SCENTRE GROUP

ASX Announcement
15 March 2019

Scentre Group (ASX: SCG)
Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3
2018 Annual Reports

On 20 February 2019, Scentre Group released its 2018 full year results and Annual Financial Report.

In accordance with the requirement to lodge annual financial reports for each of Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 (Trusts), attached are the 2018 Annual Financial Reports for each Trust.

The results of the 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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SCENTRE GROUP

Owner and Operator of Westfield in Australia and New Zealand

Scentre Group Trust 1 Annual Financial Report 31 December 2018

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 2018

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 2018

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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Listing
Australian Securities Exchange – SCG

Website
www.scentregroup.com

Annual Financial Report

SCENTRE GROUP TRUST 1
For the Financial Year ended 31 December 2018

Contents

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 Dec 18 $million	31 Dec 17 $million
Revenue			
Property revenue		**616.7**	590.6
		616.7	590.6
Share of after tax profits of equity accounted entities			
Property revenue		**546.0**	550.4
Property revaluations		**292.3**	751.7
Property expenses, outgoings and other costs		**(143.1)**	(147.3)
Gain in respect of capital transactions		**–**	0.0
Net interest expense		**(0.3)**	(0.1)
Tax expense		**(6.2)**	(3.8)
	5(a)	**688.7**	1,150.9
Expenses			
Property expenses, outgoings and other costs		**(157.2)**	(152.3)
Overheads		**(14.0)**	(14.9)
		(171.2)	(167.2)
Interest income	10(a)	**12.7**	32.4
Currency gain/(loss)	9	**(20.6)**	9.2
Financing costs	10(b)	**(453.5)**	(593.8)
Property revaluations		**289.2**	864.2
Profit before tax		**962.0**	1,886.3
Tax expense	6	**–**	–
Profit after tax for the period		**962.0**	1,886.3
Profit after tax for the period attributable to:			
– Members of Scentre Group Trust 1		**953.3**	1,872.8
– External non controlling interests		**8.7**	13.5
Profit after tax for the period		**962.0**	1,886.3
		cents	cents
Basic earnings per unit attributable to members of Scentre Group Trust 1	8(a)	**17.92**	35.17
Diluted earnings per unit attributable to members of Scentre Group Trust 1	8(a)	**17.92**	35.17

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	31 Dec 18 $million	31 Dec 17 $million
Profit after tax for the period	**962.0**	1,886.3
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	**12.4**	(13.1)
– Accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	**(0.4)**	(3.2)
Total comprehensive income for the period	**974.0**	1,870.0
Total comprehensive income attributable to:		
– Members of Scentre Group Trust 1	**965.3**	1,856.5
– External non controlling interests	**8.7**	13.5
Total comprehensive income for the period	**974.0**	1,870.0

(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 2018

	Note	31 Dec 18 $million	31 Dec 17 $million
Current assets			
Cash and cash equivalents	11(a)	**17.2**	11.0
Trade debtors		**4.6**	0.3
Derivative assets	16(a)	**220.3**	35.6
Receivables	12	**99.2**	886.8
Other current assets		**21.8**	20.3
Total current assets		**363.1**	954.0
Non current assets			
Investment properties	3	**10,359.0**	9,711.3
Equity accounted investments	5(b)	**9,133.7**	8,599.9
Derivative assets	16(a)	**662.3**	475.7
Other non current assets		**49.2**	31.4
Total non current assets		**20,204.2**	18,818.3
Total assets		**20,567.3**	19,772.3
Current liabilities			
Trade creditors		**81.1**	68.4
Payables and other creditors	13	**1,272.5**	1,269.8
Interest bearing liabilities	14	**1,606.8**	912.4
Derivative liabilities	16(b)	**12.3**	5.3
Total current liabilities		**2,972.7**	2,255.9
Non current liabilities			
Interest bearing liabilities	14	**7,144.1**	7,642.0
Other financial liabilities	15	**696.9**	673.7
Derivative liabilities	16(b)	**264.4**	328.7
Total non current liabilities		**8,105.4**	8,644.4
Total liabilities		**11,078.1**	10,900.3
Net assets		**9,489.2**	8,872.0
Equity attributable to members of Scentre Group Trust 1			
Contributed equity	17(b)	**1,646.7**	1,658.1
Reserves	18	**22.9**	10.9
Retained profits	19	**7,591.5**	6,955.6
Total equity attributable to members of Scentre Group Trust 1		**9,261.1**	8,624.6
Equity attributable to external non controlling interests			
Contributed equity		**75.9**	81.5
Retained profits		**152.2**	165.9
Total equity attributable to external non controlling interests		**228.1**	247.4
Total equity		**9,489.2**	8,872.0

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Contributed Equity $million	Reserves $million	Retained Profits $million	31 Dec 18 Total $million	Contributed Equity $million	Reserves $million	Retained Profits $million	31 Dec 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]	**–**	**–**	**953.3**	**953.3**	–	–	1,872.8	1,872.8
– Other comprehensive income [ii] [iii]	**–**	**12.0**	**–**	**12.0**	–	(16.3)	–	(16.3)
Transactions with owners in their capacity as owners								
– Buy-back and cancellation of units and associated costs	**(11.4)**	**–**	**–**	**(11.4)**	–	–	–	–
– Distributions paid or provided for	**–**	**–**	**(316.0)**	**(316.0)**	–	–	(404.7)	(404.7)
Closing balance of equity attributable to members of Scentre Group Trust 1	**1,646.7**	**22.9**	**7,591.5**	**9,261.1**	1,658.1	10.9	6,955.6	8,624.6
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]	**–**	**–**	**8.7**	**8.7**	–	–	13.5	13.5
Distribution paid or provided for	**–**	**–**	**(10.8)**	**(10.8)**	–	–	(12.6)	(12.6)
Decrease in external non controlling interest	**(5.6)**	**–**	**(11.6)**	**(17.2)**	(6.8)	–	(13.9)	(20.7)
Closing balance of equity attributable to external non controlling interests	**75.9**	**–**	**152.2**	**228.1**	81.5	–	165.9	247.4
Total equity	**1,722.6**	**22.9**	**7,743.7**	**9,489.2**	1,739.6	10.9	7,121.5	8,872.0

(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 1(c)). The comparative results for the year ended 31 December 2017 are not restated as permitted by the standard.

(ii) Total comprehensive income for the period amounts to $974.0 million (31 December 2017: $1,870.0 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 $12.4 million (31 December 2017: loss of $13.1 million) and accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of $0.4 million (31 December 2017: $3.2 million).

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 Dec 18 $million	31 Dec 17 $million
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		**690.9**	661.6
Payments in the course of operations (including GST)		**(190.3)**	(188.1)
Dividends/distributions received from equity accounted entities		**362.8**	487.8
GST paid		**(48.4)**	(45.3)
Payments of financing costs (excluding interest capitalised)		**(351.8)**	(400.3)
Interest received		**13.0**	33.0
Net cash flows from operating activities	11(b)	**476.2**	548.7
Cash flows from investing activities			
Capital expenditure on property investments		**(361.5)**	(260.5)
Acquisition of property investments		**(14.0)**	–
Proceeds from the disposition of property investments		**–**	110.4
Acquisition of listed securities		**(15.8)**	(20.0)
Net outflows for investments in equity accounted entities		**(178.6)**	(138.4)
Financing costs capitalised to qualifying development projects and construction in progress		**(24.0)**	(11.5)
Settlement of currency derivatives hedging the repatriation of foreign sales proceeds		**–**	(7.5)
Net cash flows used in investing activities		**(593.9)**	(327.5)
Cash flows from financing activities			
Buy-back of units and associated costs		**(11.4)**	–
Net repayments of interest bearing liabilities	14(c)	**(557.0)**	(168.5)
Repayment of other financial liabilities	23	**–**	(416.6)
Net funds received from related entities	14(c)	**1,020.1**	781.7
Distributions paid		**(316.0)**	(404.7)
Distributions paid by controlled entities to external non controlling interests		**(11.8)**	(13.1)
Net cash flows from/(used in) financing activities		**123.9**	(221.2)
Net increase in cash and cash equivalents held		**6.2**	–
Add opening cash and cash equivalents brought forward		**11.0**	11.0
Cash and cash equivalents at the end of the period [(i)]	11(a)	**17.2**	11.0

(i) Cash and cash equivalents comprises cash of $17.2 million (31 December 2017: $11.0 million) net of bank overdraft of nil (31 December 2017: nil).

Index of Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 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 activity 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.

(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 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. Loans, 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.

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 income statement. 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 and other receivables 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.

– 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 year ended 31 December 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 financial 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 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 amendment 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.

These amendments are 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.

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

(c) Statement of Compliance (continued)

– 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 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 amendment 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.

(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 2: Segment reporting, Note 3: Investment Properties, Note 23: Fair value of financial assets and liabilities and Note 24: Other significant accounting policies. 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.

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. 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. Accordingly, management considers that 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**	**31 Dec 18 $million**	Australia $million	New Zealand $million	31 Dec 17 $million
Property revenue						
Shopping centre base rent and other property income (i)	**1,148.5**	**50.6**	**1,199.1**	1,116.2	55.9	1,172.1
Amortisation of tenant allowances	**(35.8)**	**(0.6)**	**(36.4)**	(30.5)	(0.6)	(31.1)
	1,112.7	**50.0**	**1,162.7**	1,085.7	55.3	1,141.0
Expenses						
Property expenses, outgoings and other costs	**(288.1)**	**(12.2)**	**(300.3)**	(284.8)	(14.8)	(299.6)
Segment income and expenses	**824.6**	**37.8**	**862.4**	800.9	40.5	841.4
Shopping centre investments	**18,779.7**	**605.4**	**19,385.1**	17,598.9	551.5	18,150.4
Development projects and construction in progress	**142.0**	**127.4**	**269.4**	273.8	49.7	323.5
Segment assets (ii)	**18,921.7**	**732.8**	**19,654.5**	17,872.7	601.2	18,473.9
Additions to segment non current assets during the year	**511.4**	**95.8**	**607.2**	387.3	28.2	415.5

(i) This includes recovery of outgoings from lessees of $151.0 million (31 December 2017: $151.5 million).

(ii) Includes equity accounted segment assets of $9,295.5 million (31 December 2017: $8,762.6 million).

NOTE 2 SEGMENT REPORTING (CONTINUED)

(b) Reconciliation of segment information

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 $million	Equity Accounted $million	31 Dec 18 $million	Consolidated $million	Equity Accounted $million	31 Dec 17 $million
Property revenue	616.7	546.0	1,162.7	590.6	550.4	1,141.0
Property expenses, outgoings and other costs	(157.2)	(143.1)	(300.3)	(152.3)	(147.3)	(299.6)
Segment income and expenses	**459.5**	**402.9**	**862.4**	438.3	403.1	841.4
Overheads			(14.0)			(14.9)
Interest income			13.0			32.8
Currency gain/(loss)			(20.6)			9.2
Financing costs			(454.1)			(594.3)
Gain in respect of capital transactions			–			0.0
Property revaluations			581.5			1,615.9
Tax expense			(6.2)			(3.8)
External non controlling interests			(8.7)			(13.5)
Net profit attributable to members of SGT1 (i)			**953.3**			1,872.8

(i) Net profit attributable to members of SGT1 was $953.3 million (31 December 2017: $1,872.8 million). Net profit after tax for the period which includes profit attributable to external non controlling interests of $8.7 million (31 December 2017: $13.5 million) was $962.0 million (31 December 2017: $1,886.3 million).

	Consolidated $million	Equity Accounted $million	31 Dec 18 $million	Consolidated $million	Equity Accounted $million	31 Dec 17 $million
Shopping centre investments	10,246.9	9,138.2	19,385.1	9,481.3	8,669.1	18,150.4
Development projects and construction in progress	112.1	157.3	269.4	230.0	93.5	323.5
Segment assets	**10,359.0**	**9,295.5**	**19,654.5**	9,711.3	8,762.6	18,473.9
Cash and cash equivalents	17.2	14.0	31.2	11.0	10.0	21.0
Other assets	1,057.4	25.6	1,083.0	1,450.1	23.4	1,473.5
Total assets	**11,433.6**	**9,335.1**	**20,768.7**	11,172.4	8,796.0	19,968.4
Interest bearing liabilities	8,750.9	9.0	8,759.9	8,554.4	18.5	8,572.9
Other financial liabilities	696.9	–	696.9	673.7	–	673.7
Deferred tax liabilities	–	56.6	56.6	–	52.5	52.5
Other liabilities	1,630.3	135.8	1,766.1	1,672.2	125.1	1,797.3
Total liabilities	**11,078.1**	**201.4**	**11,279.5**	10,900.3	196.1	11,096.4
Net assets	**355.5**	**9,133.7**	**9,489.2**	272.1	8,599.9	8,872.0

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 of outgoings from lessees are recognised as services are provided.

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 from the sale of properties is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.

All other revenues are recognised as services are provided.

Expenses

Expenses are brought to account on an accruals basis.

	Note	31 Dec 18 $million	31 Dec 17 $million
NOTE 3 INVESTMENT PROPERTIES			
Shopping centre investments	4	**10,246.9**	9,481.3
Development projects and construction in progress		**112.1**	230.0
		10,359.0	9,711.3
Movement in total investment properties			
Balance at the beginning of the year		**9,711.3**	8,525.4
Acquisition of properties		**14.0**	–
Redevelopment costs		**344.5**	321.7
Net revaluation increment		**289.2**	864.2
Balance at the end of the year [(i)]		**10,359.0**	9,711.3

(i) The fair value of investment properties at the end of the year of $10,359.0 million (31 December 2017: $9,711.3 million) comprises investment properties at market value of $10,347.6 million (31 December 2017: $9,699.7 million) and ground leases included as finance leases of $11.4 million (31 December 2017: $11.6 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)
- Cushman & Wakefield Pty Ltd
- 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 2018 range from 4.00% to 6.63% (31 December 2017: 4.00% to 7.00%). Refer to Notes 4(a) and (b) of Scentre Group's Annual Financial Report for details of property capitalisation rates by shopping centre.

	31 Dec 18 $million	31 Dec 17 $million
NOTE 4 DETAILS OF SHOPPING CENTRE INVESTMENTS		
Consolidated Australian shopping centres	**10,246.9**	9,481.3
Equity accounted Australian shopping centres	**8,532.8**	8,117.6
Equity accounted New Zealand shopping centres	**605.4**	551.5
	19,385.1	18,150.4
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	**688.7**	1,150.9
Other comprehensive income/(loss) (i)	**12.4**	(16.4)
Share of total comprehensive income of equity accounted entities	**701.1**	1,134.5

(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 $9,133.7 million (31 December 2017: $8,599.9 million) comprise investments in joint ventures in Australia and New Zealand represented by equity of $258.5 million (31 December 2017: $221.9 million) and interest bearing loans of $400.0 million (31 December 2017: $299.2 million). Inter-entity interest charges on the loans amounted to $11.2 million (31 December 2017: $7.9 million).

	31 Dec 18 $million	31 Dec 17 $million
(c) Equity accounted gain in respect of capital transactions		
Asset dispositions		
– proceeds from asset dispositions	**–**	77.4
– less: carrying value of assets disposed and other capital costs	**–**	(77.4)
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	**(4.7)**	(5.4)
Deferred tax benefit/(expense)	**(1.5)**	1.6
	(6.2)	(3.8)
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	**694.9**	1,154.7
Less: Net Trust income not taxable for the Trust – tax payable by members	**(668.5)**	(1,121.9)
	26.4	32.8
Prima facie tax expense at 30%	**(7.9)**	(9.8)
Tax rate differential on New Zealand foreign income	**0.5**	0.7
Deferred tax release on New Zealand capital transactions	**–**	3.4
Other	**1.2**	1.9
Tax expense	**(6.2)**	(3.8)

NOTE 5 DETAILS OF EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

Name of investments	Type of equity	Balance Date	Economic interest 31 Dec 18	Economic interest 31 Dec 17
(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%

(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.

	31 Dec 18 $million	31 Dec 17 $million
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	**962.0**	1,886.3
Less: Trust income not taxable for the Trust – tax payable by members	**(962.0)**	(1,886.3)
	–	–

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.

	31 Dec 18 $million	31 Dec 17 $million
NOTE 7 DISTRIBUTIONS		
(a) Final distribution paid		
3.40 cents per unit (31 December 2017: 2.60 cents per unit)	**180.8**	138.4
	180.8	138.4

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

Interim distribution of 3.34 cents per unit was paid on 31 August 2018. Final distribution was paid on 28 February 2019. The record date for the final distribution was 5pm, 14 February 2019. Scentre Group does not operate a Distribution Reinvestment Plan.

	31 Dec 18 $million	31 Dec 17 $million
(b) Distributions paid during the year		
Distribution in respect of the 6 months to 30 June 2018	**177.6**	–
Distribution in respect of the 6 months to 31 December 2017	**138.4**	–
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
	316.0	404.7

	31 Dec 18 cents	31 Dec 17 cents
NOTE 8 EARNINGS PER UNIT		
(a) Summary of earnings per unit		
Basic earnings per unit attributable to members of Scentre Group Trust 1	**17.92**	35.17
Diluted earnings per unit attributable to members of Scentre Group Trust 1	**17.92**	35.17

There are no security options which are dilutive.

In calculating basic and diluted earnings per unit attributable to Scentre Group Trust 1, net profit attributable to members of Scentre Group Trust 1 of $953.3 million (31 December 2017: $1,872.8 million) was divided by the weighted average number of ordinary units of 5,319,844,670 (31 December 2017: 5,324,296,678).

(b) Conversions, calls, subscription, issues or buy-back after 31 December 2018
There have been no conversions to, calls of, subscriptions for, or issuance of new or potential ordinary units or buy-back of 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 18 $million	31 Dec 17 $million
NOTE 9 CURRENCY GAIN/(LOSS)		
Net fair value gain/(loss) and associated credit risk on currency derivatives that do not qualify for hedge accounting	**(21.0)**	6.0
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	**0.4**	3.2
	(20.6)	9.2

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 16 and 18 for other items included in currency gain/(loss).

	Note	31 Dec 18 $million	31 Dec 17 $million

NOTE 10 INTEREST INCOME AND FINANCING COSTS

	Note	31 Dec 18 $million	31 Dec 17 $million
(a) Interest income			
Interest income		**0.3**	0.4
Interest income from related entities	31(b)	**12.4**	32.0
		12.7	32.4
(b) Financing costs			
Gross financing costs (excluding net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting)			
– External		**(223.5)**	(223.4)
– Related entities	31(b)	**(140.3)**	(152.3)
Financing costs capitalised to qualifying development projects and construction in progress		**24.0**	11.5
Financing costs		**(339.8)**	(364.2)
Net fair value loss on interest rate hedges that do not qualify for hedge accounting		**(59.5)**	(118.5)
Net modification gain on refinanced borrowing facilities		**2.9**	–
Finance leases interest expense		**(0.6)**	(0.6)
Interest expense on other financial liabilities		**(33.3)**	(32.7)
Net fair value loss on other financial liabilities		**(23.2)**	(77.8)
		(453.5)	(593.8)

Accounting Policies

Interest income and financing costs

Interest income is recognised in the income statement as it accrues using the effective interest rate method.

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 16 for other items included in financing costs.

NOTE 11 CASH AND CASH EQUIVALENTS

	31 Dec 18 $million	31 Dec 17 $million
(a) Components of cash and cash equivalents		
Cash	**17.2**	11.0
Bank overdrafts	**–**	–
Total cash and cash equivalents	**17.2**	11.0
(b) Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	**962.0**	1,886.3
Property revaluations	**(289.2)**	(864.2)
Share of equity accounted profit in excess of dividends/distributions received	**(314.9)**	(655.7)
Net fair value loss/(gain) and associated credit risk on currency derivatives	**21.0**	(6.0)
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	**(0.4)**	(3.2)
Net fair value loss on interest rate hedges that do not qualify for hedge accounting	**59.5**	118.5
Net modification gain on refinanced borrowing facilities	**(2.9)**	–
Net fair value loss on other financial liabilities	**23.2**	77.8
Decrease/(increase) in working capital attributable to operating activities	**17.9**	(4.8)
Net cash flows from operating activities	**476.2**	548.7

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. Cash and cash equivalents are measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses (if any) are recognised in the income statement.

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. Bank overdrafts are carried at the principal amount.

	Note	**31 Dec 18 $million**	31 Dec 17 $million
NOTE 12 RECEIVABLES			
Other receivables		**99.2**	92.7
Interest bearing loans receivable from related entities	31(b)	**–**	794.1
		99.2	886.8

Accounting Policies

Receivables

Interest bearing loans receivable from related entities are at call and therefore classified as a current asset.

Interest bearing loans, 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. At initial recognition, the Trust measures these financial assets at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. These financial assets are subsequently measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses are recognised in the income statement.

In assessing for impairment under AASB 9, the Trust assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. For loans receivable, the expected credit loss is measured on a 12-month basis, or over the lifetime of the exposure if there has been a significant increase in credit risk since initial recognition. For trade and other receivables, the Trust applies the simplified approach as permitted by the standard, which requires lifetime expected losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, the Trust applies the low credit risk simplification for loans receivable from related entities. The Trust evaluates whether the loan is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Trust assesses if the loan has a low risk of default, whether the related entity borrower has a strong capacity to meet the contractual cashflow obligations and whether any adverse changes in economic or business conditions will impact the borrower's ability to meet these obligations. The Trust considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on outstanding balances, days past their due date and the corresponding historical credit losses experienced. Historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors (including GDP) affecting the ability of customers to settle their debts.

In assessing for impairment in prior years before the adoption of AASB 9, collectability of trade and other receivables was reviewed on an ongoing basis. Individual debts that are determined to be uncollectible were 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.

The Trust considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Trust may also consider a financial asset to be in default when internal or external information indicates that the Trust is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Trust. A receivable is written off when there is no reasonable expectation of recovering the contractual cashflows. Any gain or loss on derecognition is recognised in the income statement.

	Note	**31 Dec 18 $million**	31 Dec 17 $million
NOTE 13 PAYABLES AND OTHER CREDITORS			
Payables and other creditors		**295.2**	291.4
Non interest bearing loans payable to related entities	31(b)	**977.3**	978.4
		1,272.5	1,269.8

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. Loans payable to related entities are carried at amortised cost, are at call and therefore classified as a current liability.

	Note	31 Dec 18 $million	31 Dec 17 $million
NOTE 14 INTEREST BEARING LIABILITIES			
Current			
Unsecured			
Loans payable to related entities	31(b)	**542.0**	297.4
Notes payable			
– € denominated		**–**	614.9
– US$ denominated		**1,064.7**	–
Finance leases		**0.1**	0.1
		1,606.8	912.4
Non current			
Unsecured			
Notes payable			
– US$ denominated		**2,271.4**	3,009.3
– £ denominated		**1,448.2**	1,384.3
– € denominated		**2,767.4**	2,613.4
– A$ denominated		**400.0**	400.0
Finance leases		**11.3**	11.5
Secured			
Bank loans and mortgages			
– A$ denominated		**245.8**	223.5
		7,144.1	7,642.0
Total interest bearing liabilities		**8,750.9**	8,554.4

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.

The Trust consolidates Carindale Property Trust (CPT) and the borrowings in CPT are secured by a mortgage over CPT's interest in Westfield Carindale and sundry property. The recorded fair value of Westfield Carindale and sundry property is $828.5 million (31 December 2017: $813.6 million) compared to borrowings of $245.8 million (31 December 2017: $223.5 million).

	31 Dec 18 $million	31 Dec 17 $million
(a) Summary of financing facilities		
Committed financing facilities available to the Trust:		
Total financing facilities at the end of the year	**10,053.4**	10,505.0
Total interest bearing liabilities	**(8,750.9)**	(8,554.4)
Total bank guarantees	**(0.1)**	(0.3)
Available financing facilities	**1,302.4**	1,950.3
Cash	**17.2**	11.0
Financing resources available at the end of the year	**1,319.6**	1,961.3

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 notes liability of $696.9 million (31 December 2017: $673.7 million). The available financing facilities above totalling $1,302.4 million (31 December 2017: $1,950.3 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. Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

NOTE 14 INTEREST BEARING LIABILITIES (CONTINUED)

	Committed financing facilities 31 Dec 18 $million	**Total interest bearing liabilities 31 Dec 18 $million**	Committed financing facilities 31 Dec 17 $million	Total interest bearing liabilities 31 Dec 17 $million
(b) Maturity profile of financing facilities and interest bearing liabilities				
Due within one year	**1,606.8**	**1,606.8**	912.4	912.4
Due between one year and five years	**4,973.5**	**3,871.0**	5,477.9	3,839.3
Due after five years	**3,473.1**	**3,273.1**	4,114.7	3,802.7
	10,053.4	**8,750.9**	10,505.0	8,554.4

	31 Dec 18 $million	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	**8,522.4**	7,928.8
Net repayments of interest bearing liabilities	**(557.0)**	(168.5)
Net funds received from related entities	**1,020.1**	781.7
Effects of exchange rate changes and fair value loss/(gains) on currency derivatives	**38.3**	(19.6)
Balance at the end of the year [(i)]	**9,023.8**	8,522.4

(i) Comprises total interest bearing liabilities of $8,750.9 million (31 December 2017: $8,554.4 million) disclosed above and the non interest bearing loan payable of $977.3 million (31 December 2017: $978.4 million) disclosed in Note 13, less interest bearing loan receivables of nil (31 December 2017: $794.1 million) in Note 12 less net receivables on currency derivatives hedging borrowings in foreign currency of $704.4 million (31 December 2017: $216.3 million) disclosed in Note 16.

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. Loans payable to related entities are at call 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 liabilities as disclosed in Note 23 are determined as follows:

– Fair value of quoted notes and bonds is based on price quotations at the reporting date.
– The fair value of loans and finance leases 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 15 OTHER FINANCIAL LIABILITIES

	31 Dec 18 $million	31 Dec 17 $million
Property linked notes	**696.9**	673.7
	696.9	673.7

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. The fair value of the Notes is determined by reference to the fair value of the relevant Westfield centre with the gains and losses recorded through the income statement. Accordingly, the gains or losses recorded through the income statement are directly related to the revaluation 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.

In the prior year, $416.6 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 18 $million	31 Dec 17 $million
NOTE 16 DERIVATIVE ASSETS AND LIABILITIES		
(a) Derivative assets		
Current		
Receivables on currency derivatives hedging borrowings in foreign currency	**220.3**	35.6
	220.3	35.6
Non current		
Receivables on currency derivatives hedging borrowings in foreign currency	**539.8**	310.7
Receivables on interest rate derivatives	**122.5**	165.0
	662.3	475.7
(b) Derivative liabilities		
Current		
Payables on interest rate derivatives	**12.3**	5.3
	12.3	5.3
Non current		
Payables on currency derivatives hedging borrowings in foreign currency	**55.7**	130.0
Payables on interest rate derivatives	**208.7**	198.7
	264.4	328.7

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 2018, when these netting arrangements are applied to the derivative portfolio, derivative assets of $882.6 million would be reduced by $273.6 million to the net amount of $609.0 million and derivative liabilities of $276.7 million would be reduced by $273.6 million to the net amount of $3.1 million. As at 31 December 2017, 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.

Accounting Policies

Derivative financial instruments

The Trust may utilise 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 any 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.

NOTE 17 CONTRIBUTED EQUITY

	31 Dec 18 No. of units	31 Dec 17 No. of units
(a) Number of units on issue		
Balance at the beginning and end of the year	**5,324,296,678**	5,324,296,678
Buy-back and cancellation of units	**(7,299,472)**	–
Balance at the end of the year	**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 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).

	31 Dec 18 $million	31 Dec 17 $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
Buy-back and cancellation of units and associated costs	**(11.4)**	–
Balance at the end of the year	**1,646.7**	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.

NOTE 18 RESERVES

	31 Dec 18 $million	31 Dec 17 $million
Foreign currency translation reserve	**22.9**	10.9
Balance at the end of the year	**22.9**	10.9
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	**10.9**	27.2
Foreign exchange movement		
– realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting [(i)]	**12.4**	(13.1)
– accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	**(0.4)**	(3.2)
Balance at the end of the year	**22.9**	10.9

(i) Comprises net exchange gain on translation of foreign operations of $12.4 million (31 December 2017: loss of $16.5 million) and net realised and unrealised gain on asset hedging derivatives which qualify for hedge accounting of nil (31 December 2017: gain of $3.4 million).

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

Refer to Note 16 for other items included in foreign currency translation reserve.

	Note	31 Dec 18 $million	31 Dec 17 $million

NOTE 19 RETAINED PROFITS

	Note	31 Dec 18 $million	31 Dec 17 $million
Movement in retained profits attributable to members of Scentre Group Trust 1			
Balance at the beginning of the year, as reported		**6,955.6**	5,487.5
Impact of changes in accounting standards	1(c)	**(1.4)**	–
Adjusted balance at the beginning of the year		**6,954.2**	5,487.5
Profit after tax for the period		**953.3**	1,872.8
Distributions paid	7(b)	**(316.0)**	(404.7)
Balance at the end of the year		**7,591.5**	6,955.6

NOTE 20 CAPITAL AND FINANCIAL RISK MANAGEMENT

The Trust forms part of Scentre Group which is a stapled entity comprising the Trust, SGL, SGT2, SGT3 and their respective controlled entities. The stapled group operates as a single economic entity with a common Board of Directors and management team. Capital and financial risks are therefore managed from the stapled group's perspective rather than the silos that make up the group.

Refer to Note 21 Capital Risk Management, Note 22 Financial Risk Management, Note 23 Interest Rate Risk Management, Note 24 Exchange Rate Risk Management, Note 25 Credit Risk Management and Note 26 Liquidity Risk Management of Scentre Group's 2018 Annual Financial Report for details of Scentre Group's policies in identifying, assessing and managing the capital and financial risks of the stapled group.

NOTE 21 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.

Refer to Note 27 Financial Covenants of Scentre Group's 2018 Annual Financial Report for details of Scentre Group's financial covenants.

NOTE 22 INTEREST BEARING LIABILITIES, INTEREST AND DERIVATIVES CASH FLOW MATURITY PROFILE

Interest bearing liabilities, financing facilities and their respective maturity profiles are disclosed in Note 14. The maturity profiles of the principal amounts of 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 18 $million	31 Dec 17 $million
Interest bearing liabilities and interest		
Due within one year	**(1,831.0)**	(1,119.0)
Due between one year and five years	**(4,434.7)**	(4,468.6)
Due after five years	**(3,421.2)**	(4,036.8)
	(9,686.9)	(9,624.4)
Comprising:		
– principal amounts of current and non current interest bearing liabilities	**(8,750.9)**	(8,554.4)
– aggregate future estimated nominal interest	**(936.0)**	(1,070.0)
	(9,686.9)	(9,624.4)
Derivatives inflows/(outflows)		
Due within one year	**116.2**	(100.9)
Due between one year and five years	**(37.9)**	(268.5)
Due after five years	**314.2**	84.1
	392.5	(285.3)

The non interest bearing loans payable to related entities disclosed in Note 13 and the contingent liabilities set out in Note 28 are not included in the amounts shown above.

NOTE 23 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 18 $million	Fair value 31 Dec 17 $million	Carrying amount 31 Dec 18 $million	Carrying amount 31 Dec 17 $million
Consolidated assets					
Cash and cash equivalents		**17.2**	11.0	**17.2**	11.0
Trade and other receivables					
– Trade and other receivables (i) (iii)		**103.8**	93.0	**103.8**	93.0
– Interest bearing loan receivables (ii)	Level 2	**–**	794.1	**–**	794.1
Derivative assets (ii)	Level 2	**882.6**	511.3	**882.6**	511.3
Consolidated liabilities					
Trade and other payables (i)		**1,353.6**	1,338.2	**1,353.6**	1,338.2
Interest bearing liabilities (ii)					
– Fixed rate debt	Level 2	**8,035.1**	7,662.7	**7,951.8**	7,407.0
– Floating rate debt	Level 2	**799.0**	1,149.2	**799.1**	1,147.4
Other financial liabilities (ii)	Level 3	**696.9**	673.7	**696.9**	673.7
Derivative liabilities (ii)	Level 2	**276.7**	334.0	**276.7**	334.0

(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.

(iii) Loss allowance for trade and other receivables amounted to $6.6 million as at 31 December 2018. This includes $0.7 million of opening balance adjustment from the adoption of AASB 9 effective 1 January 2018 and $0.9 million decrease in loss allowance recognised in the income statement during the period.

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 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(i) 31 Dec 18 $million	Property linked notes(i) 31 Dec 17 $million
Level 3 fair value movements		
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	**23.2**	77.8
Balance at the end of the year	**696.9**	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 (refer to Note 15).

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

NOTE 24 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 5 November 2001, 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 Corporations 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.

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 its 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 on 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 25 SHARE BASED PAYMENTS

Performance Rights – Short Term at Risk (STAR) and Long Term at Risk (LTAR) incentives issued to employees of related entities

As at 31 December 2018, there were 10,973,955 (31 December 2017: 10,951,853) Performance Rights held by participants in Scentre Group's STAR/LTAR Plans. 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 2018, the 10,973,955 (31 December 2017: 10,951,853) Performance Rights held by participants equated to 10,973,955 (31 December 2017: 10,951,853) Scentre Group stapled securities. A description of the STAR/LTAR Plans is in Scentre Group's Remuneration Report in Scentre Group's 2018 Annual Financial Report.

	31 Dec 18 Number of rights	31 Dec 17 Number of rights
Vesting profile – Performance Rights – STAR and LTAR		
2018	**–**	5,039,293
2019	**4,437,003**	4,510,707
2020	**4,863,286**	1,401,853
2021	**1,673,666**	–
	10,973,955	10,951,853

	31 Dec 18 $million	31 Dec 17 $million
NOTE 26 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	**830.3**	787.1
Due between one year and five years	**2,083.3**	1,989.7
Due after five years	**1,090.1**	1,065.5
	4,003.7	3,842.3

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 18 $million	31 Dec 17 $million
NOTE 27 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	**117.5**	346.6
Due between one year and five years	**15.1**	204.8
	132.6	551.4
NOTE 28 CONTINGENT LIABILITIES		
The following is prepared on a proportionate basis which includes both consolidated and equity accounted contingent liabilities.		
Performance guarantees	**0.1**	0.3
Guaranteed borrowings of associates of the Responsible Entity	**6,352.5**	3,980.1
	6,352.6	3,980.4

Entities of Scentre Group have provided guarantees in respect of certain Westfield Corporation Limited joint venture operations in the United Kingdom. Under the Restructure and Merger Implementation Deed, the entities of Scentre Group and Westfield Corporation have cross indemnified each other for any claims that may be made or payment that may be required under such guarantees. On 7 June 2018, Unibail-Rodamco-Westfield acquired the entities of Westfield Corporation, including Westfield Corporation Limited.

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 29 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 18 $million	31 Dec 17 $million
(a) Assets		
Current assets	**477.1**	1,079.0
Non current assets	**19,274.9**	18,007.2
Total assets	**19,752.0**	19,086.2
(b) Liabilities		
Current liabilities	**2,644.2**	2,052.8
Non current liabilities	**7,846.7**	8,408.8
Total liabilities	**10,490.9**	10,461.6
(c) Equity		
Contributed equity	**1,646.7**	1,658.1
Reserves	**7,751.5**	7,308.7
Retained profits	**(137.1)**	(342.2)
Total equity	**9,261.1**	8,624.6
(d) Comprehensive income		
Profit after tax for the period	**522.5**	1,063.8
Other comprehensive income	**442.8**	792.7
Total comprehensive income for the period	**965.3**	1,856.5
(e) Contingent liabilities		
Performance guarantees	**0.1**	0.3
Guaranteed borrowings of associates of the Responsible Entity	**6,352.5**	3,980.1
Total contingent liabilities	**6,352.6**	3,980.4

NOTE 30 AUDITOR'S REMUNERATION

	31 Dec 18 $'000	31 Dec 17 $'000
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	**853**	847
– Assurance and compliance services	**212**	141
	1,065	988
Amounts received or due and receivable by affiliates of the auditor of the Parent Entity for:		
– Audit or review of the financial reports	**130**	144
– Assurance and compliance services	**–**	4
	130	148
	1,195	1,136

NOTE 31 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 32 for details and remuneration of Key Management Personnel.

Other Related Parties

LFG Services Pty Limited and The Lowy Institute for International Policy (LFG), their 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.

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 32 for details and remuneration of Key Management Personnel.

Transactions with Other Related Parties

(a) LFG

Scentre Group has an agreement with LFG to provide office space and other services. Scentre Group charged LFG $3,180,208 (31 December 2017: $2,001,870) for lease of office space and other services on commercial arm's length terms.

There were no amounts payable to or receivable from LFG as at 31 December 2018 (31 December 2017: nil).

No provision for doubtful debts has been recognised or bad debts incurred with respect to amounts payable or receivable from LFG for the year ended 31 December 2018 (31 December 2017: nil).

Scentre Group has established protocols governing transactions with 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, charges by SGL to the Trust were as follows:

- Property management fees of $56.9 million (31 December 2017: $55.4 million);
- Manager's service charge of $10.4 million (31 December 2017: $10.3 million);
- Reimbursement of expenses of $22.3 million (31 December 2017: $22.0 million);
- Tenancy coordination fees of $4.2 million (31 December 2017: $4.4 million);
- Development and construction billings of $480.7 million (31 December 2017: $335.4 million).

As at 31 December 2018, amounts payable by the Trust to SGL arising from the above transactions amounted to $51.0 million (31 December 2017: $42.9 million).

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

Loans

As at 31 December 2018, loans transacted with related entities were as follows:

i) An interest bearing loan receivable from SGT2 was repaid (31 December 2017: $794.1 million outstanding). The interest income for the year was $12.4 million (31 December 2017: $25.0 million).

ii) Interest bearing loans payable outstanding to SGT2 and SGT3 of $542.0 million (31 December 2017: $297.4 million). The interest expense for the year in respect of these loans was $12.5 million (31 December 2017: $7.9 million), of which $1.9 million (31 December 2017: $1.6 million) was unpaid.

iii) Non-interest bearing loan payable outstanding to SGL of $977.3 million (31 December 2017: $978.4 million).

During the previous year, an interest bearing loan of $644.7 million to SGL was repaid. The interest income for the prior year was $7.0 million.

During the year, the Trust reimbursed SGT2 for external facility related costs incurred on its behalf totalling $6.7 million (31 December 2017: $8.4 million).

Financial derivatives

The following financial derivatives were transacted with SGL:

i) As at 31 December 2018, the notional principals of interest rate swaps outstanding with SGL were A$6,950.0 million and NZ$210.0 million (31 December 2017: A$6,950.0 million and NZ$290.0 million). The net interest expense for the year in respect of these derivatives was the A$ equivalent of $64.5 million (31 December 2017: $79.4 million), of which $12.1 million (31 December 2017: $15.0 million) was unpaid.

ii) As at 31 December 2018, the notional principal of interest rate options outstanding with SGL was NZ$70.0 million (31 December 2017: NZ$70.0 million). The net interest expense for the year in respect of these derivatives was the A$ equivalent of $0.9 million (31 December 2017: $0.9 million), of which $0.2 million (31 December 2017: $0.2 million) was unpaid.

iii) As at 31 December 2018, the notional principals of cross currency swaps outstanding with SGL were US$2,350.0 million, £800.0 million and €1,700.0 million receivables and aggregate A$6,830.4 million payable (31 December 2017: US$2,350.0 million, £800.0 million and €2,100.0 million receivables and aggregate A$7,409.6 million payable). The net interest expense for the year in respect of these derivatives was the A$ equivalent of $62.4 million (31 December 2017: $64.1 million), of which $26.1 million net interest income (31 December 2017: $27.5 million net interest income) was unpaid. 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.

iv) During the year, the Trust received net A$10.5 million (31 December 2017: A$130.4 million) from SGL in exchange for the Trust paying NZ$11.0 million (31 December 2017: NZ$146.6 million). The foreign currency contracts matured during the year and the net realised loss was $35,044 (31 December 2017: loss of $6.9 million).

v) During the previous year, the Trust received net A$37.7 million from SGL in exchange for the Trust paying net NZ$41.1 million to SGL. The net realised loss from the contracts was $0.5 million.

NOTE 32 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 2018 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 2018, 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

Steven Lowy will retire from his role as a Non-Executive Director and Mark Bloom will retire from his role as Chief Financial Officer at Scentre Group's AGM on 4 April 2019.

(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 33 DETAILS OF MATERIAL AND SIGNIFICANT ENTITIES

	31 Dec 18 – Interest Beneficial(i)			31 Dec 17 – Interest Beneficial(i)		
Name of entity	**Parent Entity %**	**Scentre Group Trust 1 %**	**Consolidated or Equity accounted %**	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	**59.6**	**59.6**	**100.0**	56.6	56.6	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

(i) 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 34 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 59.6% (31 December 2017: 56.6%).

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 2018 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 15 March 2019 in accordance with a resolution of the Board of Directors.

Brian Schwartz AM
Chairman

Michael Ihlein
Director

15 March 2019

Building a better working world

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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 2018, 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 2018 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	*How our audit addressed the key audit matter*

The Trust holds economic interests in shopping centre investment properties which are carried at a fair value of \$19.7 billion at 31 December 2018. 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 2 of the financial report. Collectively they represent 95% 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, such as capitalisation rates, market rent, occupancy levels, re-leasing and capital expenditure, which are judgmental in nature. Minor changes in certain assumptions can lead to significant changes in the valuation.
 	
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.
	Our audit procedures included the following:
	
	– We assessed the effectiveness of the Trust's controls over the leasing process and associated tenancy reports which are used as source data in the property valuations by testing a sample of the relevant controls.
	
	– We assessed key net income, lease expiry and vacancy assumptions adopted in the valuation to the actual net income, lease expiry profile and vacancy levels of the underlying asset in considering the reasonableness of the assumptions adopted in the valuation, including re-leasing and capital expenditure requirement assumptions. Where available we corroborated these assumptions to supporting lease documentation or external market data.
	
	– We involved our real estate valuation specialists to assist with:
	  – the assessment of capitalisation rates adopted across the portfolio; and
	  – the review and assessment of the property valuation for a sample of properties based on size, geographical location and other property valuation specific risk factors.
	
	– Where relevant we assessed the reasonableness of comparable transactions utilised by the Trust in the valuation process.
	
	– We assessed the qualifications, competence and objectivity of the external valuers used by the Trust.
	
	– We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy.

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 2018, 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.

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   Megan Wilson

Ernst & Young

Megan Wilson
Partner

Sydney, 15 March 2019

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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 2018 (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 and Results of Operations

(a) Financial Results

The Trust's net profit for the Financial Year was $962.0 million which mainly comprises net property income of $862.4 million, property revaluations of $581.5 million and net financing costs of $441.1 million. The net profit attributable to members of SGT1 for the Financial Year is $953.3 million. The aggregate distribution attributable to members of SGT1 for the Financial Year is $358.4 million (being 6.74 cents per unit) with basic earnings per unit for the Financial Year of 17.92 cents.

(b) Operating Environment

As at 31 December 2018, Scentre Group's portfolio comprised interests in 41 centres in Australia and New Zealand, of which the Trust has a joint interest in 40 centres with a combined value of $19.7 billion.

Occupancy across Scentre Group's portfolio remains strong at 99.3% and comparable net operating income grew by 2.5%, driven primarily by contracted rent escalations.

(c) Development Activities

During the Financial Year, Scentre Group successfully completed over $1.1 billion of developments. Collectively these developments added more than 106,000 square metres of lettable area at Westfield Plenty Valley in Melbourne, Westfield Carousel in Perth, Westfield Tea Tree Plaza in Adelaide, Westfield Kotara in Newcastle and Westfield Coomera on Queensland's Gold Coast – Scentre Group's first greenfield development.

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

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

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

(d) Financing and Capital Management

During the Financial Year, 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.

During the Financial Year, Scentre Group established new and extended existing bank loan facilities of $3.8 billion.

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

A detailed operating and financial review for Scentre Group is contained in the Directors' Report in Scentre Group's 2018 Annual Financial Report which is available at www.scentregroup.com.

1.2 Principal Activity

The principal activity of the Trust during the Financial Year was the long term ownership of shopping centres. There was no significant change in the nature of the principal activity during the Financial Year.

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 Developments

At the date of this report there is no proposed change to the principal activity of the Trust. The strategy, key drivers and outlook of Scentre Group are described in the Directors' Report in Scentre Group's 2018 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 2018 Annual Financial Report which can be found at www.scentegroup.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 2019 and will be available on Scentre Group's website.

2. DISTRIBUTIONS

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.

For the 6 months ended 30 June 2018, the Trust distribution of 3.34 cents per ordinary unit formed part of the distribution of 11.08 cents per Scentre Group stapled security, paid on 31 August 2018. 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 2018, the Trust distribution of 3.40 cents per ordinary unit formed part of the distribution of 11.08 cents per Scentre Group stapled security, paid on 28 February 2019. 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.

3. THE DIRECTORS

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

Name	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.

Steven Lowy will retire from his role as a Non-Executive Director at Scentre Group's AGM on 4 April 2019.

Biographies of the current Board can be found in Scentre Group's 2018 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.

Director	Number of Stapled Securities
Brian Schwartz	165,861
Peter Allen	4,517,326
Andrew Harmos	80,795
Michael Ihlein	33,048
Carolyn Kay	57,000
Aliza Knox	60,400
Steven Lowy	216,467,389
Margaret Seale	56,750

No Director holds options over any issued or unissued Scentre Group securities. No options over any issued or unissued stapled securities 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 2018 Annual Financial Report.

4. DIRECTORS' DIRECTORSHIPS OF OTHER LISTED COMPANIES

Details of all directorships of other listed entities held by each Director of the Responsible Entity in the 3 years immediately before 31 December 2018 are as follows:

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	7 June 2018
	Westfield Corporation Limited^	8 April 2014	7 June 2018
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	23 October 2018
Aliza Knox	Scentre Management Limited*	7 May 2015	Continuing
	RE1 Limited*	7 May 2015	Continuing
	RE2 Limited*	7 May 2015	Continuing
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	7 June 2018
	Westfield Corporation Limited^	28 November 2013	7 June 2018
	OneMarket Limited	12 December 2017	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	31 October 2018
	Telstra Corporation Limited	7 May 2012	Continuing
	Bank of Queensland Limited	21 January 2014	28 June 2018

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 2018 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 2001, 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

– $71.5 million in fees were paid or payable to the Responsible Entity and its associates out of the assets of the Trust during the Financial Year.
– $480.7 million of development and construction billings were paid or payable to associates of the Responsible Entity 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 221,875,405 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 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 17 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.

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

As lead auditor for the audit of the financial report of Scentre Group Trust 1 for the financial year ended 31 December 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 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

Megan Wilson
Partner

Sydney, 15 March 2019

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 to the Financial Statements 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.

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

Michael Ihlein
Director

15 March 2019

Corporate Governance Statement

The Corporate Governance Statement for Scentre Group Trust 1 for the financial year ended 31 December 2018 has been incorporated into the Corporate Governance Statement prepared for Scentre Group. This Statement can be found in the 2018 Scentre Group Annual Financial Report. Scentre Group's Annual Financial Report is available at https://scentregroup.com/investors/annual-reports.

Twenty Largest Holders of Stapled Securities in Scentre Group*		Number of Securities
1	HSBC Custody Nominees (Australia) Limited	2,084,146,180
2	J P Morgan Nominees Australia Pty Limited	1,024,954,429
3	BNP Paribas Nominees Pty Ltd <AGENCY LENDING DRP A/C>	514,964,205
4	Citicorp Nominees Pty Limited	470,982,666
5	National Nominees Limited	274,531,193
6	Citicorp Nominees Pty Limited <COLONIAL FIRST STATE INV A/C>	60,824,095
7	Cordera Holdings Pty Limited	60,570,206
8	BNP Paribas Noms Pty Ltd <DRP>	59,619,596
9	Franley Holdings Pty Ltd	50,693,432
10	Franley Securities Pty Ltd	50,693,432
11	AMP Life Limited	35,344,690
12	HSBC Custody Nominees (Australia) Limited <NT-COMNWLTH SUPER CORP A/C>	25,784,075
13	FP Pty Limited <THE FRANK LOWY LIVING A/C>	17,577,810
14	Australian Foundation Investment Company Limited	12,950,000
15	HSBC Custody Nominees (Australia) Limited-GSCO ECA	11,208,801
16	Franley Holdings Pty Ltd	9,876,775
17	Franley Securities Pty Ltd	9,876,775
18	CS Third Nominees Pty Limited <HSBC CUST NOM AU LTD 13 A/C>	8,557,728
19	Argo Investments Limited	7,526,662
20	Navigator Australia Ltd <SMA ANTARES INV DV BUILD A/C>	7,512,311
		4,798,195,061

* Ordinary shares in Scentre Group Limited are stapled to units in Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3.

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 securityholders	% of securities in each category
1 – 1,000	11,857,721	28,010	0.22
1,001 – 5,000	88,733,383	36,060	1.67
5,001 – 10,000	67,057,960	9,446	1.26
10,001 – 100,000	145,055,409	6,773	2.73
100,001 Over	5,004,292,733	319	94.12
Total	**5,316,997,206**	**80,608**	**100.00**

As at 13 February 2019, 6,650 securityholders hold less than a marketable parcel (being 127 securities at the closing price of $3.96) of quoted securities in Scentre Group.

* There are 10,299,217 performance rights on issue to a total of 105 Scentre Group employees. These rights may be satisfied by either the transfer 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 FY18, 4,706,817 securities (at an average price of $3.89) were acquired on-market by Scentre Group's Performance Rights Plan Trust to satisfy executive entitlements on the vesting of rights under the Scentre Group's equity-linked plans.

Buy-back

On 5 April 2018, Scentre Group announced an on-market buy-back programme of up to $700 million of securities.

Scentre Group has bought back and cancelled 7,299,472 securities (0.14%).

Substantial securityholders

The names of Scentre Group substantial securityholders and the number of ordinary stapled securities in which each has a relevant interest, as disclosed in the substantial shareholding notices given to Scentre Group, are as follows:

The Vanguard Group	493,780,757
BlackRock Group	450,144,001
State Street	344,111,816
National Nominees as custodian for Unisuper Limited	294,417,792

Annual Financial Report

SCENTRE GROUP TRUST 2
For the Financial Year ended 31 December 2018

Contents

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 Dec 18 $million	31 Dec 17 $million
Revenue			
Property revenue		**580.0**	543.2
		580.0	543.2
Share of after tax profits of equity accounted entities			
Property revenue		**537.3**	541.9
Property revaluations		**296.9**	742.6
Property expenses, outgoings and other costs		**(140.1)**	(144.2)
Gain in respect of capital transactions		**–**	0.0
Net interest expense		**(6.5)**	(8.0)
Tax expense		**(6.2)**	(3.8)
	5(a)	**681.4**	1,128.5
Expenses			
Property expenses, outgoings and other costs		**(144.7)**	(138.0)
Overheads		**(8.4)**	(9.2)
		(153.1)	(147.2)
Interest income		**2.5**	0.5
Currency gain/(loss)	9	**(9.3)**	2.1
Financing costs	10	**(237.1)**	(181.9)
Gain in respect of capital transactions	11	**–**	–
Property revaluations		**265.2**	859.9
Profit before tax		**1,129.6**	2,205.1
Tax expense	6	**–**	–
Profit after tax for the period		**1,129.6**	2,205.1
		cents	cents
Basic earnings per unit	8(a)	**21.23**	41.42
Diluted earnings per unit	8(a)	**21.23**	41.42

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	31 Dec 18 $million	31 Dec 17 $million
Profit after tax for the period	**1,129.6**	2,205.1
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	**12.4**	(13.0)
– Accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	**(0.4)**	(2.5)
Total comprehensive income for the period	**1,141.6**	2,189.6

(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.

Balance Sheet

AS AT 31 DECEMBER 2018

	Note	**31 Dec 18 $million**	31 Dec 17 $million
Current assets			
Cash and cash equivalents	12(a)	**13.0**	10.7
Trade debtors		**5.1**	0.4
Derivative assets	16(a)	**1.3**	–
Receivables	13	**191.3**	34.4
Other current assets		**17.0**	13.3
Total current assets		**227.7**	58.8
Non current assets			
Investment properties	3	**10,198.7**	9,008.4
Equity accounted investments	5(b)	**8,628.2**	8,195.8
Derivative assets	16(a)	**229.9**	128.5
Other non current assets		**32.4**	17.8
Total non current assets		**19,089.2**	17,350.5
Total assets		**19,316.9**	17,409.3
Current liabilities			
Trade creditors		**77.6**	63.6
Payables and other creditors	14	**168.9**	156.6
Interest bearing liabilities	15	**862.5**	1,761.7
Derivative liabilities	16(b)	**–**	3.6
Total current liabilities		**1,109.0**	1,985.5
Non current liabilities			
Interest bearing liabilities	15	**4,503.9**	2,173.3
Derivative liabilities	16(b)	**122.3**	64.8
Total non current liabilities		**4,626.2**	2,238.1
Total liabilities		**5,735.2**	4,223.6
Net assets		**13,581.7**	13,185.7
Equity			
Contributed equity	17(b)	**8,142.3**	8,159.8
Reserves	18	**20.5**	8.5
Retained profits	19	**5,418.9**	5,017.4
Total equity		**13,581.7**	13,185.7

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Contributed Equity $million	Reserves $million	Retained Profits $million	31 Dec 18 Total $million	Contributed Equity $million	Reserves $million	Retained Profits $million	31 Dec 17 Total $million
Changes in equity								
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]	**–**	**–**	**1,129.6**	**1,129.6**	–	–	2,205.1	2,205.1
– Other comprehensive income [ii] [iii]	**–**	**12.0**	**–**	**12.0**	–	(15.5)	–	(15.5)
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	**–**	**–**	**(726.7)**	**(726.7)**	–	–	(587.8)	(587.8)
Closing balance of equity	**8,142.3**	**20.5**	**5,418.9**	**13,581.7**	8,159.8	8.5	5,017.4	13,185.7

(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 1(c)). The comparative results for the year ended 31 December 2017 are not restated as permitted by the standard.

(ii) Total comprehensive income for the period amounts to $1,141.6 million (31 December 2017: $2,189.6 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 $12.4 million (31 December 2017: loss of $13.0 million) and accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of $0.4 million (31 December 2017: $2.5 million).

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 Dec 18 $million	31 Dec 17 $million
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		**655.0**	607.6
Payments in the course of operations (including GST)		**(172.4)**	(161.1)
Dividends/distributions received from equity accounted entities		**357.6**	483.3
GST paid		**(45.4)**	(41.6)
Net payments of financing costs (excluding interest capitalised)		**(155.8)**	(138.1)
Net cash flows from operating activities	12(b)	**639.0**	750.1
Cash flows from investing activities			
Capital expenditure on property investments		**(186.2)**	(220.1)
Proceeds from the disposition of property investments		**3.1**	110.4
Acquisition of property investments		**(760.0)**	–
Net outflows for investments in equity accounted entities		**(92.1)**	(25.9)
Financing costs capitalised to qualifying development projects and construction in progress		**(14.0)**	(10.9)
Settlement of currency derivatives hedging the repatriation of foreign sales proceeds		**–**	(7.5)
Net cash flows used in investing activities		**(1,049.2)**	(154.0)
Cash flows from financing activities			
Buy-back of units and associated costs		**(17.5)**	–
Net proceeds from interest bearing liabilities	15(c)	**2,093.2**	459.9
Net funds paid to related entities	15(c)	**(936.5)**	(466.4)
Distributions paid		**(726.7)**	(587.8)
Net cash flows from/(used in) financing activities		**412.5**	(594.3)
Net increase in cash and cash equivalents held		**2.3**	1.8
Add opening cash and cash equivalents brought forward		**10.7**	8.9
Cash and cash equivalents at the end of the period (i)	12(a)	**13.0**	10.7

(i) Cash and cash equivalents comprises cash of $13.0 million (31 December 2017: $10.7 million) net of bank overdraft of nil (31 December 2017: nil).

Index of Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 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 activity 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.

(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 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 provision 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.

  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 income statement. 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 and other receivables 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 in place as at 31 December 2017, there is no impact from the application of hedging requirements on the financial statements.

– 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 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 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 financial 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 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 amendment 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.

  These amendments are 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 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 amendment 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 (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 2: Segment reporting, Note 3: Investment properties, Note 23: Fair value of financial assets and liabilities and Note 24: Other significant accounting policies. 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.

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. 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. Accordingly, management consider that 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**	**31 Dec 18 $million**	Australia $million	New Zealand $million	31 Dec 17 $million
Property revenue						
Shopping centre base rent and other property income [i]	**1,101.1**	**50.6**	**1,151.7**	1,058.7	55.9	1,114.6
Amortisation of tenant allowances	**(33.8)**	**(0.6)**	**(34.4)**	(28.9)	(0.6)	(29.5)
	1,067.3	**50.0**	**1,117.3**	1,029.8	55.3	1,085.1
Expenses						
Property expenses, outgoings and other costs	**(272.6)**	**(12.2)**	**(284.8)**	(267.4)	(14.8)	(282.2)
Segment income and expenses	**794.7**	**37.8**	**832.5**	762.4	40.5	802.9
Shopping centre investments	**18,360.5**	**605.4**	**18,965.9**	16,685.4	551.5	17,236.9
Development projects and construction in progress	**295.7**	**127.4**	**423.1**	380.8	49.7	430.5
Segment assets [ii]	**18,656.2**	**732.8**	**19,389.0**	17,066.2	601.2	17,667.4
Additions to segment non current assets during the year	**1,052.1**	**95.8**	**1,147.9**	346.6	28.2	374.8

(i) This includes recovery of outgoings from lessees of $142.1 million (31 December 2017: $140.8 million).

(ii) Includes equity accounted segment assets of $9,190.3 million (31 December 2017: $8,659.0 million).

NOTE 2 SEGMENT REPORTING (CONTINUED)

(b) Reconciliation of segment information

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 $million	Equity accounted $million	31 Dec 18 $million	Consolidated $million	Equity accounted $million	31 Dec 17 $million
Property revenue	**580.0**	**537.3**	**1,117.3**	543.2	541.9	1,085.1
Property expenses, outgoings and other costs	**(144.7)**	**(140.1)**	**(284.8)**	(138.0)	(144.2)	(282.2)
Segment income and expenses	**435.3**	**397.2**	**832.5**	405.2	397.7	802.9
Overheads			**(8.4)**			(9.2)
Interest income			**2.8**			0.9
Currency gain/(loss)			**(9.3)**			2.1
Financing costs			**(243.9)**			(190.3)
Gain in respect of capital transactions			**–**			0.0
Property revaluations			**562.1**			1,602.5
Tax expense			**(6.2)**			(3.8)
Net profit attributable to members			**1,129.6**			2,205.1
Shopping centre investments	**9,930.2**	**9,035.7**	**18,965.9**	8,667.8	8,569.1	17,236.9
Development projects and construction in progress	**268.5**	**154.6**	**423.1**	340.6	89.9	430.5
Segment assets	**10,198.7**	**9,190.3**	**19,389.0**	9,008.4	8,659.0	17,667.4
Cash and cash equivalents	**13.0**	**13.8**	**26.8**	10.7	9.8	20.5
Other assets	**477.0**	**24.7**	**501.7**	194.4	22.8	217.2
Total assets	**10,688.7**	**9,228.8**	**19,917.5**	9,213.5	8,691.6	17,905.1
Interest bearing liabilities	**5,366.4**	**406.6**	**5,773.0**	3,935.0	316.1	4,251.1
Deferred tax liabilities	**–**	**56.6**	**56.6**	–	52.5	52.5
Other liabilities	**368.8**	**137.4**	**506.2**	288.6	127.2	415.8
Total liabilities	**5,735.2**	**600.6**	**6,335.8**	4,223.6	495.8	4,719.4
Net assets	**4,953.5**	**8,628.2**	**13,581.7**	4,989.9	8,195.8	13,185.7

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 of outgoings from lessees are recognised as services are provided.

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 from the sale of properties is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.

All other revenues are recognised as services are provided.

Expenses

All other expenses are brought to account on an accruals basis.

	Note	31 Dec 18 $million	31 Dec 17 $million
NOTE 3 INVESTMENT PROPERTIES			
Shopping centre investments	4	**9,930.2**	8,667.8
Development projects and construction in progress		**268.5**	340.6
		10,198.7	9,008.4
Movement in total investment properties			
Balance at the beginning of the year		**9,008.4**	7,879.2
Acquisition of properties		**760.0**	–
Disposal of properties		**(3.1)**	–
Redevelopment costs		**168.2**	269.3
Net revaluation increment		**265.2**	859.9
Balance at the end of the year [(i)]		**10,198.7**	9,008.4

(i) The fair value of investment properties at the end of the year of $10,198.7 million (31 December 2017: $9,008.4 million) comprises investment properties at market value of $10,187.4 million (31 December 2017: $8,996.9 million) and ground leases included as finance leases of $11.3 million (31 December 2017: $11.5 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)
- Cushman & Wakefield Pty Ltd
- 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 2018 range from 4.00% to 6.63% (31 December 2017: 4.00% to 7.00%). Refer to Notes 4(a) and 4(b) of Scentre Group's Annual Financial Report for details of property capitalisation rates by shopping centre.

	31 Dec 18 $million	31 Dec 17 $million
NOTE 4 DETAILS OF SHOPPING CENTRE INVESTMENTS		
Consolidated Australian shopping centres	**9,930.2**	8,667.8
Equity accounted Australian shopping centres	**8,430.3**	8,017.6
Equity accounted New Zealand shopping centres	**605.4**	551.5
	18,965.9	17,236.9
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	**681.4**	1,128.5
Other comprehensive income/(loss) (i)	**12.4**	(16.4)
Share of total comprehensive income of equity accounted entities	**693.8**	1,112.1

(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 $8,628.2 million (31 December 2017: $8,195.8 million) comprise investments in joint ventures in Australia and New Zealand.

	31 Dec 18 $million	31 Dec 17 $million
(c) Equity accounted gain in respect of capital transactions		
Asset dispositions		
– proceeds from asset dispositions	**–**	77.4
– less: carrying value of assets disposed and other capital costs	**–**	(77.4)
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	**(4.7)**	(5.4)
Deferred tax benefit/(expense)	**(1.5)**	1.6
	(6.2)	(3.8)
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	**687.6**	1,132.3
Less: Net Trust income not taxable for the Trust – tax payable by members	**(660.9)**	(1,099.6)
	26.7	32.7
Prima facie tax expense at 30%	**(8.0)**	(9.8)
Tax rate differential on New Zealand foreign income	**0.6**	0.7
Deferred tax release on New Zealand capital transactions	**–**	3.4
Other	**1.2**	1.9
Tax expense	**(6.2)**	(3.8)

NOTE 5 DETAILS OF EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

Name of investments	Type of equity	Balance date	Economic interest 31 Dec 18	Economic interest 31 Dec 17
(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%

(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.

NOTE 6 TAXATION

	31 Dec 18 $million	31 Dec 17 $million
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	**1,129.6**	2,205.1
Less: Trust income not taxable for the Trust – tax payable by members	**(1,129.6)**	(2,205.1)
	–	–

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.

	31 Dec 18 $million	31 Dec 17 $million
NOTE 7 DISTRIBUTIONS		
(a) Final distribution paid		
4.60 cents per unit (31 December 2017: 5.92 cents per unit)	**244.6**	315.2
	244.6	315.2

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

Interim distribution of 7.74 cents per unit was paid on 31 August 2018. Final distribution was paid on 28 February 2019. The record date for the final distribution was 5pm, 14 February 2019. Scentre Group does not operate a Distribution Reinvestment Plan.

	31 Dec 18 $million	31 Dec 17 $million
(b) Distributions paid during the year		
Distribution in respect of the 6 months to 30 June 2018	**411.5**	–
Distribution in respect of the 6 months to 31 December 2017	**315.2**	–
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
	726.7	587.8

	31 Dec 18 Cents	31 Dec 17 Cents
NOTE 8 EARNINGS PER UNIT		
(a) Summary of earnings per unit		
Basic earnings per unit	**21.23**	41.42
Diluted earnings per unit	**21.23**	41.42

There are no security options which are dilutive.

In calculating basic and diluted earnings per unit, net profit of $1,129.6 million (31 December 2017: $2,205.1 million) was divided by the weighted average number of ordinary units of 5,319,844,670 (31 December 2017: 5,324,296,678).

(b) Conversions, calls, subscription, issues or buy-back after 31 December 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.

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 18 $million	31 Dec 17 $million
NOTE 9 CURRENCY GAIN/(LOSS)		
Net fair value loss and associated credit risk on currency derivatives that do not qualify for hedge accounting	**(9.7)**	(0.4)
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	**0.4**	2.5
	(9.3)	2.1

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 16 and 18 for other items included in currency gain/(loss).

	Note	31 Dec 18 $million	31 Dec 17 $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		**(155.3)**	(125.9)
– Related entities	31(b)	**(27.0)**	(26.4)
Financing costs capitalised to qualifying development projects and construction in progress		**14.0**	10.9
Financing costs		**(168.3)**	(141.4)
Net fair value loss on interest rate hedges that do not qualify for hedge accounting		**(74.0)**	(39.9)
Net modification gain on refinanced borrowing facilities		**5.8**	–
Finance leases interest expense		**(0.6)**	(0.6)
		(237.1)	(181.9)

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 16 for other items included in financing costs.

	31 Dec 18 $million	31 Dec 17 $million
NOTE 11 GAIN IN RESPECT OF CAPITAL TRANSACTIONS		
Asset dispositions		
– proceeds from asset dispositions	**3.1**	–
– less: carrying value of assets disposed and other capital costs	**(3.1)**	–
Gain in respect of capital transactions	**–**	–

	31 Dec 18 $million	31 Dec 17 $million
NOTE 12 CASH AND CASH EQUIVALENTS		
(a) Components of cash and cash equivalents		
Cash	**13.0**	10.7
Bank overdrafts	**–**	–
Total cash and cash equivalents	**13.0**	10.7
(b) Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	**1,129.6**	2,205.1
Property revaluations	**(265.2)**	(859.9)
Share of equity accounted profit in excess of dividends/distributions received	**(323.8)**	(645.2)
Net fair value loss and associated credit risk on currency derivatives	**9.7**	0.4
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	**(0.4)**	(2.5)
Net fair value loss on interest rate hedges that do not qualify for hedge accounting	**74.0**	39.9
Net modification gain on refinanced borrowing facilities	**(5.8)**	–
Decrease in working capital attributable to operating activities	**20.9**	12.3
Net cash flows from operating activities	**639.0**	750.1

Accounting Policies

Cash and cash equivalents

Cash and cash equivalents on 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. Cash and cash equivalents are measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses (if any) are recognised in the income statement.

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. Bank overdrafts are carried at the principal amount.

	Note	31 Dec 18 $million	31 Dec 17 $million
NOTE 13 RECEIVABLES			
Other receivables		**46.9**	34.4
Interest bearing loans receivable from related entities	31(b)	**144.4**	–
		191.3	34.4

Accounting Policies

Receivables

Interest bearing loans receivable from related entities are at call and therefore classified as a current asset.

Interest bearing loans, 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. At initial recognition, the Trust measures these financial assets at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. These financial assets are subsequently measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses are recognised in the income statement.

In assessing for impairment under AASB 9, the Trust assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. For loans receivable, the expected credit loss is measured on a 12-month basis, or over the lifetime of the exposure if there has been a significant increase in credit risk since initial recognition. For trade and other receivables, the Trust applies the simplified approach as permitted by the standard, which requires lifetime expected losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, the Trust applies the low credit risk simplification for loans receivable from related entities. The Trust evaluates whether the loan is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Trust assesses if the loan has a low risk of default, whether the related entity borrower has a strong capacity to meet the contractual cashflow obligations and whether any adverse changes in economic or business conditions will impact the borrower's ability to meet these obligations. The Trust considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on outstanding balances, days past their due date and the corresponding historical credit losses experienced. Historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors (including GDP) affecting the ability of customers to settle their debts.

In assessing for impairment in prior years before the adoption of AASB 9, collectability of trade and other receivables was reviewed on an ongoing basis. Individual debts that are determined to be uncollectible were 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.

The Trust considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Trust may also consider a financial asset to be in default when internal or external information indicates that the Trust is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Trust. A receivable is written off when there is no reasonable expectation of recovering the contractual cashflows. Any gain or loss on derecognition is recognised in the income statement.

	Note	31 Dec 18 $million	31 Dec 17 $million
NOTE 14 PAYABLES AND OTHER CREDITORS			
Payables and other creditors		**151.6**	141.3
Non interest bearing loans payable to related entities	31(b)	**17.3**	15.3
		168.9	156.6

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. Loans payable to related entities are carried at amortised cost, are at call and therefore classified as a current liability.

	Note	31 Dec 18 $million	31 Dec 17 $million
NOTE 15 INTEREST BEARING LIABILITIES			
Current			
Unsecured			
Commercial paper and uncommitted facilities		**712.4**	967.5
Loans payable to related entities	31(b)	**–**	794.1
Notes payable			
– A$ denominated		**150.0**	–
Finance leases		**0.1**	0.1
		862.5	1,761.7
Non current			
Unsecured			
Bank loans			
– A$ denominated		**2,125.0**	573.0
Notes payable			
– A$ denominated		**30.0**	180.0
– € denominated		**1,627.9**	768.6
– US$ denominated		**709.8**	640.3
Finance leases		**11.2**	11.4
		4,503.9	2,173.3
Total interest bearing liabilities		**5,366.4**	3,935.0

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.

NOTE 15 INTEREST BEARING LIABILITIES (CONTINUED)

	31 Dec 18 $million	31 Dec 17 $million
(a) Summary of financing facilities		
Committed financing facilities available to the Trust:		
Total financing facilities at the end of the year	**6,982.5**	6,439.1
Total interest bearing liabilities	**(5,366.4)**	(3,935.0)
Total bank guarantees	**(26.1)**	(19.8)
Available financing facilities	**1,590.0**	2,484.3
Cash	**13.0**	10.7
Financing resources available at the end of the year	**1,603.0**	2,495.0

These facilities comprise fixed 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 $1,590.0 million (31 December 2017: $2,484.3 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. Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

	Committed financing facilities 31 Dec 18 $million	Total interest bearing liabilities 31 Dec 18 $million	Committed financing facilities 31 Dec 17 $million	Total interest bearing liabilities 31 Dec 17 $million
(b) Maturity profile of financing facilities and interest bearing liabilities				
Due within one year [(i)]	**150.1**	**862.5**	794.2	1,761.7
Due between one year and five years	**3,897.9**	**2,069.4**	3,725.1	565.5
Due after five years	**2,934.5**	**2,434.5**	1,919.8	1,607.8
	6,982.5	**5,366.4**	6,439.1	3,935.0

(i) Drawings on the Trust's commercial paper program and uncommitted facilities are in addition to the Trust's committed facilities and are classified as current interest bearing liabilities. These drawings may be refinanced by non current unsecured bank loan facilities.

	31 Dec 18 $million	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	**3,913.0**	3,919.7
Net proceeds from interest bearing liabilities	**2,093.2**	459.9
Net funds paid to related entities	**(936.5)**	(466.4)
Effects of exchange rate changes and fair value loss/(gains) on currency derivatives	**9.6**	(0.2)
Balance at the end of the year [(i)]	**5,079.3**	3,913.0

(i) Comprises total interest bearing liabilities of $5,366.4 million (31 December 2017: $3,935.0 million) disclosed above, the non interest bearing loan payable of $17.3 million (31 December 2017: $15.3 million) disclosed in Note 14, less the interest bearing loan receivable of $144.4 million (31 December 2017: nil) disclosed in Note 13, less net receivables on currency derivatives hedging borrowings in foreign currency of $160.0 million (31 December 2017: $37.3 million) disclosed in Note 16.

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. Loans payable to related entities are at call 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 liabilities as disclosed in Note 23 are determined as follows:

- Fair value of quoted notes and bonds is based on price quotations at the reporting date.
- The fair value of loans and finance leases 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 18 $million	31 Dec 17 $million
NOTE 16 DERIVATIVE ASSETS AND LIABILITIES		
(a) Derivative assets		
Current		
Receivables on interest rate derivatives	**1.3**	–
	1.3	–
Non current		
Receivables on currency derivatives hedging borrowings in foreign currency	**160.0**	48.1
Receivables on interest rate derivatives	**69.9**	80.4
	229.9	128.5
(b) Derivative liabilities		
Current		
Payables on interest rate derivatives	**–**	3.6
	–	3.6
Non current		
Payables on currency derivatives hedging borrowings in foreign currency	**–**	10.8
Payables on interest rate derivatives	**122.3**	54.0
	122.3	64.8

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 2018, when these netting arrangements are applied to the derivative portfolio, derivative assets of $231.2 million would be reduced by $86.9 million to the net amount of $144.3 million and derivative liabilities of $122.3 million would be reduced by $86.9 million to the net amount of $35.4 million. As at 31 December 2017, 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.

Accounting Policies

Derivative financial instruments

The Trust may utilise 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 any 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 18 No. of units	31 Dec 17 No. of units
NOTE 17 CONTRIBUTED EQUITY		
(a) Number of units on issue		
Balance at the beginning of the year	**5,324,296,678**	5,324,296,678
Buy-back and cancellation of units	**(7,299,472)**	–
Balance at the end of the year	**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 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 18 $million	31 Dec 17 $million
(b) Amount of contributed equity		
Balance at the beginning of the year	**8,159.8**	8,159.8
Buy-back and cancellation of units and associated costs	**(17.5)**	–
Balance at the end of the year	**8,142.3**	8,159.8

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 18 $million	31 Dec 17 $million
NOTE 18 RESERVES		
Foreign currency translation reserve	**20.5**	8.5
Balance at the end of the year	**20.5**	8.5
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	**8.5**	24.0
Foreign exchange movement		
– realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting [(i)]	**12.4**	(13.0)
– accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	**(0.4)**	(2.5)
Balance at the end of the year	**20.5**	8.5

(i) Comprises net exchange gain on translation of foreign operations of $12.4 million (31 December 2017: loss of $16.4 million) and net realised and unrealised loss on asset hedging derivatives which qualify for hedge accounting of nil (31 December 2017: gain of $3.4 million).

Accounting Policies

Translation of accounts of foreign operations

The functional and presentation currency of SGT2 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 subsidiaries and equity accounted investments are translated at exchange rates ruling at balance date and the income statement of foreign subsidiaries and equity accounted investments are translated at average exchange rates for the period. Exchange differences arising on translation of the interests in foreign operations are taken directly to the foreign currency translation reserve.

Refer to Note 16 for other items included in foreign currency translation reserve.

	Note	31 Dec 18 $million	31 Dec 17 $million

NOTE 19 RETAINED PROFITS

	Note	31 Dec 18 $million	31 Dec 17 $million
Movement in retained profits			
Balance at the beginning of the year, as reported		**5,017.4**	3,400.1
Impact of changes in accounting standards	1(c)	**(1.4)**	–
Adjusted balance at the beginning of the year		**5,016.0**	3,400.1
Profit after tax for the period		**1,129.6**	2,205.1
Distributions paid	7(b)	**(726.7)**	(587.8)
Balance at the end of the year		**5,418.9**	5,017.4

NOTE 20 CAPITAL AND FINANCIAL RISK MANAGEMENT

The Trust forms part of Scentre Group which is a stapled entity comprising the Trust, SGL, SGT1, SGT3 and their respective controlled entities. The stapled group operates as a single economic entity with a common Board of Directors and management team. Capital and financial risks are therefore managed from the stapled group's perspective rather than the silos that make up the group.

Refer to Note 21 Capital Risk Management, Note 22 Financial Risk Management, Note 23 Interest Rate Risk Management, Note 24 Exchange Rate Risk Management, Note 25 Credit Risk Management and Note 26 Liquidity Risk Management of Scentre Group's 2018 Annual Financial Report for details of Scentre Group's policies in identifying, assessing and managing the capital and financial risks of the stapled group.

NOTE 21 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.

Refer to Note 27 Financial Covenants of Scentre Group's 2018 Annual Financial Report for details of Scentre Group's financial covenants.

NOTE 22 INTEREST BEARING LIABILITIES, INTEREST AND DERIVATIVES CASH FLOW MATURITY PROFILE

Interest bearing liabilities, financing facilities and their respective 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 18 $million	31 Dec 17 $million
Interest bearing liabilities and interest		
Due within one year	**(1,016.2)**	(1,855.8)
Due between one year and five years	**(2,526.4)**	(839.5)
Due after five years	**(2,581.7)**	(1,717.4)
	(6,124.3)	(4,412.7)
Comprising:		
– principal amounts of current and non current interest bearing liabilities	**(5,366.4)**	(3,935.0)
– aggregate future estimated nominal interest	**(757.9)**	(477.7)
	(6,124.3)	(4,412.7)
Derivatives inflows/(outflows)		
Due within one year	**(38.0)**	(21.8)
Due between one year and five years	**(77.6)**	(112.5)
Due after five years	**(36.1)**	(56.9)
	(151.7)	(191.2)

The non interest bearing loans payable to related entities disclosed in Note 14 and the contingent liabilities set out in Note 28 are not included in the amounts shown above.

NOTE 23 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 18 $million	Fair value 31 Dec 17 $million	Carrying amount 31 Dec 18 $million	Carrying amount 31 Dec 17 $million
Consolidated assets					
Cash and cash equivalents		**13.0**	10.7	**13.0**	10.7
Trade and other receivables					
– Trade and other receivables [(i) (iii)]		**52.0**	34.8	**52.0**	34.8
– Interest bearing loan receivables [(ii)]	Level 2	**144.4**	–	**144.4**	–
Derivative assets [(ii)]	Level 2	**231.2**	128.5	**231.2**	128.5
Consolidated liabilities					
Trade and other payables [(i)]		**246.5**	220.2	**246.5**	220.2
Interest bearing liabilities [(ii)]	Level 2				
– Fixed rate debt	Level 2	**2,584.8**	1,714.3	**2,517.7**	1,588.9
– Floating rate debt	Level 2	**2,848.3**	2,346.1	**2,848.7**	2,346.1
Derivative liabilities [(ii)]	Level 2	**122.3**	68.4	**122.3**	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.

(iii) Loss allowance for trade and other receivables amounted to $5.1 million as at 31 December 2018. This includes $0.7 million of opening balance adjustment from the adoption of AASB 9 effective 1 January 2018 and $1.0 million decrease in loss allowance recognised in the income statement during the period.

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 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 24 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. 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 on 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.

(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 25 SHARE BASED PAYMENTS

Performance Rights – Short Term at Risk (STAR) and Long Term at Risk (LTAR) incentives issued to employees of related entities

As at 31 December 2018, there were 10,973,955 (31 December 2017: 10,951,853) Performance Rights held by participants in Scentre Group's STAR/LTAR Plans. 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 2018, the 10,973,955 (31 December 2017: 10,951,853) Performance Rights held by participants equated to 10,973,955 (31 December 2017: 10,951,853) Scentre Group stapled securities. A description of the STAR/LTAR Plans is in Scentre Group's Remuneration Report in Scentre Group's 2018 Annual Financial Report.

	31 Dec 18 Number of rights	31 Dec 17 Number of rights
Vesting profile – Performance Rights – STAR and LTAR		
2018	**–**	5,039,293
2019	**4,437,003**	4,510,707
2020	**4,863,286**	1,401,853
2021	**1,673,666**	–
	10,973,955	10,951,853

	31 Dec 18 $million	31 Dec 17 $million
NOTE 26 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	**804.9**	748.1
Due between one and five years	**2,005.6**	1,909.6
Due after five years	**1,045.0**	1,034.7
	3,855.5	3,692.4

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 18 $million	31 Dec 17 $million
NOTE 27 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	**105.9**	200.8
Due between one and five years	**1.9**	169.6
	107.8	370.4
NOTE 28 CONTINGENT LIABILITIES		
The following is prepared on a proportionate basis which includes both consolidated and equity accounted contingent liabilities.		
Performance guarantees	**26.1**	19.8
Guaranteed borrowings of associates of the Responsible Entity	**9,646.1**	9,546.3
	9,672.2	9,566.1

Entities of Scentre Group have provided guarantees in respect of certain Westfield Corporation Limited joint venture operations in the United Kingdom. Under the Restructure and Merger Implementation Deed, the entities of Scentre Group and Westfield Corporation have cross indemnified each other for any claims that may be made or payment that may be required under such guarantees. On 7 June 2018, Unibail-Rodamco-Westfield acquired the entities of Westfield Corporation, including Westfield Corporation Limited.

The Trust's obligation in respect of performance guarantees may be called on at any time 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.

	31 Dec 18 $million	31 Dec 17 $million

NOTE 29 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 18 $million	31 Dec 17 $million
(a) Assets		
Current assets	**292.2**	127.9
Non current assets	**19,244.8**	17,515.2
Total assets	**19,537.0**	17,643.1
(b) Liabilities		
Current liabilities	**1,338.9**	2,229.5
Non current liabilities	**4,616.4**	2,227.9
Total liabilities	**5,955.3**	4,457.4
(c) Equity		
Contributed equity	**8,142.3**	8,159.8
Reserves	**3,260.0**	2,834.5
Retained profits	**2,179.4**	2,191.4
Total equity	**13,581.7**	13,185.7
(d) Comprehensive income		
Profit after tax for the period	**716.1**	1,440.6
Other comprehensive income	**425.5**	749.0
Total comprehensive income for the period	**1,141.6**	2,189.6
(e) Contingent liabilities		
Guaranteed borrowings of associates of the Responsible Entity	**9,646.1**	9,546.3
Total contingent liabilities	**9,646.1**	9,546.3

NOTE 30 AUDITOR'S REMUNERATION

	31 Dec 18 $000	31 Dec 17 $000
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	**707**	706
– Assurance and compliance services	**212**	141
	919	847
Amounts received or due and receivable by affiliates of the auditor of the Parent Entity for:		
– Audit or review of the financial reports	**130**	144
– Assurance and compliance services	**–**	4
	130	148
	1,049	995

NOTE 31 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 32 for details and remuneration of Key Management Personnel.

Other Related Parties

LFG Services Pty Limited and The Lowy Institute for International Policy (LFG), their 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.

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 32 for details and remuneration of Key Management Personnel.

Transactions with Other Related Parties

(a) LFG

Scentre Group has an agreement with LFG to provide office space and other services. Scentre Group charged LFG $3,180,208 (31 December 2017: $2,001,870) for the lease of office space and other services on commercial arm's length terms.

There were no amounts payable to or receivable from LFG as at 31 December 2018 (31 December 2017: nil).

No provision for doubtful debts has been recognised or bad debts incurred with respect to amounts payable or receivable from LFG for the year ended 31 December 2018 (31 December 2017: nil).

Scentre Group has established protocols governing transactions with 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, charges by SGL to the Trust were as follows:

- Property management fees of $54.4 million (31 December 2017: $52.2 million);
- Manager's service charge of $5.2 million (31 December 2017: $5.1 million);
- Reimbursement of expenses of $21.2 million (31 December 2017: $20.7 million);
- Tenancy coordination fees of $4.1 million (31 December 2017: $4.2 million);
- Development and construction billings of $331.3 million (31 December 2017: $288.8 million).

As at 31 December 2018, amounts payable by the Trust to SGL arising from the above transactions amounted to $38.3 million (31 December 2017: $33.8 million).

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

Loans

As at 31 December 2018, loans transacted with related entities were as follows:

i) Interest bearing loan receivable outstanding from SGT1 of $144.4 million (31 December 2017: nil). The interest income for the year in respect of this loan was $1.3 million (31 December 2017: nil), of which $13,604 (31 December 2017: nil) was unpaid.

ii) An interest bearing loan payable to SGT1 was repaid (31 December 2017: $794.1 million outstanding). The interest expense for the year was $12.4 million (31 December 2017: $25.0 million).

iii) Non-interest bearing loan payable outstanding to SGT3 of $17.3 million (31 December 2017: $15.3 million).

During the previous year, an interest bearing loan of $425.2 million from SGL was repaid. The interest expense for the prior year was $3.8 million.

Facility Fees

i) During the year, the Trust was reimbursed by SGT1 for the facility related costs incurred on its behalf totalling $6.7 million (31 December 2017: $8.4 million).

ii) During the year, the Trust was reimbursed by an entity of SGT3 for the facility related costs incurred on its behalf totalling $4.1 million (31 December 2017: $2.7 million).

iii) During the year, the Trust was reimbursed by an entity of SGL for the facility related costs incurred on its behalf totalling $2.0 million (31 December 2017: $1.5 million).

Financial derivatives

The following financial derivatives were transacted with SGL:

i) As at 31 December 2018, the notional principals of interest rate swaps outstanding with SGL were A$1,000.0 million and NZ$300.0 million (31 December 2017: A$1,000.0 million and NZ$150.0 million). The net interest expense for the year in respect of these derivatives was the A$ equivalent of $9.5 million (31 December 2017: $2.8 million), of which $1.1 million (31 December 2017: $1.1 million) was unpaid.

ii) As at 31 December 2018, the notional principals of cross currency swaps outstanding with SGL were US$500.0 million receivable, €500.0 million receivable and aggregate A$1,448.5 million payable (31 December 2017: US$500.0 million receivable and A$652.3 million payable). The net interest expense for the year in respect of these derivatives was the A$ equivalent of $5.2 million (31 December 2017: $5.2 million interest income), of which $8.8 million net interest income (31 December 2017: $1.9 million net interest income) was unpaid. 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.

iii) During the year, the Trust received net NZ$1,787.6 million (31 December 2017: A$130.4 million) from SGL in exchange for the Trust paying A$1,624.5 million (31 December 2017: NZ$146.6 million). The foreign currency contracts matured during the year and the net realised loss was $6.9 million (31 December 2017: loss of $6.9 million).

iv) During the previous year, the Trust received net A$37.7 million from SGL in exchange for the Trust paying net NZ$41.1 million to SGL. The net realised loss from the contracts was $0.5 million.

NOTE 32 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 2018 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 2018, 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 (SGL), 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

Steven Lowy will retire from his role as a Non-Executive Director and Mark Bloom will retire from his role as Chief Financial Officer at Scentre Group's AGM on 4 April 2019.

(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 33 DETAILS OF MATERIAL AND SIGNIFICANT ENTITIES

	31 Dec 18 – Interest Beneficial [(i)]			31 Dec 17 – Interest Beneficial [(i)]		
Name of entity	**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

(i) 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 2018 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 15 March 2019 in accordance with a resolution of the Board of Directors.

Brian Schwartz AM
Chairman

15 March 2019

Michael Ihlein
Director

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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 2018, 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 2018 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	*How our audit addressed the key audit matter*

The Trust holds economic interests in shopping centre investment properties which are carried at a fair value of \$19.4 billion at 31 December 2018. 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 2 of the financial report. Collectively they represent 97% 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, such as capitalisation rates, market rent, occupancy levels, re-leasing and capital expenditure, which are judgmental in nature. Minor changes in certain assumptions can lead to significant changes in the valuation.
 	
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.
	Our audit procedures included the following:
	
	– We assessed the effectiveness of the Trust's controls over the leasing process and associated tenancy reports which are used as source data in the property valuations by testing a sample of the relevant controls.
	
	– We assessed key net income, lease expiry and vacancy assumptions adopted in the valuation to the actual net income, lease expiry profile and vacancy levels of the underlying asset in considering the reasonableness of the assumptions adopted in the valuation, including re-leasing and capital expenditure requirement assumptions. Where available we corroborated these assumptions to supporting lease documentation or external market data.
	
	– We involved our real estate valuation specialists to assist with:
	  – the assessment of capitalisation rates adopted across the portfolio; and
	  – the review and assessment of the property valuation for a sample of properties based on size, geographical location and other property valuation specific risk factors.
	
	– Where relevant we assessed the reasonableness of comparable transactions utilised by the Trust in the valuation process.
	
	– We assessed the qualifications, competence and objectivity of the external valuers used by the Trust.
	
	– We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy.

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 2018, 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.
- Conclude on the appropriateness of the Directors' 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

Ernst & Young

Megan Wilson

Megan Wilson
Partner

Sydney, 15 March 2019

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Liability limited by a scheme approved under Professional Standards Legislation.

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 2018 (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

(a) Financial Results

The Trust's net profit for the Financial Year was $1,129.6 million which mainly comprises net property income of $832.5 million, property revaluations of $562.1 million and net financing costs of $241.1 million. The aggregate distribution attributable to members of SGT2 for the Financial Year is $656.1 million (being 12.34 cents per unit) with basic earnings per unit for the Financial Year of 21.23 cents.

(b) Operating Environment

As at 31 December 2018, Scentre Group's portfolio comprised interests in 41 centres in Australia and New Zealand, of which the Trust has a joint interest in 39 centres with a combined value of $19.4 billion.

Occupancy across Scentre Group's portfolio remains strong at 99.3% and comparable net operating income grew by 2.5%, driven primarily by contracted rent escalations.

(c) Development Activities

During the Financial Year, Scentre Group successfully completed over $1.1 billion of developments. Collectively these developments added more than 106,000 square metres of lettable area at Westfield Plenty Valley in Melbourne, Westfield Carousel in Perth, Westfield Tea Tree Plaza in Adelaide, Westfield Kotara in Newcastle and Westfield Coomera on Queensland's Gold Coast – Scentre Group's first greenfield development.

The Trust has a joint interest in Westfield Plenty Valley (25%), Westfield Carousel (50%), Westfield Tea Tree Plaza (18.75%), Westfield Kotara (50%) and Westfield Newmarket (25.5%).

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

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.

(d) Financing and Capital Management

During the Financial Year, 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.

During the Financial Year, Scentre Group established new and extended existing bank loan facilities of $3.8 billion.

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

A detailed operating and financial review for Scentre Group is contained in the Directors' Report in Scentre Group's 2018 Annual Financial Report which is available at www.scentregroup.com.

1.2 Principal Activity

The principal activity of the Trust during the Financial Year was the long term ownership of shopping centres. There was no significant change in the nature of the principal activity during the Financial Year.

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 Developments

At the date of this report there is no proposed change to the principal activity of the Trust. The strategy, key drivers and outlook of Scentre Group are described in the Directors' Report in Scentre Group's 2018 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 2018 Annual Financial Report which can be found at www.scentegroup.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 2019 and will be available on Scentre Group's website.

2. DISTRIBUTIONS

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, 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.

For the 6 months ended 30 June 2018, the Trust distribution of 7.74 cents per ordinary unit formed part of the distribution of 11.08 cents per Scentre Group stapled security, paid on 31 August 2018. 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 2018, the Trust distribution of 4.60 cents per ordinary unit formed part of the distribution of 11.08 cents per Scentre Group stapled security, paid on 28 February 2019. This distribution was an aggregate of a distribution from the Trust, SGT1, 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.

3. THE DIRECTORS

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

Name	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, 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.

Steven Lowy will retire from his role as a Non-Executive Director at Scentre Group's AGM on 4 April 2019.

Biographies of the current Board can be found in Scentre Group's 2018 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.

Director	Number of Stapled Securities
Brian Schwartz	165,861
Peter Allen	4,517,326
Andrew Harmos	80,795
Michael Ihlein	33,048
Carolyn Kay	57,000
Aliza Knox	60,400
Steven Lowy	216,467,389
Margaret Seale	56,750

No Director holds options over any issued or unissued Scentre Group securities. No options over any issued or unissued stapled securities 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 2018 Annual Financial Report.

4. DIRECTORS' DIRECTORSHIPS OF OTHER LISTED COMPANIES

Details of all directorships of other listed entities held by each Director of the Responsible Entity in the 3 years immediately before 31 December 2018 are as follows:

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	7 June 2018
	Westfield Corporation Limited^	8 April 2014	7 June 2018
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	23 October 2018
Aliza Knox	Scentre Management Limited*	7 May 2015	Continuing
	RE1 Limited*	7 May 2015	Continuing
	RE2 Limited*	7 May 2015	Continuing
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	7 June 2018
	Westfield Corporation Limited^	28 November 2013	7 June 2018
	OneMarket Limited	12 December 2017	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	31 October 2018
	Telstra Corporation Limited	7 May 2012	Continuing
	Bank of Queensland Limited	21 January 2014	28 June 2018

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 2018 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 2001, 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

- $63.7 million in fees were paid or payable to the Responsible Entity and its associates out of the assets of the Trust during the Financial Year.
- $331.3 million of development and construction billings were paid or payable to associates of the Responsible Entity 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 221,875,405 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 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 17 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.

EY
Building a better working world

Auditor's Independence Declaration to the Directors of RE1 Limited

As lead auditor for the audit of the financial report of Scentre Group Trust 2 for the financial year ended 31 December 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 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

Megan Wilson

Ernst & Young

Megan Wilson
Partner

Sydney, 15 March 2019

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, amounts in the Directors' Report, the Financial Statements and the Notes to the Financial Statements 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

Michael Ihlein
Director

15 March 2019

Corporate Governance Statement

The Corporate Governance Statement for Scentre Group Trust 2 for the financial year ended 31 December 2018 has been incorporated into the Corporate Governance Statement prepared for Scentre Group. This Statement can be found in the 2018 Scentre Group Annual Financial Report. Scentre Group's Annual Financial Report is available at https://scentregroup.com/investors/annual-reports.

Members' Information

FOR THE YEAR ENDED 31 DECEMBER 2018

	Twenty Largest Holders of Stapled Securities in Scentre Group*	Number of Securities
1	HSBC Custody Nominees (Australia) Limited	2,084,146,180
2	J P Morgan Nominees Australia Pty Limited	1,024,954,429
3	BNP Paribas Nominees Pty Ltd <AGENCY LENDING DRP A/C>	514,964,205
4	Citicorp Nominees Pty Limited	470,982,666
5	National Nominees Limited	274,531,193
6	Citicorp Nominees Pty Limited <COLONIAL FIRST STATE INV A/C>	60,824,095
7	Cordera Holdings Pty Limited	60,570,206
8	BNP Paribas Noms Pty Ltd <DRP>	59,619,596
9	Franley Holdings Pty Ltd	50,693,432
10	Franley Securities Pty Ltd	50,693,432
11	AMP Life Limited	35,344,690
12	HSBC Custody Nominees (Australia) Limited <NT-COMNWLTH SUPER CORP A/C>	25,784,075
13	FP Pty Limited <THE FRANK LOWY LIVING A/C>	17,577,810
14	Australian Foundation Investment Company Limited	12,950,000
15	HSBC Custody Nominees (Australia) Limited-GSCO ECA	11,208,801
16	Franley Holdings Pty Ltd	9,876,775
17	Franley Securities Pty Ltd	9,876,775
18	CS Third Nominees Pty Limited <HSBC CUST NOM AU LTD 13 A/C>	8,557,728
19	Argo Investments Limited	7,526,662
20	Navigator Australia Ltd <SMA ANTARES INV DV BUILD A/C>	7,512,311
		4,798,195,061

* Ordinary shares in Scentre Group Limited are stapled to units in Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3.

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 securityholders	% of securities in each category
1 – 1,000	11,857,721	28,010	0.22
1,001 – 5,000	88,733,383	36,060	1.67
5,001 – 10,000	67,057,960	9,446	1.26
10,001 – 100,000	145,055,409	6,773	2.73
100,001 Over	5,004,292,733	319	94.12
Total	**5,316,997,206**	**80,608**	**100.00**

As at 13 February 2019, 6,650 securityholders hold less than a marketable parcel (being 127 securities at the closing price of $3.96) of quoted securities in Scentre Group.

* There are 10,299,217 performance rights on issue to a total of 105 Scentre Group employees. These rights may be satisfied by either the transfer 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 FY18, 4,706,817 securities (at an average price of $3.89) were acquired on-market by Scentre Group's Performance Rights Plan Trust to satisfy executive entitlements on the vesting of rights under Scentre Group's equity-linked plans.

Buy-back

On 5 April 2018, Scentre Group announced an on-market buy-back programme of up to $700 million of securities.

Scentre Group has bought back and cancelled 7,299,472 securities (0.14%).

Substantial securityholders

The names of Scentre Group substantial securityholders and the number of ordinary stapled securities in which each has a relevant interest, as disclosed in the substantial shareholding notices given to Scentre Group, are as follows:

The Vanguard Group	493,780,757
BlackRock Group	450,144,001
State Street	344,111,816
National Nominees as custodian for Unisuper Limited	294,417,792

Annual Financial Report

SCENTRE GROUP TRUST 3
For the Financial Year ended 31 December 2018

Contents

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 Dec 18 $'000	31 Dec 17 $'000
Revenue and other income			
Property and property related revenue [i]		**4,600**	5,317
		4,600	5,317
Expenses			
Property and property related expenses [i]		**(1,775)**	(1,987)
Overheads		**(286)**	(238)
		(2,061)	(2,225)
Interest income	5(a)	**21,262**	15,855
Financing costs	5(b)	**(21,894)**	(15,511)
Net modification gain on refinanced borrowing facilities		**1,201**	–
Profit before tax		**3,108**	3,436
Tax expense	2	**(850)**	(1,048)
Profit after tax for the period		**2,258**	2,388
		cents	cents
Basic earnings per unit	4	**0.04**	0.04
Diluted earnings per unit	4	**0.04**	0.04

[i] Relates to property advertising and promotions.

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	31 Dec 18 $'000	31 Dec 17 $'000
Profit after tax for the period	**2,258**	2,388
Other comprehensive income		
Movement in foreign currency translation reserve [i]		
– Net exchange difference on translation of foreign operations	**102**	(90)
Total comprehensive income for the period	**2,360**	2,298

[i] This item may be subsequently transferred to the profit and loss.

Balance Sheet

AS AT 31 DECEMBER 2018

	Note	**31 Dec 18 $'000**	31 Dec 17 $'000
Current assets			
Cash and cash equivalents	6(a)	**583**	663
Receivables	7	**818,022**	614,780
Other current assets		**914**	466
Total current assets		**819,519**	615,909
Non current assets			
Plant and equipment		**209**	406
Other non current assets		**2,445**	1,207
Total non current assets		**2,654**	1,613
Total assets		**822,173**	617,522
Current liabilities			
Payables and other creditors	8	**4,629**	3,091
Interest bearing liabilities	9	**25,435**	–
Total current liabilities		**30,064**	3,091
Non current liabilities			
Deferred tax liabilities		**613**	518
Interest bearing liabilities	9	**770,957**	595,710
Total non current liabilities		**771,570**	596,228
Total liabilities		**801,634**	599,319
Net assets		**20,539**	18,203
Equity			
Contributed equity	10(b)	**11,437**	11,461
Reserves	11	**87**	(15)
Retained profits	12	**9,015**	6,757
Total equity		**20,539**	18,203

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Contributed Equity $'000	**Reserves $'000**	**Retained Profits $'000**	**31 Dec 18 Total $'000**	Contributed Equity $'000	Reserves $'000	Retained Profits $'000	31 Dec 17 Total $'000
Changes in equity attributable to members of Scentre Group Trust 3								
Balance at the beginning of the period	**11,461**	**(15)**	**6,757**	**18,203**	11,461	75	13,420	24,956
– Profit after tax for the period	**–**	**–**	**2,258**	**2,258**	–	–	2,388	2,388
– Other comprehensive income	**–**	**102**	**–**	**102**	–	(90)	–	(90)
Transactions with owners in their capacity as owners:								
– Buy-back and cancellation of units and associated costs	**(24)**	**–**	**–**	**(24)**	–	–	–	–
– Distributions paid or provided for	**–**	**–**	**–**	**–**	–	–	(9,051)	(9,051)
Closing balance of equity attributable to members of Scentre Group Trust 3	**11,437**	**87**	**9,015**	**20,539**	11,461	(15)	6,757	18,203

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 Dec 18 $'000	31 Dec 17 $'000
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		**5,090**	5,848
Payments in the course of operations (including GST)		**(1,947)**	(2,254)
Income and withholding taxes paid		**(808)**	(524)
GST paid		**(408)**	(250)
Payments of financing costs		**(22,054)**	(14,907)
Interest received		**22,017**	14,955
Net cash flows from operating activities	6(b)	**1,890**	2,868
Cash flows from financing activities			
Net proceeds from interest bearing liabilities	9(c)	**145,217**	212,437
Net funds paid to related entities	9(c)	**(147,192)**	(206,229)
Buy-back of units and associated costs		**(24)**	–
Distributions paid		**–**	(9,051)
Net cash flows used in financing activities		**(1,999)**	(2,843)
Net (decrease)/increase in cash and cash equivalents held		**(109)**	25
Add opening cash and cash equivalents brought forward		**663**	667
Effects of exchange rate changes on opening cash and cash equivalents brought forward		**29**	(29)
Cash and cash equivalents at the end of the period [i]	6(a)	**583**	663

[i] Cash and cash equivalents comprises cash of $583,000 (31 December 2017: $663,000) net of bank overdraft of nil (31 December 2017:nil).

Index of Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, 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 the Trust

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.

(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 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 was immaterial.

  (i) Classification and measurement

  Financial assets previously held at fair value 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 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 income statement. 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. The impact of the revised methodology for calculation of impairment was immaterial.

  (iii) Hedge accounting

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

– 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 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 2018. The impact of these new standards (to the extent relevant to the Trust) and interpretations is as follows:

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

  The amendments clarify certain requirements in AASB 112 Income Taxes – income tax consequences of payments on financial instruments classified as equity.

  These amendments are 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 and 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 17: 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 its financial position in future periods.

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

(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.

	31 Dec 18 $'000	31 Dec 17 $'000

NOTE 2 TAXATION

	31 Dec 18 $'000	31 Dec 17 $'000
Tax expense		
Current – underlying operations	**(850)**	(1,048)
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	**3,108**	3,436
Prima facie tax expense at 30%	**(932)**	(1,031)
Other items	**82**	(17)
Tax expense	**(850)**	(1,048)

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 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date. Deferred tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity and not the income statement.

NOTE 3 DISTRIBUTIONS

	31 Dec 18 $'000	31 Dec 17 $'000
(a) Final distribution for the year		
0.12 cents per unit [(i)] (31 December 2017: nil)	**6,380**	–
	6,380	–

(i) Distributions paid by SGT3 are franked at the corporate tax rate of 30%.

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

Final distribution was paid on 28 February 2019. The record date for the final distributions was 5pm, 14 February 2019. Scentre Group does not operate a Distribution Reinvestment Plan.

(b) Distributions paid during the year		
Distribution in respect of the 6 months to 30 June 2018	**–**	–
Distribution in respect of the 6 months to 31 December 2017	**–**	–
Distribution in respect of the 6 months to 30 June 2017	**–**	–
Distribution in respect of the 6 months to 31 December 2016	**–**	9,051
	–	9,051

	31 Dec 18 cents	31 Dec 17 cents
NOTE 4 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

There are no options which are considered dilutive.

Earnings used in calculating basic and dilutive earnings per unit was $2,257,556 (31 December 2017: $2,388,241). Weighted average number of units used in calculating basic and dilutive earnings per unit was 5,319,844,670 (31 December 2017: 5,324,296,678).

(b) Conversions, calls, subscription, issues or buy-back after 31 December 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.

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.

	Note	31 Dec 18 $'000	31 Dec 17 $'000
NOTE 5 INTEREST INCOME AND FINANCING COSTS			
(a) Interest income			
Interest income		**3**	3
Interest income from related entities	23(b)	**21,259**	15,852
		21,262	15,855
(b) Financing costs			
Gross financing costs			
– External		**21,016**	15,511
– Related entities	23(b)	**878**	–
		21,894	15,511

Accounting Policies

Interest income and financing costs

Interest income is recognised in the income statement as it accrues using the effective interest rate method.

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 or on an accrual basis.

	31 Dec 18 $'000	31 Dec 17 $'000

NOTE 6 CASH AND CASH EQUIVALENTS

	31 Dec 18 $'000	31 Dec 17 $'000
(a) Components of cash and cash equivalents		
Cash	**583**	663
Bank overdrafts	**–**	–
Total cash and cash equivalents	**583**	663
(b) Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	**2,258**	2,388
Depreciation	**197**	197
(Increase)/decrease in working capital attributable to operating activities	**(565)**	283
Net cash flows from operating activities	**1,890**	2,868

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. Cash and cash equivalents are measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses (if any) are recognised in the income statement.

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. Bank overdrafts are carried at principal amount.

NOTE 7 RECEIVABLES

	Note	31 Dec 18 $'000	31 Dec 17 $'000
Interest bearing loans receivable from related entities	23(b)	**795,630**	595,001
Non interest bearing loans receivable from related entities	23(b)	**18,616**	16,623
Other receivable from related entities	23(b)	**3,776**	3,156
		818,022	614,780

Accounting Policies

Receivables

Interest and non interest bearing loans receivable from related entities are measured at amortised cost, are at call and therefore classified as a current asset. These are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. At initial recognition, the Trust measures these financial assets at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. These financial assets are subsequently measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses are recognised in the income statement.

In assessing for impairment under AASB 9, the Trust assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The expected credit loss is measured on a 12-month basis, or over the lifetime of the exposure if there has been a significant increase in credit risk since initial recognition. To measure the expected credit losses, the Trust applies the low credit risk simplification and evaluates whether the loan is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Trust assesses if the loan has a low risk of default, whether the related entity borrower has a strong capacity to meet the contractual cashflow obligations and whether any adverse changes in economic or business conditions will impact the borrower's ability to meet these obligations. The Trust considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Trust considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Trust may also consider a financial asset to be in default when internal or external information indicates that the Trust is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Trust. A receivable is written off when there is no reasonable expectation of recovering the contractual cashflows. Any gain or loss on derecognition is recognised in the income statement.

	Note	31 Dec 18 $'000	31 Dec 17 $'000
NOTE 8 PAYABLES AND OTHER CREDITORS			
Payables and other creditors		**4,342**	2,771
Tax payable		**287**	320
		4,629	3,091

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.

		31 Dec 18 $'000	31 Dec 17 $'000
NOTE 9 INTEREST BEARING LIABILITIES			
Current			
Unsecured			
Loans payable to related entity	23(b)	**25,435**	–
		25,435	–
Non current			
Unsecured			
Bank loans			
– NZ$ denominated		**770,957**	595,710
		770,957	595,710
Total interest bearing liabilities		**796,392**	595,710

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.

	31 Dec 18 $'000	31 Dec 17 $'000
(a) Summary of financing facilities		
Committed financing facilities available to the Trust:		
Total financing facilities at the end of the year	**1,372,435**	1,553,007
Total interest bearing liabilities	**(796,392)**	(595,710)
Available financing facilities	**576,043**	957,297
Cash and cash equivalents	**583**	663
Financing resources available at the end of the year	**576,626**	957,960

These facilities are unsecured interest only floating rate facilities which are 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 $576.0 million (31 December 2017: $957.3 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. Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

	Committed financing facilities 31 Dec 18 $'000	Total interest bearing liabilities 31 Dec 18 $'000	Committed financing facilities 31 Dec 17 $'000	Total interest bearing liabilities 31 Dec 17 $'000
(b) Maturity profile of financing facilities and interest bearing liabilities				
Due within one year	**25,435**	**25,435**	–	–
Due between one year and five years	**1,147,000**	**770,957**	1,353,007	595,710
Due after five years	**200,000**	**–**	200,000	–
	1,372,435	**796,392**	1,553,007	595,710

NOTE 9 INTEREST BEARING LIABILITIES (CONTINUED)

	31 Dec 18 $'000	31 Dec 17 $'000
(c) Movements in loans receivable and interest bearing liabilities arising from financing activities		
Balance at the beginning of the year	**15,914**	26,586
Net funds paid to related entities	**147,192**	206,229
Net proceeds from interest bearing liabilities	**(145,217)**	(212,437)
Transfer of intercompany balances	**–**	(4,522)
Effects of exchange rate changes	**(35)**	58
Balance at the end of the year (i)	**17,854**	15,914

(i) Comprises interest bearing loans receivable of $795.6 million (31 December 2017: $595.0 million) and non interest bearing loans receivable of $18.6 million (31 December 2017: $16.6 million) disclosed in Note 7 less interest bearing liabilities of $796.4 million (31 December 2017: $595.7 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. Loans payable to related entities are at call 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 liabilities as disclosed in Note 16 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 CONTRIBUTED EQUITY

	31 Dec 18 No. of units	31 Dec 17 No. of units
(a) Number of units on issue		
Balance at the beginning of the year	**5,324,296,678**	5,324,296,678
Buy-back and cancellation of units	**(7,299,472)**	–
Balance at the end of the year	**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 of 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 Corporations 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 18 $'000	31 Dec 17 $'000
(b) Amount of contributed equity		
Balance at the beginning of the year	**11,461**	11,461
Buy-back and cancellation of units and associated costs	**(24)**	–
Balance at the end of the year	**11,437**	11,461

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 18 $'000	31 Dec 17 $'000
NOTE 11 RESERVES		
Foreign currency translation reserve	**87**	(15)
	87	(15)
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.		
Balance at the beginning of the year	**(15)**	75
Foreign exchange movement		
– Translation of investment in foreign entities	**102**	(90)
Balance at the end of the year	**87**	(15)

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 are translated at exchange rates ruling at balance date and the income statement of foreign controlled entities 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 18 $'000	31 Dec 17 $'000
NOTE 12 RETAINED PROFITS		
Movement in retained profits		
Balance at the beginning of the year	**6,757**	13,420
Profit after tax for the period	**2,258**	2,388
Distributions paid	**–**	(9,051)
Balance at the end of the year	**9,015**	6,757

NOTE 13 CAPITAL AND FINANCIAL RISK MANAGEMENT

The Trust forms part of Scentre Group which is a stapled entity comprising the Trust, SGL, SGT1, SGT2 and their respective controlled entities. The stapled group operates as a single economic entity with a common Board of Directors and management team. Capital and financial risks are therefore managed from the stapled group's perspective rather than the silos that make up the group.

Refer to Note 21 Capital Risk Management, Note 22 Financial Risk Management, Note 23 Interest Rate Risk Management, Note 24 Exchange Rate Risk Management, Note 25 Credit Risk Management and Note 26 Liquidity Risk Management of Scentre Group's 2018 Annual Financial Report for details of Scentre Group's policies in identifying, assessing and managing the capital and financial risks of the stapled group.

NOTE 14 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.

Refer to Note 27 Financial Covenants of Scentre Group's 2018 Annual Financial Report for details of Scentre Group's financial covenants.

NOTE 15 INTEREST BEARING LIABILITIES AND INTEREST CASH FLOW MATURITY PROFILE

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

	31 Dec 18 $'000	31 Dec 17 $'000
Interest bearing liabilities and interest		
Due within one year	**(45,151)**	(18,577)
Due between one year and five years	**(813,016)**	(634,547)
Due after five years	**(160)**	(42)
	(858,327)	(653,166)
Comprising:		
- principal amounts of current and non current interest bearing liabilities	**(796,392)**	(595,710)
- aggregate future estimated nominal interest	**(61,935)**	(57,456)
	(858,327)	(653,166)

Contingent liabilities are set out in Note 19 and are not included in the amounts shown above.

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 18 $'000**	31 Dec 17 $'000	**31 Dec 18 $'000**	31 Dec 17 $'000
Consolidated assets					
Cash and cash equivalents		**583**	663	**583**	663
Receivables					
– Interest bearing loan receivables [i]	Level 2	**795,630**	595,001	**795,630**	595,001
– Other receivables [ii]		**22,392**	19,779	**22,392**	19,779
Consolidated liabilities					
Payables and other creditors [ii]		**4,342**	2,771	**4,342**	2,771
Interest bearing liabilities [i]					
– Floating rate debt	Level 2	**796,392**	595,710	**796,392**	595,710

(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 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.

NOTE 17 OTHER SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation and classification

This consolidated financial report comprises the financial statements and notes to the financial statements of SGT3, and each of its controlled entities as from the date SGT3 obtained control until such time control ceased. SGT3 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 SGT3, 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) 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.

(d) Expenses

Expenses are brought to account on an accruals basis.

(e) 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 on 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.

(f) Derivative and other financial instruments

The Trust may utilise 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 any 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.

NOTE 17 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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.

(h) Depreciation

Plant and equipment are carried at acquisition cost less depreciation and any impairment in value. Depreciation 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 18 SHARE BASED PAYMENTS

(a) Performance Rights – Short Term at Risk (STAR) and Long Term at Risk (LTAR) incentives issued to employees of related entities

As at 31 December 2018, there were 10,973,955 (31 December 2017: 10,951,853) Performance Rights held by participants in Scentre Group's STAR/LTAR Plans. 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 2018, the 10,973,955 (31 December 2017: 10,951,853) Performance Rights held by participants equated to 10,973,955 (31 December 2017: 10,951,853) Scentre Group stapled securities. A description of the STAR/LTAR Plans is in the Remuneration report in Scentre Group's 2018 Annual Financial Report.

	31 Dec 18 Number of rights	31 Dec 17 Number of rights
Vesting profile – Performance Rights – STAR and LTAR		
2018	**–**	5,039,293
2019	**4,437,003**	4,510,707
2020	**4,863,286**	1,401,853
2021	**1,673,666**	–
	10,973,955	10,951,853

	31 Dec 18 $'000	31 Dec 17 $'000
NOTE 19 CONTINGENT LIABILITIES		
Guaranteed borrowings of associates of the Responsible Entity	**13,533,369**	11,406,377
	13,533,369	11,406,377

Entities of Scentre Group have provided guarantees in respect of certain Westfield Corporation Limited joint venture operations in the United Kingdom. Under the Restructure and Merger Implementation Deed, the entities of Scentre Group and Westfield Corporation have cross indemnified each other for any claims that may be made or payment that may be required under such guarantees. On 7 June 2018, Unibail-Rodamco-Westfield acquired the entities of Westfield Corporation, including Westfield Corporation Limited.

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 20 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.

NOTE 21 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 18 $'000	31 Dec 17 $'000
(a) Assets		
Current assets	**18,683**	16,708
Non current assets	**209**	406
Total assets	**18,892**	17,114
(b) Liabilities		
Current liabilities	**565**	573
Non current liabilities	**11**	42
Total liabilities	**576**	615
(c) Equity		
Contributed equity	**11,437**	11,461
Retained profits	**6,879**	5,038
Total equity	**18,316**	16,499
(d) Comprehensive income		
Profit after tax for the period	**1,841**	2,630
Total comprehensive income for the period	**1,841**	2,630
(e) Contingent liabilities		
Guaranteed borrowings of associates of the Responsible Entity	**13,533,369**	11,406,377
Guaranteed borrowings of subsidiaries	**770,957**	595,710
Total contingent liabilities	**14,304,326**	12,002,087

NOTE 22 AUDITOR'S REMUNERATION

	31 Dec 18 $'000	31 Dec 17 $'000
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**	14
– Other non audit related services	**–**	–
	14	14
Amounts received or due and receivable by affiliates of the auditors of the Parent Entity for:		
– Audit or review of the financial reports	**–**	–
	–	–
	14	14

NOTE 23 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 24 for the details and remuneration of Key Management Personnel.

Other related parties

LFG Services Pty Limited and The Lowy Institute for International Policy (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.

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 24 for the details and remuneration of Key Management Personnel.

Transactions with Other Related Parties

(a) LFG

Scentre Group has an agreement with LFG to provide office space and other services. Scentre Group charged LFG $3,180,208 (31 December 2017: $2,001,870) for the lease of office space and other services on commercial arm's length terms.

There were no amounts payable to or receivable from LFG as at 31 December 2018 (31 December 2017: nil).

No provision for doubtful debts has been recognised or bad debts incurred with respect to amounts payable or receivable from LFG for the year ended 31 December 2018 (31 December 2017: 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 2018 were $273,800 (31 December 2017: $269,290). The amount payable as at 31 December 2018 relating to corporate service costs was nil (31 December 2017: nil).

Other

Net property related advertising and promotional income collected by Scentre Group for SGT3 for the year ended 31 December 2018 was $3,021,553 (31 December 2017: $3,526,726). The amount receivable for net property related advertising and promotional income as at 31 December 2018 was $1,295,826 (31 December 2017: $1,334,338).

Loan

As at 31 December 2018, loans transacted with related entities were as follows:

i) Interest bearing loans receivable from a SGT1 entity of NZ$416,359,645 (A$397,517,324) (31 December 2017: NZ$327,204,315 (A$297,404,394)). The interest income for the year in respect of these loans was $10,622,947 (31 December 2017: $7,922,481), of which $1,886,795 (31 December 2017: $1,577,699) was unpaid.

ii) Interest bearing loans receivable from an equity accounted entity of both SGT1 and SGT2 of NZ$416,982,821 (A$398,112,298) (31 December 2017: NZ$327,416,064 (A$297,596,859)). The interest income for the year in respect of these loans was $10,612,682 (31 December 2017: $7,928,825), of which $1,889,561 (31 December 2017: $1,578,140) was unpaid.

iii) Interest bearing loans payable outstanding to SGL of NZ$26,641,060 (A$25,435,421) (31 December 2017: nil). The interest expense for the year in respect of these loans was $877,637 (31 December 2017: nil), of which $78,306 (31 December 2017: nil) was unpaid.

iv) Non-interest bearing loan receivable outstanding from SGT2 of $17,318,454 (31 December 2017: $15,286,889).

Facility Fees

During the year, an entity of SGT3 reimbursed SGT2 for external facility related costs incurred on its behalf totalling $4,068,120 (31 December 2017: $2,733,865).

NOTE 24 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 2018 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 2018, 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 or 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

Steven Lowy will retire from his role as a Non-Executive Director and Mark Bloom will retire from his role as Chief Financial Officer at Scentre Group's AGM on 4 April 2019.

(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 25 DETAILS OF MATERIAL AND SIGNIFICANT ENTITIES

Name of entity	31 Dec 18 – Interest Beneficial [i] Parent Entity %	31 Dec 18 – Interest Beneficial [i] Scentre Group Trust 3 %	31 Dec 17 – Interest Beneficial [i] Parent entity %	31 Dec 17 – Interest Beneficial [i] Scentre Group Trust 3 %
ENTITIES 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 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 2018

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 2018 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 15 March 2019 in accordance with a resolution of the Board of Directors.

Brian Schwartz AM Chairman	**Michael Ihlein** Director

15 March 2019

Building a better working world

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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 2018, 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 2018 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 2018, 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.

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 determine that there are no key audit matters to communicate in our report.

Ernst & Young

Megan Wilson

Ernst & Young

Megan Wilson
Partner

Sydney, 15 March 2019

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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 2018 (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 $2.3 million (31 December 2017: $2.4 million) or 0.04 cents per unit (31 December 2017: 0.04 cents per unit).

As at 31 December 2018, SGT3 had net assets of $20.5 million (31 December 2017: $18.2 million) comprising total assets of $822.2 million (31 December 2017: $617.5 million) and total liabilities of $801.6 million (31 December 2017: $599.3 million).

During the Financial Year, the Trust drew down $145.2 million of its bank facilities and loaned the proceeds to the New Zealand equity accounted entities of SGT1 and SGT2.

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. During the Financial Year, Scentre Group bought back and cancelled 7,299,472 securities for $30.1 million (Trust share: $24,054) including associated costs.

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

A detailed operating and financial review for Scentre Group is contained in the Directors' Report in Scentre Group's 2018 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 2018 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 2018 Annual Financial Report which can be found at www.scentegroup.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 2019 and will be available on its website.

2. DISTRIBUTIONS

For the 6 months ended 31 December 2017, no distribution was paid for the relevant period.

For the 6 months ended 30 June 2018, no distribution was paid for the relevant period.

For the 6 months ended 31 December 2018, the Directors resolved to pay a fully franked distribution of 0.12 cents per ordinary unit which formed part of the distribution of 11.08 cents per SCG stapled security, paid on 28 February 2019. This distribution was an aggregate dividend from Scentre Group Limited and a distribution from SGT1, SGT2 and SGT3. The figure reported here only represents that component of the aggregate SCG distribution being the distribution of the Trust.

3. DIRECTORS

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

Name	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.

Steven Lowy will retire from his role as a Non-Executive director at Scentre Group's AGM on 4 April 2019.

Biographies of the current Board can be found in the 2018 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 retire 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	165,861
Peter Allen	4,517,326
Andrew Harmos	80,795
Michael Ihlein	33,048
Carolyn Kay	57,000
Aliza Knox	60,400
Steven Lowy	216,467,389
Margaret Seale	56,750

No Director holds options over any issued or unissued Scentre Group stapled securities. No options over any issued stapled securities 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 CEO are set out in the Remuneration Report in Scentre Group's 2018 Annual Financial Report.

4. DIRECTORS' DIRECTORSHIPS OF OTHER LISTED COMPANIES

Details of all directorships of other listed entities held by each Director in the 3 years immediately before 31 December 2018 are as follows:

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	7 June 2018
	Westfield Corporation Limited^	8 April 2014	7 June 2018
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	23 October 2018
Aliza Knox	Scentre Management Limited*	7 May 2015	Continuing
	RE1 Limited*	7 May 2015	Continuing
	RE2 Limited*	7 May 2015	Continuing
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	7 June 2018
	Westfield Corporation Limited^	28 November 2013	7 June 2018
	OneMarket Limited	12 December 2017	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	31 October 2018
	Telstra Corporation Limited	7 May 2012	Continuing
	Bank of Queensland	21 January 2014	28 June 2018

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.

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 2018 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

- $273,800 in fees were paid 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 221,875,405 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 10 on page 13.
- 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 17(b) to the Financial Report on pages 11 and 15 respectively.
- Details of the number of units in the Trust as at the end of the Financial Year are set out in Note 10 on page 13.

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.

EY

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Auditor's Independence Declaration to the Directors of RE2 Limited

As lead auditor for the audit of the financial report of Scentre Group Trust 3 for the financial year ended 31 December 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 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

Megan Wilson

Ernst & Young

Megan Wilson
Partner

Sydney, 15 March 2019

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

15 March 2019

Corporate Governance Statement

The Corporate Governance Statement for Scentre Group Trust 3 for the financial year ended 31 December 2018 has been incorporated into the Corporate Governance Statement prepared for the stapled Scentre Group. This Statement can be found in the 2018 Scentre Group Annual Financial Report. The Scentre Group's Annual Financial Report is available at https://scentregroup.com/investors/annual-reports.

Members' Information

FOR THE YEAR ENDED 31 DECEMBER 2018

Twenty Largest Holders of Stapled Securities in Scentre Group*		Number of Securities
1	HSBC Custody Nominees (Australia) Limited	2,084,146,180
2	J P Morgan Nominees Australia Pty Limited	1,024,954,429
3	BNP Paribas Nominees Pty Ltd <AGENCY LENDING DRP A/C>	514,964,205
4	Citicorp Nominees Pty Limited	470,982,666
5	National Nominees Limited	274,531,193
6	Citicorp Nominees Pty Limited <COLONIAL FIRST STATE INV A/C>	60,824,095
7	Cordera Holdings Pty Limited	60,570,206
8	BNP Paribas Noms Pty Ltd <DRP>	59,619,596
9	Franley Holdings Pty Ltd	50,693,432
10	Franley Securities Pty Ltd	50,693,432
11	AMP Life Limited	35,344,690
12	HSBC Custody Nominees (Australia) Limited <NT-COMNWLTH SUPER CORP A/C>	25,784,075
13	FP Pty Limited <THE FRANK LOWY LIVING A/C>	17,577,810
14	Australian Foundation Investment Company Limited	12,950,000
15	HSBC Custody Nominees (Australia) Limited-GSCO ECA	11,208,801
16	Franley Holdings Pty Ltd	9,876,775
17	Franley Securities Pty Ltd	9,876,775
18	CS Third Nominees Pty Limited <HSBC CUST NOM AU LTD 13 A/C>	8,557,728
19	Argo Investments Limited	7,526,662
20	Navigator Australia Ltd <SMA ANTARES INV DV BUILD A/C>	7,512,311
		4,798,195,061

* Ordinary shares in Scentre Group Limited are stapled to units in Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3.

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 securityholders	% of securities in each category
1 – 1,000	11,857,721	28,010	0.22
1,001 – 5,000	88,733,383	36,060	1.67
5,001 – 10,000	67,057,960	9,446	1.26
10,001 – 100,000	145,055,409	6,773	2.73
100,001 Over	5,004,292,733	319	94.12
Total	**5,316,997,206**	**80,608**	**100.00**

As at 13 February 2019, 6,650 securityholders hold less than a marketable parcel (being 127 securities at the closing price of $3.96) of quoted securities in Scentre Group.

* There are 10,299,217 performance rights on issue to a total of 105 Scentre Group employees. These rights may be satisfied by either the transfer 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 FY18, 4,706,817 securities (at an average price of $3.89) were acquired on-market by the Scentre Group Performance Rights Plan Trust to satisfy executive entitlements on the vesting of rights under Scentre Group's equity-linked plans.

Buy-back

On 5 April 2018, Scentre Group announced an on-market buy-back programme of up to $700 million of securities.

Scentre Group has bought back and cancelled 7,299,472 securities (0.14%).

Substantial securityholders

The names of Scentre Group substantial securityholders and the number of ordinary stapled securities in which each has a relevant interest, as disclosed in the substantial shareholding notices given to Scentre Group, are as follows:

The Vanguard Group	493,780,757
BlackRock Group	450,144,001
State Street	344,111,816
National Nominees as custodian for Unisuper Limited	294,417,792

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The papers used in the production of this year's Scentre Group
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SCENTRE GROUP

Owner and Operator of Westfield in Australia and New Zealand