Scentre Group Trust 1
Half-Year Financial Report

For the half-year ended 30 June 2018

Scentre Management Limited ABN 41 001 670 579 AFS Licence No. 230329
as Responsible Entity of Scentre Group Trust 1 ARSN 090 849 746

SCENTRE GROUP TRUST 1
INCOME STATEMENT
for the half-year ended 30 June 2018

	Note	30 Jun 18 $million	30 Jun 17 $million
Revenue			
Property revenue		**303.3**	289.3
		303.3	289.3
Share of after tax profits of equity accounted entities			
Property revenue		**272.0**	276.5
Property revaluations		**290.9**	185.1
Property expenses, outgoings and other costs		**(72.1)**	(75.9)
Gain in respect of capital transactions		**-**	0.2
Net interest expense		**(0.2)**	(0.1)
Tax expense		**(3.5)**	(1.1)
		487.1	384.7
Expenses			
Property expenses, outgoings and other costs		**(77.7)**	(73.9)
Overheads		**(7.3)**	(6.5)
		(85.0)	(80.4)
Interest income		**11.5**	18.3
Currency gain/(loss)		**(10.9)**	9.4
Financing costs		**(303.7)**	(321.5)
Property revaluations		**195.9**	289.6
Profit before tax		**598.2**	589.4
Tax expense		**-**	-
Profit after tax for the period		**598.2**	589.4
Profit after tax for the period attributable to:			
- Members of Scentre Group Trust 1		**593.1**	582.5
- External non controlling interests		**5.1**	6.9
Profit after tax for the period		**598.2**	589.4

	Note	cents	cents
Basic earnings per unit attributable to members of Scentre Group Trust 1	5	**11.14**	10.94
Diluted earnings per unit attributable to members of Scentre Group Trust 1	5	**11.14**	10.94

SCENTRE GROUP TRUST 1
STATEMENT OF COMPREHENSIVE INCOME
for the half-year ended 30 June 2018

	30 Jun 18 $million	30 Jun 17 $million
Profit after tax for the period	**598.2**	589.4
Other comprehensive income		
Movement in foreign currency translation reserve [(i)]		
- Realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting	**1.4**	(2.5)
- Accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	**-**	(1.8)
Total comprehensive income for the period	**599.6**	585.1
Total comprehensive income attributable to:		
- Members of Scentre Group Trust 1	**594.5**	578.2
- External non controlling interests	**5.1**	6.9
Total comprehensive income for the period	**599.6**	585.1

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

SCENTRE GROUP TRUST 1
BALANCE SHEET
as at 30 June 2018

	Note	30 Jun 18 $million	31 Dec 17 $million
Current assets			
Cash and cash equivalents		**12.3**	11.0
Trade debtors		**2.9**	0.3
Derivative assets		**52.0**	35.6
Receivables	6	**749.2**	886.8
Other current assets		**12.6**	20.3
Total current assets		**829.0**	954.0
Non current assets			
Investment properties		**10,023.0**	9,711.3
Equity accounted investments		**8,998.8**	8,599.9
Derivative assets		**647.3**	475.7
Other non current assets		**59.3**	31.4
Total non current assets		**19,728.4**	18,818.3
Total assets		**20,557.4**	19,772.3
Current liabilities			
Trade creditors		**57.9**	68.4
Payables and other creditors	7	**1,278.8**	1,269.8
Interest bearing liabilities	8	**975.5**	912.4
Derivative liabilities		**6.2**	5.3
Total current liabilities		**2,318.4**	2,255.9
Non current liabilities			
Interest bearing liabilities	8	**7,919.6**	7,642.0
Other financial liabilities		**705.3**	673.7
Derivative liabilities		**316.6**	328.7
Total non current liabilities		**8,941.5**	8,644.4
Total liabilities		**11,259.9**	10,900.3
Net assets		**9,297.5**	8,872.0
Equity attributable to members of Scentre Group Trust 1			
Contributed equity		**1,646.7**	1,658.1
Reserves		**12.3**	10.9
Retained profits		**7,408.9**	6,955.6
Total equity attributable to members of Scentre Group Trust 1		**9,067.9**	8,624.6
Equity attributable to external non controlling interests			
Contributed equity		**75.9**	81.5
Retained profits		**153.7**	165.9
Total equity attributable to external non controlling interests		**229.6**	247.4
Total equity		**9,297.5**	8,872.0

SCENTRE GROUP TRUST 1
STATEMENT OF CHANGES IN EQUITY
for the half-year ended 30 June 2018

	Contributed Equity $million	*Reserves $million*	*Retained Profits $million*	**30 Jun 18 Total $million**	*Contributed Equity $million*	*Reserves $million*	*Retained Profits $million*	30 Jun 17 Total $million
Changes in equity attributable to members of Scentre Group Trust 1								
Balance at the beginning of the period, as reported	*1,658.1*	*10.9*	*6,955.6*	**8,624.6**	*1,658.1*	*27.2*	*5,487.5*	7,172.8
- Impact of change in accounting standard [(i)]	-	-	*(1.4)*	**(1.4)**	-	-	-	-
Adjusted balance at the beginning of the period	*1,658.1*	*10.9*	*6,954.2*	**8,623.2**	*1,658.1*	*27.2*	*5,487.5*	7,172.8
- Profit after tax for the period [(ii)]	-	-	*593.1*	**593.1**	-	-	*582.5*	582.5
- Other comprehensive income [(ii) (iii)]	-	*1.4*	-	**1.4**	-	*(4.3)*	-	(4.3)
Transactions with owners in their capacity as owners								
- Buy-back and cancellation of units and associated costs	*(11.4)*	-	-	**(11.4)**	-	-	-	-
- Distribution paid or provided for	-	-	*(138.4)*	**(138.4)**	-	-	*(183.7)*	(183.7)
Closing balance of equity attributable to members of Scentre Group Trust 1	*1,646.7*	*12.3*	*7,408.9*	**9,067.9**	*1,658.1*	*22.9*	*5,886.3*	7,567.3
Changes in equity attributable to external non controlling interests								
Balance at the beginning of the period	*81.5*	-	*165.9*	**247.4**	*88.3*	-	*178.9*	267.2
Profit after tax for the period attributable to external non controlling interests [(ii)]	-	-	*5.1*	**5.1**	-	-	*6.9*	6.9
Distribution paid or provided for	-	-	*(5.7)*	**(5.7)**	-	-	*(6.5)*	(6.5)
Decrease in external non controlling interest	*(5.6)*	-	*(11.6)*	**(17.2)**	*(1.8)*	-	*(3.6)*	(5.4)
Closing balance of equity attributable to external non controlling interests	*75.9*	-	*153.7*	**229.6**	*86.5*	-	*175.7*	262.2
Total equity	*1,722.6*	*12.3*	*7,562.6*	**9,297.5**	*1,744.6*	*22.9*	*6,062.0*	7,829.5

(i) The Trust has adopted AASB 9 Financial Instruments. This resulted in a charge of $1.4 million to retained profits as at 1 January 2018, being the cumulative effect on initial application of the standard (refer to Note 2(b)). The comparative results for the half-year ended 30 June 2017 are not restated as permitted by the standard.

(ii) Total comprehensive income for the period amounts to a gain of $599.6 million (30 June 2017: $585.1 million).

(iii) 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 $1.4 million (30 June 2017: loss of $2.5 million) and accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of nil (30 June 2017: $1.8 million).

SCENTRE GROUP TRUST 1
CASH FLOW STATEMENT
for the half-year ended 30 June 2018

	30 Jun 18 $million	30 Jun 17 $million
Cash flows from operating activities		
Receipts in the course of operations (including Goods and Services Tax (GST))	**335.1**	325.2
Payments in the course of operations (including GST)	**(91.3)**	(90.8)
Dividends/distributions received from equity accounted entities	**176.1**	269.8
GST paid	**(22.7)**	(22.8)
Payments of financing costs (excluding interest capitalised)	**(180.6)**	(190.9)
Interest received	**11.7**	3.3
Net cash flows from operating activities	**228.3**	293.8
Cash flows used in investing activities		
Capital expenditure on property investments	**(128.0)**	(105.7)
Proceeds from the disposition of property investments	**-**	110.4
Acquisition of listed securities	**(15.8)**	(5.2)
Net outflows for investments in equity accounted entities	**(84.8)**	(126.4)
Financing costs capitalised to qualifying development projects and construction in progress	**(10.3)**	(5.7)
Settlement of currency derivatives hedging the repatriation of foreign sales proceeds	**-**	(5.7)
Net cash flows used in investing activities	**(238.9)**	(138.3)
Cash flows from/(used in) financing activities		
Buy-back of units and associated costs	**(11.4)**	-
Net proceeds from/(repayment of) interest bearing liabilities	**1.4**	(173.9)
Net amounts received from/(paid to) related entities	**166.4**	630.3
Repayment of other financial liabilities	**-**	(416.6)
Distributions paid	**(138.4)**	(183.7)
Distributions paid by controlled entities to external non controlling interests	**(6.1)**	(6.6)
Net cash flows from/(used in) financing activities	**11.9**	(150.5)
Net increase in cash and cash equivalents held	**1.3**	5.0
Add opening cash and cash equivalents brought forward	**11.0**	11.0
Cash and cash equivalents at the end of the period [(i)]	**12.3**	16.0

[(i)] Cash and cash equivalents comprises cash of $12.3 million (30 June 2017: $16.0 million) net of bank overdraft of nil (30 June 2017: nil).

1 Corporate information

This financial report of Scentre Group Trust 1 (SGT1) and its controlled entities (collectively the Trust) for the half-year ended 30 June 2018 was approved in accordance with a resolution of the Board of Directors of Scentre Management Limited as Responsible Entity of SGT1.

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 operates as a single coordinated economic entity, with a common Board of Directors and management team.

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

2 Basis of preparation of the financial report

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

This half-year financial report should be read in conjunction with the annual financial report of SGT1 as at 31 December 2017.

It is also recommended that this half-year financial report be considered together with any public announcements made by Scentre Group during the half-year ended 30 June 2018 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 (Corporations Act).

(a) Basis of accounting

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

This half-year financial report has been prepared on a historical cost basis, except for investment properties, investment properties within equity accounted investments, derivative financial instruments, financial assets at fair value through profit and loss and other financial liabilities. The carrying value of recognised assets and liabilities that are hedged with fair value hedges and are otherwise carried at cost are adjusted to record changes in the fair value attributable to the risks that are being hedged.

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

This half-year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 31 December 2017 except for the changes required due to amendments to the accounting standards noted below.

This half-year financial report is presented in Australian dollars.

(b) New accounting standards and interpretations

The Trust has adopted the following new or amended standards which became applicable on 1 January 2018:

- AASB 9 Financial Instruments

  Impact of adoption

  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.

  The Trust has adopted AASB 9 and related amendments from 1 January 2018. Comparative results are not restated as permitted by the standard. The cumulative effect on initial application of AASB 9 is a charge to opening retained profits of $1.4 million, a decrease in trade and other receivables of $0.7 million and a decrease in equity accounted investments of $0.7 million as at 1 January 2018. This difference arises from the increase in provisions for trade and other receivables.

  (i) Classification and measurement

  Financial assets previously held at fair value 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 continue to be measured at amortised cost. The impact of the classification of financial instruments under AASB 9 was immaterial.

  The Trust has floating rate borrowing facilities that have been refinanced during previous financial periods. Under AASB 9, the accounting for the modification of a financial liability that has not resulted in derecognition, requires an adjustment to the amortised cost of the liability, with any gain or loss being recognised immediately in the statement of comprehensive income. Under the previous standard AASB 139, the gain or loss would have been recognised over the remaining life of the borrowing by adjusting the effective interest rate. The Trust has assessed that the cumulative gain on initial application is immaterial.

  (ii) Impairment

  Under AASB 9, the Trust's accounting for impairment losses for financial assets is fundamentally changed, by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Trust has applied the general approach to impairment on all eligible financial assets, except for trade debtors which adopted the simplified approach. The revised methodology for calculation of impairment of trade and other receivables resulted in an additional loss allowance of $1.4 million as at 1 January 2018.

  (iii) Hedge accounting

  As the Trust did not have any hedge relationships that are designated as effective hedges as at 31 December 2017, there is no impact from the initial application of hedging requirements on the financial statements.

2 Basis of preparation of the financial report (continued)

(b) New accounting standards and interpretations (continued)

- AASB 9 Financial Instruments (continued)

  Accounting policies

  AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 has not had a significant effect on the Trust's accounting policies related to financial liabilities. The impact of the standard on financial assets is set out below.

  (i) Classification

  From 1 January 2018, the Trust classifies its financial assets as follows:

  a) cash, trade debtors, loans and other receivables are measured at amortised cost. These are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest.

  b) derivative assets are measured at fair value through the profit and loss (FVTPL).

  (ii) Measurement

  At initial recognition, the Trust measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

  Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses from changes in fair value are recognised in the income statement unless they have been designated and qualify as cash flow or net investment hedging instruments, where the effective portion of changes in fair value is recognised in either a cash flow or foreign currency reserve within equity.

  Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses (see below). Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

  (iii) Impairment

  From 1 January 2018 the Trust assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The expected credit loss is measured on a 12-month or lifetime basis, dependent upon on whether there has been a significant increase in credit risk. For trade receivables, the Trust applies the simplified approach permitted by the standard, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

- AASB 15 Revenue from Contracts with Customers

  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 contracts with customers. This standard did not have a significant impact on the financial statements on application.

The Trust has also adopted the following amendments to and clarification of interpretations of, accounting standards:

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration

For the financial period, 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 half-year ended 30 June 2018. The impact of these new standards or amendments to the standards (to the extent relevant to the Trust) and interpretations is as follows:

- 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 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle (effective 1 January 2019)

  The amendments clarify certain requirements in:
  (i) AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation;
  (ii) AASB 112 Income Taxes - income tax consequences of payments on financial instruments classified as equity; and
  (iii) AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation.

2 Basis of preparation of the financial report (continued)

(b) New accounting standards and interpretations (continued)

- 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.

(c) Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in this half-year financial report have been rounded to the nearest tenth of a million dollars, unless otherwise indicated. Amounts shown as 0.0 represent amounts less than $50,000 that have been rounded down.

3 Segment reporting

Geographic segments

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

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

The Trust's segment income and expenses as well as the details of segment assets 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) Geographic segment information

	Australia $million	**New Zealand $million**	**30 Jun 18 $million**	Australia $million	New Zealand $million	30 Jun 17 $million
Revenue						
Shopping centre base rent and other property income [(i)]	**567.9**	**24.9**	**592.8**	551.3	30.0	581.3
Amortisation of tenant allowances	**(17.2)**	**(0.3)**	**(17.5)**	(15.2)	(0.3)	(15.5)
	550.7	**24.6**	**575.3**	536.1	29.7	565.8
Expenses						
Property expenses, outgoings and other costs	**(144.0)**	**(5.8)**	**(149.8)**	(141.4)	(8.4)	(149.8)
Segment income and expenses	**406.7**	**18.8**	**425.5**	394.7	21.3	416.0

	Australia $million	**New Zealand $million**	**30 Jun 18 $million**	Australia $million	New Zealand $million	31 Dec 17 $million
Shopping centre investments	**18,176.5**	**575.1**	**18,751.6**	17,598.9	551.5	18,150.4
Development projects and construction in progress	**376.3**	**83.4**	**459.7**	273.8	49.7	323.5
Segment assets [(ii)]	**18,552.8**	**658.5**	**19,211.3**	17,872.7	601.2	18,473.9
Additions to segment non current assets during the period	**198.5**	**44.3**	**242.8**	387.3	28.2	415.5

(i) Includes recoveries of outgoings from tenants amounting to $91.2 million (30 June 2017: $91.4 million).

(ii) Includes equity accounted segment assets of $9,188.3 million (31 December 2017: $8,762.6 million).

3 Segment reporting (continued)

(b) Reconciliation of segment results

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

	Consolidated	**Equity accounted**	**30 Jun 18**	Consolidated	Equity accounted	30 Jun 17
	$million	**$million**	**$million**	$million	$million	$million
Property revenue	**303.3**	**272.0**	**575.3**	289.3	276.5	565.8
Property expenses, outgoings and other costs	**(77.7)**	**(72.1)**	**(149.8)**	(73.9)	(75.9)	(149.8)
Segment income and expenses	**225.6**	**199.9**	**425.5**	215.4	200.6	416.0
Overheads			**(7.3)**			(6.5)
Interest income			**11.6**			18.5
Currency gain/(loss)			**(10.9)**			9.4
Financing costs			**(304.0)**			(321.8)
Gain in respect of capital transactions			**-**			0.2
Property revaluations			**486.8**			474.7
Tax expense			**(3.5)**			(1.1)
External non controlling interests			**(5.1)**			(6.9)
Net profit attributable to members of SGT1 [(i)]			**593.1**			582.5

[(i)] Net profit attributable to members of SGT1 was $593.1 million (30 June 2017: $582.5 million). Net profit after tax for the period which includes profit attributable to external non controlling interests of $5.1 million (30 June 2017: $6.9 million) is $598.2 million (30 June 2017: $589.4 million).

	Consolidated	**Equity accounted**	**30 Jun 18**	Consolidated	Equity accounted	31 Dec 17
	$million	**$million**	**$million**	$million	$million	$million
Shopping centre investments	**9,689.5**	**9,062.1**	**18,751.6**	9,481.3	8,669.1	18,150.4
Development projects and construction in progress	**333.5**	**126.2**	**459.7**	230.0	93.5	323.5
Segment assets	**10,023.0**	**9,188.3**	**19,211.3**	9,711.3	8,762.6	18,473.9
Cash and cash equivalents	**12.3**	**12.3**	**24.6**	11.0	10.0	21.0
Other assets	**1,523.3**	**18.6**	**1,541.9**	1,450.1	23.4	1,473.5
Total assets	**11,558.6**	**9,219.2**	**20,777.8**	11,172.4	8,796.0	19,968.4
Interest bearing liabilities	**8,895.1**	**9.2**	**8,904.3**	8,554.4	18.5	8,572.9
Other financial liabilities	**705.3**	**-**	**705.3**	673.7	-	673.7
Deferred tax liabilities	**-**	**53.6**	**53.6**	-	52.5	52.5
Other liabilities	**1,659.5**	**157.6**	**1,817.1**	1,672.2	125.1	1,797.3
Total liabilities	**11,259.9**	**220.4**	**11,480.3**	10,900.3	196.1	11,096.4
Net assets	**298.7**	**8,998.8**	**9,297.5**	272.1	8,599.9	8,872.0

	30 Jun 18	30 Jun 17
	$million	$million
4 Distributions		
(a) Interim distribution		
3.34 cents per unit (30 June 2017: 4.15 cents per unit)	**177.6**	221.0
	177.6	221.0

Details of the full year components of distribution will be provided in the Annual Tax Statement which will be sent to members in July 2019.

The interim distribution will be paid on 31 August 2018. The record date for the entitlement to this distribution was 5pm, 15 August 2018. Scentre Group does not operate a Distribution Reinvestment Plan.

(b) Distributions paid		
Distribution in respect of the six months to 31 December 2017	**138.4**	-
Distribution in respect of the six months to 31 December 2016	**-**	183.7
	138.4	183.7

	cents	cents
5 Earnings per unit		
(a) Summary of earnings per unit		
Basic earnings per unit attributable to members of Scentre Group Trust 1	**11.14**	10.94
Diluted earnings per unit attributable to members of Scentre Group Trust 1	**11.14**	10.94

(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)	**593.1**	582.5
Adjustment to earnings on options which are considered dilutive	**-**	-
Earnings used in calculating diluted earnings per unit	**593.1**	582.5

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

	No. of units	No. of units
Weighted average number of ordinary units used in calculating basic earnings per unit	**5,322,739,327**	5,324,296,678
Security options which are dilutive	**-**	-
Adjusted weighted average number of ordinary units used in calculating diluted earnings per unit	**5,322,739,327**	5,324,296,678

(c) Conversions, calls, subscriptions, issues or buy-back after 30 June 2018

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

	30 Jun 18 $million	31 Dec 17 $million
6 Receivables		
Interest bearing loans receivable from related entities	**639.4**	794.1
Sundry debtors	**109.8**	92.7
	749.2	886.8

	30 Jun 18 $million	31 Dec 17 $million
7 Payables and other creditors		
Payables and other creditors	**301.5**	291.4
Non interest bearing loans payable to related entities	**977.3**	978.4
	1,278.8	1,269.8

	30 Jun 18 $million	31 Dec 17 $million
8 Interest bearing liabilities		
Current		
Interest bearing liabilities	**631.2**	614.9
Interest bearing loans payable to related entities	**344.2**	297.4
Finance leases	**0.1**	0.1
	975.5	912.4
Non current		
Interest bearing liabilities	**7,908.2**	7,630.5
Finance leases	**11.4**	11.5
	7,919.6	7,642.0

	No. of units	No. of units
9 Contributed equity		
Number of units on issue		
Balance at the beginning of the period	**5,324,296,678**	5,324,296,678
Buy-back and cancellation of units	**(7,299,472)**	-
Balance at the end of the period	**5,316,997,206**	5,324,296,678

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

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

10 Fair value of financial assets and liabilities

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

		Fair Value		Carrying amount	
	Fair value hierarchy	**30 Jun 18 $million**	31 Dec 17 $million	**30 Jun 18 $million**	31 Dec 17 $million
Consolidated assets					
Cash and cash equivalents		**12.3**	11.0	**12.3**	11.0
Trade debtors [(i)]		**2.9**	0.3	**2.9**	0.3
Receivables					
- Interest bearing loans receivable [(ii)]	Level 2	**639.4**	794.1	**639.4**	794.1
- Other receivables [(i)]		**109.8**	92.7	**109.8**	92.7
Derivative assets [(ii)]	Level 2	**699.3**	511.3	**699.3**	511.3
Consolidated liabilities					
Payables [(i)]		**1,336.7**	1,338.2	**1,336.7**	1,338.2
Interest bearing liabilities [(ii)]					
- Fixed rate debt	Level 2	**7,815.4**	7,662.7	**7,683.2**	7,407.0
- Floating rate debt	Level 2	**1,212.1**	1,149.2	**1,211.9**	1,147.4
Other financial liabilities [(ii)]	Level 3	**705.3**	673.7	**705.3**	673.7
Derivative liabilities [(ii)]	Level 2	**322.8**	334.0	**322.8**	334.0

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

(ii) These financial assets and liabilities are subject to interest rate and market risks, the basis of determining the fair value is set out in the fair value hierarchy below.

Determination of fair value

The Trust uses the following hierarchy for determining and disclosing the fair value of its financial instruments. The valuation techniques comprise:

Level 1: the fair value is calculated using quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: the fair value is estimated using inputs other than quoted prices that are observable, either directly (as prices) or indirectly (derived from prices).

Level 3: the fair value is estimated using inputs that are not based on observable market data.

In assessing the fair value of the Trust's financial instruments, consideration is given to the available market data and if the market for a financial instrument changes then the valuation technique applied will change accordingly.

During the half-year ended 30 June 2018, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

	Property linked notes[(i)] 30 Jun 18 $million	Property linked notes[(i)] 31 Dec 17 $million
Level 3 fair value movement		
Balance at the beginning of the year	**673.7**	1,012.5
Repayment of other financial liabilities	**-**	(416.6)
Net fair value loss included in financing costs in the income statement	**31.6**	77.8
Balance at the end of the period	**705.3**	673.7

(i) The fair value of the property linked notes has been determined by reference to the fair value of the relevant Westfield shopping centres.

Investment properties are considered Level 3.

11 Investment in Carindale Property Trust

For the half-year ended 30 June 2018, the Trust has acquired additional securities in Carindale Property Trust (CPT) increasing the Trust's interest in CPT to 59.6% (31 December 2017: 56.6%).

12 Subsequent Events

Since the end of the financial period, Scentre Group has extended $2.4 billion of existing loan facilities and established a new $900 million syndicated bank loan facility.

SCENTRE GROUP TRUST 1
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; and

(b) in the Directors' opinion, the Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(ii) giving a true and fair view of the financial position as at 30 June 2018 and the performance of the consolidated entity for the half-year ended on that date in accordance with section 305 of the Corporations Act 2001.

Made on 21 August 2018 in accordance with a resolution of the Board of Directors.

Brian Schwartz AM
Chairman

Michael Ihlein
Director

Ernst & Young
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Independent Auditor's Review Report to the members of Scentre Group Trust 1

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Scentre Group Trust 1 and its controlled entities (the Trust), which comprises the balance sheet as at 30 June 2018, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Trust as at 30 June 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Directors' Responsibility for the Half-Year Financial Report

The directors of Scentre Management Limited, the Responsible Entity of the Trust, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's consolidated financial position as at 30 June 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.* As the auditor of the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Megan Wilson

Ernst & Young

Megan Wilson
Partner
Sydney
21 August 2018

Ernst & Young

SCENTRE GROUP TRUST 1
DIRECTORS' REPORT

The Directors of Scentre Management Limited (the Responsible Entity), the responsible entity of Scentre Group Trust 1 (the Trust or SGT1) submit the following report for the half-year ended 30 June 2018 (Financial Period).

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited, the Trust, Scentre Group Trust 2, Scentre Group Trust 3 and their respective controlled entities. Scentre Group operates as a single coordinated economic entity, with a common Board of Directors and management team.

1. Directors

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

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

Scentre Group was established on 30 June 2014. Prior to that date, 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 on the establishment of Scentre Group (30 June 2014). Aliza Knox was appointed on 7 May 2015 and Carolyn Kay and Margaret Seale on 24 February 2016.

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 retire as a Director of Scentre Management Limited.

2. Review and results of operations

2.1 Financial results

The Trust's net profit for the Financial Period is $598.2 million which mainly comprises net property income of $425.5 million, property revaluations of $486.8 million and net financing costs of $292.4 million. The net profit attributable to members of SGT1 for the Financial Period is $593.1 million. The aggregate distribution (attributable to members of SGT1) for the Financial Period is $177.6 million (being 3.34 cents per unit) with basic earnings per unit for the Financial Period of 11.14 cents.

2.2 Operating environment

As at 30 June 2018, the Trust's portfolio comprised 39 centres in Australia and New Zealand with a combined value of $19.2 billion.

The portfolio is more than 99.5% leased. Comparable net operating income grew by 2.5%, driven primarily by contracted annual rent escalations. Comparable specialty in-store sales are also up 2.1% for the Financial Period and 1.6% for the twelve months to 30 June 2018.

2.3 Development activities

In March 2018, Scentre Group has successfully opened the $80 million redevelopment of Westfield Plenty Valley in Melbourne, adding 10,300 square metres of lettable area.

During the Financial Period, Scentre Group also commenced the NZ$790 million redevelopment of Westfield Newmarket in Auckland which is expected to complete by the end of 2019.

All other active developments are progressing well, with the redevelopments at Westfield Carousel in Perth, Westfield Coomera in Queensland's Gold Coast, Westfield Kotara in Newcastle and Westfield Tea Tree Plaza in Adelaide, expected to open during the second half of 2018.

Completed developments in 2018 will add more than 106,000 square metres of lettable area to Scentre Group's portfolio.

The Trust has a joint interest in Westfield Plenty Valley (25%), Westfield Newmarket (25.5%), Westfield Carousel (50%), Westfield Coomera (50%), Westfield Kotara (50%) and Westfield Tea Tree Plaza (31.25%).

Scentre Group continues to work on pre-development opportunities with a development program in excess of $3 billion.

2.4 Financing and capital management

During the Financial Period, Scentre Group issued €500 million (A$800 million) of 10-year bonds. Proceeds from the bond issue were used mainly to refinance Scentre Group's €400 million floating rate notes that matured in July 2018.

Total available financing facilities at 30 June 2018 of $2.4 billion (31 December 2017: $2.0 billion) are in excess of the Trust's net current liabilities of $1.5 billion (31 December 2017: $1.3 billion). Net current liabilities comprise current assets less current liabilities.

In August 2018, Scentre Group extended $2.4 billion of existing loan facilities and established a new $900 million syndicated bank loan facility.

In April 2018, Scentre Group announced an on-market buy-back programme of up to $700 million of Scentre Group securities in line with its strategic focus to actively manage Scentre Group's capital structure. Scentre Group has since bought back 7,299,472 securities for $30.1 million (Trust share: $11.4 million) including associated costs.

SCENTRE GROUP TRUST 1
DIRECTORS' REPORT (continued)

2. Review and results of operations (continued)

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

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

3. Principal activities

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

4. 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, unless otherwise indicated. Amounts shown as 0.0 represent amounts less than $50,000 that have been rounded down.

5. 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.

6. ASX listing

ASX reserves the right (but without limiting its absolute discretion) to remove Scentre Group Limited, SGT1, Scentre Group Trust 2 and Scentre Group Trust 3 from the official list of ASX if any of the shares or units comprising those stapled securities cease to be stapled together, or any equity securities are issued by a Scentre Group entity which are not stapled to the equivalent securities in the other entities.

7. Auditor's independence declaration

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

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Building a better working world

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

As lead auditor for the review of Scentre Group Trust 1 for the half-year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Megan Wilson

Ernst & Young

Megan Wilson
Partner

21 August 2018

This report is made on 21 August 2018 in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Brian Schwartz AM
Chairman

Michael Ihlein
Director

DIRECTORY

Scentre Group
Scentre Group Limited
ABN 66 001 671 496

Scentre Group Trust 1
ARSN 090 849 746
(responsible entity Scentre Management Limited
ABN 41 001 670 579, AFS Licence No 230329)

Scentre Group Trust 2
ARSN 146 934 536
(responsible entity RE1 Limited
ABN 80 145 743 862, AFS Licence No 380202)

Scentre Group Trust 3
ARSN 146 934 652
(responsible entity RE2 Limited
ABN 41 145 744 065, AFS Licence No 380203)

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Secretaries
Maureen T McGrath
Paul F Giugni

Auditor
Ernst & Young
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Website: www.mybnymdr.com
Code: SCTRY

Listing
Australian Securities Exchange – SCG

Website
www.scentregroup.com

Scentre Group Trust 2
Half-Year Financial Report

For the half-year ended 30 June 2018

RE1 Limited ABN 80 145 743 862 AFS Licence No. 380202

as Responsible Entity of Scentre Group Trust 2 ARSN 146 934 536

SCENTRE GROUP TRUST 2

INCOME STATEMENT

for the half-year ended 30 June 2018

	Note	30 Jun 18 $million	30 Jun 17 $million
Revenue			
Property revenue		**276.3**	265.9
		276.3	265.9
Share of after tax profits of equity accounted entities			
Property revenue		**267.7**	272.3
Property revaluations		**291.0**	180.5
Property expenses, outgoings and other costs		**(70.8)**	(74.2)
Gain in respect of capital transactions		**-**	0.2
Net financing costs		**(3.7)**	(3.5)
Tax expense		**(3.5)**	(1.1)
		480.7	374.2
Expenses			
Property expenses, outgoings and other costs		**(71.0)**	(67.0)
Overheads		**(4.5)**	(3.7)
		(75.5)	(70.7)
Interest income		**0.7**	0.2
Currency gain/(loss)		**(2.3)**	0.5
Financing costs		**(115.7)**	(86.1)
Property revaluations		**195.8**	285.4
Profit before tax		**760.0**	769.4
Tax expense		**-**	-
Profit after tax for the period		**760.0**	769.4

		cents	cents
Basic earnings per unit	5	**14.28**	14.45
Diluted earnings per unit	5	**14.28**	14.45

SCENTRE GROUP TRUST 2

STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 30 June 2018

	30 Jun 18 $million	30 Jun 17 $million
Profit after tax for the period	**760.0**	769.4
Other comprehensive income		
Movement in foreign currency translation reserve (i)		
- Realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting	**1.4**	(2.5)
- Accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	**-**	(1.3)
Total comprehensive income for the period	**761.4**	765.6

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

SCENTRE GROUP TRUST 2

BALANCE SHEET

as at 30 June 2018

	Note	**30 Jun 18 $million**	31 Dec 17 $million
Current assets			
Cash and cash equivalents		**10.7**	10.7
Trade debtors		**3.2**	0.4
Receivables		**48.9**	34.4
Other current assets		**6.7**	13.3
Total current assets		**69.5**	58.8
Non current assets			
Investment properties		**9,255.7**	9,008.4
Equity accounted investments		**8,544.7**	8,195.8
Derivative assets		**162.5**	128.5
Other non current assets		**24.3**	17.8
Total non current assets		**17,987.2**	17,350.5
Total assets		**18,056.7**	17,409.3
Current liabilities			
Trade creditors		**52.8**	63.6
Payables and other creditors		**152.3**	156.6
Interest bearing liabilities	6	**1,360.9**	1,761.7
Derivative liabilities		**1.2**	3.6
Total current liabilities		**1,567.2**	1,985.5
Non current liabilities			
Interest bearing liabilities	6	**2,779.9**	2,173.3
Derivative liabilities		**96.6**	64.8
Total non current liabilities		**2,876.5**	2,238.1
Total liabilities		**4,443.7**	4,223.6
Net assets		**13,613.0**	13,185.7
Equity attributable to members of Scentre Group Trust 2			
Contributed equity		**8,142.3**	8,159.8
Reserves		**9.9**	8.5
Retained profits		**5,460.8**	5,017.4
Total equity attributable to members of Scentre Group Trust 2		**13,613.0**	13,185.7
Total equity		**13,613.0**	13,185.7

SCENTRE GROUP TRUST 2

STATEMENT OF CHANGES IN EQUITY

for the half-year ended 30 June 2018

	Contributed Equity $million	*Reserves $million*	*Retained Profits $million*	**30 Jun 18 Total $million**	*Contributed Equity $million*	*Reserves $million*	*Retained Profits $million*	30 Jun 17 Total $million
Changes in equity attributable to members of Scentre Group Trust 2								
Balance at the beginning of the period, as reported	*8,159.8*	*8.5*	*5,017.4*	**13,185.7**	*8,159.8*	*24.0*	*3,400.1*	11,583.9
- Impact of change in accounting standard (i)	-	-	*(1.4)*	**(1.4)**	-	-	-	-
Adjusted balance at the beginning of the period	*8,159.8*	*8.5*	*5,016.0*	**13,184.3**	*8,159.8*	*24.0*	*3,400.1*	11,583.9
- Profit after tax for the period (ii)	-	-	*760.0*	**760.0**	-	-	*769.4*	769.4
- Other comprehensive income (ii) (iii)	-	*1.4*	-	**1.4**	-	*(3.8)*	-	(3.8)
Transactions with owners in their capacity as owners								
- Buy-back and cancellation of units and associated costs	*(17.5)*	-	-	**(17.5)**	-	-	-	-
- Distributions paid or provided for	-	-	*(315.2)*	**(315.2)**	-	-	*(230.5)*	(230.5)
Closing balance of equity attributable to members of Scentre Group Trust 2	*8,142.3*	*9.9*	*5,460.8*	**13,613.0**	*8,159.8*	*20.2*	*3,939.0*	12,119.0

(i) The Trust has adopted AASB 9 Financial Instruments. This resulted in a charge of $1.4 million to retained profits as at 1 January 2018, being the cumulative effect on initial application of the standard (refer to Note 2(b)). The comparative results for the half-year ended 30 June 2017 are not restated as permitted by the standard.

(ii) Total comprehensive income for the period amounts to a gain of $761.4 million (30 June 2017: $765.6 million).

(iii) 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 $1.4 million (30 June 2017: loss of $2.5 million) and accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of nil (30 June 2017: $1.3 million).

SCENTRE GROUP TRUST 2
CASH FLOW STATEMENT
for the half-year ended 30 June 2018

	30 Jun 18 $million	30 Jun 17 $million
Cash flows from operating activities		
Receipts in the course of operations (including Goods and Services Tax (GST))	**308.4**	298.1
Payments in the course of operations (including GST)	**(83.4)**	(79.0)
Dividends/distributions received from equity accounted entities	**173.3**	267.1
GST paid	**(20.2)**	(21.4)
Net payments of financing costs (excluding interest capitalised)	**(74.0)**	(72.5)
Net cash flows from operating activities	**304.1**	392.3
Cash flows used in investing activities		
Capital expenditure on property investments	**(88.0)**	(105.3)
Proceeds from the disposition of property investments	**3.1**	110.4
Net outflows for investments in equity accounted entities	**(38.0)**	(22.3)
Financing costs capitalised to qualifying development projects and construction in progress	**(7.6)**	(5.0)
Settlement of currency derivatives hedging the repatriation of foreign sales proceeds	**-**	(5.7)
Net cash flows used in investing activities	**(130.5)**	(27.9)
Cash flows used in financing activities		
Buy-back of units and associated costs	**(17.5)**	-
Net proceeds from interest bearing liabilities	**312.5**	185.3
Net loans paid to related entities	**(153.4)**	(314.1)
Distributions paid	**(315.2)**	(230.5)
Net cash flows used in financing activities	**(173.6)**	(359.3)
Net increase in cash and cash equivalents held	**-**	5.1
Add opening cash and cash equivalents brought forward	**10.7**	8.9
Cash and cash equivalents at the end of the period [(i)]	**10.7**	14.0

[(i)] Cash and cash equivalents comprises cash of $10.7 million (30 June 2017: $14.0 million) net of bank overdraft of nil (30 June 2017: nil).

1 Corporate information

This financial report of Scentre Group Trust 2 (SGT2) and its controlled entities (collectively the Trust) for the half-year ended 30 June 2018 was approved in accordance with a resolution of the Board of Directors of RE1 Limited as Responsible Entity of SGT2.

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

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

2 Basis of preparation of the financial report

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

This half-year financial report should be read in conjunction with the annual financial report of SGT2 as at 31 December 2017.

It is also recommended that this half-year financial report be considered together with any public announcements made by Scentre Group during the half-year ended 30 June 2018 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 (Corporations Act).

(a) Basis of accounting

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

This half-year financial report has been prepared on a historical cost basis, except for investment properties, investment properties within equity accounted investments, derivative financial instruments and financial assets at fair value through profit and loss. The carrying value of recognised assets and liabilities that are hedged with fair value hedges and are otherwise carried at cost are adjusted to record changes in the fair values attributable to the risks that are being hedged.

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

This half-year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 31 December 2017 except for the changes required due to amendments to the accounting standards noted below.

This half-year financial report is presented in Australian dollars.

(b) New accounting standards and interpretations

The Trust has adopted the following new or amended standards which became applicable on 1 January 2018:

- AASB 9 Financial Instruments

  Impact of adoption

  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.

  The Trust has adopted AASB 9 and related amendments from 1 January 2018. Comparative results are not restated as permitted by the standard.

  The cumulative effect on initial application of AASB 9 is a charge to opening retained profits of $1.4 million, a decrease in trade and other receivables of $0.7 million and a decrease in equity accounted investments of $0.7 million as at 1 January 2018. This difference arises from the increase in provisions for trade and other receivables.

  (i) Classification and measurement

  Financial assets previously held at fair value 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 continue to be measured at amortised cost. The impact of the classification of financial instruments under AASB 9 was immaterial.

  (ii) Impairment

  Under AASB 9, the Trust's accounting for impairment losses for financial assets is fundamentally changed, by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Trust has applied the general approach to impairment on all eligible financial assets, except for trade debtors which adopted the simplified approach. The revised methodology for calculation of impairment of trade and other receivables resulted in an additional loss allowance of $1.4 million as at 1 January 2018.

  (iii) Hedge accounting

  As the Trust did not have any hedge relationships that are designated as effective hedges as at 31 December 2017, there is no impact from the initial application of hedging requirements on the financial statements.

2 Basis of preparation of the financial report (continued)

(b) New accounting standards and interpretations (continued)

- AASB 9 Financial Instruments (continued)

  Accounting policies

  AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 has not had a significant effect on the Trust's accounting policies related to financial liabilities. The impact of the standard on financial assets is set out below.

  (i) Classification

  From 1 January 2018, the Trust classifies its financial assets as follows:

  a) cash, trade and other receivables are measured at amortised cost. These are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest.

  b) derivative assets are measured at fair value through the profit and loss (FVTPL).

  (ii) Measurement

  At initial recognition, the Trust measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

  Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses from changes in fair value are recognised in the income statement unless they have been designated and qualify as cash flow or net investment hedging instruments, where the effective portion of changes in fair value is recognised in either a cash flow or foreign currency reserve within equity.

  Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses (see below). Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

  (iii) Impairment

  From 1 January 2018 the Trust assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. For trade receivables, the Trust applies the simplified approach permitted by the standard, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

- AASB 15 Revenue from Contracts with Customers

  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 did not have a significant impact on the financial statements on application.

The Trust has also adopted the following amendments to and clarification of interpretations of, accounting standards:

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration

For the financial period, 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 half-year ended 30 June 2018. The impact of these new standards or amendments to the standards (to the extent relevant to the Trust) and interpretations is as follows:

- 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 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle (effective 1 January 2019)

  The amendments clarify certain requirements in:
  (i) AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation;
  (ii) AASB 112 Income Taxes - income tax consequences of payments on financial instruments classified as equity; and
  (iii) AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation.

2 Basis of preparation of the financial report (continued)

(b) New accounting standards and interpretations (continued)

- 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.

(c) Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in this half-year financial report have been rounded to the nearest tenth of a million dollars, unless otherwise indicated. Amounts shown as 0.0 represent amounts less than $50,000 that have been rounded down.

3 Segment reporting

Geographic segments

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

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

The Trust's segment income and expenses as well as the details of segment assets 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) Geographic segment information

	Australia $million	**New Zealand $million**	**30 Jun 18 $million**	Australia $million	New Zealand $million	30 Jun 17 $million
Revenue						
Shopping centre base rent and other property income (i)	**535.8**	**24.9**	**560.7**	522.8	30.0	552.8
Amortisation of tenant allowances	**(16.4)**	**(0.3)**	**(16.7)**	(14.3)	(0.3)	(14.6)
	519.4	**24.6**	**544.0**	508.5	29.7	538.2
Expenses						
Property expenses, outgoings and other costs	**(136.0)**	**(5.8)**	**(141.8)**	(132.8)	(8.4)	(141.2)
Segment income and expenses	**383.4**	**18.8**	**402.2**	375.7	21.3	397.0

	Australia $million	**New Zealand $million**	**30 Jun 18 $million**	Australia $million	New Zealand $million	31 Dec 17 $million
Shopping centre investments	**17,262.1**	**575.1**	**17,837.2**	16,685.4	551.5	17,236.9
Development projects and construction in progress	**417.0**	**83.4**	**500.4**	380.8	49.7	430.5
Segment assets (ii)	**17,679.1**	**658.5**	**18,337.6**	17,066.2	601.2	17,667.4
Additions to segment non current assets during the period	**141.2**	**44.3**	**185.5**	345.6	28.2	373.8

(i) Includes recoveries of outgoings from tenants amounting to $86.0 million (30 June 2017: $85.3 million).

(ii) Includes equity accounted segment assets of $9,081.9 million (31 December 2017: $8,659.0 million).

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2018

3 Segment reporting (continued)

(b) Reconciliation of segment results

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

	Consolidated	**Equity accounted**	**30 Jun 18**	Consolidated	Equity accounted	30 Jun 17
	$million	**$million**	**$million**	$million	$million	$million
Property revenue	**276.3**	**267.7**	**544.0**	265.9	272.3	538.2
Property expenses, outgoings and other costs	**(71.0)**	**(70.8)**	**(141.8)**	(67.0)	(74.2)	(141.2)
Segment income and expenses	**205.3**	**196.9**	**402.2**	198.9	198.1	397.0
Overheads			**(4.5)**			(3.7)
Interest income			**0.8**			0.4
Currency gain/(loss)			**(2.3)**			0.5
Financing costs			**(119.5)**			(89.8)
Gain in respect of capital transactions			**-**			0.2
Property revaluations			**486.8**			465.9
Tax expense			**(3.5)**			(1.1)
Net profit attributable to members of SGT2			**760.0**			769.4

	Consolidated	**Equity accounted**	**30 Jun 18**	Consolidated	Equity accounted	31 Dec 17
	$million	**$million**	**$million**	$million	$million	$million
Shopping centre investments	**8,875.2**	**8,962.0**	**17,837.2**	8,667.8	8,569.1	17,236.9
Development projects and construction in progress	**380.5**	**119.9**	**500.4**	340.6	89.9	430.5
Segment assets	**9,255.7**	**9,081.9**	**18,337.6**	9,008.4	8,659.0	17,667.4
Cash and cash equivalents	**10.7**	**12.2**	**22.9**	10.7	9.8	20.5
Other assets	**245.6**	**18.3**	**263.9**	194.4	22.8	217.2
Total assets	**9,512.0**	**9,112.4**	**18,624.4**	9,213.5	8,691.6	17,905.1
Interest bearing liabilities	**4,140.8**	**354.3**	**4,495.1**	3,935.0	316.1	4,251.1
Deferred tax liabilities	**-**	**53.6**	**53.6**	-	52.5	52.5
Other liabilities	**302.9**	**159.8**	**462.7**	288.6	127.2	415.8
Total liabilities	**4,443.7**	**567.7**	**5,011.4**	4,223.6	495.8	4,719.4
Net assets	**5,068.3**	**8,544.7**	**13,613.0**	4,989.9	8,195.8	13,185.7

	30 Jun 18 $million	30 Jun 17 $million
4 Distributions		
(a) Interim distribution		
7.74 cents per unit (30 June 2017: 6.71 cents per unit)	**411.5**	357.3
	411.5	357.3

Details of the full year components of distribution will be provided in the Annual Tax Statement which will be sent to members in July 2019.

The interim distribution will be paid on 31 August 2018. The record date for the entitlement to this distribution was 5pm, 15 August 2018. Scentre Group does not operate a Distribution Reinvestment Plan.

(b) Distribution paid		
Distribution in respect of the six months to 31 December 2017	**315.2**	-
Distribution in respect of the six months to 31 December 2016	**-**	230.5
	315.2	230.5

	cents	cents
5 Earnings per unit		
(a) Summary of earnings per unit		
Basic earnings per unit	**14.28**	14.45
Diluted earnings per unit	**14.28**	14.45

(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)]	**760.0**	769.4
Adjustment to earnings on options which are considered dilutive	**-**	-
Earnings used in calculating diluted earnings per unit	**760.0**	769.4

(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	**5,322,739,327**	5,324,296,678
Security options which are dilutive	**-**	-
Adjusted weighted average number of ordinary units used in calculating diluted earnings per unit	**5,322,739,327**	5,324,296,678

(c) Conversions, calls, subscription, issues or buy-back after 30 June 2018

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

	30 Jun 18 $million	31 Dec 17 $million
6 Interest bearing liabilities		
Current		
Interest bearing liabilities	**721.4**	967.5
Interest bearing loans payable to related entities	**639.4**	794.1
Finance leases	**0.1**	0.1
	1,360.9	1,761.7
Non current		
Interest bearing liabilities	**2,768.5**	2,161.9
Finance leases	**11.4**	11.4
	2,779.9	2,173.3

	30 Jun 18 No. of units	31 Dec 17 No. of units
7 Contributed equity		
Number of units on issue		
Balance at the beginning of the period	**5,324,296,678**	5,324,296,678
Buy-back and cancellation of units	**(7,299,472)**	-
Balance at the end of the period	**5,316,997,206**	5,324,296,678

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

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

8 Fair value of financial assets and liabilities

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

		Fair value		**Carrying amount**	
	Fair value hierarchy	**30 Jun 18 $million**	31 Dec 17 $million	**30 Jun 18 $million**	31 Dec 17 $million
Consolidated assets					
Cash and cash equivalents		**10.7**	10.7	**10.7**	10.7
Trade debtors (i)		**3.2**	0.4	**3.2**	0.4
Receivables					
- Other receivables (i)		**48.9**	34.4	**48.9**	34.4
Derivative assets (ii)	Level 2	**162.5**	128.5	**162.5**	128.5
Consolidated liabilities					
Payables (i)		**205.1**	220.2	**205.1**	220.2
Interest bearing liabilities (ii)					
- Fixed rate debt	Level 2	**2,528.3**	1,714.3	**2,433.3**	1,588.9
- Floating rate debt	Level 2	**1,707.5**	2,346.1	**1,707.5**	2,346.1
Derivative liabilities (ii)	Level 2	**97.8**	68.4	**97.8**	68.4

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

(ii) These financial assets and liabilities are subject to interest rate and market risks, the basis of determining the fair value is set out in the fair value hierarchy below.

Determination of fair value

The Trust uses the following hierarchy for determining and disclosing the fair value of its financial instruments. The valuation techniques comprise:

Level 1: the fair value is calculated using quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: the fair value is estimated using inputs other than quoted prices that are observable, either directly (as prices) or indirectly (derived from prices).

Level 3: the fair value is estimated using inputs that are not based on observable market data.

In assessing the fair value of the Trust's financial instruments, consideration is given to the available market data and if the market for a financial instrument changes then the valuation technique applied will change accordingly.

During the half-year ended 30 June 2018, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Investment properties are considered Level 3.

9 Subsequent events

Since the end of the financial period, Scentre Group has:

(a) Acquired a 50% (Trust share: 50%) interest in Westfield Eastgardens from Terrace Tower Group for $720 million (Trust share: $720 million), representing a capitalisation rate of 4.25%.

(b) Extended $2.4 billion of existing loan facilities and also established a new $900 million syndicated bank loan facility.

SCENTRE GROUP TRUST 2
DIRECTORS' DECLARATION

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

(a) in the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

   (ii) giving a true and fair view of the financial position as at 30 June 2018 and the performance of the consolidated entity for the half-year ended on that date in accordance with section 305 of the Corporations Act 2001.

Made on 21 August 2018 in accordance with a resolution of the Board of Directors.

Brian Schwartz AM
Chairman

Michael Ihlein
Director

Ernst & Young
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Independent Auditor's Review Report to the Members of Scentre Group Trust 2

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Scentre Group Trust 2 and its controlled entities (the Trust), which comprises the balance sheet as at 30 June 2018, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Trust as at 30 June 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Directors' Responsibility for the Half-Year Financial Report

The directors of RE1 Limited, the Responsible Entity of the Trust, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's consolidated financial position as at 30 June 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.* As the auditor of the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Megan Wilson

Ernst & Young

Ernst & Young

Megan Wilson
Partner
Sydney
21 August 2018

SCENTRE GROUP TRUST 2

DIRECTORS' REPORT

The Directors of RE1 Limited (the Responsible Entity), the responsible entity of Scentre Group Trust 2 (the Trust or SGT2) submit the following report for the half-year ended 30 June 2018 (Financial Period).

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

1. Directors

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

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

Scentre Group was established on 30 June 2014. Prior to that date, RE1 Limited 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) predate 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.

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.

2. Review and results of operations

2.1 Financial results

The Trust’s net profit for the Financial Period (attributable to members of SGT2) is $760.0 million which mainly comprises net property income of $402.2 million, property revaluations of $486.8 million and net financing costs of $118.7 million. The aggregate distribution (attributable to members of SGT2) for the Financial Period is $411.5 million (being 7.74 cents per unit) with basic earnings per unit for the Financial Period of 14.28 cents.

2.2 Operating environment

As at 30 June 2018, Scentre Group's portfolio comprised 39 centres in Australia and New Zealand, of which the Trust has a joint interest in 38 centres with a combined value of $18.3 billion.

The portfolio is more than 99.5% leased. Comparable net operating income grew by 2.5%, driven primarily by contracted annual rent escalations. Comparable specialty in-store sales are also up 2.1% for the Financial Period and 1.6% for the twelve months to 30 June 2018.

2.3 Development activities

In March 2018, Scentre Group has successfully opened the $80 million redevelopment of Westfield Plenty Valley in Melbourne, adding 10,300 square metres of lettable area.

During the Financial Period, Scentre Group also commenced the NZ$790 million redevelopment of Westfield Newmarket in Auckland which is expected to complete by the end of 2019.

All other active developments are progressing well, with the redevelopments at Westfield Carousel in Perth, Westfield Coomera in Queensland's Gold Coast, Westfield Kotara in Newcastle and Westfield Tea Tree Plaza in Adelaide, expected to open during the second half of 2018.

Completed developments in 2018 will add more than 106,000 square metres of lettable area to Scentre Group's portfolio.
The Trust has a joint interest in Westfield Plenty Valley (25%), Westfield Newmarket (25.5%), Westfield Carousel (50%), Westfield Kotara (50%) and Westfield Tea Tree Plaza (18.75%).

In July 2018, the Trust acquired a 50% interest in Westfield Eastgardens in Sydney's south-eastern suburbs for $720 million.
As part of a consortium, Scentre Group has also been successful in its bid to deliver and operate the retail component of Barangaroo Central in Sydney.

Scentre Group continues to work on pre-development opportunities with a development program in excess of $3 billion.

2.4 Financing and capital management

During the Financial Period, Scentre Group issued €500 million (A$800 million) of 10-year bonds. Proceeds from the bond issue were used mainly to refinance Scentre Group's €400 million floating rate notes that matured in July 2018.

Total available financing facilities at 30 June 2018 of $2.9 billion (31 December 2017: $2.5 billion) are in excess of the Trust's net current liabilities of $1.5 billion (31 December 2017: $1.9 billion). Net current liabilities comprise current assets less current liabilities.

In August 2018, Scentre Group extended $2.4 billion of existing loan facilities and established a new $900 million syndicated bank loan facility.

In April 2018, Scentre Group announced an on-market buy-back programme of up to $700 million of Scentre Group securities in line with its strategic focus to actively manage Scentre Group's capital structure. Scentre Group has since bought back 7,299,472 securities for $30.1 million (Trust share: $17.5 million) including associated costs.

2. Review and results of operations (continued)

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

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

3. Principal activities

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

4. 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, unless otherwise indicated. Amounts shown as 0.0 represent amounts less than $50,000 that have been rounded down.

5. ASX listing

ASX reserves the right (but without limiting its absolute discretion) to remove Scentre Group Limited, Scentre Group Trust 1, SGT2 and Scentre Group Trust 3 from the official list of ASX if any of the shares or units comprising those stapled securities cease to be stapled together, or any equity securities are issued by a Scentre Group entity which are not stapled to the equivalent securities in the other entities.

6. Auditor's independence declaration

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

Building a better working world

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Auditor's Independence Declaration to the Directors of RE1 Limited

As lead auditor for the review of Scentre Group Trust 2 for the half-year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner

21 August 2018

This report is made on 21 August 2018 in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Brian Schwartz AM
Chairman

Michael Ihlein
Director

DIRECTORY

Scentre Group
Scentre Group Limited
ABN 66 001 671 496

Scentre Group Trust 1
ARSN 090 849 746
(responsible entity Scentre Management Limited
ABN 41 001 670 579, AFS Licence No 230329)

Scentre Group Trust 2
ARSN 146 934 536
(responsible entity RE1 Limited
ABN 80 145 743 862, AFS Licence No 380202)

Scentre Group Trust 3
ARSN 146 934 652
(responsible entity RE2 Limited
ABN 41 145 744 065, AFS Licence No 380203)

Registered Office
Level 30
85 Castlereagh Street
Sydney NSW 2000
Telephone: +61 2 9358 7000
Facsimile: +61 2 9028 8500

New Zealand Office
Level 2, Office Tower
277 Broadway
Newmarket, Auckland 1023
Telephone: +64 9 978 5050
Facsimile: +64 9 978 5070

Secretaries
Maureen T McGrath
Paul F Giugni

Auditor
Ernst & Young
200 George Street
Sydney NSW 2000

Investor Information
Scentre Group
Level 30
85 Castlereagh Street
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Telephone: +61 2 9358 7877
Facsimile: +61 2 9358 7881
E-mail: investor@scentregroup.com
Website: www.scentregroup.com

Principal Share Registry
Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000
GPO Box 2975
Melbourne VIC 3001
Telephone: +61 3 9946 4471
Enquiries: 1300 730 458
Facsimile: +61 3 9473 2500
E-mail: web.queries@computershare.com.au
Website: www.computershare.com

ADR Registry
BNY Mellon Shareowner Services
PO Box 505000
Louisville, KY 40233-5000
USA
US Domestic Calls (toll free): 1 888 BNY ADRS or 1888 269 2377
International Calls: +1 201 680 6825
Email: shrrelations@bnymellon.com
Website: www.mybnymdr.com
Code: SCTRY

Listing
Australian Securities Exchange – SCG

Website
www.scentregroup.com