5,017.4	3,400.1

NOTE 19 CAPITAL RISK MANAGEMENT

Scentre Group, of which the Trust forms part, operates as a single economic entity with a common board of Directors and management team.

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

Scentre 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. Scentre Group continuously reviews its capital structure to ensure:

- sufficient funds and financing facilities, on a cost effective basis, are available to implement Scentre 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.

Scentre 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.

Scentre Group also protects its equity in assets through insurance.

NOTE 20 FINANCIAL RISK MANAGEMENT

Scentre Group, of which the Trust forms part, operates as a single economic entity with a common board of Directors and management team.

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

The Trust manages its exposure to key financial risks in accordance with Scentre 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.

Scentre Group's treasury risk management policies are established to identify and analyse the risks faced by the Trust, 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 Trust's activities. Scentre 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 Trust's treasury management objectives.

Scentre 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 Scentre Group's Executive Committee.

Scentre Group uses different methods to measure and manage different types of risks to which the Trust is exposed. These include monitoring levels of exposure to interest rates, foreign exchange, liquidity and credit risk. The Trust 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 Trust's operations, cash flows, interest bearing liabilities and its net investments in foreign operations. Scentre 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 21 INTEREST RATE RISK MANAGEMENT

The Trust is exposed to interest rate risk on its borrowings and derivative financial instruments. This risk is managed by the Trust 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 Trust 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 Trust 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 17 \$million	31 Dec 16 \$million
Principal amounts of all interest bearing liabilities and derivative liabilities:			
Interest bearing liabilities	14	3,935.0	3,902.8
Share of equity accounted entities' interest bearing liabilities	2(c)	316.1	220.8
Cross currency swaps			
– A\$	22(ii)	1,371.7	719.5
Total interest bearing liabilities		5,622.8	4,843.1
Principal amounts of all interest bearing assets and derivative assets:			
Cross currency swaps			
– €500.0 million (31 December 2016: €500.0 million)	22(ii)	768.6	729.5
– US\$500.0 million (31 December 2016: nil)	22(ii)	640.3	–
Cash	2(c)	20.5	21.5
Total interest bearing assets		1,429.4	751.0
Principal amounts of net interest bearing liabilities		4,193.4	4,092.1
Principal amounts of fixed interest rate liabilities:			
Fixed rate debt			
– A\$	21(ii)	180.0	180.0
– €500.0 million (31 December 2016: €500.0 million)	21(ii)	768.6	729.5
– US\$500.0 million (31 December 2016: nil)	21(ii)	640.3	–
Fixed rate derivatives			
– A\$	21(ii)	1,640.0	888.0
– NZ\$210.0 million (31 December 2016: NZ\$115.0 million)	21(ii)	190.9	110.6
Principal amounts on which interest rate payable exposure has been hedged		3,419.8	1,908.1
Principal amounts of fixed interest rate assets:			
Fixed rate derivatives			
– A\$	21(ii)	150.0	150.0
– €500.0 million (31 December 2016: €500.0 million)	21(ii)	768.6	729.5
– US\$500.0 million (31 December 2016: nil)	21(ii)	640.3	–
Principal amounts on which interest rate receivable exposure has been hedged		1,558.9	879.5
Principal amounts of net interest bearing liabilities hedged by fixed rate debt and derivatives		1,860.9	1,028.6

As at 31 December 2017, the Trust has hedged 44% of its net interest payable exposure by way of fixed rate borrowings and interest rate swaps of varying durations. The remaining 56% is exposed to floating rates on a principal payable of \$2,332.5 million, at an average interest rate of 3.1%, including margin (31 December 2016: 25% hedged with floating exposure on a principal payable of \$3,063.5 million at an average interest rate of 3.1%). Changes to the fair value of derivatives due to interest rate movements are set out in Note 21(ii).

Interest rate sensitivity

The sensitivity of interest expense to changes in the floating exposure interest rate is proportional. An increase or decrease in interest rates of 100 basis points would increase or decrease interest expense by \$23.3 million (31 December 2016: \$30.6 million) for each year thereafter.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 21 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 Trust's fixed rate debt and interest rate swaps:

	Interest rate swaps		Fixed rate borrowings		Interest rate swaps		Fixed rate borrowings	
Fixed rate debt and swaps contracted as at the reporting date and outstanding at	31 Dec 17 Notional principal amount million	31 Dec 17 Average rate	31 Dec 17 Principal amount million	31 Dec 17 Average rate including margin	31 Dec 16 Notional principal amount million	31 Dec 16 Average rate	31 Dec 16 Principal amount million	31 Dec 16 Average rate including margin
A\$ payable								
31 December 2016	–	–	–	–	A\$(888.0)	3.86%	A\$(180.0)	5.17%
31 December 2017	A\$(1,640.0)	3.19%	A\$(180.0)	5.17%	A\$(640.0)	3.98%	A\$(180.0)	5.17%
31 December 2018	A\$(1,240.0)	3.13%	A\$(180.0)	5.17%	A\$(240.0)	4.94%	A\$(180.0)	5.17%
31 December 2019	A\$(1,740.0)	3.02%	A\$(30.0)	5.96%	A\$(240.0)	4.94%	A\$(30.0)	5.96%
31 December 2020	A\$(1,740.0)	3.02%	A\$(30.0)	5.96%	A\$(240.0)	4.94%	A\$(30.0)	5.96%
31 December 2021	A\$(2,500.0)	2.84%	A\$(30.0)	5.96%	–	–	A\$(30.0)	5.96%
31 December 2022	A\$(3,000.0)	2.87%	–	–	–	–	–	–
31 December 2023	A\$(3,000.0)	2.87%	–	–	–	–	–	–
31 December 2024	A\$(2,500.0)	2.86%	–	–	–	–	–	–
31 December 2025	A\$(1,500.0)	2.94%	–	–	–	–	–	–
31 December 2026	A\$(500.0)	2.74%	–	–	–	–	–	–
NZ\$ payable								
31 December 2016	–	–	–	–	NZ\$(115.0)	4.45%	–	–
31 December 2017	NZ\$(210.0)	3.43%	–	–	NZ\$(60.0)	4.26%	–	–
31 December 2018	NZ\$(200.0)	3.15%	–	–	–	–	–	–
31 December 2019	NZ\$(200.0)	3.15%	–	–	–	–	–	–
31 December 2020	NZ\$(200.0)	3.15%	–	–	–	–	–	–
31 December 2021	NZ\$(200.0)	3.15%	–	–	–	–	–	–
31 December 2022	NZ\$(200.0)	3.15%	–	–	–	–	–	–
31 December 2023	NZ\$(200.0)	3.15%	–	–	–	–	–	–
31 December 2024	NZ\$(150.0)	3.18%	–	–	–	–	–	–
31 December 2025	NZ\$(50.0)	3.29%	–	–	–	–	–	–
€ receivable/(payable)								
31 December 2016	–	–	–	–	€500.0	3.25%	€(500.0)	3.25%
31 December 2017	€500.0	3.25%	€(500.0)	3.25%	€500.0	3.25%	€(500.0)	3.25%
31 December 2018	€500.0	3.25%	€(500.0)	3.25%	€500.0	3.25%	€(500.0)	3.25%
31 December 2019	€500.0	3.25%	€(500.0)	3.25%	€500.0	3.25%	€(500.0)	3.25%
31 December 2020	€500.0	3.25%	€(500.0)	3.25%	€500.0	3.25%	€(500.0)	3.25%
31 December 2021	€500.0	3.25%	€(500.0)	3.25%	€500.0	3.25%	€(500.0)	3.25%
31 December 2022	€500.0	3.25%	€(500.0)	3.25%	€500.0	3.25%	€(500.0)	3.25%
US\$ receivable/(payable)								
31 December 2017	US\$500.0	3.75%	US\$(500.0)	3.75%	–	–	–	–
31 December 2018	US\$500.0	3.75%	US\$(500.0)	3.75%	–	–	–	–
31 December 2019	US\$500.0	3.75%	US\$(500.0)	3.75%	–	–	–	–
31 December 2020	US\$500.0	3.75%	US\$(500.0)	3.75%	–	–	–	–
31 December 2021	US\$500.0	3.75%	US\$(500.0)	3.75%	–	–	–	–
31 December 2022	US\$500.0	3.75%	US\$(500.0)	3.75%	–	–	–	–
31 December 2023	US\$500.0	3.75%	US\$(500.0)	3.75%	–	–	–	–
31 December 2024	US\$500.0	3.75%	US\$(500.0)	3.75%	–	–	–	–
31 December 2025	US\$500.0	3.75%	US\$(500.0)	3.75%	–	–	–	–
31 December 2026	US\$500.0	3.75%	US\$(500.0)	3.75%	–	–	–	–
A\$ receivable								
31 December 2016	–	–	–	–	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%	–	–

NOTE 21 INTEREST RATE RISK MANAGEMENT (CONTINUED)

Summary of interest rate positions at balance date (continued)

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

In addition to the above, the Trust has entered into callable swaps with aggregate notional principal of A\$50.0 million, whereby floating rate payments are swapped to fixed rate payments at 2.24% per annum for the period until April 2018. The callable swap may be terminated by the counterparty at no cost on the 18th day of each month until April 2018.

The Trust'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. As at 31 December 2017, the aggregate fair value is a receivable of \$22.9 million (31 December 2016: \$62.8 million). The change in fair value for the year ended 31 December 2017 was a loss of \$39.9 million (31 December 2016: gain of \$38.0 million).

Fair value sensitivity		31 Dec 17 \$million	31 Dec 16 \$million
The sensitivity of fair value of interest rate swaps to changes in interest rates is as follows:	Interest rate movement	(Increase)/decrease in interest expense	
	-2.0%	(150.9)	80.5
	-1.0%	(71.9)	35.4
	-0.5%	(35.4)	14.4
	0.5%	37.0	(24.8)
	1.0%	73.0	(43.0)
	2.0%	139.9	(76.9)

The assumed movement in basis points for the interest rate sensitivity analysis is based on the current observable market environment.

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 22 EXCHANGE RATE RISK MANAGEMENT

The Trust 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 Trust 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 Trust'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 17 million	31 Dec 16 million
Foreign currency net investments			
New Zealand dollar			
NZ\$ net assets		NZ\$584.8	NZ\$604.7
NZ\$ borrowings		NZ\$(338.0)	NZ\$(220.5)
NZ\$ currency swaps	22(i)	–	NZ\$(146.6)
NZ\$ denominated net assets		NZ\$246.8	NZ\$237.6
Euro			
€ borrowings		€(500.0)	€(500.0)
€ cross currency swaps	22(ii)	€500.0	€500.0
€ denominated net assets		–	–
US Dollar			
US\$ borrowings		US\$(500.0)	–
US\$ cross currency swaps	22(ii)	US\$500.0	–
US\$ denominated net assets		–	–

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

Where the Trust 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.

Foreign currency sensitivity		31 Dec 17 \$million	31 Dec 16 \$million
The sensitivity of NZ\$ denominated net assets to changes in the year end A\$/NZ\$1.1002 exchange rate (31 December 2016: 1.0395) is as follows:	A\$/NZ\$ currency movement	Gain/(loss) to foreign currency translation reserve	
	-20 cents	49.8	54.5
	-10 cents	22.4	24.3
	-5 cents	10.7	11.5
	+5 cents	(9.8)	(10.5)
	+10 cents	(18.7)	(20.1)
	+20 cents	(34.5)	(36.9)

The assumed currency movement for the foreign currency sensitivity analysis is based on the current observable market environment.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 22 EXCHANGE RATE RISK MANAGEMENT (CONTINUED)

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

The following table details the foreign currency swaps outstanding at reporting date. These contracts were designated as hedges of net investment in foreign operations.

Foreign exchange contracts as at the reporting date and outstanding at	Weighted average exchange rate		Amount receivable/(payable) million			
	31 Dec 17	31 Dec 16	31 Dec 17	31 Dec 17	31 Dec 16	31 Dec 16
Contracts to receive A\$ and pay NZ\$						
31 December 2016	–	1.1250	–	–	A\$130.4	NZ\$(146.6)
31 December 2017	–	1.1306	–	–	A\$47.9	NZ\$(54.1)

The pay NZ\$ exposure was an effective net investment hedge and was recorded directly in the foreign currency translation reserve. As at 31 December 2017, the aggregate fair value is nil (31 December 2016: \$9.7 million). The change in fair value for the year ended 31 December 2017 was a gain of \$9.7 million (31 December 2016: loss of \$1.2 million).

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

The Trust has transacted cross currency swaps in respect of its foreign currency assets and liabilities outstanding at reporting date. These contracts do not qualify as hedges of net investments in foreign operations.

Cross currency swaps contracted as at the reporting date and outstanding at	Weighted average exchange rate		Amount receivable/(payable) million			
	31 Dec 17	31 Dec 16	31 Dec 17	31 Dec 17	31 Dec 16	31 Dec 16
€						
Contracts to receive € and pay A\$						
31 December 2016	–	0.6949	–	–	€500.0	A\$(719.5)
31 December 2017	0.6949	0.6949	€500.0	A\$(719.5)	€500.0	A\$(719.5)
31 December 2018	0.6949	0.6949	€500.0	A\$(719.5)	€500.0	A\$(719.5)
31 December 2019	0.6949	0.6949	€500.0	A\$(719.5)	€500.0	A\$(719.5)
31 December 2020	0.6949	0.6949	€500.0	A\$(719.5)	€500.0	A\$(719.5)
31 December 2021	0.6949	0.6949	€500.0	A\$(719.5)	€500.0	A\$(719.5)
31 December 2022	0.6949	0.6949	€500.0	A\$(719.5)	€500.0	A\$(719.5)

US\$

Contracts to receive US\$ and pay A\$						
31 December 2017	0.7666	–	US\$500.0	A\$(652.3)	–	–
31 December 2018	0.7666	–	US\$500.0	A\$(652.3)	–	–
31 December 2019	0.7666	–	US\$500.0	A\$(652.3)	–	–
31 December 2020	0.7666	–	US\$500.0	A\$(652.3)	–	–
31 December 2021	0.7666	–	US\$500.0	A\$(652.3)	–	–
31 December 2022	0.7666	–	US\$500.0	A\$(652.3)	–	–
31 December 2023	0.7666	–	US\$500.0	A\$(652.3)	–	–
31 December 2024	0.7666	–	US\$500.0	A\$(652.3)	–	–
31 December 2025	0.7666	–	US\$500.0	A\$(652.3)	–	–
31 December 2026	0.7666	–	US\$500.0	A\$(652.3)	–	–

As at 31 December 2017, none of the above described foreign currency derivatives qualify for hedge accounting treatment. Changes in fair value have been reflected in the income statement. As at 31 December 2017, the aggregate fair value is a receivable of \$37.3 million (31 December 2016: \$9.5 million). The change in fair value for the year ended 31 December 2017 was a gain of \$27.8 million (31 December 2016: loss of \$15.2 million).

The foreign currency receivable exposures above are matched to the foreign currency borrowings disclosed in Note 14, therefore the income statement is not affected by any movements in exchange rates in relation to these net positions.

NOTE 23 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 Trust. Credit limits have been established to ensure that the Trust 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 Trust, 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.

In accordance with the Trust policy, credit risk in respect of derivative financial instruments is spread among a number of creditworthy counterparties within specified limits. The Trust had 95% (31 December 2016: 95%) of its aggregate credit risk spread over four 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 A or higher.

The maximum exposure to credit risk at balance date is the aggregate of the carrying amounts of financial assets as disclosed in Note 25.

The Trust 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 Trust prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

Interest bearing liabilities, financing facilities and their maturity profiles are disclosed in Note 14. The maturity profiles of the principal amounts of the interest bearing liabilities including aggregate future estimated nominal interest and the estimated future nominal cashflows of derivative financial instruments are set out below:

	31 Dec 17 \$million	31 Dec 16 \$million
Interest bearing liabilities and interest		
Due within one year	(1,855.8)	(2,061.7)
Due between one year and five years	(839.5)	(1,250.2)
Due after five years	(1,717.4)	(905.2)
	(4,412.7)	(4,217.2)
Comprising:		
– principal amounts of current and non current interest bearing liabilities	(3,935.0)	(3,902.8)
– aggregate future estimated nominal interest	(477.7)	(314.4)
	(4,412.7)	(4,217.2)
Derivatives inflows/(outflows)		
Due within one year	(21.8)	(24.7)
Due between one year and five years	(112.5)	(46.5)
Due after five years	(56.9)	3.6
	(191.2)	(67.6)

The non interest bearing loan payables to related entities disclosed in Note 13 and the contingent liabilities set out in Note 30 are not included in the amounts shown above.

NOTE 24 FINANCIAL COVENANTS

Scentre Group, of which the Trust is part, is required to comply with certain financial covenants in respect of its unsecured borrowing facilities and bond offerings. The major financial covenants are summarised as follows:

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

As at and during the years ended 31 December 2017 and 2016, Scentre Group was in compliance with all the above financial covenants.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 25 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

	Fair value hierarchy	Fair value 31 Dec 17 \$million	31 Dec 16 \$million	Carrying amount 31 Dec 17 \$million	31 Dec 16 \$million
Consolidated assets					
Cash and cash equivalents		10.7	8.9	10.7	8.9
Trade debtors ⁽ⁱ⁾		0.4	0.8	0.4	0.8
Receivables					
– Other receivables ⁽ⁱ⁾		34.4	146.0	34.4	146.0
Derivative assets ⁽ⁱⁱ⁾	Level 2	128.5	111.5	128.5	111.5
Consolidated liabilities					
Payables ⁽ⁱ⁾		220.2	167.8	220.2	167.8
Interest bearing liabilities ⁽ⁱⁱ⁾					
– Fixed rate debt	Level 2	1,714.3	1,033.7	1,588.9	909.5
– Floating rate debt	Level 2	2,346.1	2,993.3	2,346.1	2,993.3
Derivative liabilities ⁽ⁱⁱ⁾	Level 2	68.4	48.9	68.4	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 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 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 year, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Investment properties are considered Level 3, refer to Note 3: Investment properties for relevant fair value disclosures.

NOTE 26 OTHER SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation and classification

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

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.

i) Joint arrangements

Joint operations

The Trust 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 Trust 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 Trust 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 Trust 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 Trust's share of net assets of the joint ventures. The consolidated income statement reflects the Trust's share of the results of operations of the joint ventures.

ii) 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.

(b) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on purchase of goods and services is not recoverable from the tax authority, in which case the GST 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 GST included.

The net amount of GST 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 GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

NOTE 26 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Recoverable amount of assets**

At each reporting date, the Trust assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Trust 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.

(d) 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 Trust will not be able to collect the receivable.

NOTE 27 SHARE BASED PAYMENTS**Performance Rights – Short Term Incentives (STI) and Long Term Incentives (LTI) issued to employees of related entities**

As at 31 December 2017, there were 10,951,853 (31 December 2016: 10,651,290) performance rights held by participants in Scentre Group's Performance Rights Plan. A performance right is the right, for no payment, to receive Scentre Group stapled securities or a cash equivalent on vesting. As at 31 December 2017, the 10,951,853 (31 December 2016: 10,651,290) performance rights held by participants equated to 10,951,853 (31 December 2016: 10,651,290) Scentre Group stapled securities. A description of the Performance Rights Plan is in Scentre Group's Remuneration Report in the 2017 Annual Financial Report.

	31 Dec 2017 Number of rights	31 Dec 2016 Number of rights
Vesting profile – Performance Rights – STI and LTI		
2017	–	4,208,412
2018	5,039,293	5,054,341
2019	4,510,707	1,282,500
2020	1,401,853	106,037
	10,951,853	10,651,290
	31 Dec 2017 \$million	31 Dec 2016 \$million

NOTE 28 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 Trust 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	748.1	750.2
Due between one and five years	1,909.6	1,877.9
Due after five years	1,034.7	1,052.9
	3,692.4	3,681.0

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.

	31 Dec 17 \$million	31 Dec 16 \$million
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NOTE 29 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	200.8	242.5
Due between one and five years	169.6	79.1
	370.4	321.6

NOTE 30 CONTINGENT LIABILITIES

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

Performance guarantees	19.8	3.8
Guaranteed borrowings of associates of the Responsible Entity	9,546.3	9,691.3
	9,566.1	9,695.1

The Trust'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 Trust 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 Trust.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 17 \$million	31 Dec 16 \$million
NOTE 31 PARENT ENTITY		
The Parent Entity 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 Entity is disclosed as follows:		
(a) Assets		
Current assets	127.9	101.6
Non current assets	17,515.2	15,713.1
Total assets	17,643.1	15,814.7
(b) Liabilities		
Current liabilities	2,229.5	2,276.6
Non current liabilities	2,227.9	1,954.2
Total liabilities	4,457.4	4,230.8
(c) Equity		
Contributed equity	8,159.8	8,159.8
Reserves	2,834.5	2,085.5
Retained profits	2,191.4	1,338.6
Total equity	13,185.7	11,583.9
(d) Comprehensive income		
Profit after tax for the period	1,440.6	908.8
Other comprehensive income	749.0	564.1
Total comprehensive income for the period	2,189.6	1,472.9
(e) Contingent liabilities		
Performance guarantees	–	0.1
Guaranteed borrowings of associates of the Responsible Entity	9,546.3	9,691.3
Total contingent liabilities	9,546.3	9,691.4
	31 Dec 17 \$000	31 Dec 16 \$000

NOTE 32 AUDITOR'S REMUNERATION

Amounts received or due and receivable by the auditor of the Parent Entity and any other entity in the Trust for:

– Audit or review of the financial reports	513	492
– Assurance and compliance services	334	366
	847	858

Amounts received or due and receivable by affiliates of the auditor of the Parent Entity for:

– Audit or review of the financial reports	129	117
– Assurance and compliance services	19	19
	148	136
	995	994

NOTE 33 RELATED PARTY DISCLOSURES

Information required to be disclosed concerning relationships, transactions and balances with related parties of the Trust is set out in this Note unless disclosed elsewhere in this financial report.

The Trust forms part of Scentre Group and the related party disclosures for Scentre Group have the same applicability to it. As such while the related party disclosures below make reference to Scentre Group, they also relate to the Trust.

Nature of relationship with related parties

Key Management Personnel of the Trust

Refer to Note 34 for details of Key Management Personnel.

Other Related Parties

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 Scentre Group. This is due to LFG being under the control or significant influence of Mr Steven Lowy, a Non-Executive Director of Scentre Group.

The Lowy Institute for International Policy (the Lowy Institute) is considered to be a related party of Scentre Group. This is due to the entity being under the control or significant influence of Mr Steven Lowy, a Non-Executive Director of Scentre Group.

SGL, SGT1 and SGT3 are considered to be related parties of the Trust, as their securities are stapled to the securities of SGT2 to form Scentre Group.

Transactions and their terms and conditions with related parties

Transactions with Key Management Personnel of the Trust

Refer to Note 34 for details of Key Management Personnel.

Transactions with Other Related Parties

(a) LFG and the Lowy Institute

Scentre Group has a leasing agreement with LFG to provide office space at Westfield Sydney. Scentre Group charged LFG \$2,001,870 (31 December 2016: \$1,914,501) for lease of office space at Westfield Sydney on commercial arm's length terms.

During the financial year, Scentre Group provided development services to LFG and the Lowy Institute totalling \$5,360 (31 December 2016: \$45,270). The amounts charged were on commercial arm's length terms.

There were no amounts payable to or receivable from LFG and the Lowy Institute as at 31 December 2017 (31 December 2016: nil).

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 2017 (31 December 2016: nil).

Scentre Group has established protocols governing transactions with other related parties which are monitored and reviewed by the Audit and Risk Committee.

(b) Scentre Group Limited, Scentre Group Trust 1 and Scentre Group Trust 3

During the year, the Trust and SGL transacted on normal commercial terms with respect to the following:

Property management fee

Property management fee of \$52.2 million (31 December 2016: \$51.5 million) of which \$4.9 million was payable to SGL as at 31 December 2017 (31 December 2016: \$4.6 million).

Manager's service charge

Manager's service charge expensed and paid of \$5.1 million (31 December 2016: \$4.8 million) to SGL.

Reimbursement of expenses

Reimbursement of shopping centre indirect overhead expenses of \$20.7 million (31 December 2016: \$21.0 million).

Tenancy coordination fees

Tenancy coordination fees of \$4.2 million (31 December 2016: \$4.1 million).

Construction contracts

Amounts charged (excluding GST) by SGL for construction contracts amounted to \$288.8 million (31 December 2016: \$310.8 million).

Loans

Loans from SGT1

During the year, the Trust had an A\$ interest bearing loan from SGT1. As at 31 December 2017, the balance of this loan is a payable of \$794.1 million (31 December 2016: \$824.6 million), with accrued interest payable of \$0.3 million (31 December 2016: \$0.1 million). Interest accrues on this loan based on a floating rate. The interest expense for the year in respect of the loan from SGT1 was \$25.0 million (31 December 2016: \$26.9 million).

Loans from SGL

During the year, an A\$ interest bearing loan of \$425.2 million from SGL to the Trust was repaid. The interest expense for the year on this loan was \$3.8 million (31 December 2016: \$6.2 million).

Loans from SGT3

As at 31 December 2017, the Trust has a non interest bearing loan payable to SGT3 of \$15.3 million (31 December 2016: \$26.4 million).

Facility Fees

The Trust pays external bank facility related costs on behalf of Scentre Group entities and these amounts are recovered from Scentre Group entities on a usage basis.

- i) During the year, the Trust was reimbursed by SGT1 for the facility related costs incurred on its behalf totalling \$8.4 million (31 December 2016: \$9.0 million).
- ii) During the year, the Trust was reimbursed by SGT3 for the facility related costs incurred on its behalf totalling \$2.7 million (31 December 2016: \$2.2 million).
- iii) During the year, the Trust was reimbursed by SGL for the facility related costs incurred on its behalf totalling \$1.5 million (31 December 2016: nil).

Financial derivatives

The following financial derivatives are included in total derivatives disclosed in Notes 21(ii), 22(i) and 22(ii) and were transacted with SGL:

- i) As at 31 December 2017, the notional principals of interest rate swaps outstanding with SGL were A\$1,000.0 million and NZ\$150.0 million (31 December 2016: nil). Net accrued interest payable was the A\$ equivalent of \$1.1 million (31 December 2016: nil), which was based on the respective fixed and floating rates relating to the swapped cashflows. The net interest expense for the year in respect of these derivatives was \$2.8 million (31 December 2016: nil).
- ii) As at 31 December 2017, the notional principals of cross currency swaps outstanding with SGL was US\$500.0 million receivable and A\$652.3 million payable (31 December 2016: nil). Net accrued interest receivable was the A\$ equivalent of \$1.9 million (31 December 2016: nil), which was based on the respective fixed and floating rates relating to the swapped cashflows. The net interest income for the year in respect of these derivatives was \$5.2 million (31 December 2016: nil). The net foreign currency loss in respect of the cross currency swap principals with SGL was \$10.8 million (31 December 2016: nil).
- iii) During the year, the Trust received net A\$130.4 million (31 December 2016: A\$173.6 million) from SGL in exchange for the Trust paying NZ\$146.6 million (31 December 2016: NZ\$185.9 million). The foreign currency contracts matured during the year and the net realised loss was \$6.9 million (31 December 2016: loss of \$5.4 million).

The Trust and SGL entered into additional foreign currency contracts during the year. The Trust received net A\$37.7 million (31 December 2016: nil) from SGL in exchange for the Trust paying net NZ\$41.1 million (31 December 2016: nil) to SGL. The foreign currency contracts matured during the year and the net loss from the contracts was \$0.5 million (31 December 2016: nil).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 34 DETAILS AND REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key Management Personnel are those individuals having the authority and responsibility for planning, directing and controlling the activities of the Trust, either directly or indirectly. The Non-Executive Directors, Chief Executive Officer and other senior executives are considered Key Management Personnel.

(a) Key Management Personnel

The Trust forms part of Scentre Group. Scentre Group's remuneration framework and philosophy and remuneration outcomes for the Key Management Personnel are detailed in the Remuneration Report in Scentre Group's 2017 Annual Financial Report.

The Responsible Entity does not have any employees. Key Management Personnel of the Trust are paid by related entities within Scentre Group.

As at 31 December 2017, the Board comprises 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

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

In addition to the Chief Executive Officer, during the year the following executives were Key Management Personnel:

Mark Bloom	Chief Financial Officer
Greg Miles	Chief Operating Officer

(b) Remuneration of Key Management Personnel

The Directors of the Responsible Entity receive remuneration in their capacity as Directors of the Responsible Entity.

These amounts are paid directly by SGL. Other Key Management Personnel are paid by Scentre Limited, a wholly owned subsidiary of SGL.

The Manager's service charge payable by the Trust to the Responsible Entity covers all costs in relation to the management of the Trust. The remuneration of the Key Management Personnel is not set by the Trust nor is it able to be influenced by the Trust. The remuneration of the Key Management Personnel is approved by the Board on the recommendation of the Human Resources Committee.

NOTE 35 DETAILS OF MATERIAL AND SIGNIFICANT ENTITIES

Name of entity	31 Dec 17 – Interest			31 Dec 16 – Interest		
	Beneficial ^(a)			Beneficial ^(a)		
	Parent Entity %	Scentre Group Trust 2 %	Consolidated or Equity accounted %	Parent Entity %	Scentre Group Trust 2 %	Consolidated or Equity accounted %
ENTITIES INCORPORATED IN AUSTRALIA						
Parent Entity						
Scentre Group Trust 2	100.0	100.0	100.0	100.0	100.0	100.0
Consolidated Controlled Entities						
Sydney Investment Trust	100.0	100.0	100.0	100.0	100.0	100.0
Equity Accounted Entities						
Bondi Junction Trust	50.0	50.0	50.0	50.0	50.0	50.0
WestArt Trust	–	50.0	50.0	–	50.0	50.0
ENTITIES INCORPORATED IN NEW ZEALAND						
Equity Accounted Entities						
Scentre NZ Holdings Limited	–	50.0	50.0	–	50.0	50.0

^(a) Beneficial interest in underlying controlled and equity accounted entities reflects the Parent Entity and the Trust's ownership interest as determined under International Financial Reporting Standards (IFRS).

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;
- (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 2017 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.

Made on 16 March 2018 in accordance with a resolution of the Board of Directors.



Brian Schwartz AM
Chairman
16 March 2018



Michael Ihlein
Director

Independent Auditor's Report

TO THE MEMBERS OF SCENTRE GROUP TRUST 2



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Report on the Audit of the Financial Report Opinion

We have audited the financial report of Scentre Group Trust 2 and its controlled entities (the Trust), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated income statement and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying financial report of the Trust is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated financial position of the Trust as at 31 December 2017 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Shopping Centre Investment Property Portfolio – Carrying values and revaluations

Why significant

The Trust holds economic interests in shopping centre investment properties which are carried at a fair value of \$17 billion at 31 December 2017. These include shopping centres recorded directly in the consolidated statement of financial position as investment properties and indirectly through equity accounted investments as disclosed in Note 4 of the financial report. Collectively they represent 96% of total assets.

Fair values were determined by the Trust at the end of the reporting period with changes in fair value recognised in the income statement.

We considered this to be a key audit matter as property valuations are based upon a number of assumptions which are judgmental in nature. Minor changes in certain assumptions can lead to significant changes in the valuation and the result of the Trust for the period.

Note 3 of the financial report discloses the sensitivity of these valuations to changes in key assumptions.

Note 3 of the financial report describes the accounting policy for these assets.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We analysed movements in the fair values of individual properties within the portfolio assets having regard to external market data and the performance of specific properties.
- In relation to property valuations, we considered the competence, capability and objectivity of valuation experts, evaluated the suitability of the scope and methodology used in the valuation reports and tested a sample of valuation reports for mathematical accuracy.
- For a sample of investment properties we considered the key inputs and assumptions used in the valuations, by:
 - assessing the appropriateness of valuation inputs in the context of the financial performance of the specific properties; and
 - assessing the valuation assumptions in the context of external market data and expectations developed in conjunction with EY real estate valuation specialists.
- A sample of individual property valuations were evaluated by our real estate valuation specialists.

2. Interest Bearing Liabilities and Financing Costs

Why significant

The Trust has interest bearing liabilities of \$4 billion at 31 December 2017. During the year the Trust incurred \$152 million in financing and interest costs of which \$11 million has been capitalised to property under development.

The Trust has established a range of finance facilities with various terms, counterparties and currencies.

This was considered to be a key audit matter as the Trust's gearing, liquidity, solvency, covenant obligations and financing cost profile are influenced by this portfolio of interest bearing liabilities.

Note 14 of the financial report discloses the Trust's interest bearing liabilities and contains a description of the accounting policies treatment for these liabilities.

Note 10 of the financial report discloses the Trust's financing costs and contains a description of the accounting policies.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed the design and operating effectiveness of the Trust's processes over recording and reporting the terms and conditions of interest bearing liabilities, including their classification as either current or non-current and associated costs.
- We confirmed interest bearing liabilities to external third party sources.
- We tested the calculation of interest recognised as both expense and capitalised to properties under development during the period to assess whether these were calculated in accordance with Australian Accounting Standards.
- We assessed whether loans maturing within twelve months from the reporting date were classified as current liabilities.

3. Derivative Financial Instruments

Why significant

The Trust manages interest and foreign currency risks through the use of derivative financial instruments ("derivatives") which have been set out in Note 15, Note 21 and Note 22 of the financial report.

Fair value movements in derivatives are driven by movements in financial markets.

This was considered to be a key audit matter as the valuation of these instruments require judgement, are significant to the financial statements and require extensive disclosure in the financial report.

Note 15 of the financial report discloses the fair value of the Trust's derivative assets and liabilities outstanding at balance date and contains a description of the accounting policies for these instruments.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed the Trust's processes for recording, reviewing and reporting the terms and conditions of its derivatives.
- Our treasury specialists assessed the accuracy with which the Trust determined the fair value of derivative instruments and whether they were calculated in accordance with Australian Accounting Standards.
- We confirmed derivative financial instruments to third party sources.
- We tested that the fair value movements on derivatives during the period were recognised in the consolidated income statement.

Information other than the Financial Report and Auditor's Report

The Directors of RE1 Limited, the Responsible Entity of the Trust, are responsible for the other information. The other information comprises the information in the Trust's Annual Report for the year ended 31 December 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of RE1 Limited, the Responsible Entity of the Trust, 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 control as the Directors of RE1 Limited, the Responsible Entity of the Trust, determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors of RE1 Limited, the Responsible Entity of the Trust, are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors of RE1 Limited, the Responsible Entity of the Trust, either intend to liquidate the Trust or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of RE1 Limited, the Responsible Entity of the Trust.

Independent Auditor's Report (continued)

- Conclude on the appropriateness of the Directors' of RE1 Limited, the Responsible Entity of the Trust, use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit of the Trust. We remain solely responsible for our audit opinion.

We communicate with the Directors of RE1 Limited, the Responsible Entity of the Trust, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the Directors of RE1 Limited, the Responsible Entity of the Trust, with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors of RE1 Limited, the Responsible Entity of the Trust, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Ernst & Young



Graham Ezzy
Partner

Sydney, 16 March 2018

Liability limited by a scheme approved under Professional Standards Legislation.

Directors' Report

The Directors of RE1 Limited (Responsible Entity), the responsible entity of Scentre Group Trust 2 (the Trust or SGT2) submit the following report for the year ended 31 December 2017 (Financial Year).

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited (SGL), Scentre Group Trust 1 (SGT1), the Trust, 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.

1. OPERATIONS AND ACTIVITIES

1.1 Review of Operations and Results of Operations

The Trust's net profit for the Financial Year (attributable to members of SGT2) was \$2,205.1 million. The aggregate distribution (attributable to members of SGT2) for the Financial Year is \$672.5 million (being 12.63 cents per unit) with basic earnings per unit for the Financial Year of 41.42.

As at 31 December 2017, the Trust's portfolio comprised interests in 38 centres in Australia and New Zealand with a combined value of \$17.7 billion.

As at 31 December 2017, the Trust's portfolio was more than 99.5% leased. Net property income for the Financial Year was \$802.9 million. Comparable net operating income growth across the portfolio was 2.75%, driven primarily by contracted annual rent escalations.

During the Financial Year, Scentre Group commenced over \$1.1 billion (Trust share: \$284 million) of developments including projects at Westfield Carousel in Perth, Westfield Plenty Valley in Melbourne and Westfield Kotara in Newcastle.

During the Financial Year, Scentre Group also completed \$435 million of redevelopments (Trust share: \$198 million) at Westfield Chermiside and Westfield Whitford City, and settled the Casey and WestCity asset sales with total proceeds of \$367 million (Trust share: \$184 million).

During the Financial Year, the Trust issued US\$500 million (\$A650 million) of bonds.

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% (89.5% 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.

A detailed operating and financial review for Scentre Group is contained in the Directors' Report in Scentre Group's 2017 Annual Financial Report which is available at www.scentregroup.com.

1.2 Principal Activities

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

1.3 Subsequent Events

No events have occurred since the end of the year which would significantly effect the operations of the Trust.

1.4 Future Developments

At the date of this report there is no proposed change to the principal activities of the Trust.

The strategy, key drivers and outlook of Scentre Group are described in the Directors' Report in Scentre Group's 2017 Annual Financial Report.

1.5 Risks

Scentre Group looks at risk from a number of perspectives: global risk trends, social and environmental risks and retail property specific risks. These risks are subject to continuous assessment and review.

As a property group involved in the design, development, management and operation of retail shopping centres, Scentre Group faces a number of operational risks which have the potential to affect the achievement of our targeted financial outcomes.

A number of important strategic risks and how such risks are managed and monitored are outlined in Scentre Group's 2017 Annual Financial Report which can be found at www.scentregroup.com.

1.6 Sustainability

Environmental laws and regulations in force in the various jurisdictions in which Scentre Group operates are applicable to areas of Scentre Group's operations and in particular to its development, construction and shopping centre management activities. Scentre 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.

Scentre Group's Sustainability Report will be published in the first quarter of 2018 and will be available on Scentre Group's website.

2. DISTRIBUTIONS

For the 6 months ended 31 December 2016, the Trust distribution of 4.33 cents per ordinary unit formed part of the distribution of 10.65 cents per Scentre Group stapled security, paid on 28 February 2017. This distribution was an aggregate of a distribution from the Trust, a distribution from SGT1 and SGT3 and a dividend from SGL. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

For the 6 months ended 30 June 2017, the Trust distribution of 6.71 cents per ordinary unit formed part of the distribution of 10.86 cents per Scentre Group stapled security, paid on 31 August 2017. This distribution was an aggregate of a distribution from the Trust and a distribution from SGT1. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

For the 6 months ended 31 December 2017, the Trust distribution of 5.92 cents per ordinary unit formed part of the distribution of 10.87 cents per Scentre Group stapled security, paid on 28 February 2018. This distribution was an aggregate of a distribution from the Trust, a distribution from SGT1 and a dividend from SGL. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

3. THE DIRECTORS

The Board of Directors of the Responsible Entity at the date of this report is set out below.

Names	Position Held	Independent (Y/N)
Brian Schwartz AM	Non-Executive Chairman	Y
Peter Allen	Chief Executive Officer/ Executive Director	N
Andrew Harnos	Non-Executive Director	Y
Michael Ihlein	Non-Executive Director	Y
Carolyn Kay	Non-Executive Director	Y
Aliza Knox	Non-Executive Director	Y
Steven Lowy AM	Non-Executive Director	N
Margaret Seale	Non-Executive Director	Y

Scentre Group was established on 30 June 2014. Prior to that date, RE1 Limited and RE2 Limited acted as responsible entities for the prior Westfield Retail Trust and the appointment dates of Andrew Harnos (21 December 2010), Michael Ihlein (21 December 2010), Peter Allen (12 August 2010) and Steven Lowy (12 August 2010) pre-date the establishment of Scentre Group. Aliza Knox was appointed to each board on 7 May 2015 and Carolyn Kay and Margaret Seale on 24 February 2016.

Biographies of the current Board can be found in Scentre Group's 2017 Annual Financial Report and on Scentre Group's website.

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 resign as a Director of RE1 Limited.

The names of the Directors in office and the relevant interests of each Director in stapled securities in Scentre Group as at the date of this report are shown below. Units in the Trust are stapled to shares in SGL and units in SGT1 and SGT3. The stapled securities trade on the ASX under the code SCG.

Directors' Report (continued)

Director	Number of Stapled Securities	
Brian Schwartz	133,781	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.
Peter Allen	3,184,750	
Andrew Harmos	50,000	
Michael Ihlein	33,048	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 Scentre Group.
Carolyn Kay	27,000	
Aliza Knox	34,900	
Steven Lowy	216,467,389	Details of the performance rights held by the Chief Executive Officer are set out in the Remuneration Report in Scentre Group's 2017 Annual Financial Report.
Margaret Seale	56,750	

4. DIRECTORS' DIRECTORSHIPS OF OTHER LISTED COMPANIES

The following table sets out the directorships of other Australian listed companies held by the Directors of the Responsible Entity 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
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	31 March 2016
	Westfield America Management Limited^	6 May 2009	Continuing
	Westfield Corporation Limited^	8 April 2014	Continuing
Peter Allen	Scentre Management Limited*	25 May 2011	Continuing
	RE1 Limited*	12 August 2010	Continuing
	RE2 Limited*	12 August 2010	Continuing
Andrew Harmos	Scentre Management Limited*	30 June 2014	Continuing
	RE1 Limited*	21 December 2010	Continuing
	RE2 Limited*	21 December 2010	Continuing
	AMP Limited	1 June 2017	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
	MG Unit Trust	3 July 2015	27 October 2017
Carolyn Kay	Scentre Management Limited*	24 February 2016	Continuing
	RE1 Limited*	24 February 2016	Continuing
	RE2 Limited*	24 February 2016	Continuing
	Brambles Limited	21 August 2006	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
Margaret Seale	Scentre Management Limited*	24 February 2016	Continuing
	RE1 Limited*	24 February 2016	Continuing
	RE2 Limited*	24 February 2016	Continuing
	Ramsay Health Care Limited	28 April 2015	Continuing
	Telstra Corporation Limited	7 May 2012	Continuing
	Bank of Queensland Limited	21 January 2014	Continuing

Notes:

* Scentre Group comprises SGL, SGT1, SGT2 and SGT3. The responsible entity of SGT1 is Scentre Management Limited. The responsible entity of SGT2 is RE1 Limited and the responsible entity of SGT3 is RE2 Limited. Scentre Management Limited is also the responsible entity of Carindale Property Trust, a listed managed investment scheme (ASX:CDP).

^ Westfield Corporation comprises Westfield Corporation Limited, Westfield America Trust and WFD Trust (ASX:WFD). The responsible entity of each scheme is Westfield America Limited.

5. OPTIONS AND UNISSUED INTERESTS

No options were issued by the Trust 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 or units in the Trust.

Details of the performance rights held by the executive Key Management Personnel are set out in the Remuneration Report in Scentre Group's 2017 Annual Financial 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 out of the assets of the Trust in regards to a person who is or has been an officer or auditor of the Responsible Entity. So long as the Responsible Entity acts in accordance with the Constitution and the Corporations Act, it remains indemnified out of the assets of the Trust against any losses incurred while acting as the Responsible Entity.

The Responsible Entity's Constitution provides that a person who is or has been a Director or Secretary of the Responsible Entity may be indemnified by the Responsible Entity 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 Responsible Entity is forbidden by statute to indemnify the person or the indemnity would, if given, be made void by statute.

A related corporation of the Responsible Entity has paid premiums for directors' and officers' liability insurance in respect of Directors, Secretaries and Executive Officers of the Responsible Entity 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 the Responsible Entity's documents and records, subject to undertakings as to confidentiality.

To the extent permitted by law, the Responsible Entity has agreed to indemnify its auditor, 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 with respect to such indemnities has been made to Ernst & Young during or since the Financial Year.

7. SPECIAL RULES FOR REGISTERED SCHEMES

- \$57.3 million in fees were paid and payable to the Responsible Entity and its associates out of the assets of the Trust during the Financial Year.
- No units in the Trust were held by the Responsible Entity at the end of the Financial Year. Associates of the Responsible Entity held 221,559,146 units as at the end of the Financial Year.
- Details of units issued in the Trust during the Financial Year are set out in Note 16 to the Financial Report on page 19.
- No withdrawals were made from the scheme during the Financial Year.
- Details of the value of the Trust's assets as at the end of the Financial Year and the basis for the valuation are set out in Notes 3, 4 and 5 to the Financial Report on pages 11, 12 and 13.
- Details of the number of units in the Trust as at the end of the Financial Year are set out in Note 16 to the Financial Report on page 19.

8. AUDIT

8.1 Audit and Risk Committee

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

8.2 Audit Independence

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



Auditor's Independence Declaration to the Directors of RE1 Limited

As lead auditor for the audit of Scentre Group Trust 2 for the financial year ended 31 December 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Sydney, 16 March 2018

Graham Ezzy
Partner

Liability limited by a scheme approved under Professional Standards Legislation.

9. ASIC DISCLOSURES

The Trust is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly, the amounts shown in the Directors' Report, the Financial Statements and the Notes thereto 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.

10. ASX LISTING

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.

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

Brian Schwartz AM
Chairman

16 March 2018

Michael Ihlein
Director

Corporate Governance Statement

The Corporate Governance Statement for Scentre Group Trust 2 for the financial year ended 31 December 2017 has been incorporated into the Corporate Governance Statement prepared for Scentre Group. This Statement can be found in the 2017 Scentre Group Annual Financial Report. Scentre Group's Annual Financial Report is available on the scentregroup.com website.

Members' Information

FOR THE YEAR ENDED 31 DECEMBER 2017

Twenty Largest Holders of Stapled Securities in Scentre Group*

		Number of Securities
1	HSBC Custody Nominees (Australia) Limited	2,103,545,630
2	J P Morgan Nominees Australia Limited	978,209,841
3	BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	503,265,541
4	Citicorp Nominees Pty Limited	470,403,949
5	National Nominees Limited	280,677,684
6	BNP Paribas Noms Pty Ltd <Drp>	70,826,141
7	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	70,419,284
8	Cordera Holdings Pty Limited	60,570,206
9	Franley Holdings Pty Ltd	50,693,432
10	Franley Securities Pty Ltd	50,693,432
11	AMP Life Limited	41,105,627
12	HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	23,944,161
13	FP Pty Limited <The Frank Lowy Living A/C>	17,577,810
14	Australian Foundation Investment Company Limited	12,950,000
15	Bond Street Custodians Limited <ENH Property Securities A/C>	11,913,823
16	Franley Holdings Pty Ltd	9,876,775
17	Franley Securities Pty Ltd	9,876,775
18	Navigator Australia Ltd <Sma Antares Inv Dv Build A/C>	8,775,925
19	Argo Investments Limited	7,526,662
20	Amondi Pty Ltd <S E O P T A/C>	7,313,304
		4,790,166,002

* 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	12,548,203	29,451	0.24
1,001-5,000	95,091,006	38,669	1.79
5,001-10,000	71,052,985	10,054	1.33
10,001-100,000	148,408,522	6,937	2.79
100,001 and over	4,997,195,962	344	93.86
Total	5,324,296,678	85,455	100.00

As at 16 February 2018, 7,104 securityholders hold less than a marketable parcel (being 133 securities at the closing price of \$3.77) of quoted securities in Scentre Group.

* There are 10,681,146 performance rights on issue to a total of 112 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 Scentre Group Limited, 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 FY17, 3,700,560 securities (at an average price of \$3.97) were acquired on-market by Scentre Group's Performance Rights Trust to satisfy executive entitlements on the vesting of rights under Scentre Group's equity-linked 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 Scentre Group, are as follows:

The Vanguard Group	493,780,757
BlackRock Group	450,144,001
National Nominees as custodian for Unisuper Limited	294,417,792
State Street	290,301,657

Annual Financial Report

SCENTRE GROUP TRUST 3

For the Financial Year ended 31 December 2017

Contents

2	Income Statement
3	Statement of Comprehensive Income
4	Balance Sheet
5	Statement of Changes in Equity
6	Cash Flow Statement
7	Notes to the Financial Statements
23	Directors' Declaration
24	Independent Auditor's Report
26	Directors' Report
29	Corporate Governance Statement
30	Members' Information

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 17 \$'000	31 Dec 16 \$'000
Revenue and other income			
Property and property related revenue [Ⓜ]		5,317	5,252
		5,317	5,252
Expenses			
Property and property related expenses [Ⓜ]		(1,987)	(1,888)
Corporate costs		(238)	(268)
		(2,225)	(2,156)
Interest income	2	15,855	15,307
Financing costs		(15,511)	(15,115)
Profit before tax		3,436	3,288
Tax expense	3	(1,048)	(1,171)
Profit after tax for the period		2,388	2,117
		cents	cents
Basic earnings per unit	5	0.04	0.04
Diluted earnings per unit	5	0.04	0.04

[Ⓜ] Relates to property advertising and promotions.

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 17 \$'000	31 Dec 16 \$'000
Profit after tax for the period	2,388	2,117
Other comprehensive income		
<i>Movement in foreign currency translation reserve</i>		
– Net exchange difference on translation of foreign operations ^①	(90)	38
Total comprehensive income for the period	2,298	2,155

^① This item may be subsequently transferred to the profit and loss.

Balance Sheet

AS AT 31 DECEMBER 2017

	Note	31 Dec 17 \$'000	31 Dec 16 \$'000
Current assets			
Cash and cash equivalents	6(a)	663	667
Receivables	7	615,246	439,731
Total current assets		615,909	440,398
Non current assets			
Receivables	7	1,207	1,272
Plant and equipment		406	605
Total non current assets		1,613	1,877
Total assets		617,522	442,275
Current liabilities			
Payables and other creditors	8	3,091	6,780
Total current liabilities		3,091	6,780
Non current liabilities			
Deferred tax liabilities		518	534
Interest bearing liabilities	9	595,710	410,005
Total non current liabilities		596,228	410,539
Total liabilities		599,319	417,319
Net assets		18,203	24,956
Equity			
Contributed equity	17(b)	11,461	11,461
Reserves	18	(15)	75
Retained profits	19	6,757	13,420
Total equity		18,203	24,956

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

	Contributed Equity \$'000	Reserves \$'000	Retained Profits \$'000	31 Dec 17 Total \$'000	Contributed Equity \$'000	Reserves \$'000	Retained Profits \$'000	31 Dec 16 Total \$'000
Changes in equity attributable to members of Scentre Group Trust 3								
Balance at the beginning of the period	11,461	75	13,420	24,956	11,461	37	11,303	22,801
– Profit after tax for the period	–	–	2,388	2,388	–	–	2,117	2,117
– Other comprehensive income	–	(90)	–	(90)	–	38	–	38
Transactions with owners in their capacity as owners:								
– Distributions paid	–	–	(9,051)	(9,051)	–	–	–	–
Closing balance of equity attributable to members of Scentre Group Trust 3	11,461	(15)	6,757	18,203	11,461	75	13,420	24,956

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 17 \$'000	31 Dec 16 \$'000
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		5,848	5,778
Payments in the course of operations (including GST)		(2,254)	(2,300)
Income and withholding taxes (paid)/received		(524)	470
GST paid		(250)	(213)
Payments of financing costs		(14,907)	(16,749)
Interest received		14,955	17,987
Net cash flows from operating activities	6(b)	2,868	4,973
Cash flows used in financing activities			
Net proceeds/(repayment) of interest bearing liabilities	9(c)	212,437	(100,722)
Net loans (advanced to)/repaid by related entities	9(c)	(206,229)	95,837
Distributions paid		(9,051)	–
Net cash flows used in financing activities		(2,843)	(4,885)
Net increase in cash and cash equivalents held		25	88
Add opening cash and cash equivalents brought forward		667	567
Effects of exchange rate changes on opening cash and cash equivalents brought forward		(29)	12
Cash and cash equivalents at the end of the period [ⓐ]	6(a)	663	667

[ⓐ] Cash and cash equivalents comprises cash of \$663,000 (31 December 2016: \$667,000).

Index of Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

Note	Description	Page
1	Basis of preparation of the Financial Report	8
Operational results, assets and liabilities		
2	Interest Income	9
3	Taxation	9
4	Distributions	9
5	Earnings per unit	10
6	Cash and cash equivalents	10
7	Receivables	11
8	Payables and other creditors	11
9	Interest bearing liabilities	12
10	Capital risk management	13
11	Financial risk management	13
12	Interest rate risk management	14
13	Exchange rate risk management	14
14	Credit and liquidity risk management	15
15	Financial covenants	15
16	Fair value of financial assets and liabilities	16
Capital management		
17	Contributed equity	16
18	Reserves	17
19	Retained profits	17
Other disclosures		
20	Other significant accounting policies	18
21	Share based payments	19
22	Contingent liabilities	19
23	Segment reporting	19
24	Parent entity	20
25	Auditor's remuneration	20
26	Related party disclosures	21
27	Details and remuneration of Key Management Personnel	22
28	Details of material and significant entities	22

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 1 BASIS OF PREPARATION OF THE FINANCIAL REPORT

(a) Corporate information

This financial report of Scentre Group Trust 3 (SGT3) and its controlled entities (collectively the Trust), for the year ended 31 December 2017, was approved in accordance with a resolution of the Board of Directors of RE2 Limited as Responsible Entity of SGT3.

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

(b) Accounting for Scentre Group Trust 3

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited (SGL), Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2), SGT3 and their respective controlled entities. Scentre Group was established on 30 June 2014. The securities of each of SGL, SGT1, SGT2 and SGT3 are stapled and trade as one security on the Australian Securities Exchange (ASX) under the code SCG. The stapled securities of SGL, SGT1, SGT2 and SGT3 cannot be traded separately. The stapling transaction is referred to as the "Merger".

(c) 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 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 had 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 year ended 31 December 2017. 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 new requirements for classification and measurement, impairment and hedge accounting of financial instruments compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

Following a detailed assessment of the requirements of the standard, the Trust expects that there will not be a significant impact on the financial statements on application. The Trust will adopt AASB 9 from 1 January 2018 and will not restate comparative information as permitted by the Standard.

(i) Classification and measurement

The Trust does not expect any impact on its balance sheet or equity on applying the classification and measurement requirements of AASB 9. Financial assets currently held at fair value will continue to be measured at fair value. Loans and other receivables are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. These receivables will be measured at amortised cost.

(ii) Impairment

Under AASB 9, expected credit losses on financial assets are to be recorded either on a 12-month or lifetime basis. The Trust will apply the general approach to impairment on all eligible financial assets. It is expected that the revised methodology for calculation of impairment will not have a significant impact on the financial statements.

(iii) Hedge accounting

As the Trust currently does not have any existing hedge relationships that are designated in effective hedging relationships, there is no impact from the application of hedging requirements on the financial statements.

- AASB 15 Revenue from Contracts with Customers (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 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;

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

- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective from 1 January 2018)

This interpretation clarifies that in applying paragraphs 21-22 of AASB 121 – The Effects of Changes in Foreign Exchange Rates, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it), is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. This standard is not expected to have a significant impact on the financial statements on application.

- 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.

- AASB Interpretation 23 Uncertainty over Income Tax Treatments, and relevant amending standards (effective 1 January 2019)

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. This standard is not expected to have a significant impact on the financial statements on application.

(d) Basis of Accounting

This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 (Corporations Act), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. This 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. The financial report is presented in Australian dollars.

(e) 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 20: Other significant accounting policies and Note 16: Fair value of financial assets and liabilities. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the Trust's financial results or the financial position in future periods.

(f) Comparative information

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

(g) Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in this financial report have been rounded to the nearest thousand dollars, unless otherwise indicated. Amounts shown as 0 represent amounts less than \$500 that have been rounded down.

	Note	31 Dec 17 \$'000	31 Dec 16 \$'000
NOTE 2 INTEREST INCOME			
Gross interest income			
– Interest income from related entities	26(b)	15,852	15,297
– Other interest received		3	10
		15,855	15,307

NOTE 3 TAXATION

Tax expense

Current – underlying operations		(1,048)	(1,171)
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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		3,436	3,288
Prima facie tax expense at 30%		(1,031)	(986)
Other items		(17)	(185)
Tax expense		(1,048)	(1,171)

Accounting Policies

Taxation

The Trust comprises taxable entities in Australia and New Zealand. SGT3 is treated as a company for Australian tax purposes.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, calculated using the tax rates and tax laws enacted or substantively enacted at the reporting date in the countries where the Trust operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax is provided on all temporary differences at 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 substantially 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.

	31 Dec 17 \$'000	31 Dec 16 \$'000
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NOTE 4 DISTRIBUTIONS

(a) Final distribution paid

Nil cents per unit (31 December 2016: 0.17 cents per unit)	–	9,051
	–	9,051

(b) Distributions paid during the year

Distribution in respect of the 6 months to 30 June 2017	–	–
Distribution in respect of the 6 months to 31 December 2016	9,051	–
Distribution in respect of the 6 months to 30 June 2016	–	–
Distribution in respect of the 6 months to 31 December 2015	–	–
Total distributions paid	9,051	–

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 17 cents	31 Dec 16 cents
NOTE 5 EARNINGS PER UNIT		
(a) Summary of earnings per unit		
Basic earnings per unit	0.04	0.04
Diluted earnings per unit	0.04	0.04

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

	31 Dec 17 \$'000	31 Dec 16 \$'000
Earnings used in calculating basic earnings per unit ⁽ⁱ⁾	2,388	2,117
Adjustments to earnings relating to options which are considered dilutive	–	–
Earnings used in calculating diluted earnings per unit	2,388	2,117

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

	31 Dec 17 No. of units	31 Dec 16 No. of units
Weighted average number of units used in calculating basic earnings per unit	5,324,296,678	5,324,296,678
Units 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

(b) Conversions, calls, subscription or issues after 31 December 2017

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

Accounting Policies

Earnings per unit

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

	31 Dec 17 \$'000	31 Dec 16 \$'000
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NOTE 6 CASH AND CASH EQUIVALENTS

(a) Components of cash and cash equivalents

Cash	663	667
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(b) Reconciliation of profit after tax to net cash flows from operating activities

Profit after tax	2,388	2,117
Depreciation	197	197
Decrease in working capital attributable to operating activities	283	2,659
Net cash flows from operating activities	2,868	4,973

Accounting Policies

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, and short term loans.

	Note	31 Dec 17 \$'000	31 Dec 16 \$'000
NOTE 7 RECEIVABLES			
Current			
Prepayments		466	527
Tax receivable		–	225
Interest bearing loans receivable from related entities	26(b)	595,001	408,815
Non interest bearing loans receivable from related entities	26(b)	16,623	27,776
Other receivables from related entities	26(b)	3,156	2,388
		615,246	439,731
Non Current			
Prepayments		1,207	1,272
		1,207	1,272

Accounting Policies

Receivables

Trade and sundry debtors and loan receivables are carried at original invoice amount, less provision for doubtful debts, and are usually due within 30 days. Collectability of trade, sundry and loan receivables 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 Trust will not be able to collect the receivable. Interest bearing loan receivables from related entities are carried at amortised cost, are callable on demand and therefore classified as a current asset.

	31 Dec 17 \$'000	31 Dec 16 \$'000
NOTE 8 PAYABLES AND OTHER CREDITORS		
Current		
Payables and other creditors	2,771	6,780
Tax payable	320	–
	3,091	6,780

Accounting Policies

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 Trust prior to the end of the financial year that are unpaid and arise when the Trust 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 17 \$'000	31 Dec 16 \$'000
NOTE 9 INTEREST BEARING LIABILITIES		
Non current		
Unsecured		
Bank loans		
– NZ\$ denominated	595,710	410,005
	595,710	410,005
The maturity profile in respect of non current interest bearing liabilities is set out below:		
Due within one year	–	–
Due between one year and five years	595,710	410,005
Due after five years	–	–
	595,710	410,005
(a) Summary of financing facilities		
Committed financing facilities available to the Trust:		
Total financing facilities at the end of the year	2,700,000	2,700,000
Amounts utilised by other members of Scentre Group	(1,146,993)	(847,899)
Less: amounts utilised	(595,710)	(410,005)
Available financing facilities	957,297	1,442,096
Cash and cash equivalents	663	667
Financing resources available at the end of the year	957,960	1,442,763
(b) Maturity profile of financing facilities		
Maturity profile in respect of the above financing facilities:		
Due within one year	–	–
Due between one year and five years	2,500,000	2,500,000
Due after five years	200,000	200,000
	2,700,000	2,700,000

These facilities are unsecured interest only floating rate facilities which are also subject to negative pledge arrangements which require Scentre Group to comply with specific minimum financial and non-financial requirements.

The available financing facilities above totalling A\$957.3 million (31 December 2016: A\$1,442.1 million), are available to the Trust and other members of Scentre Group at year end. The Trust is able to draw on these financing facilities, provided they are unutilised by other members of Scentre Group. These are interest only unsecured multicurrency multioption facilities.

Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

	31 Dec 17 \$'000
(c) Movements in loan receivables and interest bearing liabilities arising from financing activities	
Balance at the beginning of the year	26,586
Net loans advanced to related entities	206,229
Net proceeds from interest bearing liabilities	(212,437)
Transfer of intercompany balances	(4,522)
Effects of exchange rate changes	58
Balance at the end of the year ⁽ⁱ⁾	15,914

⁽ⁱ⁾ Comprises interest bearing loan receivables of \$595.0 million (31 December 2016: \$408.8 million) and other loan receivables of \$16.6 million (31 December 2016: \$27.8 million) disclosed in Note 7 less interest bearing liabilities of \$595.7 million (31 December 2016: \$410.0 million) disclosed above.

Accounting Policies

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 Trust's interest bearing borrowings as disclosed in Note 16 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 Trust's borrowing rate at the balance date, for debt with similar maturity, credit risk and terms.

NOTE 10 CAPITAL RISK MANAGEMENT

Scentre Group, of which the Trust forms part of, operates as a single economic entity with a common board of directors and management team.

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

Scentre 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. Scentre Group continuously reviews its capital structure to ensure:

- sufficient funds and financing facilities, on a cost effective basis, are available to implement Scentre 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.

Scentre 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 and activating a security buy-back program.

Scentre Group also protects its equity in assets through insurance.

NOTE 11 FINANCIAL RISK MANAGEMENT

Scentre Group, of which the Trust forms part of, operates as a single economic entity with a common board of directors and management team.

The Trust's principal financial instruments comprise cash, receivables, payables and interest bearing liabilities.

The Trust manages its exposure to key financial risks in accordance with Scentre 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.

Scentre Group's treasury risk management policies are established to identify and analyse the risks faced by the Trust, 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 Trust's activities. Scentre 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 Trust's treasury management objectives.

Scentre 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 Scentre Group's Executive Committee.

Scentre Group uses different methods to measure and manage different types of risks to which the Trust is exposed. These include monitoring levels of exposure to interest rates, foreign exchange, liquidity and credit risk. The Trust may enter 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 Trust's operations, cash flows, interest bearing liabilities and its net investments in foreign operations. Scentre 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 12 INTEREST RATE RISK MANAGEMENT

The Trust is exposed to interest rate risk on its borrowings. Where applicable, this risk is managed by the Trust 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 Trust 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 Trust 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:

Interest payable and receivable exposures

	Note	31 Dec 17 \$'000	31 Dec 16 \$'000
Principal amounts of all interest bearing liabilities:			
Interest bearing liabilities	9	595,710	410,005
Total interest bearing liabilities		595,710	410,005
Less:			
Principal amounts of all interest bearing assets:			
Interest bearing loans receivable	7	595,001	408,815
Cash and cash equivalents	6(a)	663	667
Total interest bearing assets		595,664	409,482

Principal amounts of net interest bearing liabilities	46	523
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As at 31 December 2017, the Trust has not hedged its net interest payable exposure, which is exposed to floating rates on a principal payable of \$46,000 (31 December 2016: \$523,000) at an average interest rate of 3.2% (31 December 2016: 3.1%) per annum, including margin.

Interest rate sensitivity

The sensitivity of interest expense to changes in the floating exposure interest rate is proportional. An increase or decrease in interest rates of 100 basis points would increase or decrease interest expense by \$460 (31 December 2016: \$5,230) for each year thereafter.

NOTE 13 EXCHANGE RATE RISK MANAGEMENT

The Trust is exposed to exchange rate risk on its foreign currency earnings, its distribution and its foreign currency denominated assets. The Trust manages these exposures by borrowing in foreign currencies.

Summary of foreign exchange balance sheet positions at balance date

The Trust's foreign exchange exposures at reporting date together with foreign currency borrowings are as follows:

	31 Dec 17 NZ\$'000	31 Dec 16 NZ\$'000
Foreign currency net investments		
NZ\$ net assets	657,381	427,811
NZ\$ borrowings	(655,400)	(426,200)
NZ\$ denominated net assets	1,981	1,611

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

Where the Trust 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.

	31 Dec 17 \$'000	31 Dec 16 \$'000
Foreign currency sensitivity		
The sensitivity of NZ\$ denominated net assets to changes in the year end A\$/NZ\$1.1002 exchange rate (31 December 2016: 1.0395) is as follows:	A\$/NZ\$ Currency movement	Gain/(loss) to foreign currency translation reserve
	- 10 cents	180
	- 5 cents	86
	+ 5 cents	(78)
	+ 10 cents	(150)

NOTE 14 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 Trust. Credit limits have been established to ensure that the Trust 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 Trust, 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 their outstanding face value.

The maximum exposure to credit risk at balance date is the aggregate of the carrying amounts of financial assets as disclosed in Note 16.

The Trust 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, to pay unit holder distributions, and to meet its working capital and expected committed capital expenditure requirements. The Trust prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

Interest bearing liabilities, financing facilities and their respective maturity profiles, are disclosed in Note 9. The maturity profile of the principal amounts of interest bearing liabilities including aggregate future estimated nominal interest are set out as follows:

	31 Dec 17 \$'000	31 Dec 16 \$'000
Interest bearing liabilities and interest		
Due within one year	(18,577)	(13,862)
Due between one year and five years	(634,547)	(440,176)
Due after five years	(42)	(91)
	(653,166)	(454,129)
Comprising:		
– principal amounts of current and non current interest bearing liabilities	(595,710)	(410,005)
– aggregate future estimated nominal interest	(57,456)	(44,124)
	(653,166)	(454,129)

Contingent liabilities are set out in Note 22 and are not included in the amounts shown above.

NOTE 15 FINANCIAL COVENANTS

Scentre Group of which the Trust is part is required to comply with certain financial covenants in respect of its unsecured borrowing 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).

As at and during the years ended 31 December 2017 and 2016, Scentre Group was in compliance with all the above financial covenants.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 16 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

		Fair value		Carrying amount	
	Fair value Hierarchy	31 Dec 17 \$'000	31 Dec 16 \$'000	31 Dec 17 \$'000	31 Dec 16 \$'000
Consolidated assets					
Cash		663	667	663	667
Receivables					
– Interest bearing loans receivable ⁽ⁱ⁾	Level 2	595,001	408,815	595,001	408,815
– Other receivables ⁽ⁱⁱ⁾		19,779	30,164	19,779	30,164
Consolidated liabilities					
Payables and other creditors ⁽ⁱⁱ⁾		2,771	6,780	2,771	6,780
Interest bearing liabilities ⁽ⁱ⁾					
– Floating rate debt	Level 2	595,710	410,005	595,710	410,005

⁽ⁱ⁾ 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.

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

Determination of fair value

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

	31 Dec 17 No. of units	31 Dec 16 No. of units
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NOTE 17 CONTRIBUTED EQUITY

(a) Number of units on issue

Balance at the beginning and end of the year	5,324,296,678	5,324,296,678
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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 proportion to the number of and amounts paid up on 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 SGL, SGT1, SGT2 and SGT3 (as the case may be).

	31 Dec 17 \$'000	31 Dec 16 \$'000
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(b) Amount of contributed equity

Balance at the beginning and the end of the year	11,461	11,461
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Accounting Policies

Contributed equity

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

	31 Dec 17 \$'000	31 Dec 16 \$'000
NOTE 18 RESERVES		
Foreign currency translation reserve	(15)	75
	(15)	75

Movement in foreign currency translation reserve

The foreign currency translation reserve is to record net exchange differences arising from the translation of financial statements of foreign controlled entities and the net investments hedged in these entities.

Balance at the beginning of the year	75	37
Foreign exchange movement		
– Translation of investment in foreign entities	(90)	38
Balance at the end of the year	(15)	75

Accounting Policies

Translation of accounts of foreign operations

The functional and presentation currency of the Trust and its Australian subsidiaries is Australian dollars. The functional currency of the 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 Trust to be reported in a common currency.

The balance sheets of foreign controlled entities and equity accounted investments are translated at exchange rates ruling at balance date and the income statement of foreign controlled entities and equity accounted investments are translated at average exchange rates for the period. Exchange differences arising on translation of the interests in foreign operations are taken directly to the foreign currency translation reserve.

	31 Dec 17 \$'000	31 Dec 16 \$'000
NOTE 19 RETAINED PROFITS		
Movement in retained profits		
Balance at the beginning of the year	13,420	11,303
Profit after tax for the period	2,388	2,117
Distributions paid	(9,051)	–
Balance at the end of the year	6,757	13,420

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 20 OTHER SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation and classification

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

In preparing the consolidated financial statements all intra-group 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.

(b) Foreign currencies

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.

(c) 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.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and can be reliably measured. Revenues are recognised on an accruals basis.

(e) Expenses

Expenses are brought to account on an accruals basis.

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on purchase of goods and services is not recoverable from the tax authority, in which case the GST 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 GST included.

The net amount of GST 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 GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

(g) Derivative and other financial instruments

The Trust may utilise the use of derivative financial instruments, including forward exchange contracts, currency and interest rate options, currency and interest rate swaps to manage the risks associated with foreign currency and interest rate fluctuations where applicable. Such derivative financial instruments are recognised at fair value.

Scentre Group has set defined policies and a comprehensive hedging program to manage interest and exchange rate risks. Derivative instruments are transacted to achieve the economic outcomes in line with 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. As these requirements are not met, derivatives instruments, other than currency derivatives that hedge net investments in foreign operations, are deemed not to qualify for hedge accounting and changes in fair value are recorded in the income statement.

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 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.

(h) Recoverable amount of assets

At each reporting date, the Trust assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Trust 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.

(i) Depreciation and amortisation

Plant and equipment and deferred costs are carried at acquisition cost less depreciation and amortisation and any impairment in value. Depreciation and amortisation is applied over the estimated economic life using straight line method from the date of acquisition or from the time the asset is ready for use. The estimated economic life of items in the asset class plant and equipment ranges from three to ten years.

NOTE 21 SHARE BASED PAYMENTS**(a) Performance Rights – Short Term Incentives (STI) and Long Term Incentives (LTI) issued to employees of related entities**

As at 31 December 2017, there were 10,951,853 (31 December 2016: 10,651,290) performance rights held by participants in Scentre Group's Performance Rights Plan. A performance right is the right, for no payment, to receive Scentre Group stapled securities or a cash equivalent on vesting. As at 31 December 2017, the 10,951,853 (31 December 2016: 10,651,290) performance rights held by participants equated to 10,951,853 (31 December 2016: 10,651,290) Scentre Group stapled securities. A description of the Performance Rights Plan is in Scentre Group's Remuneration Report in the 2017 Annual Financial Report.

	Number of rights 31 Dec 2017	Number of rights 31 Dec 2016
Vesting profile – Performance Rights – STI and LTI		
2017	–	4,208,412
2018	5,039,293	5,054,341
2019	4,510,707	1,282,500
2020	1,401,853	106,037
	10,951,853	10,651,290

(b) Executive Deferred Award Plan (Trust Plan) – Cash settled

	31 Dec 2017 No. of award securities	31 Dec 2016 No. of award securities
Movement in award securities		
Balance at the beginning of the year	–	1,124,515
Awards exercised during the year	–	(1,124,515)
Balance at the end of the year	–	–
	31 Dec 17 \$'000	31 Dec 16 \$'000

NOTE 22 CONTINGENT LIABILITIES

Guaranteed borrowings of associates of the Responsible Entity	11,406,377	10,911,191
	11,406,377	10,911,191

From time to time, in the normal course of business, the Trust 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 Trust.

NOTE 23 SEGMENT REPORTING

The Trust operates in one operating segment predominantly in Australasia. The Trust earns property advertising and promotional income and financing of the New Zealand equity accounted associate of SGT1 and SGT2.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 17 \$'000	31 Dec 16 \$'000
NOTE 24 PARENT ENTITY		
The Parent Entity 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 Entity is disclosed as follows:		
(a) Assets		
Current assets	16,708	22,872
Non current assets	406	603
Total assets	17,114	23,475
(b) Liabilities		
Current liabilities	573	525
Non current liabilities	42	30
Total liabilities	615	555
(c) Total equity		
Contributed equity	11,461	11,461
Retained profits	5,038	11,459
Total equity	16,499	22,920
(d) Comprehensive income		
Profit after tax for the period	2,630	2,135
Total comprehensive income for the period	2,630	2,135
(e) Contingent liabilities		
Guaranteed borrowings of associates of the responsible entity ⁽ⁱ⁾	11,406,377	10,911,191
Guaranteed borrowings of subsidiaries ⁽ⁱ⁾	595,710	410,005
Total contingent liabilities	12,002,087	11,321,196

⁽ⁱ⁾ The Parent Entity has entered into guarantee arrangements with SGL, SGT1 and SGT2 and a number of associated finance subsidiaries on a joint and several basis covering Scentre Group's banking facilities and debt issuances. Under the arrangements, the Parent Entity is guaranteed by, and is guarantor to SGL, SGT1 and SGT2 and the finance subsidiaries.

	31 Dec 17 \$'000	31 Dec 16 \$'000
NOTE 25 AUDITOR'S REMUNERATION		
Amounts received or due and receivable by the auditor of the Parent Entity and any other entity in the Trust for:		
– Audit or review of the financial reports	14	13
– Other non audit related services	–	–
	14	13
Amounts received or due and receivable by affiliates of the auditors of the Parent Entity for:		
– Audit or review of the financial reports	–	–
	–	–
	14	13

NOTE 26 RELATED PARTY DISCLOSURES

Information required to be disclosed concerning relationships, transactions and balances with related parties of the Trust is set out in this Note unless disclosed elsewhere in the financial report.

The Trust forms part of Scentre Group and the related party disclosures for Scentre Group have the same applicability to it. As such while the related party disclosures below make reference to Scentre Group, they also relate to the Trust.

Nature of relationship with related parties

Key management personnel of the entity

Refer to Note 27 for the details of Key Management Personnel.

Other related parties

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 Scentre Group. This is due to LFG being under the control or significant influence of Mr Steven Lowy, a Non-Executive Director of Scentre Group.

The Lowy Institute for International Policy (the Lowy Institute) is considered to be a related party of Scentre Group. This is due to the entity being under the control or significant influence of Mr Steven Lowy, a Non-Executive Director of Scentre Group.

SGL, SGT1 and SGT2 are considered to be related parties of the Trust, as their securities are stapled to the securities of SGT3 to form Scentre Group.

Transactions and their terms and conditions with related parties

Transactions with Key Management Personnel of the entity

Refer to Note 27 for the details of Key Management Personnel.

Transactions with Other Related Parties

(a) LFG and the Lowy Institute

Scentre Group has a leasing agreement with LFG to provide office space at Westfield Sydney. Scentre Group charged LFG \$2,001,870 (31 December 2016: \$1,914,501) for lease of office space at Westfield Sydney on commercial arm's length terms.

During the financial year, Scentre Group provided development services to LFG and the Lowy Institute totalling \$5,360 (31 December 2016: \$45,270). The amount charged was on commercial arm's length terms.

There were no amounts payable to or receivable from LFG and the Lowy Institute as at 31 December 2017 (31 December 2016: nil).

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 2017 (31 December 2016: nil).

Scentre Group has established protocols governing transactions with other related parties which are monitored and reviewed by the Audit and Risk Committee.

(b) Scentre Group Limited, Scentre Group Trust 1 and Scentre Group Trust 2

During the year, the Trust and SGL transacted on normal commercial terms with respect to the following:

Corporate Services Agreement

The corporate services costs included in corporate costs in the income statement for the year ended 31 December 2017 were \$269,290 (31 December 2016: \$255,020). The amount payable as at 31 December 2017 relating to corporate service costs was nil (31 December 2016: nil).

Other

Net property related advertising and promotional income collected by Scentre Group for SGT3 for the year ended 31 December 2017 was \$3,527,000 (31 December 2016: \$3,561,000). The amount receivable for net property related advertising and promotional income as at 31 December 2017 were \$1,334,000 (31 December 2016: \$1,602,000).

Directors' fees paid by Scentre Group for SGT3 for the year ended 31 December 2017 was nil (31 December 2016: nil). The amount payable as at 31 December 2017 to Scentre Group for Directors' fees was nil (31 December 2016: nil).

During the year, there was no recovery of corporate costs by SGT3 from SGT2 and related entities (31 December 2016: \$150,000).

Loan

During the year, the Trust provided a NZ\$ interest bearing loan to the St Lukes Group, which is an equity accounted entity of both SGT1 and SGT2. Interest on this loan is calculated on a floating rate basis. As at 31 December 2017, the balance of this loan receivable was NZ\$327,416,064 (A\$297,596,859) (31 December 2016: NZ\$212,587,346 (A\$204,509,231)), with accrued interest receivable of \$1,578,140 (31 December 2016: \$1,194,284). The interest income for the year in respect of this loan was \$7,928,825 (31 December 2016: \$7,652,014).

During the year, the Trust provided a NZ\$ interest bearing loan to SGT1. Interest on this loan is calculated on a floating rate basis. As at 31 December 2017, the balance of this loan receivable was NZ\$327,204,315 (A\$297,404,394) (31 December 2016: NZ\$212,375,596 (A\$204,305,528)), with accrued interest receivable of \$1,577,699 (31 December 2016: \$1,193,814). The interest income for the year in respect of this loan was \$7,922,481 (31 December 2016: \$7,644,901).

As at 31 December 2017, the Trust has a non interest bearing loan receivable from SGT2 of \$15,287,000 (31 December 2016: \$26,366,000).

Facility Fees

During the year, the Trust reimbursed SGT2 for external facility related costs incurred on its behalf totalling \$2.7 million (31 December 2016: \$2.2 million).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

NOTE 27 DETAILS AND REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key Management Personnel are those individuals having the authority and responsibility for planning, directing and controlling the activities of the Trust, either directly or indirectly. The Non-Executive Directors, Chief Executive Officer and other senior executives are considered Key Management Personnel.

(a) Key Management Personnel

The Trust forms part of Scentre Group. Scentre Group's remuneration framework and philosophy and remuneration outcomes for the Key Management Personnel are detailed in the Remuneration Report in Scentre Group's 2017 Annual Financial Report.

The Responsible Entity does not have any employees. Key Management Personnel of the Trust are paid by related entities within Scentre Group.

As at 31 December 2017, the Board comprises 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

The Board of the Responsible Entity, RE2 Limited, is identical to the Board of Scentre Group Limited (SGL), the parent company of Scentre Group. RE2 Limited is a subsidiary of SGL. If a Director ceases to be a Director of Scentre Group Limited for any reason, they must also resign as a Director of RE2 Limited.

In addition to the Chief Executive Officer, during the year the following executives were Key Management Personnel:

Mark Bloom	Chief Financial Officer
Greg Miles	Chief Operating Officer

(b) Remuneration of Key Management Personnel

The Directors of the Responsible Entity receive remuneration in their capacity as Directors of the Responsible Entity.

These amounts are paid directly by SGL. Other Key Management Personnel are paid by Scentre Limited, a wholly owned subsidiary of SGL.

The Manager's service charge payable by the Trust to the Responsible Entity covers all costs in relation to the management of the Trust. The remuneration of the Key Management Personnel is not set by the Trust nor is it able to be influenced by the Trust. The remuneration of the Key Management Personnel is approved by the Board on the recommendation of the Human Resources Committee.

NOTE 28 DETAILS OF MATERIAL AND SIGNIFICANT ENTITIES

Name of entity	31 Dec 17 – Interest Beneficial ⁽ⁱ⁾		31 Dec 16 – Interest Beneficial ⁽ⁱ⁾	
	Parent Entity %	Scentre Group Trust 3 %	Parent entity %	Scentre Group Trust 3 %
ENTITIES ESTABLISHED/INCORPORATED IN AUSTRALIA				
Parent entity				
Scentre Group Trust 3	100.0	100.0	100.0	100.0
Consolidated Controlled Entities				
RE Holding Company Pty Limited	100.0	100.0	100.0	100.0
ENTITIES ESTABLISHED/INCORPORATED IN NEW ZEALAND				
Consolidated Controlled Entities				
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

(i) Beneficial interest in underlying controlled entities reflects the Parent Entity being SGT3, and the Trust's ownership interest as determined under International Financial Reporting Standards (IFRS).

Directors' Declaration

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors of RE2 Limited, the Responsible Entity of Scentre Group Trust 3 (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;
- (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 2017 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.

Made on 16 March 2018 in accordance with a resolution of the Board of Directors.



Brian Schwartz AM
Chairman



Michael Ihlein
Director

16 March 2018

Independent Auditor's Report

TO MEMBERS OF SCENTRE GROUP TRUST 3



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Report on the Audit of the Financial Report Opinion

We have audited the financial report of Scentre Group Trust 3 and its controlled entities (the Trust), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying financial report of the Trust is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated financial position of the Trust as at 31 December 2017 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. We have determined that there are no key audit matters to communicate in our report.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures provide the basis for our audit opinion on the accompanying financial report.

Information other than the Financial Report and Auditor's Report

The Directors of RE2 Limited, the Responsible Entity of the Trust, are responsible for the other information. The other information comprises the information in the Trust's Annual Report for the year ended 31 December 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of RE2 Limited, the Responsible Entity of the Trust, 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 control as the Directors of RE2 Limited, the Responsible Entity of the Trust, determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors of RE2 Limited, the Responsible Entity of the Trust, are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors of RE2 Limited, the Responsible Entity of the Trust, either intend to liquidate the Trust or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Independent Auditor's Report

TO MEMBERS OF SCENTRE GROUP TRUST 3

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of RE2 Limited, the Responsible Entity of the Trust.
- Conclude on the appropriateness of the Directors' of RE2 Limited, the Responsible Entity of the Trust, use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit of the Trust. We remain solely responsible for our audit opinion.

We communicate with the Directors of RE2 Limited, the Responsible Entity of the Trust, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the Directors of RE2 Limited, the Responsible Entity of the Trust, with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors of RE2 Limited, the Responsible Entity of the Trust, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We have determined that there are no key audit matters to communicate in our report.



Ernst & Young

Sydney, 16 March 2018

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Graham Ezzy
Partner

Directors' Report

The Directors of RE2 Limited (Responsible Entity), the responsible entity of Scentre Group Trust 3 (SGT3) submit the following report for the year ended 31 December 2017 (Financial Year).

The Trust is part of Scentre Group which is a stapled entity. Scentre Group operates as a single coordinated economic entity, with a common Board of Directors and management team.

In this report, SGT3 and its controlled entities are referred to as the Trust.

1. OPERATIONS AND ACTIVITIES

1.1 Review of Operations and Results of Operations

The Trust reported a net profit (attributable to members of SGT3) of \$2.4 million (31 December 2016: \$2.1 million) or 0.04 (31 December 2016: 0.04) cents per unit. The increase in net profit is due primarily to new advertising contracts.

As at 31 December 2017, SGT3 had net assets of \$18.2 million (31 December 2016: \$25.0 million) comprising total assets of \$617.5 million (31 December 2016: \$442.3 million) and total liabilities of \$599.3 million (31 December 2016: \$417.3 million).

During the Financial Year, the Trust borrowed \$212.4 million and utilised those funds to pay a distribution of \$9.1 million and provided the remainder as loans to related entities within Scentre Group.

A detailed operating and financial review for Scentre Group is contained in the Directors' Report in Scentre Group's 2017 Annual Financial Report which is available at www.scentregroup.com.

1.2 Principal Activities

The principal activities of the Trust during the Financial Year were:

- The holding of interests in long term brand alliance agreements with various third parties in respect of a number of properties. These agreements provide for the licensing of space in the relevant properties for the display of advertising in consideration for the payment of licence fees.
- Financing of the New Zealand equity accounted entities of Scentre Group Trust 1 (SGT1) and Scentre Group Trust 2 (SGT2).

1.3 Subsequent Events

No events have occurred since the end of the year which would significantly affect the operations of the Trust.

1.4 Future Events

At the date of this report, there is no proposed change to the principal activities of the Trust.

The strategy, key drivers and outlook of Scentre Group are described in the Directors' Report in Scentre Group's 2017 Annual Financial Report.

1.5 Risks

Scentre Group looks at risk from a number of perspectives: global risk trends, social and environmental risks and retail property specific risks. These risks are subject to continuous assessment and review.

As a property group involved in the design, development, management and operation of retail shopping centres, Scentre Group faces a number of operational risks which have the potential to affect the achievement of our targeted financial outcomes.

A number of important strategic risks and how such risks are managed and monitored are outlined in Scentre Group's 2017 Annual Financial Report which can be found at www.scentregroup.com.

1.6 Sustainability

Environmental laws and regulations in force in the various jurisdictions in which Scentre Group operates are applicable to areas of Scentre Group's operations and in particular to its development, construction and shopping centre management activities. Scentre 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. Scentre Group's Sustainability Reports from prior years can be found at <http://www.scentregroup.com/about/sustainability/>

Scentre Group's Sustainability Report will be published in the first quarter of 2018 and will be available on its website.

2. DISTRIBUTIONS

For the 6 months ended 31 December 2016, the Directors declared a fully franked distribution of 0.17 cents per ordinary unit which formed part of the distribution of 10.65 cents per Scentre Group stapled security, paid on 28 February 2017. This distribution was an aggregate dividend from Scentre Group Limited and a distribution from SGT1 and SGT2. The figure reported here only represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

The Directors have not recommended or declared a distribution for the 12 months ended 31 December 2017.

3. DIRECTORS

The Board of Directors of the Responsible Entity at the date of this report is set out below.

Names	Position Held	Independent (Y/N)
Brian Schwartz AM	Chairman/ Non-Executive Director	Y
Peter Allen	Chief Executive Officer/Executive Director	N
Andrew Harmos	Non-Executive Director	Y
Michael Ihlein	Non-Executive Director	Y
Carolyn Kay	Non-Executive Director	Y
Aliza Knox	Non-Executive Director	Y
Steven Lowy AM	Non-Executive Director	N
Margaret Seale	Non-Executive Director	Y

Scentre Group was established on 30 June 2014. Prior to that date, RE1 Limited and RE2 Limited acted as responsible entities for the prior Westfield Retail Trust and the appointment dates of Andrew Harmos (21 December 2010), Michael Ihlein (21 December 2010), Peter Allen (12 August 2010) and Steven Lowy (12 August 2010) pre-date the establishment of Scentre Group. Aliza Knox was appointed to each board on 7 May 2015 and Carolyn Kay and Margaret Seale on 24 February 2016.

Biographies of the current Board can be found in the 2017 Scentre Group Annual Financial Report.

The Board of the Responsible Entity, RE2 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 resign as a Director of RE2 Limited.

The names of the Directors in office and the relevant interests of each Director in stapled securities in Scentre Group as at the date of this report are shown below. Ordinary units in the Trust are stapled to shares in SGL and units in SGT1 and SGT2. The stapled securities trade on the ASX under the code SCG.

Director	Number of Stapled Securities
Brian Schwartz AM	133,781
Peter Allen	3,184,750
Andrew Harmos	50,000
Michael Ihlein	33,048
Carolyn Kay	27,000
Aliza Knox	34,900
Steven Lowy	216,467,389
Margaret Seale	56,750

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 Scentre Group Trust 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 Scentre Group.

Details of the performance rights held by the Chief Executive Officer are set out in the Remuneration Report in Scentre Group's 2017 Annual Financial Report.

4. DIRECTORS' DIRECTORSHIPS OF OTHER LISTED COMPANIES

The following table sets out the directorships of other Australian listed companies held by the Responsible Entity'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
Brian Schwartz	Scentre Management Limited*	6 May 2009	Continuing
	RE1 Limited*	30 June 2014	Continuing
	RE2 Limited*	30 June 2014	Continuing
	Insurance Australia Group	1 January 2005	31 March 2016
	Westfield America Management Limited^	6 May 2009	Continuing
	Westfield Corporation Limited^	8 April 2014	Continuing
Peter Allen	Scentre Management Limited*	25 May 2011	Continuing
	RE1 Limited*	12 August 2010	Continuing
	RE2 Limited*	12 August 2010	Continuing
Andrew Harmos	Scentre Management Limited*	30 June 2014	Continuing
	RE1 Limited*	21 December 2010	Continuing
	RE2 Limited*	21 December 2010	Continuing
	AMP Limited	1 June 2017	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
	MG Unit Trust	3 July 2015	27 October 2017
Carolyn Kay	Scentre Management Limited*	24 February 2016	Continuing
	RE1 Limited*	24 February 2016	Continuing
	RE2 Limited*	24 February 2016	Continuing
	Brambles Limited	21 August 2006	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
Margaret Seale	Scentre Management Limited*	24 February 2016	Continuing
	RE1 Limited*	24 February 2016	Continuing
	RE2 Limited*	24 February 2016	Continuing
	Ramsay Health Care Limited	28 April 2015	Continuing
	Telstra Corporation Limited	7 May 2012	Continuing
	Bank of Queensland	21 January 2014	Continuing

Notes:

* Scentre Group comprises Scentre Group Limited, Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2) and Scentre Group Trust 3 (SGT3). The responsible entity of SGT1 is Scentre Management Limited. The responsible entity of SGT2 is RE1 Limited and the responsible entity of SGT3 is RE2 Limited. Scentre Management Limited is also the responsible entity of Carindale Property Trust, a listed managed investment scheme (ASX: CDP).

^ Westfield Corporation comprises Westfield Corporation Limited, Westfield America Trust and WFD Trust (ASX:WFD). The responsible entity of each scheme is Westfield America Management Limited.

Directors' Report (continued)

5. OPTIONS AND UNISSUED INTERESTS

No options were issued by the Trust 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 or unit in the Trust.

Details of the performance rights held by the executive Key Management Personnel are set out in the Remuneration Report in Scentre Group's 2017 Annual Financial 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 Responsible Entity. So long as the Responsible Entity acts in accordance with the Constitution and the Corporations Act, it remain indemnified out of the assets of the Trust against any losses incurred while acting as the Responsible Entity.

The Responsible Entity's Constitution provides that a person who is or has been a Director or Secretary of the Responsible Entity may be indemnified by the Responsible Entity 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 Responsible Entity is forbidden by statute to indemnify the person or the indemnity would, if given, be made void by statute.

A related corporation of the Responsible Entity has paid premiums for directors' and officers' liability insurance in respect of Directors, Secretaries and Executive Officers of the Responsible Entity 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 Responsible Entity documents and records, subject to undertakings as to confidentiality.

To the extent permitted by law, the Responsible Entity has agreed to indemnify its auditor, 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 with respect to such indemnity has been made to Ernst & Young during or since the Financial Year.

7. SPECIAL RULES FOR REGISTERED SCHEMES

- \$269,290 in fees were paid and payable to the Responsible Entity and its associates out of the assets of the Trust during the Financial Year.
- No units in the Trust were held by the Responsible Entity at the end of the Financial Year. Associates of the Responsible Entity held 222,447,751 units as at the end of the Financial Year.
- Details of units issued in the Trust during the Financial Year are set out in Note 17 on page 16.
- No withdrawals were made from the scheme during the Financial Year.
- Details of the value of the Trust's assets as at the end of the Financial Year are set out in Notes 6, 7 and 20(b) to the Financial Report on pages 11 and 18 respectively.
- Details of the number of units in the Trust as at the end of the Financial Year are set out in Note 17 on page 16.

8. AUDIT

8.1 Audit and Risk Committee

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

8.2 Audit Independence

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



Auditor's Independence Declaration to the Directors of RE2 Limited

As lead auditor for the audit of Scentre Group Trust 3 for the financial year ended 31 December 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Scentre Group Trust 3 and the entities it controlled during the financial year.

Ernst & Young

Graham Ezzey
Partner

Sydney, 16 March 2018

Liability limited by a scheme approved under
Professional Standards Legislation

9. ASIC DISCLOSURES

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in this financial report have been rounded to the nearest thousand dollars, unless otherwise indicated. Amounts shown as 0 represent amounts less than \$500 that have been rounded down.

10. ASX LISTING

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

This Report is made 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

16 March 2018

Corporate Governance Statement

The Corporate Governance Statement for Scentre Group Trust 3 for the financial year ended 31 December 2017 has been incorporated into the Corporate Governance Statement prepared for the stapled Scentre Group. This Statement can be found in the 2017 Scentre Group Annual Financial Report. The Scentre Group's Annual Financial Report is available on the scentregroup.com website.

Members' Information

FOR THE YEAR ENDED 31 DECEMBER 2017

Twenty Largest Holders of Stapled Securities in Scentre Group*

		Number of Securities
1	HSBC Custody Nominees (Australia) Limited	2,103,545,630
2	J P Morgan Nominees Australia Limited	978,209,841
3	BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	503,265,541
4	Citicorp Nominees Pty Limited	470,403,949
5	National Nominees Limited	280,677,684
6	BNP Paribas Noms Pty Ltd <DRP>	70,826,141
7	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	70,419,284
8	Cordera Holdings Pty Limited	60,570,206
9	Franley Holdings Pty Ltd	50,693,432
10	Franley Securities Pty Ltd	50,693,432
11	AMP Life Limited	41,105,627
12	HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	23,944,161
13	FP Pty Limited <The Frank Lowy Living A/C>	17,577,810
14	Australian Foundation Investment Company Limited	12,950,000
15	Bond Street Custodians Limited <ENH Property Securities A/C>	11,913,823
16	Franley Holdings Pty Ltd	9,876,775
17	Franley Securities Pty Ltd	9,876,775
18	Navigator Australia Ltd <SMA Antares Inv Dv Build A/C>	8,775,925
19	Argo Investments Limited	7,526,662
20	Amondi Pty Ltd <S E O P T A/C>	7,313,304
		4,790,166,002

* 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	12,548,203	29,451	0.24
1,001-5,000	95,091,006	38,669	1.79
5,001-10,000	71,052,985	10,054	1.33
10,001-100,000	148,408,522	6,937	2.79
100,001 and over	4,997,195,962	344	93.86
Total	5,324,296,678	85,455	100.00

As at 16 February 2018, 7,104 securityholders hold less than a marketable parcel (being 133 securities at the closing price of \$3.77) of quoted securities in Scentre Group.

* There are 10,681,146 performance rights on issue to a total of 112 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 Scentre Group Limited, 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 FY17, 3,700,560 securities (at an average price of \$3.97) were acquired on-market by Scentre Group's Performance Rights Trust to satisfy executive entitlements on the vesting of rights under Scentre Group's equity-linked 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 Scentre Group, are as follows:

The Vanguard Group	493,780,757
BlackRock Group	450,144,001
National Nominees as custodian for Unisuper Limited	294,417,792
State Street	290,301,657

The papers used in the production of this year's Scentre Group reports are produced using environmentally responsible papers produced from well managed forests.

SCENTRE GROUP

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