NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

3 November 2010

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Dear Sir/Madam

WESTFIELD GROUP TO RESTRUCTURE
ESTABLISHING NEW WESTFIELD RETAIL TRUST
DISTRIBUTING $7.3 BILLION OF CAPITAL TO SECURITYHOLDERS

It has been brought to our attention that there are some resolution issues with the Product Disclosure Statement – Westfield Retail Trust Public Offer lodged earlier today.

Accordingly, a higher resolution version of the Product Disclosure Statement will now be lodged in 2 parts. Attached is Part B of the Product Disclosure Statement (sections 3 onwards).

Yours faithfully
WESTFIELD GROUP

Simon Tuxen
Company Secretary

Encl.

This release does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States. The Westfield Retail Trust securities referred to in this release have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States. Securities may not be offered or sold in the United States unless they have been registered under the United States Securities Act of 1933 ("Securities Act"), or they are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act.

SECTION

3

WESTFIELD RETAIL TRUST

WESTFIELD CHERMSIDE, BRISBANE

SECTION CONTENTS: WESTFIELD RETAIL TRUST

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3 Westfield Retail Trust

3.1 Description of the Proposal

As part of the Proposal:

- Westfield Group Securityholders, at the Capital Distribution Record Date, will receive one Stapled Unit for every one Westfield Stapled Security they hold under the Capital Distribution;
- Westfield Retail Trust will acquire the Shopping Centre Interests from Westfield Group; and
- Westfield Retail Trust will undertake a public float of Westfield Retail Trust via:
  - a general public offer of new Stapled Units to raise up to $2.0 billion; and
  - an offer of Stapled Units to Westfield Group Securityholders to raise up to $1.5 billion through the ability to subscribe for an additional 1 new Stapled Unit for every 4.23 Westfield Stapled Securities held on the Westfield Securityholder Offer Record Date.

Following the public float, Westfield Retail Trust will own the Shopping Centre Interests – being interests in a pre-eminent retail portfolio focused on Australia and New Zealand covering 54 shopping centres with a gross current asset value of over $12 billion.

Under the Proposal, Westfield Retail Trust will be established as a separately listed entity. Westfield Retail Trust will initially hold the Shopping Centre Interests, comprising:

- a 50% interest in the Australian Properties (being 17 Australian shopping centres) with the other 50% continuing to be held by Westfield Group;
- interests ranging from 12.5% to 37.5% in the Existing JV Properties (being 25 Australian shopping centres) with the other interests continuing to be held by Westfield Group and third parties; and
- a 50% interest in the New Zealand Properties (being 12 New Zealand shopping centres) with the other 50% continuing to be held by Westfield Group.

3.2 Implementation of the Proposal

To implement the Proposal, the following key steps will take place:

(a) Internal reorganisation of Westfield Group – Westfield Group will undertake certain transactions and enter certain agreements in preparation for implementation of the Proposal, involving:

- the establishment of all relevant trusts and companies involved in the Proposal;
- an internal reorganisation of Westfield Group, in which certain interests in land are directly and indirectly transferred within Westfield Group and certain debt funding is refinanced; and
- Westfield Retail Trust entering into the Acquisition Facility to raise $3.7 billion.

(b) Westfield Securityholder approvals – an extraordinary general meeting of Westfield Group Securityholders will be held to consider the Resolutions. If you are a Westfield Group Securityholder, see the Explanatory Memorandum dated Wednesday, 3 November 2010 for further details.

If any of the Resolutions are not approved by the requisite majority of Westfield Group Securityholders, the Proposal, and accordingly the Offer, will not proceed.

(c) Capital Distribution – under the Capital Distribution:

- WML (as responsible entity of WFT) will distribute units in Westfield Retail Trust 1 to those Westfield Group Securityholders on the Westfield Register on the Capital Distribution Record Date by a distribution in-specie; and
- WHL will pay a fully-franked dividend to those Westfield Group Securityholders on the Westfield Register on the Capital Distribution Record Date to be satisfied by a distribution in-specie of units in Westfield Retail Trust 2.

Simultaneously with the Capital Distribution, the Stapled Units will be stapled to the Westfield Stapled Securities.

(d) Acquisition of the Shopping Centre Interests – Westfield Retail Trust (through Westfield Retail Trust 1) will acquire the Shopping Centre Interests from Westfield Group in accordance with the Asset Transfer Deeds.

Westfield Retail Trust will pay the Purchase Consideration as consideration for the acquisition of the Shopping Centre Interests. The Purchase Consideration comprises:

- $3.5 billion for the Shopping Centre Interests (excluding Westfield Sydney); and
- $942 million drawn down under the Westfield Sydney Facility to acquire Westfield Sydney.

At or around this time (and following acquisition of the Shopping Centre Interests):

- Westfield Retail Trust and Westfield Group will enter into the Implementation Deed;
- the Group and Westfield Retail Trust will enter into the Westfield Sydney Facility under which the Group will provide a loan of approximately $942 million to Westfield Retail Trust; and
- the relevant entities within Westfield Retail Trust and Westfield Group will enter into the Co-ownership Agreements, Co-operation Deed, a Shareholders Agreement, Development Framework Agreements, Property Management Agreements, the Westfield Sydney Facility, the Corporate Services Agreement and deeds of accession in relation to the Existing JV Properties.

(e) Public Offer and de-stapling – the Public Offer described in this PDS is made and Stapled Units are issued to successful Applicants under the Public Offer on the Allotment Date. On Allotment of Stapled Units under the Public Offer, the Stapled Units will automatically be destapled from the Westfield Stapled Securities.

Stapled Units will then be issued under the Westfield Securityholder Offer.

The net proceeds of the Offer (up to $3.5 billion) will be used by Westfield Retail Trust to pay down the Acquisition Facility.

3.3 Structure of Westfield Retail Trust

Westfield Retail Trust will comprise Westfield Retail Trust 1 and Westfield Retail Trust 2, the units of which will be stapled and are proposed to be traded on ASX.

The responsible entity of Westfield Retail Trust 1 is RE1. The responsible entity of Westfield Retail Trust 2 is RE2. The Westfield Retail Trust Responsible Entities perform the role of trustees of the Westfield Retail Stapled Trusts and the role of responsible entities under Australia's Corporations Act. Each of the Westfield Retail Trust Responsible Entities must hold an Australian financial services licence under Australia's Corporations Act.

Westfield Retail Trust 1 will operate as the property owning trust of Westfield Retail Trust holding the Shopping Centre Interests. Westfield Retail Trust 1 is intended to be treated as a trust for Australian tax purposes. Westfield Retail Trust 2 will earn non-rental income and conduct activities that are not compatible with being treated as a trust for Australian tax purposes. Westfield Retail Trust 2 is intended to be treated like a company for Australian tax purposes.

The simplified ownership structure and property interests of each of Westfield Retail Trust and Westfield Group following the implementation of the Proposal are shown below:

* The portfolio includes the Existing JV Properties, for which Westfield Retail Trust and Westfield Group will share 50% of Westfield Group's current interest in those Properties.

Most of the Shopping Centre Interests will be held directly by Westfield Retail Trust or indirectly through interposed unit trusts in which Westfield Retail Trust will have a unitholding. However, Westfield Retail Trust and Westfield Group will each initially hold their respective 50% economic interest in the New Zealand Properties through subsidiaries of Westfield NZ Holdings Limited. Westfield Retail Trust (through a sub trust) and Westfield Group will each hold ordinary and redeemable preference shares in Westfield NZ Holdings Limited, with their co-ownership regulated by a Shareholders Agreement. Westfield Retail Trust and Westfield Group will manage their underlying interest in the New Zealand Properties through the Shareholders Agreement regulating their ownership of Westfield NZ Holdings Limited and, in particular, their ownership of the relevant redeemable preference shares referable to those properties.

3.4 Overview of Westfield Retail Trust's business

Westfield Retail Trust is expected to be the largest Australian listed real estate investment trust focused on Australian and New Zealand retail property and one of the 25 largest entities listed on the ASX based on anticipated market capitalisation.

Following acquisition of the Shopping Centre Interests, Westfield Retail Trust's property investment portfolio will consist of interests in 54 Australian and New Zealand shopping centres, with approximately 13,200 retail outlets in 3.9 million square metres of GLA. As at 30 June 2010, the Shopping Centre Interests had a gross value of over $12 billion.

Portfolio summary as at 30 June 2010

	Australia	New Zealand	Total
Centres	42	12	54
Retail outlets	11,479	1,716	13,195
GLA (million square metres)	3.5	0.4	3.9
Westfield Retail Trust gross asset value (billion) (1)	$11.0	$1.2	$12.2
Portfolio leased % (2)	99.5%	99.5%	99.5%
Total annual sales (billion) (2)	$20.4	NZ$2.1	$22.1
Specialty sales per square metre (2),(3)	$9,674	NZ$7,703	N/A
Weighted average estimated valuation yield (2),(4)	6.1%	7.4%	6.2%

(1) Westfield Retail Trust's share of shopping centre assets and includes work in progress and assets held for redevelopment.

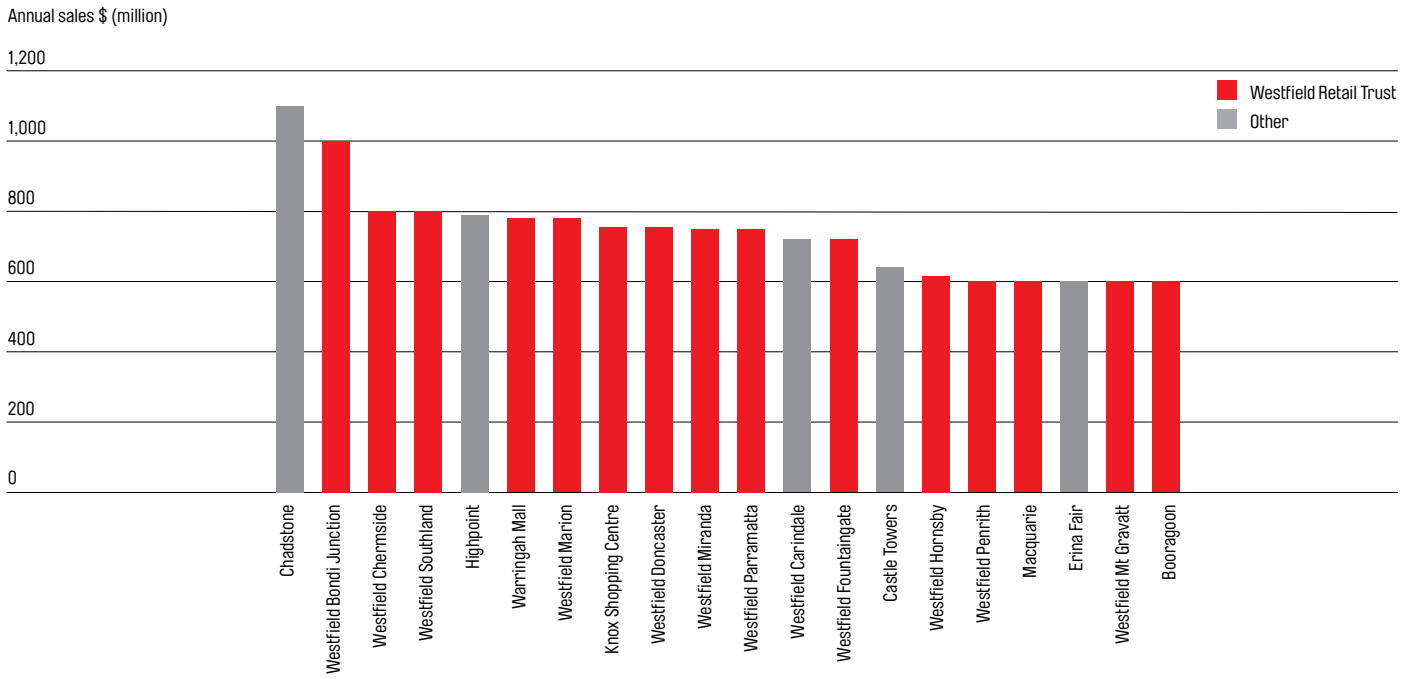
(2) Excludes Westfield Sydney.

(3) Year ended 30 September 2010.

(4) Estimated valuation yield is the forecast net operating income that is expected from the property interest for the proceeding 12 month period divided by the current book value of the property interest.

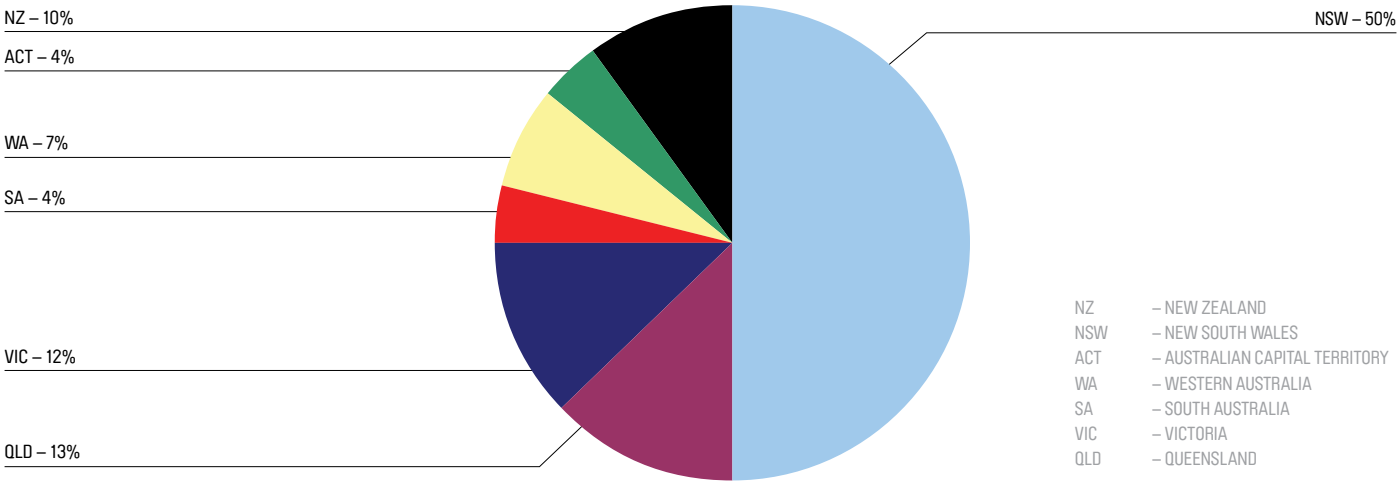
The Shopping Centre Interests are located largely in Australia, with 42 centres representing 90% of the Shopping Centre Interests current book value ($10.9 billion), including 15 of Australia's top 20 performing shopping centres by annual sales.

The diagram below shows total annual turnover for the top 20 shopping centres in Australia:



Source: Shopping Centre Council of Australia

Geographic Distribution by Value



In addition to its portfolio of operating centres, Westfield Retail Trust will own a 50% interest in the Westfield Sydney development, which is expected to be completed in early 2012. The development is located at Sydney's best retail site at Pitt Street Mall, Castlereagh and Market Streets, and connects to two of the highest grossing department stores in Australia – David Jones Sydney and Myer Sydney. On completion, when combined with Westfield Sydney Central Plaza which is located directly opposite Westfield Sydney, the new development will comprise approximately 350 fashion, food and lifestyle stores across 90,000 square metres. The development also includes 76,000 square metres of prime office space. The development will be progressed and completed by Westfield Group with Westfield Retail Trust as a co-owner.

On completion of its development, Westfield Retail Trust is expected to have invested $1.340 billion for its interest in Westfield Sydney and achieve a yield on cost of 5.6% which is supported by a guarantee from Westfield Group for three years. Further details regarding the Westfield Sydney arrangements can be found at section 10.10.

Westfield Retail Trust will also own interests in 12 centres located in New Zealand, which represent 10% of the Shopping Centre Interests by current asset value ($1.2 billion), including five of New Zealand's eight largest shopping centres.

Partnership with Westfield Group

Westfield Retail Trust's initial portfolio will be owned in joint venture with Westfield Group (together with other third parties in the case of Existing JV Properties). Other than for six Existing JV Properties managed by the AMP Group, Westfield Group will continue its existing property management and development roles. Westfield Group is one of the world's leading integrated shopping centre groups with proven property management expertise. Globally, Westfield Group has interests in and operates 119 shopping centres throughout Australia, New Zealand, the United States and the United Kingdom, valued at over $61 billion as at 30 June 2010.[1]

Westfield Group is vertically integrated and manages all aspects of shopping centre development, from design and construction through to leasing, management and marketing. Westfield Group creates value through intensive management at an operational level and a strategic development program that continually improves the quality of the portfolio to generate income and capital growth.

With over 50 years experience, Westfield Group has interests in and operates the largest retail portfolio focused on Australia and New Zealand with 56 centres with a current value of over $32 billion.[2] Each year, Westfield executes, on average, approximately 3,000 lease deals in Australia and New Zealand covering in excess of 350,000 square metres of retail space.

Westfield Group is also an experienced shopping centre developer with more than $8.8 billion of Australian and New Zealand projects since 1992.

Westfield Retail Trust will have access to the operating platform of Westfield Group providing it with a low cost and efficient structure.

Westfield Retail Trust will have access to the Westfield brand, which is synonymous with retailing in Australia and New Zealand.

1 Includes the Shopping Centre Interests to be transferred to Westfield Retail Trust.

2 Two of the Group's Australian shopping centres, Cairns and Carindale (held through the Carindale Property Trust) are excluded from the Proposal and do not comprise part of the Shopping Centre Interests.

Westfield Retail Trust's portfolio

Westfield Retail Trust's portfolio will include interests in some of the largest and best shopping centres in the region. Last year over 550 million customers visited a Westfield Retail Trust centre, spending in excess of $22 billion.

Approximately 70% of the Australian population and more than 50% of the New Zealand population lives within 30 minutes drive of a Westfield Retail Trust centre.

Westfield is the major landlord and integral partner to major household retail brands such as David Jones, Myer, Farmers, Target, Kmart, Big W, Coles and Woolworths.

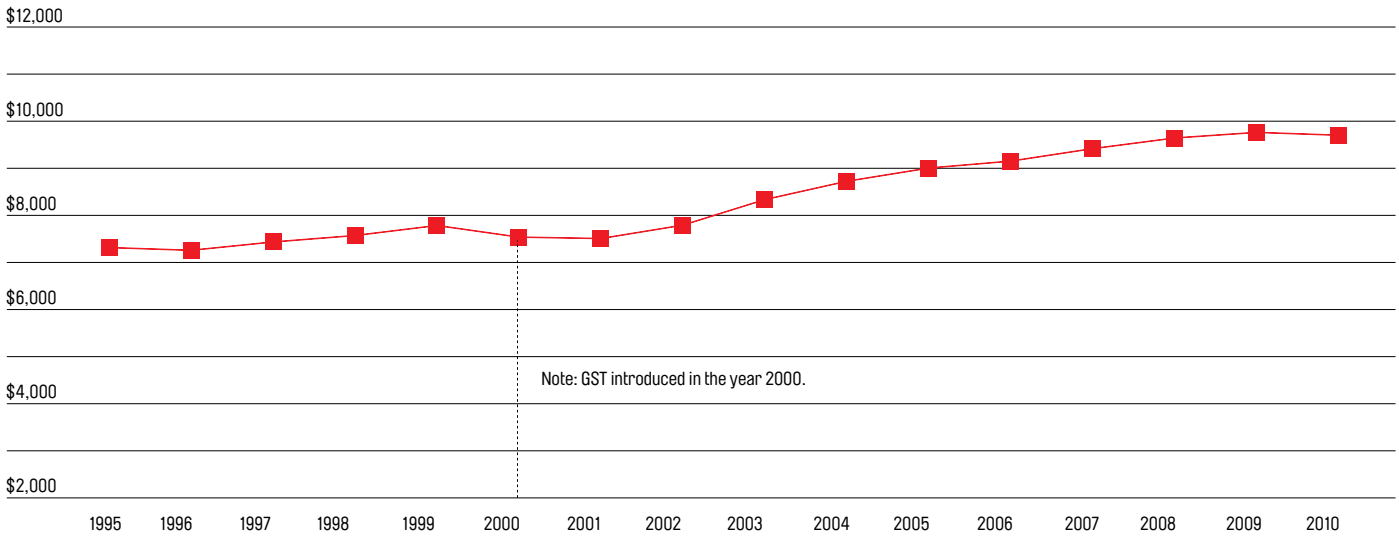
The portfolio's size and quality is unrivalled in the Australian market, with over 60% of the portfolio's Australian centres (by current book value) achieving annual sales in excess of $500 million for the year ended 30 June 2010.[1] The portfolio also achieves high sales productivity for retailers with average annual specialty store sales per square metre of $9,674 for the Australian Properties (for the year ended 30 September 2010).

Annual Sales to 30 June 2010					Proportion of Australian Portfolio[2]
> $600 m	Bondi Junction	$1,015.3 m	Knox	$739.9 m	44%
	Chermside	$830.0 m	Miranda	$727.3 m	
	Southland	$790.6 m	Parramatta	$725.6 m	
	Marion	$764.5 m	Fountain Gate	$703.3 m	
	Doncaster	$763.6 m	Hornsby	$614.3 m	
	Warringah Mall	$757.9 m			
$500 m – $600 m	Penrith	$586.8 m	Pacific Fair	$537.7 m	20%
	Booragoon	$579.6 m	Chatswood	$530.2 m	
	Mt Gravatt	$573.7 m	Carousel	$525.9 m	
	Macquarie	$570.5 m			
$400 m – $500 m	Kotara	$494.8 m	Whitford City	$444.8 m	17%
	Tuggerah	$480.6 m	Woden	$431.0 m	
	Tea Tree Plaza	$479.5 m	Karrinyup	$425.6 m	
	Liverpool	$459.4 m	Burwood	$403.7 m	
$300 m – $400 m	Belconnen	$399.9 m	Mt Druitt	$362.8 m	11%
	Hurstville	$398.2 m	North Lakes	$352.1 m	
	Sydney Central Plaza	$388.0 m	Helensvale	$317.6 m	
	Westlakes	$377.4 m			
< $300 m	Innaloo	$276.0 m	Airport West	$260.7 m	8%
	Geelong	$267.3 m	Warrawong	$216.6 m	
	Plenty Valley	$267.3 m	Figtree	$164.2 m	
	Strathpine	$263.2 m	North Rocks	$140.8 m	

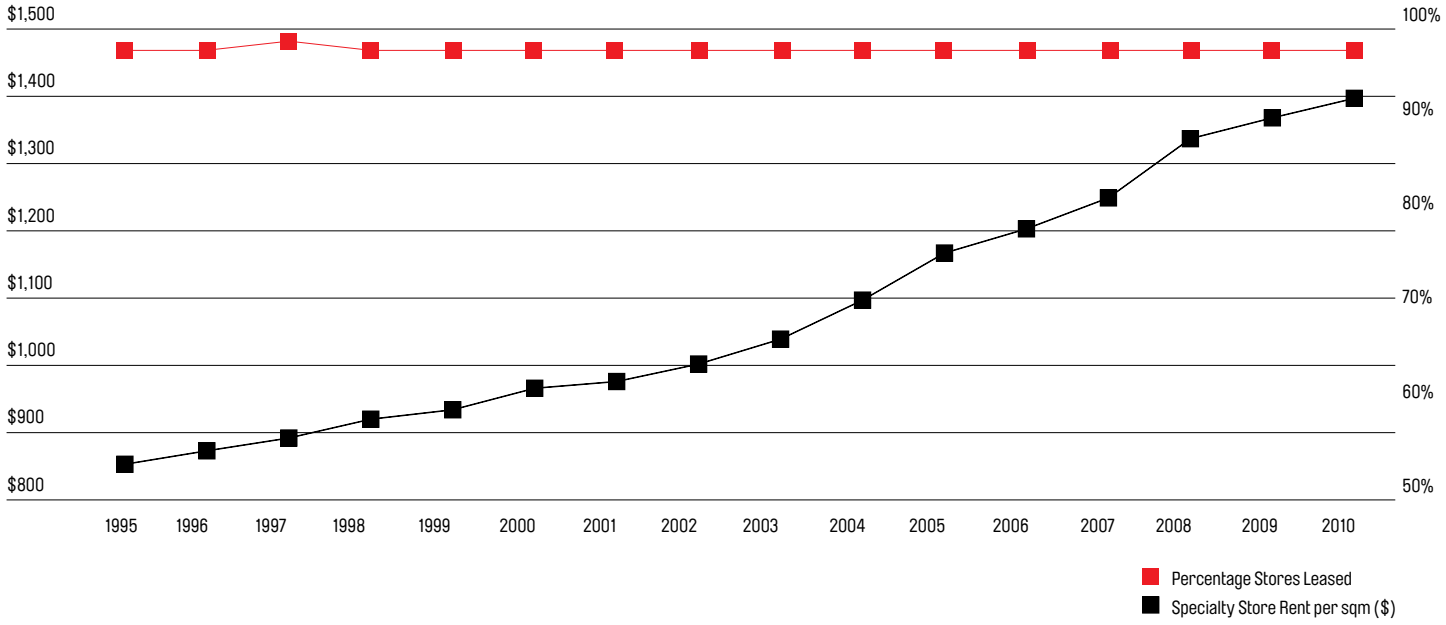
1 This represents 43% of the Australian centres by number and excludes Westfield Sydney which is under redevelopment.

2 Based on 30 June 2010 book values (Westfield Group's share) – and excludes Westfield Sydney currently under redevelopment.

Westfield Group Australian specialty store sales per square metre



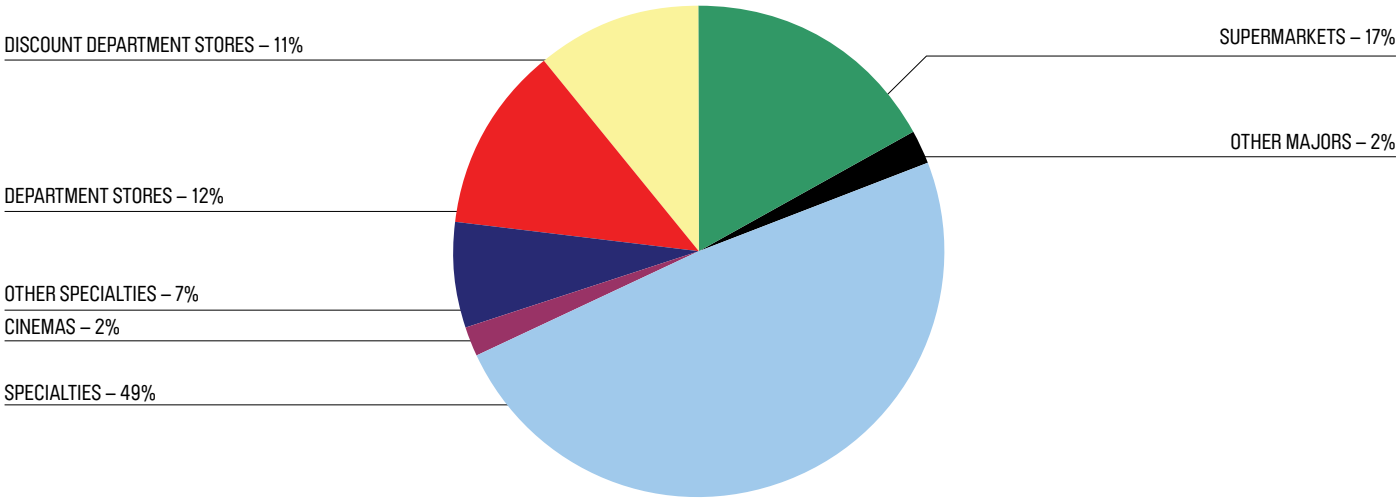
Westfield Group Australian specialty store rent per square metre (LHS) and percentage stores leased (RHS)



The portfolio has a long track record of being almost fully leased, being over 99% leased for over 10 years.

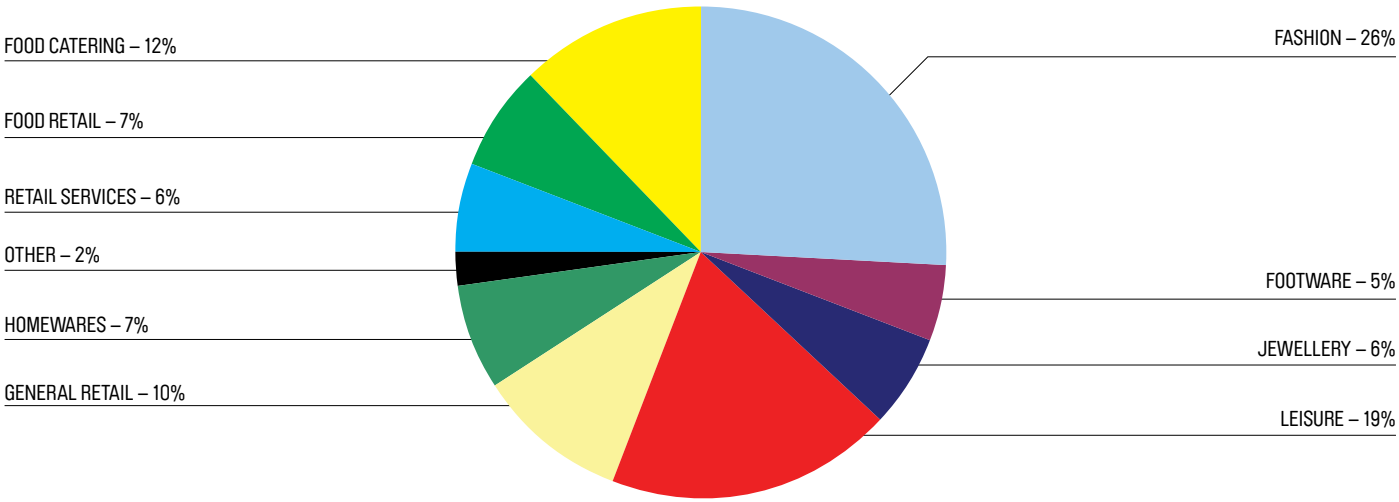
The portfolio includes a diverse range of approximately 13,200 retail stores covering the whole spectrum of retail, leisure and lifestyle consumption.

Australian Sales by Trading Category



For year ended 30 June 2010

Australian Speciality Sales by Trading Category

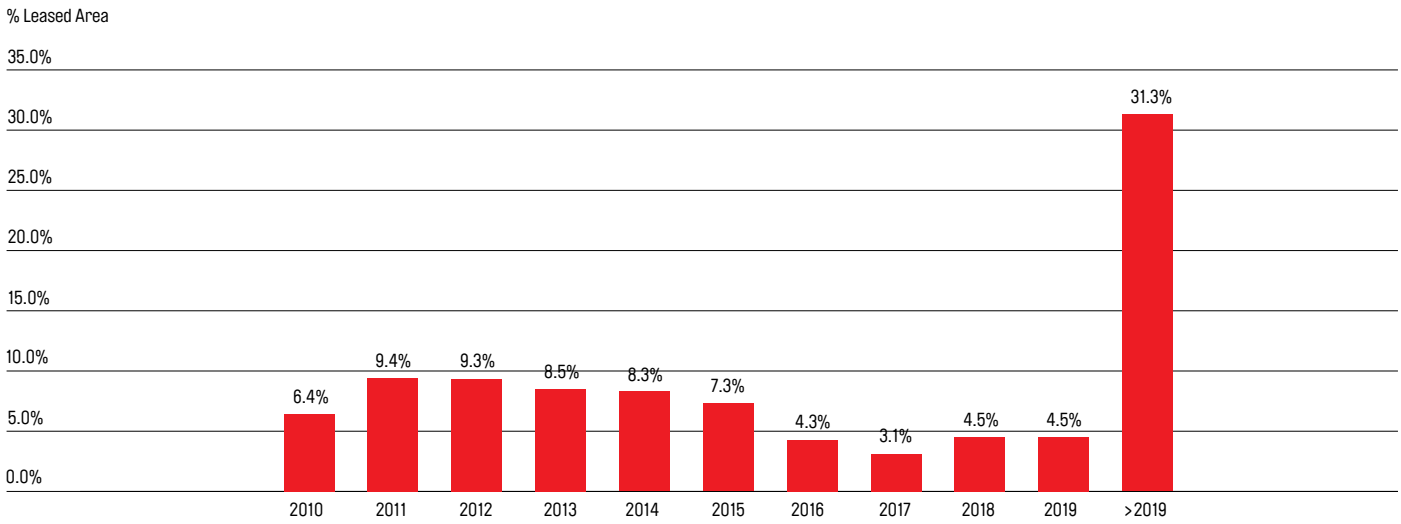


For year ended 30 June 2010

As at 30 June 2010, the Shopping Centre Interests had a weighted average estimated valuation yield of 6.1%[1] for Australia and 7.4% for New Zealand and over 45% of leases are expiring after 2015.

1 Excludes valuation of Westfield Sydney on completion with a valuation yield of 5.6%

Lease Expiry by Year



There are several features that contribute to the value that has been generated from the Shopping Centre Interests over time:

- **Focus on quality.** The quality of the Shopping Centre Interests portfolio is reflected in the level of sales per square metre, level of leasing and lease renewals that have been achieved on a long term basis;
- **Stability of income.** The leases are structured to provide both stability and drive income growth. Leases with major tenants, typically 15 to 25 years, are structured with upward only reviews through the lease term. Specialty tenants are typically on shorter lease terms, averaging five to seven years, with annual contracted increases of either CPI plus a fixed percentage or fixed percentage increases. Over 99% of the total rental income is currently derived from minimum contracted base rent, with less than 1% being directly linked to retailer sales; and
- **Net operating income growth.** Active leasing and property management has supported long term net operating income growth. Over the last 10 years, the Shopping Centre Interests have delivered compound annual growth in net operating income of 5%.

3.5 Investment and business strategy

On establishment, Westfield Retail Trust's principal investment will be the Shopping Centre Interests, in a joint venture with Westfield Group. Westfield Retail Trust's business strategy will be to:

- operate as a separately listed entity investing, for the long term, in high quality retail real estate in Australia and New Zealand, utilising the expertise and operating platforms of Westfield Group and other appropriately resourced and qualified third party asset managers; and
- maximise the long term income and capital returns from its investments.

Westfield Retail Trust does not intend to replicate the extensive property management, leasing and development capabilities of the various managers of the underlying assets, but will focus on overseeing the activities of those managers in order to achieve its investment objectives.

In addition, Westfield Retail Trust intends to focus on other areas to optimise returns for Stapled Unitholders including:

- **Capital management**

  Westfield Retail Trust will seek to manage and source capital so as to maximise overall returns for unitholders. This may include accessing various capital markets to source appropriately priced and structured debt and equity, monitoring and implementing hedging arrangements, assessing alternative forms of capital, and other capital management strategies where appropriate.
- **Asset management**

  Westfield Retail Trust will take an active role on relevant co-owners' committees to ensure its interests are represented, and returns from the underlying assets are maximised.

– **Developments**

Westfield Retail Trust will consider and participate in development opportunities where appropriate. It is envisaged that such activities will be undertaken in conjunction with its joint venture partners (including Westfield Group) and with the use of the relevant development manager's expertise. Developments will be assessed by the Board and management of Westfield Retail Trust based on an assessment of the risk and returns from the development measured relative to Westfield Retail Trust's cost of capital as well as other relevant factors to ensure the long term competitive positioning of the investment.

The continual redevelopment of shopping centres is necessary to ensure the centres remain at the forefront of changing retail trends and relevant to their specific market. Development opportunities have been identified across Westfield Retail Trust's assets representing a potential investment of approximately $1.5 billion over the next 5–7 years. Westfield Retail Trust's investment in development is aimed at creating long term value for unitholders.

– **Acquisitions and disposals**

It is intended that Westfield Retail Trust will, over time, assess various acquisition opportunities in line with its investment strategy of retail property investment in Australia and New Zealand. Acquisitions which are in line with Westfield Retail Trust's investment strategy may be made jointly with Westfield Group, with other partners, or on its own.

Where appropriate, Westfield Retail Trust will also consider the disposal of assets from time to time.

3.6 Relationship with Westfield Group

Westfield Group and Westfield Retail Trust are expected to maintain a strong relationship going forward. Westfield Group's ongoing relationship with Westfield Retail Trust will include the following arrangements:

– The Shopping Centre Interests will be owned in joint venture with Westfield Group.[1]

– Westfield Group will continue its existing property management and development roles,[2] allowing Westfield Retail Trust to leverage Westfield Group's significant management, leasing, development and construction capabilities.

– Westfield Group will complete the redevelopment of Westfield Sydney. Westfield Group will provide loan funding to finance Westfield Retail Trust's purchase of the 50% interest in the development and fund Westfield Retail Trust's share of the remaining capital expenditure to complete the development. Westfield Group will also provide a three year income guarantee to Westfield Retail Trust such that the initial yield equates to 5.6% based on Westfield Retail Trust's share of the total cost – see further detail on the Westfield Sydney arrangements at section 10.10.

– Westfield Retail Trust will participate in future redevelopment projects with Westfield Group, but it is not obliged to consent to any project and each project will be assessed by Westfield Retail Trust having regard to Westfield Retail Trust's required returns and funding.

– Westfield Group will own the Westfield Retail Trust Responsible Entities. No management fees, performance fees, capital raising fees or other fees typical of a responsible entity role will be charged by the Westfield Retail Trust Responsible Entities. However, in addition to the corporate services provided to the Westfield Retail Trust Responsible Entities under the Corporate Services Agreement described below, the Westfield Retail Trust Responsible Entities will incur further corporate costs in carrying out their duties as responsible entities of Westfield Retail Trust (including the costs associated with maintaining a listing on ASX, the costs associated with the Westfield Retail Trust Board and the management team described in section 3.7 below and the costs of maintaining corporate premises). A subsidiary of Westfield Retail Trust will incur these costs and will then recharge the costs to the Westfield Retail Trust Responsible Entities pursuant to the WRT Internal Reimbursement Agreement so that the costs can be paid by Westfield Retail Trust. This is an internal arrangement within Westfield Retail Trust and none of these amounts will be paid to Westfield Group. It is estimated that these costs will be $12 million in 2011.

– Westfield Group will provide staff, systems and administrative, accounting, treasury, information technology, human resources and other ancillary corporate services to Westfield Retail Trust under the Corporate Services Agreement (refer section 10.11). Westfield Group will charge $23 million in 2011 for these services. The continuance, scope and costs of the services to be provided will be reviewed annually by the Westfield Retail Trust Board. Either party will have the right to terminate the agreement or change the services provided under the agreement on 12 months' notice given by either party.

– Westfield Retail Trust and Westfield Group will each seek new investment opportunities in Australia and New Zealand, and both Westfield Retail Trust and Westfield Group will have the right to acquire a 50% interest in retail property assets in Australia or New Zealand to be acquired by the other party if the terms allow (see section 10.8 for further details). As a result, Westfield Retail Trust will benefit from access to Westfield Group's acquisition opportunities.

The property ownership, management and development arrangements between Westfield Group and Westfield Retail Trust will be long term in nature. In the case of the management and development arrangements, Westfield Retail Trust will not be able to terminate these arrangements unless Westfield Group holds less than a 25% interest in the relevant Property or for material breach of obligations contained in the agreement or for other specified events (including insolvency).

1 Some assets to which the Shopping Centre Interests relate will be owned in joint venture with both Westfield Group and other property investors including AMP Group, GPT, LaSalle Investment Management, GIC, Dexus, UniSuper, Queensland Investment Corporation, Perron Group and Australian Prime Property Fund.

2 There are six Properties managed by AMP Group.

Either of Westfield Group or Westfield Retail Trust will be free to sell their interests in the Properties in the future subject to first offering that interest to the other co-owners of the Properties under pre-emptive rights. If Westfield Group were to sell its interests below the 25% threshold referred to above, Westfield Retail Trust may be required to find an alternative property manager and property developer and would cease using the Westfield name and branding rights at that centre.

Westfield Group will own the Westfield Retail Trust Responsible Entities. If the Westfield Retail Trust Responsible Entities were removed by vote of unitholders as the responsible entities in the future:

- Westfield Retail Trust would cease to be entitled to use the corporate name "Westfield".
- Westfield Group would be entitled to terminate the co-operation arrangement it has with Westfield Retail Trust.
- Westfield Group would cease to be required to provide corporate services to Westfield Retail Trust. No termination payment obligations arise on termination.
- The interest of Westfield Retail Trust in three shopping centres (Liverpool, Helensvale and Miranda) could be acquired by its co-owners for market value. Pre-emptive rights would not be triggered for the other Properties.
- Westfield Group would continue to provide property management and property development services for the Properties.

If, in the future, a change in control of ownership of securityholders of either of Westfield Group or Westfield Retail Trust were to occur, that change of control would have no impact on the arrangements described above unless the existing responsible entities were removed as responsible entities of Westfield Retail Trust. No feature of the arrangements described above are considered to impede the possibility of a change of control occurring in the future.

3.7 Board of directors and senior management

Following implementation of the Proposal, the Westfield Retail Trust Board will include the following directors who together have a broad range of skills, strong property and finance expertise and significant experience:

Mr Richard F E Warburton AO

Chairman

Dick Warburton is one of Australia's most prominent company directors. Prior to becoming a professional director, he was the Chairman and CEO of DuPont Australia and New Zealand where he was responsible for DuPont's petro-chemical business operations in Australia and New Zealand. Mr Warburton is currently Chairman of Tandou Limited, Magellan Flagship Fund and the Board of Taxation and is a Director of Citigroup Pty Limited. He was previously Chairman of David Jones Limited, AurionGold Limited and Caltex Australia Limited, and a Director of Tabcorp Holdings Limited, Southcorp Limited, Nufarm Limited and the Reserve Bank of Australia. Mr Warburton is a Fellow (and former National President) of the Australian Institute of Company Directors.

Mr Peter K Allen

Peter Allen has extensive experience both as a finance executive and in real estate generally and shopping malls in particular. He is currently the Group Chief Financial Officer of Westfield Group and is responsible for the Group's global finance function. From 1998 to 2004, Mr Allen was based in London as Westfield Group's CEO of United Kingdom/Europe and was responsible for establishing Westfield Group's presence in the United Kingdom. Prior to that appointment, he held the position of Director of Business Development. Before joining Westfield Group, Mr Allen worked for 11 years in various positions for Citibank in Melbourne, New York and London. Mr Allen is a Governance Board Director of the Kolling Institute of Medical Research and a Board Member of the Kolling Foundation. He is also an Associate Member of the Australian Property Institute (AAPI).

Mr Laurence R Brindle

Laurie Brindle has extensive experience in property investment. From 1988 to 2009, Mr Brindle served as an executive with Queensland Investment Corporation (QIC). He was Head of Global Real Estate as well as serving as a long term member of QIC's Investment Strategy Committee. Mr Brindle is regarded as one of the architects of QIC's global funds management business. More recently, Mr Brindle was CEO of Trinity Limited, a diversified Australian listed property group. Mr Brindle holds a Bachelor of Engineering (Honours) and a Bachelor of Commerce from the University of Queensland and an MBA from Cass Business School London. He was also previously Chairman of the Shopping Centre Council of Australia.

Mr Andrew W Harmos

Andrew Harmos is one of the founding directors of Harmos Horton Lusk Limited, an Auckland-based specialist corporate legal advisory firm. He was formerly a senior partner of Russell McVeagh. He is Chairman of the New Zealand Stock Exchange Limited and is a director of Elevation Capital Management Limited. He was previously a director of Westfield New Zealand Group. He is also a trustee of the Arts Foundation of New Zealand and the McCahon House Trust.

Mr Michael F Ihlein

Chairman, Audit and Risk Committee

Mike Ihlein is a highly experienced corporate and finance executive. He holds a Bachelor of Business Studies (Accounting) from the University of Technology Sydney. He joined Brambles as Chief Financial Officer in March 2004 and became its CEO in July 2007 until his retirement in November 2009. Previously Mr Ihlein had a long career with Coca-Cola Amatil Limited (and related companies), where he was CFO (1997 to 2004), Managing Director of Coca-Cola Amatil, Poland (1995 to 1997) and had previously held a number of senior business development and treasury roles within that company. Mr Ihlein is an associate member of the Australian Institute of Company Directors, CPA Australia and a member of the Financial Services Institute of Australasia (Finsia). He is also Chair of the Australian Theatre for Young People.

Mr Steven M Lowy AM

Steven Lowy currently serves as Group Managing Director of Westfield Group. He was appointed as an executive Director of Westfield Management Limited and Westfield Holdings Limited in 1989 and Westfield America Management Limited in 1996. He holds a Bachelor of Commerce (Honours) from the University of NSW. Prior to joining Westfield in 1987, Mr Lowy worked in investment banking in the US. He is President of the Board of Trustees of the Art Gallery of New South Wales, Chairman of the Victor Chang Cardiac Research Institute, a Director of the Lowy Institute for International Policy, a member of the Prime Minister's Business-Government Advisory Group on National Security and Chairman of the Board of Management for the Associate Degree of Policing Practice NSW (ADPP).

Ms Sandra V McPhee

Sandra McPhee has extensive international experience as a non-executive director and senior executive in consumer facing industries including retail, funds management and transport and logistics, most recently with Qantas Airways Limited. She serves on the Boards of AGL Energy Limited, Fairfax Media Limited, Tourism Australia and Kathmandu Limited. She is Deputy President of the Art Gallery of NSW, Deputy Chairman of St Vincent's and Mater Health Sydney and a member of the Advisory Council of J.P. Morgan and Advisory Board of Mercer, Marsh McLennan Companies. Previous non-executive Director roles include the Coles Group Limited, Australia Post, Perpetual Limited, Primelife Corporation, CARE Australia, and Deputy Chairman of South Australia Water. She is a Fellow of the Australian Institute of Company Directors and a member of Chief Executive Women.

Mr Domenic Panaccio

Managing Director

See facing page for details.

As at the date of this PDS, the Westfield Retail Trust Board comprises Mr Lowy, Mr Allen and Mr Panaccio (the Managing Director), with the remaining directors joining the Westfield Retail Trust Board on the Implementation Date.

Westfield Retail Trust will not hold an annual election of directors as the Boards of RE1 and RE2 are appointed, and can be removed, by Westfield Group. Despite this, a director of RE1 and RE2 will be considered to be "independent" (and in this PDS is referred to as an "independent" director or a director who is "independent of Westfield Group") provided that director satisfies each of the following requirements:

- the director is a non executive director;
- the director is not a substantial Stapled Unitholder of Westfield Retail Trust nor an officer of, or otherwise associated directly with, a substantial Stapled Unitholder of Westfield Retail Trust;
- the director is not a substantial Westfield Group Securityholder nor an officer of, or otherwise associated directly with, a substantial Westfield Group Securityholder;
- the director has not been employed in an executive capacity by Westfield Group during the last three years;
- the director has not within the last three years been a principal of a material professional advisor or material consultant to Westfield Group, nor has the director been materially associated with a service provided by such an advisor or consultant to Westfield Group during that time;
- the director does not have a material contractual relationship with Westfield Group in any capacity other than as a director of RE1 and RE2; and
- the director is free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the independent exercise of the director's judgement.

On the Implementation Date, the Westfield Retail Trust Board will comprise a majority of non-executive directors who consider themselves to be independent of Westfield Group. Each of the directors (other than Mr Lowy, Mr Allen and Mr Panaccio) has considered the fact that he or she has been appointed by Westfield Group and may only be removed by Westfield Group and, despite this, confirms that he or she has no other relationship with Westfield Group and based on the criteria set out above, considers himself or herself to be independent of Westfield Group.

The Westfield Retail Trust Responsible Entities are wholly owned by Westfield Group. Stapled Unitholders will have the power to replace those Responsible Entities by a majority vote of unitholders, but not to appoint or remove the Westfield Retail Trust Directors. The consequences of replacing the Westfield Retail Trust Responsible Entities are described in section 7.9.

Westfield Retail Trust has appointed a senior management team who will be accountable to the Westfield Retail Trust Board. Westfield Retail Trust's senior management team will consist of:

Mr Domenic Panaccio
Managing Director

Domenic Panaccio joined Westfield Group in 2003 as Chief Financial Officer for Westfield America Trust. Following the merger in July 2004 Mr Panaccio was appointed Deputy Chief Financial Officer for Westfield Group, responsible for Capital Markets (Debt & Equity) and actively involved with strategic projects. Prior to joining Westfield Group, Mr Panaccio spent 21 years with the Foster's Group Limited where he held senior positions in the finance and capital markets areas. These included Chief Financial Officer for Foster's Wine Division, Beringer Blass Wine Estates, Vice-President Capital Markets and Group Treasurer, Vice-President Investor Relations, and other finance related positions. Mr Panaccio is a qualified CPA, a fellow of the Finance and Treasury Association, and an executive committee and board member of the Asia Pacific Real Estate Association.

Mr Brian J Mackrill
Chief Financial Officer

Brian Mackrill has extensive experience as an executive in senior finance roles. He has more than 20 years of finance and treasury experience, with the last 12 in the property sector. From 2007 to 2010 he has held the position of Director, Finance for Westfield Group's United Kingdom business, responsible for finance, tax, and risk management. Prior to this he spent eight years in Westfield Group's Treasury in risk management and financing roles, including five years as Group Treasurer. Before joining Westfield Mr Mackrill held treasury and finance roles at IBM Australia and Pacific Power. He holds a Bachelor of Economics and a Master of Applied Finance from Macquarie University, Australia.

Mr Roy Gruenpeter
General Manager – Asset Management

With over 12 years experience in the retail property industry, Roy Gruenpeter has performed various roles within the Centre Management, Leasing, Development and Asset Management sectors of the industry within Westfield Group. Mr Gruenpeter has extensive retail development expertise having fulfilled the role of Development Manager from 2003 – 2008 within Westfield Group. During this time he has successfully formulated and delivered a number of retail development projects including the $200 million Westfield Geelong redevelopment. Since 2008, Mr Gruenpeter has been responsible for Westfield Group's ownership interests for all the co-owned assets managed by third parties, ensuring that those assets are effectively managed and delivering the required investment returns. His tertiary qualifications include a Bachelor of Arts and a Graduate Certificate in Urban Estate Management.

3.8 Corporate governance

The Westfield Retail Trust Board recognises the importance of good corporate governance and is committed to complying with high standards in corporate governance. This will be achieved through:

- the high quality and experienced Westfield Retail Trust Board determining appropriate governance arrangements for Westfield Retail Trust and continually monitoring those arrangements; and
- the governance deed poll (as described below).

The corporate governance framework for the Westfield Retail Trust Board is underpinned by the ASX Principles of Good Corporate Governance and Best Practice Guidelines (**ASX Guidelines**). Listed entities are required to disclose in their annual reports the extent of their compliance with the ASX Guidelines and to explain why they have not adopted an ASX Guideline if they consider it to be inappropriate to do so in their particular circumstances. On establishment, Westfield Retail Trust will be required to report against the ASX Guidelines.

The Westfield Retail Trust Board will have policies to ensure that Westfield Retail Trust has met all applicable standards of disclosure pursuant to the Listing Rules. The Westfield Retail Trust Responsible Entities will include on Westfield Retail Trust's website details of its corporate governance regime and a corporate governance statement will be included in Westfield Retail Trust's annual report.

The key elements of Westfield Retail Trust's governance are set out below.

Governance deed poll

The Westfield Retail Trust Responsible Entities have entered into a governance deed poll that provides a number of undertakings to Stapled Unitholders around the governance arrangements for Westfield Retail Trust. Specifically, the undertakings in this deed ensure:

- Westfield Retail Trust will hold an annual meeting for the Westfield Retail Stapled Trusts each calendar year;
- the annual report of Westfield Retail Trust must be considered at the annual meeting;
- Stapled Unitholders may submit written questions to the auditor;
- Westfield Retail Trust's auditor will be required to attend the annual meeting;
- the chair of the annual meeting must allow a reasonable opportunity to ask questions or comment on the management of Westfield Retail Trust, and ask questions of the auditor.

The governance deed poll may only be amended if the amendment is proposed by the Westfield Retail Trust Board and approved by an ordinary resolution of Stapled Unitholders or if the Westfield Retail Trust Board reasonably believes that the amendments are in the best interests of Stapled Unitholders as a whole.

Role of the Board

The Westfield Retail Trust Board will be accountable to Stapled Unitholders. Under its charter, the Westfield Retail Trust Board will seek to ensure that the business objectives of Westfield Retail Trust are aligned with the expectations of Stapled Unitholders and that Westfield Retail Trust is effectively managed in a manner that is properly focused on its business objectives as well as conforming to regulatory and ethical requirements.

In addition to the responsibilities outlined above, the primary objectives of the Westfield Retail Trust Board in discharging its functions will be to:

- oversee the effective management and control of Westfield Retail Trust, including the composition, performance and remuneration of the management team;
- set and review the strategic direction of Westfield Retail Trust;
- approve and monitor key budgets, business plans, financial statements and financial policies;
- approve all material transactions;
- establish, promote and maintain proper processes and controls to maintain the integrity of financial accounting, financial records and reporting;
- develop and implement key corporate policies, procedures and controls as necessary to ensure appropriate standards of accountability, risk management and corporate governance and responsibility;
- ensure that Stapled Unitholders receive high quality, relevant and accurate information in a timely manner;
- determine and adopt Westfield Retail Trust's distribution policy in accordance with the constitutions of Westfield Retail Trust 1 and Westfield Retail Trust 2; and
- ensure compliance with their Australian financial services licences, the compliance plan (see section 11.7) and other rules and regulations.

Duties of the Board

All directors of Westfield Retail Trust Responsible Entities are required to act in the best interests of the Stapled Unitholders. This applies notwithstanding that the directors of Westfield Retail Trust are appointed by Westfield Group.

Constitutions and compliance plan

The Westfield Retail Stapled Trusts will be governed by their constitutions as outlined in section 11.2.

As required by the Corporations Act, a compliance plan for Westfield Retail Trust has been lodged with ASIC which sets out the measures that the Westfield Retail Trust Responsible Entities will apply in operating Westfield Retail Trust 1 and Westfield Retail Trust 2 to ensure compliance with the Corporations Act, the constitutions, this and any other disclosure document, their Australian financial services licences and how these procedures will be monitored.

The compliance plan is required to contain adequate measures for ensuring that the property of Westfield Retail Trust 1 and Westfield Retail Trust 2 is clearly identified and held separately, that the properties are valued at regular intervals, the compliance plan is audited and adequate trust records are kept.

Continuous Disclosure Policy and Stapled Unitholder communication process

The Westfield Retail Trust Board is committed to providing relevant information to Stapled Unitholders about the operations of Westfield Retail Trust and to fulfil its duties to comply with its continuous disclosure obligations to the market generally.

The Westfield Retail Trust Board has adopted a Continuous Disclosure Policy which is designed to ensure compliance with the Listing Rules and continuous disclosure obligations.

The Westfield Retail Trust Board has established a Continuous Disclosure Committee which is responsible for:

- making decisions on what information should be disclosed to the market; and
- ensuring disclosure is made in a timely and efficient manner.

Stapled Unitholders will receive an annual report. Newsletters and updates may also be sent to Stapled Unitholders from time to time.

Audit and Risk Committee

The objective of the Audit and Risk Committee is to assist the Westfield Retail Trust Board in fulfilling its corporate governance responsibilities. The duties and responsibilities of the Audit and Risk Committee are contained in the Audit and Risk Committee charter. The duties and responsibilities include:

- monitoring and reviewing compliance with laws and regulations (including Westfield Retail Trust's compliance plan);
- monitoring and reviewing the accuracy and reliability of management and financial reporting;
- reporting to the Westfield Retail Trust Board on the half-year and annual reports and financial statements of Westfield Retail Trust;
- facilitating an effective and efficient audit (including making recommendations regarding the appointment, evolution and removal of Westfield Retail Trust's external auditor);
- monitoring and reviewing the effectiveness of Westfield Retail Trust's internal control environment, including the effectiveness of internal control procedures;
- overseeing the internal audit function; and
- monitoring the adequacy and effectiveness of compliance systems in relation to the legal exposures of Westfield Retail Trust.

The Audit and Risk Committee will meet with external auditors at least twice each year (and more frequently if required) to review the adequacy of existing external audit arrangements and the scope of the audit. The external auditors will have a direct line of communication at any time to either the Chairman of the Audit and Risk Committee or the Chairman of the Westfield Retail Trust Board.

The Audit and Risk Committee must comprise at least three non-executive directors with all being independent directors. The chairperson will be appointed by the Audit and Risk Committee and must be a non-executive director and not the chairperson of the Westfield Retail Trust Board. The chairperson will report the activities of the Audit and Risk Committee to the Westfield Retail Trust Board after each meeting.

The external auditors, Westfield Retail Trust's Managing Director and Chief Financial Officer will be invited to attend Audit and Risk Committee meetings at the discretion of the committee. At least twice annually, the Audit and Risk Committee will meet with the external auditors without management being present.

Conflicts Committee and charter

Actual or potential conflicts and related party matters will be considered by Westfield Retail Trust's Conflicts Committee in accordance with its charter. The Conflicts Committee will comprise the non-executive directors of the Westfield Retail Trust Responsible Entities who are not associated with a related party of Westfield Group. Having regard to the proposed activities of Westfield Retail Trust, it is expected that, at least initially, the majority of the transactions to come before the Conflicts Committee will involve Westfield Group. The Conflicts Committee is responsible for making recommendations to the Westfield Retail Trust Board in connection with conflicts of interest, including dealings with related parties and:

- any proposal to acquire property for Westfield Retail Trust or dispose of property of Westfield Retail Trust, where any counterparty having a direct or indirect interest in the applicable property is either:
  - a related body corporate of any Westfield Group entity or any director of Westfield Group or their associates; or
  - any fund or account managed by a related body corporate of a Westfield Group entity; and
- in connection with any agreements between Westfield Retail Trust and Westfield Group (including any property management agreements and any decisions to be made in connection with redevelopment of any property).

The Conflicts Committee will also be responsible for determining protocols to manage conflicts and will oversee the implementation of those protocols.

Remuneration Committee

The objective of the Remuneration Committee will be to provide advice to the Westfield Retail Trust Board relating to the effectiveness, integrity and legal compliance of Westfield Retail Trust's remuneration programs. The responsibilities of the Remuneration Committee include:

- determining and reviewing remuneration policies to apply to executives of Westfield Retail Trust;
- reviewing contractual rights of termination for members of the senior executive team;
- reviewing and approving the policy for participation by senior executives in any equity linked plans implemented in the future;
- reviewing the remuneration reporting in the financial statements of Westfield Retail Trust;
- reviewing and approving management's recommendations of the total proposed awards to be issued under any future plan; and
- administering any future equity linked plans as required in accordance with the rules of the plans.

Westfield Retail Trust's Remuneration Committee will comprise three non-executive, independent directors. The chairperson will be appointed by the Remuneration Committee and must not be the chairperson of the Westfield Retail Trust Board. The chairperson will report the activities of the Remuneration Committee to the Westfield Retail Trust Board after each meeting.

Nominations Committee

The Westfield Retail Trust Board recognises that under the ASX Guidelines, it is recommended that a board (depending on its size) have a Nominations Committee. Initially Westfield Retail Trust will not have a formally constituted Nominations Committee. However, in line with the ASX Guidelines, the Westfield Retail Trust Board has processes which include:

- the evaluation of the performance of the Westfield Retail Trust Board, its committees and directors;
- the monitoring and evaluation of the necessary and desirable competencies of the directors including the range of skills and experience of the directors; and
- consideration of Westfield Retail Trust Board succession planning issues.

Whilst the Westfield Retail Trust Board will have such processes, the Westfield Retail Trust Board acknowledges that WHL as the sole shareholder of RE1 and RE2 will have the power of appointment and removal of the Westfield Retail Trust Directors.

3.9 Distributions

The distribution policy of Westfield Retail Trust will be to pay out 90% of Distributable Earnings in each year, subject to general business and financial conditions, working capital requirements, taxation considerations, capital expenditure requirements and other factors the Westfield Retail Trust Board considers relevant.

Subject to having sufficient Distributable Earnings, distributions will be paid every six months. An interim distribution will be paid at the end of August in each year and a final distribution will be paid at the end of February in each year.

For the financial year ended 31 December 2011, Westfield Retail Trust forecasts a distribution of 16.3 to 16.6 cents per Stapled Unit. Approximately 10% to 20% of the 2011 distribution is expected to be tax deferred for Australian tax purposes (the consequences of receiving a tax deferred distribution are explained in section 9). The interim distribution for FY 2011 is expected to be paid at the end of August 2011 and the final distribution is expected to be paid at the end of February 2012.

It is expected that the implementation of the Proposal will become effective from a date prior to 1 January 2011. For the relevant period between that date and 31 December 2010, there is expected to be Distributable Earnings of between 0.042 cents and 0.046 cents and a distribution of between 0.0378 cents and 0.0414 cents per Stapled Unit per day from the Implementation Date. Westfield Retail Trust is expected to pay this distribution at the end of February 2011.

3.10 Capital management

Westfield Retail Trust will use the Acquisition Facility to fund the acquisition of the Shopping Centre Interests from Westfield Group and to pay the costs of the Offer. Net proceeds from the Offer will be used to repay the Acquisition Facility. To the extent that the Offer proceeds are insufficient to repay the Acquisition Facility fully, Westfield Retail Trust will continue to have a portion of the Acquisition Facility debt outstanding after implementation of the Proposal with that debt due 364 days after signing of the facility if not refinanced.

Westfield Retail Trust will use the Westfield Sydney Facility to acquire the Westfield Sydney shopping centre. Part of that facility is repayable on demand and the facility will fall due for repayment on completion of the shopping centre in early 2012.

Prior to the Offer, Westfield Retail Trust's gearing will be 37.8% on listing. If only the underwritten amount of $1.75 billion is raised, Westfield Retail Trust's gearing will be 23.8% on listing. If the Offer is fully subscribed, Westfield Retail Trust's gearing will be less than 10% on listing. Either of these gearing levels should provide Westfield Retail Trust the flexibility to access and utilise debt to fund developments and acquisitions on an ongoing basis, including the refinancing of the Acquisition Facility in 2011 and the payments due on completion of the redevelopment of Westfield Sydney in 2012.

Westfield Retail Trust intends to refinance the Acquisition Facility through the combination of bank facilities with maturities ranging between 3 to 5 years and bond issues with maturities ranging between 3 to 10 years.

With the refinancing of the above facilities and as a result of ongoing funding requirements, Westfield Retail Trust's finance facilities are expected to encompass a diversity of financing sources which may include committed unsecured bank loan facilities on a syndicated and bilateral basis, bonds and hybrid instruments. Committed unsecured bank loan facilities and bonds are expected to be with a number of lenders and are expected to have various maturities to minimize credit risk and refinancing risk. Westfield Retail Trust may also raise debt finance through secured borrowings, including secured investment loans over individual properties or groups of properties and secured construction loans.

Westfield Retail Trust plans to seek a credit rating from both Standard & Poors and Moody's promptly after implementation of the Proposal to support its capital management strategies.

In addition to the public equity and secured and unsecured debt markets, Westfield Retail Trust may also raise funding by accessing private equity from institutional investors, through hybrid equity raisings and the disposition or joint venturing of properties.

Westfield Retail Trust considers that it will have sufficient working capital to carry out its stated objectives.

3.11 Reporting

For accounting and reporting purposes Westfield Retail Trust will operate on a calendar year basis.

An application will be made to the ATO for the tax reporting year ends of Westfield Retail Trust 1 and Westfield Retail Trust 2 to be 31 December. However, the ATO may require the Westfield Retail Stapled Trusts to adopt a 30 June tax reporting year end.

Westfield Retail Trust will formally report to investors on a half yearly basis as at 30 June and 31 December. Amongst other things the report will detail:

- the amount of distributions for the period;
- the current net asset value of Stapled Units as at the end of the reporting period;
- performance of Westfield Retail Trust over the period;
- significant activities during the period;
- portfolio update (including valuations of the properties); and
- potential development activity within Westfield Retail Trust's portfolio.

Each half year and each year Westfield Retail Trust will provide a report to investors which will include an income statement, balance sheet and statement of cash flows. In accordance with the Corporations Act, an annual report will also be provided to investors. The financial statements in the annual report will be audited and the half year accounts will be subject to review by the auditors.

The first half yearly reports will be for the period to 30 June 2011 (including the period from Implementation Date to 31 December 2010) to align the reporting period with Westfield Group's 30 June half year reporting cycle.

3.12 Unit pricing

The underlying net asset value of Stapled Units will be calculated half yearly for each of Westfield Retail Trust 1 and Westfield Retail Trust 2. The price at which Stapled Units trade on the ASX may be higher or lower than the net asset value based price.

3.13 Valuation policy

Independent valuations of each Property will be carried out on an annual basis or more frequently if market conditions dictate. Directors' valuations will be carried out on a six monthly basis.

No asset will be valued by the same valuation firm for a continuous period exceeding three years.

3.14 Auditors

Unless the Westfield Retail Trust Board otherwise determines, the auditor of Westfield Retail Trust will be Ernst & Young, which is also the auditor of Westfield Group. The audit partner of Westfield Retail Trust will not be the audit partner of Westfield Group.

3.15 Register

The unit register will be maintained in New South Wales by the Registry.

SECTION

4

WESTFIELD RETAIL TRUST PROPERTY PORTFOLIO

WESTFIELD CHATSWOOD, SYDNEY

SECTION CONTENTS: WESTFIELD RETAIL TRUST PROPERTY PORTFOLIO

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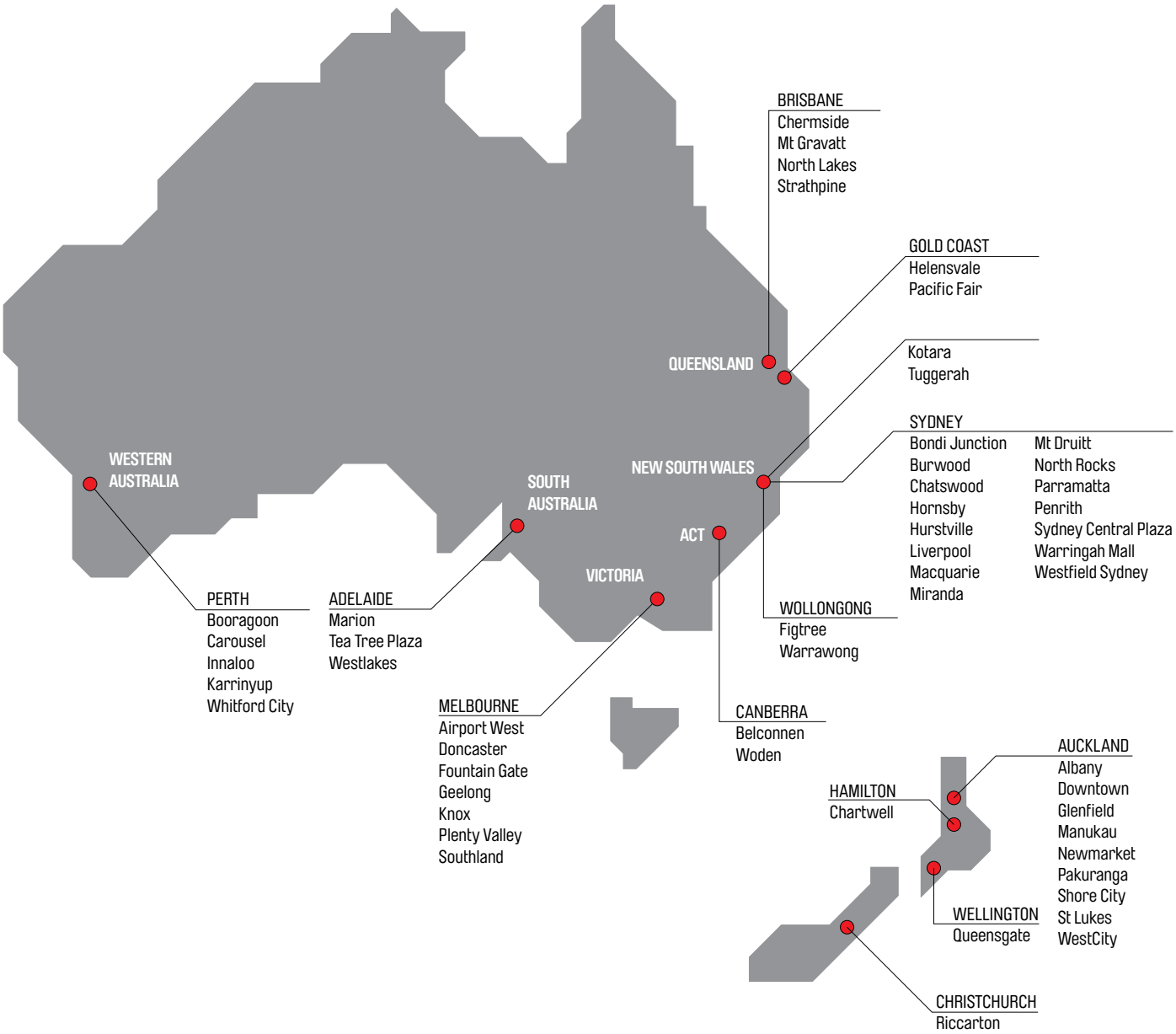
4 Westfield Retail Trust property portfolio

4.1 Properties relating to Westfield Retail Trust's Shopping Centre Interests



Westfield Retail Trust – Pro forma Shopping Centre Interests – Australian Properties as at 30 June 2010

Shopping Centre	State	Joint Venture Partner(s)	Pro forma Consolidated or Equity Accounted Interest 30 Jun 10	Fair value 100% 30 Jun 10 $million	Pro forma Westfield Retail Trust share Fair value 30 Jun 10 $million[2]	Pro forma Estimated Valuation Yield 30 Jun 10	Retail Sales: Total Annual Sales $million	Retail Sales: Specialty Annual Sales $psm	Lettable Area (square metres)	No of Retail Outlets	Anchor Tenants
Airport West	VIC	Westfield Group, Perron Group	25.0%	312.0	78.0	7.00%	260.7	7,369	55,480	182	Harris Scarfe, Target, Kmart, Woolworths, Coles, Bi Lo, Aldi, Village
Belconnen	ACT	Westfield Group	50.0%	605.0	302.5	6.25%	399.9	8,331	72,262	213	Myer, Kmart, Woolworths, Coles, Hoyts
Bondi Junction	NSW	Westfield Group	50.0%	1,871.0	935.5	5.25%	1,015.3	12,564	127,314	503	Myer, David Jones, Target, Woolworths, Coles, Event Cinemas
Booragoon[1]	WA	Westfield Group, AMP Capital Investors	12.5%	840.0	105.0	6.00%	579.6	13,655	72,279	271	Myer, David Jones, Kmart, Woolworths, Coles, Hoyts
Burwood	NSW	Westfield Group	50.0%	720.2	360.1	6.25%	403.7	9,531	63,321	246	David Jones, Target, Kmart, Woolworths, Coles, Greater Union
Carousel	WA	Westfield Group	50.0%	780.0	390.0	6.00%	525.9	10,162	82,077	285	Myer, Target, Kmart, Woolworths, Coles, Hoyts
Chatswood	NSW	Westfield Group	50.0%	870.7	435.4	6.00%	530.2	9,212	76,806	285	Myer, Target, Coles, Aldi, Hoyts
Chermside	QLD	Westfield Group	50.0%	1,368.0	684.0	5.50%	830.0	11,742	144,343	406	Myer, David Jones, Harris Scarfe, Target, Big W, Kmart, Woolworths, Coles, Event Cinemas
Doncaster	VIC	Westfield Group, La Salle Investment Management	25.0%	1,365.0	341.3	5.75%	763.6	9,960	120,385	433	Myer, David Jones, Target, Big W, Woolworths, Coles, Village
Figtree	NSW	Westfield Group	50.0%	132.0	66.0	7.50%	164.2	8,676	21,789	98	Kmart, Woolworths, Coles
Fountain Gate	VIC	Westfield Group	50.0%	875.0	437.5	6.00%	703.3	10,190	137,235	324	Harris Scarfe, Target, Kmart, Big W, Woolworths, Coles, Bi Lo, Aldi, Village
Geelong	VIC	Westfield Group, Perron Group	25.0%	455.0	113.8	6.50%	267.3	7,810	51,966	185	Myer, Target, Big W, Coles
Helensvale	QLD	Westfield Group, QIC	25.0%	336.8	84.2	6.50%	317.6	8,553	44,564	186	Target, Kmart, Woolworths, Coles, Aldi
Hornsby	NSW	Westfield Group	50.0%	833.4	416.7	6.00%	614.3	7,686	99,626	333	Myer, David Jones, Target, Kmart, Woolworths, Coles, Aldi, Greater Union
Hurstville	NSW	Westfield Group, Dexus	25.0%	560.0	140.0	7.00%	398.2	9,139	62,604	258	Myer, Target, Kmart, Food For Less, Coles, Aldi, Greater Union
Innaloo	WA	Westfield Group	50.0%	250.0	125.0	7.00%	276.0	7,677	47,409	173	Target, Kmart, Woolworths, Coles, Progressive IGA
Karrinyup[1]	WA	Westfield Group, UniSuper	16.7%	529.8	88.3	6.50%	425.6	10,879	59,418	213	Myer, David Jones, Big W, Woolworths
Knox[1]	VIC	Westfield Group Dexus, AMP Capital Investors	15.0%	940.0	141.0	6.50%	739.9	8,812	142,377	406	Myer, Target, Kmart, Coles, Village
Kotara	NSW	Westfield Group	50.0%	641.0	320.5	6.25%	494.8	11,191	64,571	262	David Jones, Target, Kmart, Woolworths, Coles
Liverpool	NSW	Westfield Group, AMP Capital Investors	25.0%	811.2	202.8	6.25%	459.4	8,215	89,905	333	Myer, Target, Big W, Woolworths, Coles, Greater Union
Macquarie[1]	NSW	Westfield Group, AMP Capital Investors	27.5%	887.3	244.0	6.00%	570.5	9,287	97,830	273	Myer, Target, Big W, Woolworths, Franklins, Event Cinemas
Marion	SA	Westfield Group, APPF	25.0%	1,028.0	257.0	6.00%	764.5	10,930	132,875	327	Myer, David Jones, Harris Scarfe, Target, Big W, Kmart, Woolworths, Coles, Event Cinemas

(1) Centres externally managed by AMP Group.

(2) All properties were valued at 30 June 2010 in accordance with the valuation policy as outlined in sections 5.3(a) and 5.12.

Westfield Retail Trust – Pro forma Shopping Centre Interests – Australian Properties as at 30 June 2010 Continued

Shopping Centre	State	Joint Venture Partner(s)	Pro forma Consolidated or Equity Accounted Interest 30 Jun 10	Fair value 100% 30 Jun 10 $million	Pro forma Westfield Retail Trust share Fair value 30 Jun 10 $million[2]	Pro forma Estimated Valuation Yield 30 Jun 10	Retail Sales: Total Annual Sales $million	Retail Sales: Specialty Annual Sales $psm	Lettable Area (square metres)	No of Retail Outlets	Anchor Tenants
Miranda	NSW	Westfield Group, Dexus	25.0%	1,270.6	317.7	5.75%	727.3	11,770	108,319	393	Myer, David Jones, Target, Big W, Woolworths, Franklins, Aldi, Greater Union
Mt Druitt	NSW	Westfield Group, Dexus	25.0%	423.0	105.8	7.00%	362.8	7,950	60,058	243	Target, Kmart, Woolworths, Coles, Hoyts
Mt Gravatt	QLD	Westfield Group, AMP Capital Investors	37.5%	830.0	311.3	6.00%	573.7	10,027	101,044	309	David Jones, Big W, Kmart, Woolworths, Coles, BCC
North Lakes	QLD	Westfield Group, Dexus	25.0%	384.0	96.0	6.25%	352.1	8,060	61,611	218	Myer, Target, Big W, Woolworths, Coles, Aldi
North Rocks	NSW	Westfield Group	50.0%	111.0	55.5	7.50%	140.8	6,792	22,863	91	Kmart, Coles, Franklins, Aldi
Pacific Fair[1]	QLD	Westfield Group, AMP Capital Investors	22.0%	1,020.0	224.4	6.25%	537.7	9,955	104,429	307	Myer, Target, Kmart, Coles, BCC
Parramatta	NSW	Westfield Group, GIC	25.0%	1,467.4	366.9	5.75%	725.6	10,110	137,269	489	Myer, David Jones, Target, Kmart, Woolworths, Coles, Event Cinemas
Penrith	NSW	Westfield Group, GPT	25.0%	1,030.0	257.5	6.00%	586.8	10,161	92,394	349	Myer, Target, Big W, Woolworths, Franklins, Hoyts
Plenty Valley	VIC	Westfield Group, Dexus	25.0%	268.0	67.0	6.50%	267.3	5,994	52,519	183	Target, Kmart, Woolworths, Coles, Aldi
Southland	VIC	Westfield Group, AMP Capital Investors	25.0%	1,205.0	301.3	6.00%	790.6	8,648	128,268	405	Myer, David Jones, Harris Scarfe, Target, Big W, Kmart, Woolworths, Coles, Aldi, Village
Strathpine	QLD	Westfield Group	50.0%	251.0	125.5	7.50%	263.2	8,035	45,127	161	Target, Big W, Woolworths, Coles, Aldi, BCC
Sydney Central Plaza	NSW	Westfield Group	50.0%	560.0	280.0	6.00%	388.0	17,667	53,736	94	Myer
Westfield Sydney	NSW	Westfield Group	50.0%	1,884.0	942.0	5.60%[3]	N/A	N/A	116,688	276	Under development
Tea Tree Plaza	SA	Westfield Group, AMP Capital Investors	18.8%	663.0	124.3	6.00%	479.5	10,078	93,667	256	Myer, Harris Scarfe, Target, Big W, Kmart, Woolworths, Coles, Hoyts
Tuggerah	NSW	Westfield Group	50.0%	614.0	307.0	6.25%	480.6	7,280	83,848	267	David Jones, Target, Big W, Woolworths, Coles, Aldi, Greater Union
Warrawong	NSW	Westfield Group	50.0%	183.0	91.5	8.00%	216.6	6,085	57,590	140	Big W, Kmart, Woolworths, Coles, Hoyts
Warringah Mall[1]	NSW	Westfield Group, AMP Capital Investors	12.5%	1,057.2	132.2	6.00%	757.9	9,734	125,613	322	Myer, David Jones, Target, Big W, Woolworths, Coles, Hoyts
Westlakes	SA	Westfield Group, Dexus	25.0%	380.0	95.0	6.38%	377.4	9,108	60,712	216	David Jones, Harris Scarfe, Kmart, Woolworths, Coles, Reading
Whitford City	WA	Westfield Group, GIC	25.0%	545.0	136.3	6.75%	444.8	8,480	77,842	300	Target, Big W, Woolworths, Progressive IGA, Grand Cinemas
Woden	ACT	Westfield Group, GPT	25.0%	642.0	160.5	6.25%	431.0	9,303	72,310	265	David Jones, Big W, Woolworths, Coles, Hoyts
Total Australian portfolio				**31,799.6**	**10,766.3[4]**	**6.1%[5]**	**20,408.2**		**3,522,343**	**11,479**	

(1) Centres externally managed by AMP Group.

(2) All properties were valued at 30 June 2010 in accordance with the valuation policy as outlined in sections 5.3(a) and 5.12.

(3) Retail valuation yield of 5.13%.

(4) Includes Westfield Sydney at the initial acquisition cost of $942 million and excludes the $398 million of costs to complete the development

(5) The weighted average valuation yield for Australia of 6.1% excludes Westfield Sydney. Including Westfield Sydney on a completed basis valued at $1,340 million with a valuation yield of 5.60%, the weighted average valuation yield for Australia is 6.0%

Westfield Retail Trust – Pro forma Shopping Centre Interests – New Zealand Properties as at 30 June 2010

Shopping Centre	Location	Pro forma Consolidated or Equity Accounted Interest 30 Jun 10[1]	Fair value 100% 30 Jun 10 NZ$million	Pro forma Westfield Retail Trust share Fair value 30 Jun 10 NZ$million[2]	Pro forma Estimated Valuation Yield 30 Jun 10	Retail Sales: Total Annual Sales NZ$million	Retail Sales: Specialty Annual Sales NZ$psm	Lettable Area (square metres)	No of Retail Outlets	Anchor Tenants
Albany	Auckland	50%	373.3	186.6	6.75%	288.1	8,790	53,155	147	Farmers, Kmart, New World, Event Cinema
Chartwell	Hamilton	50%	138.2	69.1	8.50%	121.4	7,333	21,763	113	Farmers, Foodtown, Event Cinema
Downtown	Auckland	50%	78.8	39.4	8.13%	64.1	7,475	13,967	81	Warehouse
Glenfield	Auckland	50%	110.0	55.0	8.63%	138.4	5,319	30,265	132	Farmers, Warehouse, Foodtown, Countdown
Manukau	Auckland	50%	338.7	169.4	7.50%	220.2	7,829	45,620	197	Farmers, Foodtown, Event Cinema
Newmarket	Auckland	50%	237.1	118.5	7.23%	128.2	10,845	31,389	120	Foodtown
Pakuranga	Auckland	50%	91.2	45.6	8.50%	107.0	4,967	29,353	122	Farmers, Warehouse, Foodtown
Queensgate	Wellington	50%	340.5	170.3	7.13%	238.2	7,417	51,648	182	Farmers, Warehouse, Woolworths, Event Cinema
Riccarton	Christchurch	50%	460.0	230.0	7.00%	354.4	9,206	55,150	200	Farmers, Kmart, Pak n Save, Hoyts Cinema
Shore City	Auckland	50%	90.4	45.2	8.50%	57.9	6,298	14,221	82	Farmers
St Lukes	Auckland	50%	450.7	225.3	6.88%	263.1	10,039	47,064	196	Farmers, Kmart, Foodtown, Event Cinema
WestCity	Auckland	50%	184.5	92.3	8.38%	157.7	6,806	36,253	144	Farmers, Warehouse, Countdown, Event Cinema
Total New Zealand portfolio in NZ$			**2,893.4**	**1,446.7**	**7.4%**	**2,138.7**		**429,848**	**1,716**	
Exchange rate			1.2323	1.2323						
Total New Zealand portfolio in $			**2,348.0**	**1,174.0**						

(1) Westfield Group owns 50% of each asset.

(2) All properties were valued at 30 June 2010 in accordance with the valuation policy as outlined in sections 5.3(a) and 5.12.

4.2 Portfolio Operating Information

(a) Lease structure

In the Shopping Centre Interests portfolio, approximately 82.7% of total annual rental income is derived from specialty stores. Standard specialty shop lease terms are five to seven years with current annual contracted increases of either CPI plus a fixed percentage or fixed percentage increases. Anchor tenants generally have lease terms of 15 to 25 years with stepped increases throughout the term which can be fixed, CPI based or sales turnover based.

(b) Operating Data

The following operating data is presented with respect to the Shopping Centre Interests:

- anchors;
- specialty stores;
- sales;
- leased rate;
- occupancy costs;
- percentage of rent related to sales;
- specialty store lease expirations; and
- average specialty shop rental rates.

(c) Anchors

Generally, anchors are major stores whose merchandise appeals to a broad range of shoppers and traditionally have been a significant factor in the public's perception of a shopping centre. The following table lists anchors with their broad trading categories, the number of stores leased by each anchor, anchor GLA and anchor GLA as a percentage of total GLA as of 30 June 2010:

Name	Number of anchor stores	Anchor GLA (square metres in thousands)	Anchor GLA as a percentage of total Australian/ New Zealand GLA
Department Stores			
Myer	24	469.9	12.6%
David Jones	17	234.2	6.3%
Farmers	10	62.3	1.7%
Harris Scarfe	7	21.4	0.6%
Sub total	**58**	**787.8**	**21.2%**
Discount Department Stores			
Target	31	227.0	6.1%
Kmart	28	200.1	5.4%
Big W	20	162.7	4.4%
The Warehouse	5	30.8	0.8%
Sub total	**84**	**620.6**	**16.7%**
Supermarkets			
Woolworths/Safeway	35	141.9	3.8%
Coles	36	134.8	3.6%
Foodtown/Countdown	8	31.6	0.9%
Aldi	13	17.9	0.5%
Progressive Supa IGA	2	9.4	0.3%
Bi Lo	2	7.1	0.2%
Franklins	4	9.0	0.2%
Pak N Save	1	6.3	0.2%
New World	1	3.4	0.1%
Food For Less	1	1.3	0.1%
Sub total	**103**	**362.7**	**9.8%**
Cinemas			
Amalgamated Holdings Limited(1)	20	117.9	3.2%
Hoyts	11	52.6	1.4%
Village	5	30.2	0.8%
Reading Cinemas	1	4.3	0.1%
Grand Cinemas	1	3.3	0.1%
Sub total	**38**	**208.3**	**5.6%**
Other			
Toys R Us	12	35.7	1.0%
Bunnings Warehouse	4	30.0	0.8%
Harvey Norman	6	23.4	0.6%
Dan Murphy's	7	10.6	0.3%
Kmart Garden	1	4.2	0.1%
Sub total	**30**	**103.9**	**2.8%**
Total	**313**	**2083.3**	**56.1%**

(1) Comprises Greater Union, Birch Carroll & Coyle and Event Cinemas.

Anchor tenants occupied approximately 56.1% of the total GLA as of 30 June 2010, and contributed approximately 17.3% of the total rental for the twelve months ended 30 June 2010, with no single tenant contributing more than 2.9% of such total rental income.

(d) Specialty stores

The following table sets forth with respect to the ten largest specialty store retailers, by way of either common trading name or through their various operating divisions, the number of specialty stores leased, their specialty store GLA and their specialty store GLA as a percentage of total specialty store GLA, as of 30 June 2010:

Tenant	Number of specialty stores leased	Speciality store GLA (square metres in thousands)	Percentage of total specialty store GLA
Ascendia Retail[1]	40	41.7	2.5%
REDgroup Retail[2]	71	39.5	2.4%
Just Group	233	32.8	2.0%
JB Hi Fi	28	30.3	1.8%
DSE Holdings[3]	54	27.1	1.6%
Best & Less	22	23.6	1.4%
BB Retail Capital[4]	168	19.3	1.2%
Colorado Group	116	18.8	1.2%
Specialty Fashion Group[5]	125	18.8	1.2%
New Price Retail[6]	49	18.5	1.1%
Total	**906**	**270.4**	**16.4%**

(1) Ascendia Retail includes Rebel Sport, Glue and AMart Allsports.

(2) REDgroup Retail includes Borders, Angus & Robertson, Whitcoulls and Supanews.

(3) DSE Holdings includes Dick Smith Electronics, Dick Smith Power House and Tandy Electronics.

(4) BB Retail Capital includes Diva, Bras n Things, Dusk and Adairs.

(5) Specialty Fashion Group includes Millers, Crossroads, Katies, Autograph, City Chic and Queens Park.

(6) New Price Retail includes Priceline and Soul Pattinson.

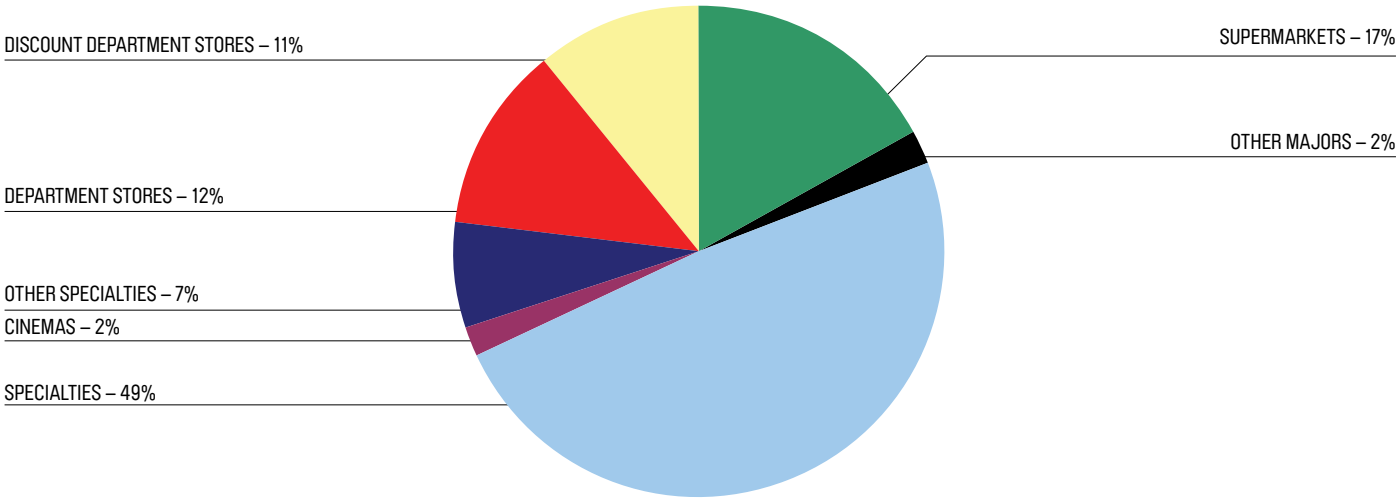
The ten largest specialty store retail groups occupied approximately 16.4% of the specialty GLA as of 30 June 2010 and contributed approximately 11.7% of the speciality rental income for the twelve months ended 30 June 2010, with no single tenant contributing more than 2.6% of such rental income.

(e) Sales

Total sales for retailers may impact their profitability levels and the percentage rent that is received. The table below sets out total retailer sales and the percentage change for the periods presented on a previous corresponding period basis.

	Australia		New Zealand	
	Total sales (in billions)	Percentage change	Total sales (in billions)	Percentage change
Twelve months ended				
30 June 2010	A$20.4	1.2%	NZ$2.1	3.6%
30 June 2009	A$20.2	6.8%	NZ$2.1	3.3%
Year ended				
31 December 2009	A$20.4	4.0%	NZ$2.1	3.0%
31 December 2008	A$19.6	7.2%	NZ$2.1	8.2%
31 December 2007	A$18.3	5.8%	NZ$1.9	7.9%

Australian Sales by Trading Category



For year ended 30 June 2010

Reported sales per square metre for specialty store retailers and percentage change in total comparable sales for the periods presented were as follows:

	Australia				
	Twelve months ended		Year ended		
	30 June 2010	30 June 2009	31 December 2009	31 December 2008	31 December 2007
Reported specialty shop sales per square metre	A$9,642	A$9,749	A$9,722	A$9,584	A$9,363
Change in comparable specialty store sales from prior period	0.7%	4.6%	3.3%	4.1%	7.0%

	New Zealand				
	Twelve months ended		Year ended		
	30 June 2010	30 June 2009	31 December 2009	31 December 2008	31 December 2007
Reported specialty shop sales per square metre[1]	NZ$7,648	NZ$7,672	NZ$7,574	NZ$7,872	NZ$8,521
Change in comparable specialty store sales from prior period	0.6%	(1.5)%	0.4%	(3.3)%	2.7%

(1) The basket of comparable shopping centres can vary from year to year.

The following table sets forth total by quarter and percentage leased at quarter end for the periods indicated:

AUSTRALIA	1st quarter	2nd quarter	3rd quarter	4th quarter
2010 quarterly data:				
Total sales (in millions)	A$4,644	A$4,809	n.a.	n.a.
Percentage leased	>99.5%	>99.5%	n.a.	n.a.
2009 quarterly data:				
Total sales (in millions)	A$4,575	A$4,877	A$4,780	A$6,196
Percentage leased	>99.5%	>99.5%	>99.5%	>99.5%
2008 quarterly data:				
Total sales (in millions)	A$4,326	A$4,607	A$4,611	A$6,083
Percentage leased	>99.5%	>99.5%	>99.5%	>99.5%
2007 quarterly data:				
Total sales (in millions)	A$4,052	A$4,256	A$4,256	A$5,726
Percentage leased	>99.5%	>99.5%	>99.5%	>99.5%

NEW ZEALAND	1st quarter	2nd quarter	3rd quarter	4th quarter
2010 quarterly data:				
Total sales (in millions)	NZ$485	NZ$517	n.a.	n.a.
Percentage leased	>99.5%	>99.5%	n.a.	n.a.
2009 quarterly data:				
Total sales (in millions)	NZ$467	NZ$505	NZ$488	NZ$651
Percentage leased	>99.0%	>99.0%	>99.0%	>99.5%
2008 quarterly data:				
Total sales (in millions)	NZ$468	NZ$492	NZ$476	NZ$616
Percentage leased	>99.5%	>99.5%	>99.5%	>99.5%
2007 quarterly data:				
Total sales (in millions)	NZ$417	NZ$439	NZ$429	NZ$603
Percentage leased	>99.5%	>99.5%	>99.5%	>99.5%

(f) Leased rate

Leased rate is calculated on the basis of signed or agreed leases. The following table sets out the leased rate as of the dates presented:

	30 June 2010	30 June 2009	31 December 2009	31 December 2008	31 December 2007
Leased rate	>99.5%	>99.5%	>99.5%	>99.5%	>99.5%

(g) Occupancy costs

Westfield Retail Trust believes that in order to continue to increase net profit, specialty store retailers must be able to operate profitably. A major factor contributing to retailer profitability is cost of occupancy. The following table sets out occupancy costs as a percentage of sales for reporting specialty store retailers for the periods presented:

	Twelve months ended 30 June		Year ended 31 December		
	2010	2009	2009	2008	2007
Occupancy costs as a percentage of sales	18.1%	17.5%	17.8%	17.4%	16.8%

(h) Percentage of rent related to sales

The following table sets forth the percentage of total annual rental income which was derived from base rent at contracted levels under leases and the percentage which was directly related to the level of retailer sales, for all retailers for the periods presented:

	Twelve months ended 30 June		Year ended 31 December		
	2010	2009	2009	2008	2007
Contracted base rent	99.1%	98.7%	98.7%	99.0%	98.7%
Percentage rents based on retailer sales	0.9%	1.3%	1.3%	1.0%	1.3%
Total rent	100%	100%	100%	100%	100%

(i) Lease expirations

As of 30 June 2010, the weighted average initial lease term for the Shopping Centre Interests was 16 years (excluding vacant and leased by not open tenants) with the weighted average initial lease term for anchor tenants at 23 years and specialty stores at seven years. The following table sets out a summary of scheduled lease expirations for all leases in place as of 30 June 2010:

Year ending 31 December	Number of leases expiring	GLA of expiring leases (square metres)	Percentage of GLA represented by expiring leases
2010	1,504	235,087	6.4%
2011	2,233	344,640	9.4%
2012	1,929	342,553	9.3%
2013	1,958	313,940	8.5%
2014	1,829	304,320	8.3%
2015	1,390	266,827	7.3%
2016	480	158,091	4.3%
2017	137	112,571	3.1%
2018	82	166,399	4.5%
2019	56	163,709	4.5%
Beyond 2019	338	1,149,916	31.3%

(j) Average specialty shop rental rates

The following table sets out average base rent on a per square meter basis of the specialty shops as of the dates presented:

	Average annual base rent per square metre		Percentage increase on comparable
	Australia	New Zealand	Basis[1]
As of 30 June			
2010	A$1,400	NZ$1,061	3.3%
2009	A$1,366	NZ$1,063	5.4%
As of 31 December			
2009	A$1,372	NZ$1,061	3.4%
2008	A$1,344	NZ$1,057	6.1%
2007	A$1,250	NZ$1,041	4.5%

(1) Comparable growth for the Australian and New Zealand region, including externally managed shopping centres.

4.3 Co-operation Deed

The Co-operation Deed will govern the relationship between Westfield Group and Westfield Retail Trust in connection with any new investment opportunities.

In accordance with the deed, where Westfield Group or Westfield Retail Trust has an opportunity to acquire an interest (direct or indirect) in a retail property or a retail development site in Australia or New Zealand (including any development sites owned by Westfield Group on implementation of the Proposal which are not acquired by Westfield Retail Trust as part of the Shopping Centre Interests), if lawfully permitted to do so they must offer the other the same opportunity to acquire 50% of the available interest in that property. However, the opportunity does not need to be offered if, having used all reasonable endeavours to share the opportunity:

- the terms of the opportunity do not allow sharing of the opportunity; or
- in the case of Westfield Group only, sharing the opportunity with Westfield Retail Trust would result in the Group losing a right to act as property manager or developer for the property concerned.

If an opportunity is not offered for the reasons set out above and Westfield Group or Westfield Retail Trust (as applicable) proceeds with the opportunity, if lawfully permitted to do so it must use all reasonable endeavours to ensure the other is offered any subsequent opportunity that may arise to acquire an interest in the relevant property on the basis of up to an equal participation (provided the terms of the subsequent opportunity allow it to do so). Where Westfield Retail Trust subsequently acquires an opportunity to appoint a property manager and/or developer, if lawfully permitted to do so it must offer to WML a right for any Westfield Group subsidiary to be so appointed.

If an opportunity is accepted and the interest in the property is acquired by Westfield Group and Westfield Retail Trust, Westfield Group may appoint a Westfield Group property manager and/or developer to the property (provided the terms of the opportunity allow it to do so). If the opportunity is not accepted by a party (subject to the previous paragraph), the other party may participate in the opportunity on its own or offer the opportunity to a third party and, in the case of Westfield Retail Trust, it will be free to appoint its own choice of property manager and property developer to the property in these circumstances.

Westfield Retail Trust must at all times support Westfield Group being appointed as property manager and/or developer of any opportunity it shares with Westfield Group.

These arrangements will continue until terminated by Westfield Group, which may elect to do so where the Westfield Retail Trust Responsible Entities (or another entity related to Westfield Group) are removed as responsible entities of Westfield Retail Trust.

The Co-operation Deed is also the means by which Westfield Retail Trust is licensed to use the "Westfield" trade marks solely in relation to its scheme names for so long as the Westfield Retail Trust Responsible Entities remain as the responsible entities of the trusts and are related bodies corporate of WHL.

The sale co-operation arrangements described at section 4.9(b) below are also contained in the Co-operation Deed.

The Co-operation Deed is described in more detail in section 10.8.

4.4 Co-ownership arrangements

The co-ownership arrangements between Westfield Retail Trust and Westfield Group for the Properties (other than the Existing JV Properties) will be regulated by:

- Co-ownership Agreements for each of the Australian Properties in which Westfield Retail Trust and Westfield Group hold a direct property interest;
- Unitholders Agreements for each of the unit trusts that hold a direct or indirect property interest in which Westfield Retail Trust and Westfield Group hold a unitholding (and the trustees of those trusts will generally be Westfield Group subsidiaries or professional trustee companies); and
- a Shareholders Agreement for the New Zealand Properties in respect of Westfield Retail Trust's and Westfield Group's 50% shareholdings in Westfield NZ Holdings Limited, which is the parent company through which the New Zealand Properties are ultimately held. That agreement will also regulate aspects of the New Zealand Group's debt funding.

The Co-ownership Agreements and Unitholders Agreements which currently regulate the co-ownership arrangements between Westfield Group and third parties in relation to the Existing JV Properties will continue to operate. Where Westfield Retail Trust acquires an interest in such an Existing JV Property or acquires a unitholding in an Existing JV Unit Trust it will generally accede to those arrangements.

A more detailed description of the agreements regulating these co-ownership arrangements is contained in section 10.4.

In general terms these agreements have the following features (with the Shareholders Agreement being suitably adapted for the New Zealand Group's corporate structure):

- proportionate sharing of income and expenses;
- the establishment of committees having proportionate representation and voting rights to deal with major decisions (including approval of the annual capital and operating budgets) and the resolution of disputes;
- pre-emptive rights in relation to dealings with specified exceptions; and
- remedies where defaults in obligations occur.

4.5 Property management

For Properties that will be ultimately owned equally by Westfield Retail Trust and Westfield Group, a Westfield Group property manager will be the sole property manager of the Properties pursuant to Property Management Agreements with Westfield Group and Westfield Retail Trust.

In the case of Existing JV Properties which are already managed by a member of Westfield Group and in which Westfield Retail Trust will hold a direct property interest or a direct unitholding in an Existing JV Unit Trust, Westfield Retail Trust will accede to the existing Property Management Agreements.

Property Management Agreements will also be entered into between each New Zealand Property Company and a Westfield Group property manager.

The Property Management Agreements which are described in more detail in section 10.6 will be materially consistent with those in place with the Group's existing joint venture partners.

Each Property Management Agreement to be entered into:

- delineates the specific duties, powers and obligations of the Westfield Group property manager;
- provides for the establishment of a committee to deal with specified matters; and
- requires the Westfield Group property manager to prepare financial reports and business plans.

Under each Property Management Agreement the Westfield Group property manager is entitled to a management fee equal to 5% of the annual gross income of the Property and is entitled to be reimbursed for its out of pocket costs and for other costs agreed with the co-owners. The management fee is consistent with the corresponding fee that Westfield Group charges third parties when it performs property management services.

Under each of the new Property Management Agreements to be entered into, the Westfield Group property manager is entitled to reimbursement of costs for tenancy, design and co-ordination services provided to any specialty stores equal to the costs incurred by the manager of not more than $7,000 per specialty store (increasing by CPI).

In each case, the term of the appointment of the Westfield Group property manager will (unless terminated earlier for breach) continue for so long as Westfield Group holds at least a 25% direct or indirect interest in the relevant Property. These agreements would not be affected if the responsible entities of Westfield Retail Trust were changed or if Westfield Retail Trust sold its interest in a Property.

4.6 Property development

For properties that will be owned equally by Westfield Retail Trust and Westfield Group, the future development of each property will be regulated by a Development Framework Agreement under which a Westfield Group developer is appointed to provide development, design and construction services.

Where Westfield Retail Trust acquires a direct property interest in, or unitholding in a unit trust that owns an Australian Property that is currently wholly owned by Westfield Group, a new Development Framework Agreement will be entered into by Westfield Group, Westfield Retail Trust and the relevant Westfield Group developer.

Development Framework Agreements will also be entered into between each New Zealand Property Company and a Westfield Group developer.

The Development Framework Agreements that are already in place in relation to Existing JV Properties will continue to operate and Westfield Retail Trust will accede to those agreements except where its interest in an Existing JV Property is held indirectly.

The Development Framework Agreements generally do not require the redevelopment of a Property unless all co-owners agree to the redevelopment.

These Development Framework Agreements are described in more detail in section 10.7.

Each Development Framework Agreement:

- regulates the basis upon which all planning, design, development and construction services are to be provided by the Westfield Group developer; and
- provides for the appointment of a Westfield Group developer to provide, as principal contractor, design and construction services and leasing services for each construction project in relation to a property that the co-owners or unitholders have approved pursuant to approval processes prescribed in the agreement, under a prescribed Design and Construction Agreement and Leasing Agreement.

Where a development project is undertaken, the following fees are provided for both in the Development Framework Agreement and in the relevant Design and Construction Agreement and Leasing Agreement:

- a development fee of 3% of the project price payable in stages;
- a design fee of 10% of the project price payable in stages; and
- a project leasing fee of up to 15% of the annual net rent payable by the tenant in the first year of each lease that has become available as a result of the development.

Under the new Development Framework Agreements a fee for tenancy, design and co-ordination services provided to specialty stores is payable to the leasing manager of $7,000 per specialty store (increasing by CPI). Further, under the new Development Framework Agreements, where a major lease is entered or renewed a negotiated fee (for existing joint ventures) or a market based fee (for new joint ventures) being acknowledged initially as equal to 7% of the first year rent and where there is a market review of such a lease a negotiated fee (for existing joint ventures) or a market based fee (for new joint ventures) being acknowledged initially as equal to 7% of the increase in annual rent is payable to the developer.

The Development Framework Agreements will be generally consistent with those in place with the Group's existing joint venture partners. The development fee and the design fee are consistent with the corresponding fees that Westfield Group charges third parties when it performs similar property development services in relation to Existing JV Properties. The project leasing fee is consistent with the corresponding fee that Westfield Group charged for this service under the most recent Development Framework Agreement for an Existing JV Property.

In each case, the term of the appointment of the relevant Westfield Group developer will (except where the agreement is terminated for breach) continue for so long as Westfield Group holds at least a 25% direct or indirect interest in the relevant property. These agreements would not be affected if the responsible entities to Westfield Retail Trust were changed or if Westfield Retail Trust sold its interest in a Property.

4.7 Summary of property fees

A summary of the payments expected to be made to Westfield Group under the property management and development arrangements set out above for 2011 are as follows:[1]

Property Management Agreements (fees are based on the operations of Westfield Retail Trust)		FY 2011 $ million
Property Management Fee (including operational leasing)	5% of Westfield Retail Trust's share of annual gross income of the property	46.9
Tenancy co-ordination fee	Under the new property management arrangements, recovery of Westfield Retail Trust's share of costs of up to $7,000 per specialty store (increasing by CPI)	3.9

Development Framework Agreements(1) (fees are based on the development program of Westfield Retail Trust)		FY 2011 $ million
Property Development Fee	3% of Westfield Retail Trust's share of project price	5.4
Design Fee	10% of Westfield Retail Trust's share of project price	15.4
Project Leasing Fee	Up to 15% of Westfield Retail Trust's share of the first year's rent for leases that become available	0.6
Major Tenant New Lease and Renewal Lease Fee	Negotiated fee (for existing joint ventures) or a market based fee (for new joint ventures) (7% of Westfield Retail Trust's share of the first year's rent being acknowledged as market based fee)	0.3
Major Tenant Market Rent Review Fee	Negotiated fee (for existing joint ventures) or a market based fee (for new joint ventures) (7% of Westfield Retail Trust's share of the rental increase resulting from review being acknowledged as market based fee)	0.1
Tenancy co-ordination fee	Westfield Retail Trust's share of up to $7,000 per specialty store (increasing by CPI)	0.1

(1) Special arrangements apply to the Westfield Sydney redevelopment.

Corporate Services Agreement		FY 2011 $ million
Corporate services costs	Estimated cost of providing services	23.0

1 Excludes fees relevant to the Westfield Sydney development which has a fixed price of $398 million (before accrued interest and any variations) payable seven days after completion, including all project design and construction costs.

The fees are long term in nature and the quantum of the fees in each year will be dependent on activities in that year, particularly the level of annual gross income of the Properties and property development activities.

Design, development and project leasing fees for Westfield Sydney are not included in the above figures as the payments to Westfield Group for Westfield Sydney are a fixed amount of $398 million for completion, including design fees of $4.9 million, development fees of $0.9 million, project leasing fees of $2.8 million and tenancy co-ordination fees of $0.3 million. In addition, Westfield Group is expected to receive $42.0 million of interest on the Westfield Sydney Facility for the year ending 2011.

4.8 Existing JV Property arrangements

Some of the Properties to which the Shopping Centre Interests relate are owned in joint venture with third party institutional investors including AMP Group, GPT, LaSalle Investment Management, GIC, Dexus, UniSuper, Queensland Investment Corporation, Perron Group and Australian Prime Property Fund. Of these Existing JV Properties, there are six properties which are managed by AMP Group.

The terms of these co-ownership arrangements vary to some extent between the relevant parties and properties to which those arrangements relate. However, the arrangements typically include a Co-ownership Agreement, a Property Management Agreement or an Asset Management Agreement, and in some cases, a Development Framework Agreement with many of the features described in relation to the proposed arrangements between Westfield Group and Westfield Retail Trust in sections 4.3 to 4.6.

The fee arrangements applicable to these Existing JV Property arrangements are as follows:

Property Management Agreements

Property Management Fee (including operational leasing)	5% of annual gross income of the property
Tenancy co-ordination fee	As negotiated and agreed with co-owners

Development Framework Agreements

Property Development Fee	3% of project price
Design Fee	10% of project price
Project Leasing Fee	10%–15% of the first year's rent for leases that become available
Major Tenant New Lease and Renewal Lease Fee	As negotiated and agreed with co-owners
Major Tenant Market Rent Review Fee	As negotiated and agreed with co-owners
Tenancy co-ordination fee	Up to $5,500 per specialty store (as increased over time by CPI)

4.9 Special development and other property arrangements

(a) Westfield Sydney development arrangements

Westfield Sydney is currently being redeveloped. Stage one of the redevelopment was completed in October 2010 and the overall redevelopment is expected to be completed in early 2012.

Westfield Retail Trust will become the 50% joint venture owner in Westfield Sydney with Westfield Group. The total investment by Westfield Retail Trust is expected to be $1.340 billion when the redevelopment is completed, on which it is expected to achieve an initial yield of 5.6%.

At the completion of the acquisition of the Shopping Centre Interests, Westfield Retail Trust will acquire a 50% interest in Westfield Sydney for $942 million which is the independently assessed appraisal value at the time of transfer, including work in progress. The acquisition of that interest will be fully funded by Westfield Group pursuant to the Westfield Sydney Facility. These loans have a weighted average interest rate of approximately 3.6% per annum which matches the expected cash flow from the development during the development period. The Westfield Sydney Facility will be utilised by Westfield Retail Trust to fund payment of the acquisition price due in respect of Westfield Sydney. Part of that facility is repayable on demand and, on completion of the redevelopment, all outstanding amounts borrowed by Westfield Retail Trust under the Westfield Sydney Facility will be repayable to Westfield Group.

At the time of acquisition, Westfield Retail Trust will also enter into a Project Design and Construction Agreement with Westfield Group for the completion of the redevelopment of Westfield Sydney. Under that agreement, Westfield Retail Trust will pay $398 million plus accrued interest and any variations which will be payable on completion of the redevelopment. Westfield Retail Trust will be entitled to its share of income from Westfield Sydney from the Implementation Date.

Westfield Group will provide Westfield Retail Trust with an income guarantee for each of the three years commencing on the date when the project price of $398 million plus accrued interest and any variations is paid which will ensure, in each of those years, that Westfield Retail Trust will receive an initial annual yield of 5.6% of its total investment in Westfield Sydney.

The Westfield Sydney arrangements are described in more detail in section 10.10.

(b) Sale co-operation arrangements

In respect of certain Properties which Westfield Group currently does not manage and which in most cases has a minority interest,[1] and for Westfield Sydney (office buildings only), there are arrangements between Westfield Retail Trust and Westfield Group such that if Westfield Group proposes to sell its interest in any of those properties within five years from the date of the Co-operation Deed, Westfield Retail Trust must also sell its interest in that property at the same price (so long as that price is at least equal to the market price and on commercial terms) if required to do so by Westfield Group. To determine the current market price, unless otherwise agreed, Westfield Retail Trust and Westfield Group will each appoint a valuer who will prepare a valuation. If those valuations are within 5% of each other, then the lower of the valuations will be the agreed valuation. If the valuations are not within 5% of each other, then a third valuer will be appointed whose valuation will be used to determine the agreed current market value. See section 10.8(b) for further information.

(c) Other development arrangements

(i) Westfield Belconnen

Westfield Belconnen is a centre wholly owned by Westfield Group located in the Australian Capital Territory. As part of the Proposal, Westfield Group will transfer a 50% interest in Westfield Belconnen to Westfield Retail Trust.

Westfield Group is currently undertaking a $125 million redevelopment of that centre. That redevelopment is expected to be completed during the first quarter of 2011. At the time of the transfer by Westfield Group to Westfield Retail Trust, Westfield Retail Trust will accede to the current Development Agreement which sets out the terms on which the development is being undertaken by WHL.

As a consequence of the accession by Westfield Retail Trust to those arrangements, Westfield Retail Trust will become liable to pay a 50% share of redevelopment costs incurred following accession. As the redevelopment will be largely complete by the Implementation Date, it is expected that the amount payable by Westfield Retail Trust from the date of accession in respect of the redevelopment will be approximately $12 million.

The development is expected to achieve a yield in the range of 7.0% to 7.5% for Westfield Retail Trust.

(ii) Westfield Fountain Gate

Planning is well advanced for the approximate $320 million redevelopment at Westfield Fountain Gate in Victoria. Westfield Group proposes to make a formal recommendation regarding the commencement of this project to Westfield Retail Trust shortly after Westfield Retail Trust commences trading as a separate listed entity. The Co-ownership Agreement and Development Framework Agreement provides that if certain financial criteria are satisfied (on the basis of the submission and recommendation made by Westfield Group to Westfield Retail Trust pursuant to the Development Framework Agreement), Westfield Retail Trust will agree to proceed with the redevelopment.

1 Pacific Fair, Warringah Mall, Macquarie, Knox, Booragoon and Karrinyup in all of which a minority interest is held except for Macquarie.

SECTION

5

FINANCIAL INFORMATION

WESTFIELD KOTARA, NEWCASTLE

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5 Financial information

5.1 Overview

This section contains a summary of the historical financial information and forecast financial information of Westfield Retail Trust, comprising Westfield Retail Trust 1 and Westfield Retail Trust 2 (together, **Financial Information**). Westfield Retail Trust will operate on a financial year ending 31 December, and all figures within this section are for years ended or ending 31 December unless otherwise noted.

The pro forma historical and forecast Financial Information has been prepared to reflect implementation of the Proposal as described in sections 3.1 and 3.2, and has been presented on both a statutory and a proportionate format.

The statutory format is in accordance with Australian Accounting Standards whereby property investments held in joint venture sub trusts and associates are equity accounted (with revenues and expenses and assets and liabilities disclosed on a net basis). Direct property investments are proportionately consolidated (with revenues and expenses and assets and liabilities disclosed on a gross basis). The pro forma historical financial information presented on a statutory format has been compiled from the audited financial statements (and notes thereto) of Westfield Group, WFT and their subsidiaries.

The proportionate format presents the net income from and net investment in equity accounted properties on a gross format whereby the underlying components of net income and net investment are disclosed separately as revenues, expenses, assets and liabilities. The pro forma historical financial information presented on a proportionate format has been compiled from the audited financial statements (and notes thereto) of Westfield Group, WFT and its subsidiaries.

Management of Westfield Retail Trust considers that, given that the assets underlying both the consolidated and the equity accounted components of the statutory income statement are similar (that is, Australian and New Zealand shopping centres), that most of the centres are under common management, and that, therefore, the drivers of their results are similar, the proportionate format income statement provides a more useful way to understand the performance of the portfolio as a whole than the statutory format. This is because the proportionate format aggregates both revenue and expense items across the whole portfolio, rather than netting the income and expense items for equity accounted centres and only reflecting their performance as a single item of profit or loss, as the statutory format requires. As a result, the proportionate format is what management considers in assessing and understanding the performance and results of operations of Westfield Retail Trust as it allows management to observe and analyse revenue and expense results and trends on a portfolio-wide basis.

Accordingly, in section 5.3, management discusses the historical results of operations of Westfield Retail Trust in a proportionate format as management of Westfield Retail Trust considers it is the format most relevant to understanding Westfield Retail Trust's business. The proportionate income statement (Tables 5.3.1 and 5.3.4) provides a breakdown of the components of revenue and expenses that derive from consolidated and equity accounted shopping centres, respectively. Accordingly, readers wishing to understand which proportion of the items discussed forms part of the relevant line item under the statutory format should consult those tables, together with the income statement in a statutory format, which appears in Tables 5.11.1 and 5.11.2.

The Historical Financial Information for Westfield Retail Trust comprises the:

- pro forma historical income information (excluding capital profits and losses and corporate expenses) on both a proportionate and statutory format for the years ended 31 December 2007 (**FY 2007**), 31 December 2008 (**FY 2008**) and 31 December 2009 (**FY 2009**) and the half years ended 30 June 2009 and 2010, have been prepared as described in section 5.2(a), are set out in tables 5.3.1 and 5.3.4 (proportionate format) and in tables 5.11.1 and 5.11.2 (statutory format).
- pro forma consolidated statement of financial position presented on a proportionate and statutory format and footnotes thereto as at 30 June 2010 which assumes completion of the proposed transactions disclosed in section 5.6 set out in table 5.6.1 and 5.11.3.

The Forecast Financial Information for Westfield Retail Trust comprises the:

- pro forma forecast consolidated net operating income after income tax presented on a proportionate and statutory format for the half year ending 31 December 2010 (included as part of the pro forma forecast for the year ending 31 December 2010 (**FY 2010**)) and forecast for the financial year ending 31 December 2011 (**FY 2011**) included in tables 5.3.1 and 5.11.1;
- forecast consolidated net profit after tax presented on a proportionate format excluding property revaluations, mark to market adjustments for derivative financial instruments, related deferred tax expense, capital profits or losses on asset sales, cost of equity raised and tax thereon (together referred to as **fair value adjustments and transaction costs**) on the basis that the Offer is (a) fully subscribed; (b) subscribed to $1.75 billion; and (c) not fully subscribed and consequently no equity is issued for the year ending 31 December 2011 as set out in tables 5.3.1 and 5.11.1; and
- forecast distribution statement of Westfield Retail Trust for the year ending 31 December 2011 as set out in section 5.3.2.

Also summarised in this section are:

- the basis of preparation and presentation of the Financial Information (refer to section 5.2);
- management's discussion and analysis of Historical Financial Information (refer to section 5.3); and
- the Westfield Directors' and Westfield Retail Trust Directors' best estimate assumptions underlying the Forecast Financial Information and an analysis of sensitivities relating thereto (refer to sections 5.4 and 5.5).

The user should read the information in this section in conjunction with the sensitivities set out in section 5.5, the risk factors set out in section 7 and other information set out in this PDS.

The Historical and Forecast Financial Information has been reviewed by Ernst & Young Transaction Advisory Services, whose Investigating Accountants' Report is contained in section 6. You should note the scope and limitations of the Investigating Accountants' Report.

5.2 Basis of preparation and presentation of the Financial Information

The Financial Information included in this section has been prepared and presented in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional reporting requirements in Australia, except where otherwise disclosed in this section.

Certain significant accounting policies relevant to the Financial Information are disclosed in section 5.12 and in Note 2 to the financial statements in Westfield Group's and WFT's 2009 Annual Report which has been lodged with ASIC and is available from www.westfield.com/corporate. The Financial Information is presented in an abbreviated form and does not contain all of the disclosure provided in an annual report prepared in accordance with the Corporations Act.

(a) Preparation of Historical Financial Information

The pro forma historical financial information is based on the historical financial performance of the Shopping Centre Interests (**Historical Financial Information**).

The Historical Financial Information for the years ended 31 December 2007, 2008 and 2009 and the half years ended 30 June 2009 and 2010 has been compiled, as detailed above, from the statutory financial statements of Westfield Group, WFT and subsidiaries which were audited by Ernst & Young and on which unqualified audit opinions were issued.

The above information was compiled by using the audited financial statements of Westfield Group, WFT and subsidiaries and the supporting management accounts and the accounting records of each relevant shopping centre. Details of the Shopping Centre Interests such as the ownership share were applied to the property values and net operating income of each asset. Details of the proposed ownership structure (e.g. direct investment in the asset or investment through a sub trust), were used to ensure the correct accounting treatment has been adopted and accounting policies were applied on a consistent basis as the audited Westfield Group, WFT and subsidiaries financial statements. This information was then compiled to produce the Historical Financial Information.

(b) Preparation of Forecast Financial Information

The forecast financial information, to the extent relevant, has been prepared on a consistent basis as the Historical Financial Information and has been based on the best estimate assumptions of Westfield Directors and Westfield Retail Trust Directors set out in section 5.4 (**Forecast Financial Information**). Westfield Directors and Westfield Retail Trust Directors believe that they have prepared the Forecast Financial Information with due care and attention, and consider the best estimate assumptions to be reasonable at the time of preparing this PDS.

The Forecast Financial Information has been prepared on the basis that the Proposal was completed on 1 January 2011.

This information is intended to assist the user in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The net operating income after tax for FY 2010 is the aggregation of the historical pro forma net operating income after tax for the half year ended 30 June 2010 and forecast pro forma net operating income after tax for the half year ending 31 December 2010.

In the forecast FY 2011 income statement, net financing costs reflect the effect of the proposed capital and debt structure post the Offer as if it were in place throughout FY 2011.

The user should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that any deviation from these assumptions may have a material positive or negative effect on Westfield Retail Trust's actual financial performance or position. The user is advised to review the best estimate assumptions set out in section 5.4, in conjunction with the sensitivity analysis set out in section 5.5, the risk factors set out in section 7 and other information set out in this PDS.

If the implementation of the Proposal was to become effective from a date prior to 1 January 2011 (as is expected), for the relevant period between that date and 31 December 2010, there would be Distributable Earnings forecast of 0.046 cent per security per day if the Offer is fully subscribed and 0.042 cent per security per day if no equity is raised from the Offer. Westfield Retail Trust's distribution policy and payout ratio of 90% as set out in section 5.3.2 would apply for that period.

5.3 Proportionate pro forma historical and forecast income statements and pro forma forecast distribution statements and management discussion and analysis

Table 5.3.1 presents on a proportionate format the pro forma historical consolidated income statements for FY 2007, FY 2008 and FY 2009, the pro forma forecast consolidated income statement for FY 2010 and forecast consolidated income statement for FY 2011. Table 5.3.4 presents on a proportionate basis the pro forma historical consolidated income statements for the half years ended 30 June 2009 and 30 June 2010. This proportionate financial information has been derived from the statutory financial information included in section 5.11.

The pro forma historical and the FY 2010 forecast consolidated income statements have been presented before net financing costs and capital transactions (capital profits or losses on asset sales, cost of equity raised and tax thereon) as no capital and debt structures were in place prior to the Offer.

The forecast consolidated income statements also excludes fair value adjustments as they are dependent on a number of external market conditions such as interest and exchange rates and property capitalisation rates that are not able to be reliably estimated by management.

Table 5.3.2 is a summary of Westfield Retail Trust forecast distribution statement for FY 2011.

Tables 5.3.3 and 5.3.5 include a summary of the property revaluations and related deferred tax on the Historical Financial Information.

Management's discussion and analysis on the above Historical Financial Information, addresses among other items, the key factors and operational measures summarised below. These are the key factors that Westfield Retail Trust expects may continue to affect its operating and financial performance during the forecast periods. This discussion together with the discussion of general factors affecting the operating results of Westfield Retail Trust should be read in conjunction with the description of the basis upon which the Financial Information has been prepared (refer to section 5.2), the pro forma adjustments described in section 5.6 and the directors assumptions for the forecast periods (refer to section 5.4).

(a) Key components of the Financial Information and their drivers

- **Property revenue and property expenses and outgoings** – Westfield Retail Trust is expected to derive the majority of its revenue from leases with retail tenants at shopping centres. Property revenue includes minimum base rents, mall merchandising income, expense recoveries and percentage rent based on tenants' sales volumes. The majority of specialty leases have annual contracted increases of either CPI plus a fixed percentage or fixed percentage increase. Property expenses and outgoings consist of costs in connection with the ownership and operation of retail shopping centres such as property rates and taxes, repairs and maintenance, cleaning, security, advertising and promotions, insurance, ground rent, utilities and leasing expenses. These expenses and outgoings are substantially recovered from tenants. Key factors that affect the level of property revenue and property expenses and outgoings include: (i) the ability to negotiate higher minimum base rents from existing or new tenants; (ii) the ability to lease shopping centres at near full or full occupancy; (iii) the level of acquisitions and dispositions as well as the level of development and redevelopment of the existing shopping centres, which changes the size and nature of the property portfolio; and (iv) the level of CPI increases.
- **Operating cashflow** – Operating cashflows are generally consistent with property revenue, property expenses and outgoings recognised in the income statement. Contracted base rents are invoiced and collected on a monthly basis. Percentage rents (based on retailer sales), which comprise less than 1.0% of total rental income, are generally billed annually. Property expenses and outgoings are normally billed and paid on a regular monthly or quarterly cycle.
- **Property revaluations** – Investment properties include freehold and leasehold land, buildings, leasehold improvements and redevelopment and development projects. In accordance with Australian International Financial Reporting Standards, investment properties are recorded on Westfield Retail Trust's balance sheet at their fair market values and any increase or decrease in fair market value is recorded in Westfield Retail Trust's income statement in the period in which they arise. Investment properties (other than those subject to redevelopment) are expected to be independently valued on an annual basis, while investment properties undergoing redevelopment are carried at fair market value based on directors' assessment. Investment properties undergoing redevelopment are independently valued on completion. The independent valuations are conducted using the "capitalisation of net income" method and/or the "discounting of future cash flows to their present value" method. See Significant Accounting Policies – Investment Properties in section 5.12 below.

The "capitalisation of net income" method involves directly capitalising net income based on the valuation yields (calculated as the ratio of net income to sale price) produced by sales of comparable property investments, and subtracting an amount equal to the forecast capital expenditure of the property for a one to three period. Factors that affect valuation yields include:

- the underlying financial and operational performance of the property and comparable properties;
- the general economic conditions in the areas where the comparable properties are located;
- the level of competition in the trade area that the comparable properties are located; and
- availability of funding.

Because Westfield Retail Trust's investment properties are carried at fair value on its balance sheet, changes in the fair market value of the investment properties from period to period may result in significant non-cash gains or write-downs, resulting in significant periodic fluctuations in Westfield Retail Trust's reported income statements.

- **Taxation** – Westfield Retail Trust comprise taxable and non taxable entities. A liability for current and deferred taxation is only recognised in respect of taxable entities subject to income and capital gains tax. Certain incidental non rental retail earnings of Westfield Retail Trust derived in Australia are subject to Australian income tax.

  Westfield Retail Trust's New Zealand entities are subject to New Zealand tax on their earnings. Depending on the corporate tax paid, dividends paid by those entities to Westfield Retail Trust may be exempt from New Zealand dividend withholding tax. Deferred tax on New Zealand assets and liabilities is measured at the tax rates that are expected to apply if the asset is realised through continued use or the liability settled, based on tax rates (and tax laws) applicable at balance date.

(b) Key operational measures

- **Net operating income and comparable net property income** – Net operating income measures the rental revenue from shopping centres less the expenses in operating those shopping centres, including Westfield Retail Trust's share of rental revenues less expenses in operating equity accounted shopping centres. Comparable net property income is the equivalent measure on a same shopping centre basis (i.e. excluding shopping centres that became operational or are impacted by redevelopment activities or were purchased or sold during the comparative prior period and any abnormal items). Net operating income is used as a measure of the underlying operational performance of property assets, without regard to capital structure, tax position and the real estate value of shopping centres. Net operating income is also a key measure used by valuers in determining the valuation of our shopping centres.
- **GLA** – this generally measures the amount of space in the shopping centres that are leased to tenants, expressed in square meters. GLA includes the space leased, or available for lease, to anchor tenants.
- **Leased rate** – this measures the percentage of total GLA that is leased at a point in time. Anchors typically lease their stores and, therefore, calculation of leased rate includes anchor GLA together with specialty stores but excludes shopping centres or sites which are development impacted.
- **Average specialty shop rent** – this measures the average rent (excluding any portion that relates to a reimbursement of expenses) earned per square metre of space that is leased to specialty shop retailers (excluding anchor tenants and larger format speciality stores occupying in excess of 400 square metres) during the period.
- **Same store specialty sales growth** – this measures the period-on-period change in the sales of the specialty stores. Because it measures the sales of the retailers, it is not a measure of revenue that Westfield Retail Trust can expect to earn, except to the limited extent that revenue is earned under certain lease agreements that entitle Westfield Retail Trust to a percentage of tenants' revenue. However, it is an indirect measure of the performance of the business because higher sales at shopping centres will generally correlate over time with higher demand for retail space in the shopping centres, resulting in higher leased rates and/or higher rents.

Data on GLA, leased rates, average specialty shop rents and same store specialty sales growth have been provided in the Investment Highlights section of this PDS and in section 4.

Table 5.3.1 – Pro forma historical and forecast consolidated income statements (proportionate format)

	Pro forma Historical			Pro forma Forecast	Forecast prior to the Offer[1]	Forecast after the Offer – subscribed to $1.75 billion	Forecast after the Offer – fully subscribed[2]
Year to 31 December ($ million)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2011	FY 2011
Property revenue							
Consolidated	371.2	379.3	374.6	400.9	458.1	458.1	458.1
Equity accounted	427.8	491.7	519.1	543.7	561.2	561.2	561.2
Total proportionate property revenue	799.0	871.0	893.7	944.6	1,019.3	1,019.3	1,019.3
Property expenses and outgoings							
Consolidated	(99.9)	(109.7)	(98.6)	(110.0)	(123.1)	(123.1)	(123.1)
Equity accounted	(111.8)	(134.2)	(131.1)	(140.0)	(145.9)	(145.9)	(145.9)
Total proportionate property expenses and outgoings	(211.7)	(243.9)	(229.7)	(250.0)	(269.0)	(269.0)	(269.0)
Net operating income	**587.3**	**627.1**	**664.0**	**694.6**	**750.3**	**750.3**	**750.3**
Income tax (consolidated and equity accounted)[3]	(17.7)	(16.8)	(18.5)	(20.2)	(12.0)	(12.2)	(12.5)
Net operating income after income tax	**569.6**	**610.3**	**645.5**	**674.4**	**738.3**	**738.1**	**737.8**
Corporate expenses					(35.0)	(35.0)	(35.0)
Net financing costs					(285.6)	(164.4)	(40.6)
Net profit after tax (excluding fair value adjustments and transaction costs)					**417.7**	**538.7**	**662.2**
Net profit after tax per unit (cents) (excluding fair value adjustments and transaction costs)					**18.1**	**18.3**	**18.5**
Weighted average number of Stapled Units (millions)					2,307.8	2,944.2	3,580.5
Net operating income by geographic segment:							
Australia	505.7	536.7	574.7	605.5	660.8	660.8	660.8
New Zealand	81.6	90.4	89.3	89.1	89.5	89.5	89.5
	587.3	**627.1**	**664.0**	**694.6**	**750.3**	**750.3**	**750.3**
NZ dollar average exchange rate	1.1397	1.1934	1.2477	1.2800	1.2800	1.2800	1.2800

(1) Assumes that no equity was raised from the Offer and the Acquisition Facility remains in place.

(2) Assumes that $3.5 billion of equity from the Offer has been raised.

(3) The historical pro forma financial information and pro forma forecast excludes net financing costs and taxes thereon.

Table 5.3.2 – Forecast distribution statement for FY 2011

Westfield Retail Trust's distribution policy will be to distribute 90% of its Distributable Earnings (being reported Australian International Financial Reporting Standard profit after excluding property revaluations, mark to market adjustments for derivative financial instruments, transaction costs, capital profits and losses and tax thereon, deferred tax expense and the impact of properties under development).

	Forecast prior to the Offer		Forecast after the Offer – subscribed to $1.75 billion		Forecast after the Offer – fully subscribed	
Forecast FY 2011	$ million	Cents per unit	$ million	Cents per unit	$ million	Cents per unit
Distributable Earnings (Net profit after tax excluding fair value adjustments and transaction costs and other items noted above (Table 5.3.1))	417.7	18.1	538.7	18.3	662.2	18.5
Amount retained (10% of the above)	(41.8)	(1.8)	(53.9)	(1.8)	(66.2)	(1.9)
Distribution (90% payout ratio)	**375.9**	**16.3**	**484.8**	**16.5**	**596.0**	**16.6**
Weighted average number of stapled units (millions)		*2,307.8*		*2,944.2*		*3,580.5*

If the implementation of the Proposal was to become effective from a date prior to 1 January 2011, for the relevant period between that date and 31 December 2010, there would be Distributable Earnings forecast of 0.046 cent per security per day if the Offer is fully subscribed and 0.042 cent per security per day if no equity is raised from the Offer. Westfield Retail Trust's distribution policy and payout ratio of 90% would apply for that period.

Management discussion and analysis on the pro forma historical income statements

(a) Summary consolidated income statements FY 2007 compared to FY 2008

Property revenue and property expenses and outgoings (net operating income)

Proportionate property revenue increased by 9.0% or $72.0 million, from $799.0 million in FY 2007 to $871.0 million in FY 2008. Proportionate property expenses and outgoings increased by 15.2% or $32.2 million, from $211.7 million in FY 2007 to $243.9 million in FY 2008. Consequently proportionate net operating income increased by 6.8% or $39.8 million, from $587.3 million for FY 2007 to $627.1 million for FY 2008.

The increase in proportionate net operating income was primarily due to growth in average specialty shop rental rates of approximately 6.1% which contributed to the overall increase in comparable net operating income growth of 4.7%, and completed developments in Australia at Westfield Doncaster, Westfield Geelong, Westfield Chermside, Westfield Kotara, Westfield North Lakes and Westfield Plenty Valley and in New Zealand at Westfield Albany and Westfield Manukau. These increases were partially offset by a reduction in net operating income from the commencement of the development at Westfield Sydney, an increase in overheads and amortisation of deferred costs and the New Zealand dollar average exchange rate increasing from 1.1397 for FY 2007 to 1.1934 for FY 2008. Refer to section 4.2 for further information with respect to movements in leased rates and average specialty shop rental rates as well as operating statistics for FY 2007 and FY 2008.

The operating cashflow was generally consistent with the net operating income for the year.

Income Tax

Income tax relates to Westfield Retail Trust's investment in the New Zealand portfolio and tax on non rental retail income. Income tax improved by $0.9 million, from $17.7 million in FY 2007 to $16.8 million in FY 2008. This reduction in income tax was primarily due to the New Zealand dollar average exchange rate increasing from 1.1397 for FY 2007 to 1.1934 for FY 2008 and an increase in tax depreciation.

(b) Summary consolidated income statements FY 2008 compared to FY 2009

Property revenue and property expenses and outgoings (net operating income)

Proportionate property revenue increased by 2.6% or $22.7 million, from $871.0 million in FY 2008 to $893.7 million in FY 2009. Proportionate property expenses and outgoings decreased by 5.8% or $14.2 million, from $243.9 million in FY 2008 to $229.7 million in FY 2009. Consequently net operating income increased by 5.9% or $36.9 million, from $627.1 million for FY 2008 to $664.0 million for FY 2009.

The increase in proportionate net operating income was primarily due to growth in average specialty shop rental rates of approximately 3.4% which contributed to the overall increase in comparable net operating income growth of 5.9% and completed developments in Australia at Westfield Doncaster, Westfield Geelong, and Westfield Plenty Valley and in New Zealand at Westfield Albany and Westfield Manukau and a reduction in overheads and the amortisation of deferred costs. These increases were partially offset by a reduction in net operating income from the commencement of the development at Westfield Sydney and the New Zealand dollar average exchange rate increasing from 1.1934 for FY 2008 to 1.2477 for FY 2009. Refer to section 4.2 for further information with respect to movements in leased rates and average specialty shop rental rates as well as operating statistics for FY 2008 and FY 2009.

The operating cashflow was generally consistent with the net operating income for the year.

Income Tax

Income tax increased by $1.7 million, from $16.8 million in FY 2008 to $18.5 million in FY 2009. This increase in income tax was primarily due to an increase in underlying New Zealand dollar net operating income and a reduction in tax depreciation, partially offset by the New Zealand dollar average exchange rate increasing from 1.1934 for FY 2008 to 1.2477 for FY 2009.

(c) Summary consolidated income statements FY 2009 compared to FY 2010

Property revenue and property expenses and outgoings (net operating income)

Proportionate property revenue is forecast to increase by 5.7% or $50.9 million, from $893.7 million in FY 2009 to $944.6 million in FY 2010. Proportionate property expenses and outgoings are forecast to increase by 8.8% or $20.3 million, from $229.7 million in FY 2009 to $250.0 million in FY 2010. Consequently net operating income is forecast to increase by 4.6% or $30.6 million, from $664.0 million for FY 2009 to $694.6 million for FY 2010.

The increase in forecast proportionate net operating income is primarily due to the assumptions forecast for FY 2010 including the Shopping Centre Interests continuing to be in excess of 99.5% leased, growth in CPI of 2.8% for Australia and 1.7% for New Zealand (refer section 5.4) and the completion of development projects, including the first stage of Westfield Sydney. These forecast increases are partially offset by the New Zealand dollar average exchange rate increasing from 1.2477 for FY 2009 to a forecast rate of 1.2800 for FY 2010.

The operating cash flow is forecast to be generally consistent with the net operating income for the year.

Income Tax

Income tax is forecast to increase by $1.7 million, from $18.5 million in FY 2009 to $20.2 million in FY 2010. This forecast increase in income tax is primarily due to a reduction in tax depreciation, partially offset by the New Zealand dollar average exchange rate increasing from 1.2477 for FY 2009 to 1.2800 for FY 2010.

(d) Summary consolidated income statements FY 2010 compared to FY 2011

Property revenue and property expenses and outgoings (net operating income)

Proportionate property revenue is forecast to increase by 7.9% or $74.7 million, from $944.6 million in FY 2010 to $1,019.3 million in FY 2011. Proportionate property expenses and outgoings are forecast to increase by 7.6% or $19.0 million, from $250.0 million in FY 2010 to $269.0 million in FY 2011. Consequently net operating income is forecast to increase by 8.0% or $55.7 million, from $694.6 million for FY 2010 to $750.3 million for FY 2011.

The forecast increase in proportionate net operating income is primarily due to the assumptions forecast for FY 2011 including the Shopping Centre Interests continuing to be in excess of 99.5% leased and growth in CPI of 3.0% for Australia and 2.0% for New Zealand resulting in CPI-linked rent increases (refer section 5.4) as well as the completion of staged openings of developments in Australia at Westfield Sydney and Westfield Belconnen of approximately $34.0 million. These are forecast to be partially offset by a reduction in net operating income from developments commencing including Westfield Fountain Gate.

The operating cash flow (before interest) is expected to be generally consistent with the net operating income for the year.

Income Tax

Income tax is forecast to decrease by $8.2 million or $7.7 million, from $20.2 million in FY 2010 to $12.0 million prior to the Offer and $12.5 million if the offer is fully subscribed in FY 2011. This decrease in forecast income tax is due to an increase in forecast net financing costs on the approximate NZ$700 million borrowing in New Zealand as a result of the Proposal.

Table 5.3.3 – Pro forma historical property revaluations and deferred tax FY 2007, FY 2008 and FY 2009 (proportionate format)

	Pro forma Historical		
Year to 31 December ($ million)	FY 2007	FY 2008	FY 2009
PROPERTY REVALUATIONS			
Consolidated	254.8	20.1	(37.1)
Equity accounted	481.7	(61.0)	(204.0)
Total proportionate revaluations	**736.5**	**(40.9)**	**(241.1)**
By geographic segment			
– Australia	594.8	44.5	(142.4)
– New Zealand	141.7	(85.4)	(98.7)
	736.5	(40.9)	(241.1)
Westfield Retail Trust asset value			
– Australia			10,265.4
– New Zealand			1,195.0
			11,460.4
Opening balance 31 December 2008			11,497.2
– Redevelopment costs			248.5
– Property revaluations			(241.1)
– Retranslation of New Zealand			(44.2)
Closing balance 31 December 2009			**11,460.4**
Deferred tax	**(33.5)**	**13.1**	**19.3**

Management discussion and analysis on the pro forma historical property revaluations and deferred tax

(a) Property revaluations and deferred tax FY 2007 compared to FY 2008

Proportionate property revaluations decreased by $777.4 million from a revaluation increment of $736.5 million for FY 2007 to a revaluation decrement of $40.9 million for FY 2008.

In Australia proportionate property revaluations decreased by $550.3 million from $594.8 million in FY 2007 to $44.5 million in FY 2008. This decrease is primarily due to a change in the weighted average valuation yield for the Australian portfolio from 5.6% at 31 December 2006 to 5.5% at 31 December 2007 and 5.8% at 31 December 2008, the impact of completed developments and an increase in valuation income (being the net property income used in determining property valuations).

In New Zealand proportionate property revaluations decreased by $227.1 million from a revaluation increment of $141.7 million in FY 2007 to a decrement of $85.4 million in FY 2008. This decrease is primarily due to a change in the weighted average valuation yield for the New Zealand portfolio from 6.7% at 31 December 2006 to 6.4% at 31 December 2007 and 7.0% at 31 December 2008.

Deferred tax was an expense of $33.5 million in FY 2007 and a benefit of $13.1 million in FY 2008, an improvement of $46.6 million. This improvement is due to a reduction in the New Zealand property revaluations and a reduction in the New Zealand tax rate from 33% to 30%.

(b) Property revaluations and deferred tax FY 2008 compared to FY 2009

Proportionate property revaluations decrement increased by $200.2 million from $40.9 million for FY 2008 to $241.1 million for FY 2009.

In Australia proportionate property revaluations decreased by $186.9 million from an increment of $44.5 million in FY 2008 to a decrement of $142.4 million in FY 2009. This decrease is primarily due to a change in the weighted average valuation yield for the Australian portfolio from 5.5% at 31 December 2007 to 5.8% at 31 December 2008 and 6.1% at 31 December 2009. This decrease was partially offset by an increase in valuation income.

In New Zealand proportionate property revaluation decrement increased by $13.3 million from $85.4 million in FY 2008 to $98.7 million in FY 2009. This decrease is primarily due to a change in the weighted average valuation yield for the New Zealand portfolio from 6.4% at 31 December 2007 to 7.0% at 31 December 2008 and 7.4% at 31 December 2009. The deferred tax benefit increased from $13.1 million in FY 2008 to $19.3 million in FY 2009, an improvement of $6.2 million. This increase is mainly due to the increased New Zealand property revaluation decrement.

Table 5.3.4 – Pro forma historical consolidated income statements half years ended 30 June 2009 and 30 June 2010 (proportionate format)

	Pro forma historical half year ended	
$ million	30 June 2009	30 June 2010
NET OPERATING INCOME		
Property revenue		
Consolidated	181.5	192.8
Equity accounted	253.1	269.2
Total proportionate property revenue	434.6	462.0
Property expenses and outgoings		
Consolidated	(47.5)	(48.7)
Equity accounted	(64.5)	(67.3)
Total proportionate property expenses and outgoings	(112.0)	(116.0)
Net operating income	**322.6**	**346.0**
Income tax (consolidated and equity accounted)	(9.0)	(9.9)
Net operating income after income tax	**313.6**	**336.1**
Net operating income by geographic segment		
Australia	278.9	299.5
New Zealand	43.7	46.5
	322.6	**346.0**
NZ dollar average exchange rate	1.2526	1.2680

Management discussion and analysis on the half year pro forma historical consolidated income statements

Property revenue and property expenses and outgoings (net operating income)

Proportionate property revenue increased by 6.3% or $27.4 million, from $434.6 million for the half year ended 30 June 2009 to $462.0 million for the half year ended 30 June 2010. Proportionate property expenses and outgoings increased by 3.6% or $4.0 million, from $112.0 million for the half year ended 30 June 2009 to $116.0 million for the half year ended 30 June 2010. Consequently net operating income increased by 7.3% or $23.4 million, from $322.6 million for the half year ended 30 June 2009 to $346.0 million for the half year ended 30 June 2010.

The increase in proportionate net operating income is primarily due to growth in average specialty shop rental rates of approximately 3.3% which contributed to the overall increase in comparable net operating income growth of 4.0%. This increase was partially offset by a reduction in net operating income from the commencement of the development at Westfield Belconnen, the timing of revenue and expense recognition at the half year and the New Zealand dollar average exchange rate increasing from 1.2526 for the half year ended 30 June 2009 to 1.2680 for the half year ended 30 June 2010. Refer to section 4.2 for further information with respect to movements in our leased rates and average specialty shop rental rates as well as operating statistics for the half years ended 30 June 2009 and 30 June 2010.

Income Tax

Income tax expense increased by $0.9 million, from $9.0 million for the half year ended 30 June 2009 to $9.9 million for the half year ended 30 June 2010. This increase in income tax was primarily due to an increase in underlying New Zealand dollar net operating income and a reduction in tax depreciation, partially offset by the New Zealand dollar average exchange rate increasing from 1.2526 for the half year ended 30 June 2009 to 1.2680 for the half year ended 30 June 2010.

Table 5.3.5 – Pro forma historical property revaluations and deferred tax for the half years ended 30 June 2009 and 30 June 2010

	Pro forma historical half year ended	
$ million	30 June 2009	30 June 2010
PROPERTY REVALUATIONS		
Consolidated	(37.7)	87.9
Equity accounted	(155.9)	77.7
Total proportionate revaluations	**(193.6)**	**165.6**
By geographic segment		
Australia	(120.9)	170.9
New Zealand	(72.7)	(5.3)
	(193.6)	165.6
Westfield Retail Trust asset value		
– Australia		10,563.4
– New Zealand		1,209.1
		11,772.5
Opening balance 31 December 2009		11,460.4
– Redevelopment costs		140.7
– Property revaluations		165.6
– Retranslation of New Zealand		5.8
Closing balance 30 June 2010		**11,772.5**
Deferred tax	**16.5**	**(79.4)**

Management discussion and analysis on the pro forma historical half year property revaluations and deferred tax

Proportionate property revaluations increased by $359.2 million from a decrement of $193.6 million for the half year ended 30 June 2009 to a revaluation increment of $165.6 million for the half year ended 30 June 2010.

In Australia proportionate property revaluations increased by $291.8 million from a decrement of $120.9 million for the half year ended 30 June 2009 to an increment of $170.9 million for the half year ended 30 June 2010. This increase was primarily due to an increase in valuation Net Operating Income for the Australian portfolio, combined with the stabilisation of the weighted average valuation yield from 5.8% at 31 December 2008 to 6.0% at 30 June 2009 compared to 6.1% for 31 December 2009 and 30 June 2010.

In New Zealand proportionate property revaluation improved by $67.4 million from a decrement of $72.7 million for the half year ended 30 June 2009 to $5.3 million for the half year ended 30 June 2010. This improvement was primarily due to the stabilisation of the weighted average valuation yield from 7.0% at 31 December 2008 to 7.4% at 30 June 2009 compared to 7.4% for 31 December 2009 and 30 June 2010.

Deferred tax was a benefit of $16.5 million for the half year ended 30 June 2009 compared to an expense of $79.4 million for the half year ended 30 June 2010, a movement of $95.9 million. This movement was primarily due to a change in New Zealand tax legislation, whereby depreciation on buildings is not tax deductible from 1 January 2011. This was partially offset by an improvement in the New Zealand property revaluations and a reduction in the New Zealand tax rate from 30% to 28%.

5.4 Best estimate assumptions underlying the Forecast Financial Information

The Forecast Financial Information is based on various best estimate assumptions, including those set out below, which should be read in conjunction with the Investigating Accountant's Report in section 6 and the risk factors set out in section 7.

(a) Key assumptions – consolidated income statement

The key assumptions underlying the net operating income pro forma forecast for FY 2010 and forecast net profit after tax for FY 2011 include the following:

- The Proposal is implemented on 1 January 2011;
- Average CPI for FY 2010 of 2.8% and FY 2011 of 3.0% for Australia and FY 2010 of 1.7% and FY 2011 of 2.0% for New Zealand;
- Shopping Centre Interests continue to be in excess of 99.5% leased;
- Development activities including Westfield Sydney, Westfield Belconnen and Westfield Fountain Gate were underway. The FY 2011 forecast assumes capital expenditure of approximately $280 million for Westfield Sydney, approximately $12 million for Westfield Belconnen and approximately $70 million for Westfield Fountain Gate;
- Average NZ$ exchange rate of 1.2800 for FY 2010 and FY 2011; and
- No equity is raised and an average interest rate of 7.0 % for FY 2011 or $3.5 billion of equity raised at the Offer Price of $2.75 representing an 11% discount to the diluted net tangible assets following the $1.75 billion underwritten component of the Offer, which will be used to repay borrowings and an average interest rate of 5.7% on any outstanding debt for FY 2011 (all average rates excluding the Westfield Sydney Facility).

(b) General assumptions

In preparing the Forecast Financial Information, the following general best estimate assumptions have been adopted:

- no significant amendment to any material agreement or arrangement relating to Westfield Retail Trust's businesses. The parties to those agreements and arrangements are assumed to continue to comply with the terms of all material agreements and arrangements and maintain all relevant licences and approvals;
- no material business acquisitions or disposals;
- no material change in the competitive operating environment;
- no material changes in capital expenditure requirements;
- macroeconomic and industry conditions as described in section 7;
- no material contract disputes or litigation;
- no change in Westfield Retail Trust's capital structure other than as set out in, or contemplated by, this PDS;
- no significant change in the legislative regimes and regulatory environments in the jurisdictions in which Westfield Retail Trust or its key customers operate which will materially affect the Forecast Financial Information (including in the areas of taxation or carbon pollution reduction and various state retail tenancy legislation);
- no changes in accounting standards or other mandatory professional reporting requirements or the Corporations Act and other relevant foreign equivalents of the Corporations Act that would have a material effect on Westfield Retail Trust's financial performance, cash flows or financial position and the way in which they are reported; and
- consistency of Westfield Retail Trust's significant accounting policies over the forecast period.

5.5 Sensitivity analysis

The Forecast Financial Information in section 5.3 is based on certain economic and business assumptions about future events that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Westfield Retail Trust, the Westfield Retail Trust Board and management. A summary is provided of the sensitivity of the Westfield Retail Trust Board's forecast net profit after tax before fair value adjustments and transaction costs to variations in a number of key assumptions for FY 2011. The changes in the key variables set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. For the purposes of the analysis below, the effect of the changes in key assumptions on the forecast for FY 2011 is discussed below.

Forecast FY2011 sensitivity	Forecast prior to the Offer		Forecast after the Offer – subscribed to $1.75 billion		Forecast after the Offer – fully subscribed	
	$ million	CPU	$ million	CPU	$ million	CPU
Forecast Distributable Earnings	417.7	18.1	538.7	18.3	662.2	18.5
Incremental impact of change from Assumption						
Change in average CPI by 0.25% p.a.	+/– 0.8	+/– 0.03	+/– 0.8	+/– 0.03	+/– 0.8	+/– 0.02
Change in average portfolio leased of 0.1% p.a.	+/– 0.7	+/– 0.03	+/– 0.7	+/– 0.02	+/– 0.7	+/– 0.02
Change in average NZ$ exchange rate by 5 cents	+/– 1.8	+/– 0.08	+/– 1.8	+/– 0.06	+/– 1.9	+/– 0.05
Change in average interest rate by 0.25% p.a.	+/– 5.8	+/– 0.25	+/– 3.0	+/– 0.10	+/– 0.4	+/– 0.01

In terms of the FY 2010 pro forma forecast, as this pro forma forecast is based upon assumptions updated for both the impact of actual metrics that have occurred during the year to date and the current market position as at the preparation of this PDS, any further movement in the above noted assumptions for FY 2010 would have a minimal impact on the FY 2010 pro forma forecast.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables over the full year. In practice, changes in variables may offset each other or may be cumulative, and it is likely that Westfield Retail Trust's management would respond to any adverse change in one variable by taking action to minimise the net effect on Westfield Retail Trust's earnings.

5.6 Proportionate historical pro forma consolidated statement of financial position of Westfield Retail Trust

Table 5.6.1 presents the historical statement of financial position of Westfield Retail Trust for the half year ended 30 June 2010. The pro forma 30 June 2010 statement of financial position reflects the following transactions and pro forma adjustments:

- the development costs from 1 July 2010 to the date of the Proposal for Westfield Sydney and Westfield Belconnen, representing Westfield Retail Trust's share of the projects' costs that are expected to have been funded by Westfield Group on the Implementation Date;
- loans payable to Westfield Group for the initial acquisition of Westfield Sydney (including work in progress) valued at approximately $942 million. Westfield Retail Trust's share of Westfield Sydney is expected to cost approximately $1.340 billion on completion of the development in 2012;
- Acquisition Facility of $3.7 billion;
- transaction costs of $163 million (stamp duty and land transfer fees $119 million and associated costs including professional fees of $44 million); and
- the receipt of proceeds from the Offer of $3.5 billion less equity raising and other associated costs of $47 million.

The adjustments discussed above include assumptions relating to matters that are not known as at the date of this PDS. The pro forma statement of financial position is therefore provided for illustrative purposes only and is not represented as being necessarily indicative of Westfield Retail Trust's view of its future financial position.

The historical consolidated statements of financial position have been derived from the audited financial statements of the WFT and Westfield Group and have been prepared on the basis that Westfield Retail Trust's Shopping Centre Interests have been acquired from WFT and Westfield Group.

Table 5.6.2 is the pro forma details of the Shopping Centre Interests as at 30 June 2010. This information has been extracted from the audited 30 June 2010 Westfield Group half year financial report. The fair value of the properties used in the pro forma consolidated statement of financial position is based on the 30 June 2010 audited half year financial statements of Westfield Group. These fair values as at 30 June 2010 may differ to the fair value of the properties at the date of the Offer due to changes in the operating performance of the properties and changes to market conditions outlined in section 7.

Table 5.6.1 – Pro forma historical consolidated statement of financial position (proportionate format)

30 June 2010 $ million	Assets and liabilities contributed by Westfield Group[1]	Westfield Sydney[2]	Westfield Sydney Facility[3]	Acquisition Facility[4]	Transaction costs[5]	Westfield Retail Trust before the Offer	$1.75 billion equity raised net of costs[6]	Westfield Retail Trust pro forma – $1.75 billion equity raised net of costs	Additional $1.75 billion equity raised	Westfield Retail Trust Pro forma fully subscribed $3.5 billion
Cash	21.8	–	–	200.0	(163.0)	58.8	–	58.8	–	58.8
Trade debtors and other assets	50.1	–	–	–	–	50.1	–	50.1	–	50.1
Total current assets	**71.9**	**–**	**–**	**200.0**	**(163.0)**	**108.9**	**–**	**108.9**	**–**	**108.9**
Shopping centre investments	10,998.3	–	–	–	–	10,998.3	–	10,998.3	–	10,998.3
Development projects	774.2	335.4	–	–	–	1,109.6	–	1,109.6	–	1,109.6
Total non-current assets	**11,772.5**	**335.4**	**–**	**–**	**–**	**12,107.9**	**–**	**12,107.9**	**–**	**12,107.9**
Total assets	**11,844.4**	**335.4**	**–**	**200.0**	**(163.0)**	**12,216.8**	**–**	**12,216.8**	**–**	**12,216.8**
Trade and other payables	160.5	–	–	–	–	160.5	–	160.5	–	160.5
Borrowings	9.8	–	442.0	3,700.0	–	4,151.8	(1,703.0)	2,448.8	(1,750.0)	698.8
Total current liabilities	**170.3**	**–**	**442.0**	**3,700.0**	**–**	**4,312.3**	**(1,703.0)**	**2,609.3**	**(1,750.0)**	**859.3**
Borrowings	–	–	500.0	–	–	500.0	–	500.0	–	500.0
Payables and other creditors	24.0	–	–	–	–	24.0	–	24.0	–	24.0
Deferred tax	242.9	–	–	–	–	242.9	–	242.9	–	242.9
Total non-current liabilities	**266.9**	**–**	**500.0**	**–**	**–**	**766.9**	**–**	**766.9**	**–**	**766.9**
Total liabilities	**437.2**	**–**	**942.0**	**3,700.0**	**–**	**5,079.2**	**(1,703.0)**	**3,376.2**	**(1,750.0)**	**1,626.2**
Net assets	**11,407.2**	**335.4**	**(942.0)**	**(3,500.0)**	**(163.0)**	**7,137.6**	**1,703.0**	**8,840.6**	**1,750.0**	**10,590.6**
Net asset value (NAV) excluding deferred tax per Stapled Unit ($)						**3.20**		**3.09**		**3.03**
Number of Stapled Units on issue (millions)						*2,307.8*		*2,944.2*		*3,580.5*
Gearing[7] – based on 30 June 2010 exchange rates[8]						37.8%		23.8%		9.4%

(1) Initial contribution of assets and liabilities from Westfield Group (principally WFT) to Westfield Retail Trust and extracted from the audited 30 June 2010 Westfield Group and WFT financial statements.

(2) Development update of costs from 1 July 2010 to the date of the Proposal for Westfield Sydney at $942 million. This excludes $398 million of project costs to complete the development (Westfield Sydney completed centre value is $1.340 billion (Westfield Retail Trust share)). Also includes $45 million of costs for the Belconnen development.

(3) $942 million loan from Westfield Group to fund the acquisition of the initial Westfield Sydney interest.

(4) $3.7 billion Acquisition Facility drawn down by Westfield Retail Trust, of which $3.5 billion is paid to Westfield Group for the acquisition of the Shopping Centre Interests.

(5) Transaction costs of $163.0 million, including stamp duty and land transfer fees of $119.0 million and associated costs including professional fees of $44.0 million but excluding equity raising costs.

(6) Equity of $1.75 billion raised from the Offer less $47.0 million of associated costs.

(7) Gearing is calculated as follows:

$$\frac{\textit{Current and non current borrowings less cash}}{\textit{Total assets less cash}}$$

(8) 30 June 2010 exchange rates applied are AUD/USD 0.8493; AUD/GBP 0.5668; AUD/NZD 1.2323.

Table 5.6.2 – Westfield Retail Trust details of Shopping Centre Interests

This property table for Westfield Retail Trust reflects the value as at 30 June 2010 of the properties contributed by Westfield Group and has been extracted from the property table included in Westfield Group's 30 June 2010 audited half year financial statements.

Centre	Westfield Retail Trust % Interest	Pro forma historical 30 June 2010 contributed value $ millions	Estimated valuation yield
Airport West	25.0%	78.0	7.00%
Belconnen	50.0%	302.5	6.25%
Burwood	50.0%	360.1	6.25%
Carousel	50.0%	390.0	6.00%
Chermside	50.0%	684.0	5.50%
Figtree	50.0%	66.0	7.50%
Geelong	25.0%	113.8	6.50%
Helensvale	25.0%	84.2	6.50%
Hurstville	25.0%	140.0	7.00%
Innaloo	50.0%	125.0	7.00%
Liverpool	25.0%	202.8	6.25%
Marion	25.0%	257.0	6.00%
Miranda	25.0%	317.7	5.75%
North Lakes	25.0%	96.0	6.25%
Parramatta	25.0%	366.9	5.75%
Penrith	25.0%	257.5	6.00%
Plenty Valley	25.0%	67.0	6.50%
Strathpine	50.0%	125.5	7.50%
Warrawong	50.0%	91.5	8.00%
West Lakes	25.0%	95.0	6.38%
Whitford City	25.0%	136.3	6.75%
Woden	25.0%	160.5	6.25%
Total Consolidated Australia		**4,517.3**	
Bondi Junction	50.0%	935.5	5.25%
Booragoon	12.5%	105.0	6.00%
Chatswood	50.0%	435.4	6.00%
Doncaster	25.0%	341.3	5.75%
Fountain Gate	50.0%	437.5	6.00%
Hornsby	50.0%	416.7	6.00%
Karrinyup	16.7%	88.3	6.50%
Knox	15.0%	141.0	6.50%
Kotara	50.0%	320.5	6.25%
Macquarie	27.5%	244.0	6.00%
Mt Druitt	25.0%	105.8	7.00%
Mt Gravatt	37.5%	311.3	6.00%
North Rocks	50.0%	55.5	7.50%
Pacific Fair	22.0%	224.4	6.25%
Southland	25.0%	301.3	6.00%
Sydney Central Plaza	50.0%	280.0	6.00%
Tea Tree Plaza	18.8%	124.3	6.00%
Tuggerah	50.0%	307.0	6.25%
Warringah Mall	12.5%	132.2	6.00%
Total Equity Accounted Australia		**5,307.0**	
Total Australian portfolio		**9,824.3**	**6.1%**[1]

(1) Excludes Westfield Sydney.

Centre	Westfield Retail Trust % Interest	Pro forma historical 30 June 2010 contributed value NZ$ millions	Estimated valuation yield
New Zealand			
Albany	50.0%	186.6	6.75%
Chartwell	50.0%	69.1	8.50%
Downtown	50.0%	39.4	8.13%
Glenfield	50.0%	55.0	8.63%
Manukau	50.0%	169.4	7.50%
Newmarket	50.0%	118.5	7.23%
Pakuranga	50.0%	45.6	8.50%
Queensgate	50.0%	170.3	7.13%
Riccarton	50.0%	230.0	7.00%
Shore City	50.0%	45.2	8.50%
St Lukes	50.0%	225.3	6.88%
WestCity	50.0%	92.3	8.38%
Equity Accounted New Zealand (NZ$)		**1,446.7**	**7.4%**
Exchange rate		1.2323	
Equity Accounted New Zealand (A$)		**1,174.0**	
Total Shopping Centre Interests		**10,998.3**	
Other development projects		**A$ millions**	
– Australia		739.1	
– New Zealand		35.1	
Total development projects		**774.2**	
Total investment properties		**11,772.5**	

Development projects

Westfield Retail Trust's development activity includes the completion of Westfield Sydney scheduled for FY 2012, the development at Westfield Belconnen scheduled for completion in FY 2011 and the project at Westfield Fountain Gate which is expected to commence in FY 2011.

5.7 Outlook statement for forecast period

Westfield Retail Trust expects to achieve a distribution of 16.3 cents per Stapled Unit if no equity is issued and 16.6 cents per Stapled Unit if the offer is fully subscribed, based on a payout ratio of 90% of profit before fair value adjustments and transaction costs for the year ending 31 December 2011 as disclosed in section 5.3.2. This forecast assumes no material change in the economic conditions and exchange rates and that the forecast assumptions disclosed in section 5.4 are achieved.

5.8 Liquidity and financing facilities

In addition to funding the operation of the Shopping Centre Interests, Westfield Retail Trust's primary requirement for cash is expected to arise from funding the redevelopment and expansion of existing centres and to fund acquisitions. Significant amounts of cash are also expected to be used to pay distributions and repay principal and interest on debt. Details of the distribution policy are included in section 5.3.2.

If the proposal proceeds, Westfield Retail Trust's external finance facilities are expected to include the $3.7 billion Acquisition Facility and the Westfield Sydney Facility. Details of these facilities are included in sections 3.10, 4.9(a) and 10.10. For the historical pro forma financial information, no borrowings or financing facilities were assumed to be in place.

The funds raised through the Offer will be used to pay down the Acquisition Facility. Section 7.10 provides further details on the impact of the different levels of funds raised from the Offer on the gearing levels of Westfield Retail Trust.

With the refinancing of the above facilities and as a result of ongoing funding requirements, Westfield Retail Trust's finance facilities are expected to encompass a diversity of financing sources which may include committed unsecured bank loan facilities on a syndicated and bilateral basis, bonds and hybrid instruments. Committed unsecured bank loan facilities and bonds are expected to be with a number of lenders and are expected to have various maturities to minimize credit risk and refinancing risk. Westfield Retail Trust may also raise debt finance through secured borrowings, including secured investment loans over individual properties or groups of properties and secured construction loans.

In addition to the public equity and secured and unsecured debt markets, Westfield Retail Trust may also raise funding by accessing private equity from institutional investors, through hybrid equity raisings and the disposition or joint venturing of properties.

Westfield Retail Trust plans to seek a credit rating from both Standard & Poors and Moody's promptly after implementation of the Proposal to support its capital management strategies.

5.9 Disclosure about financing and treasury risks

Westfield Retail Trust's activities are expected to be exposed to changes in interest rates and foreign exchange rates. Sensitivities on the NZ dollar exchange rate are included in section 5.5. Policies and limits will be implemented in respect of the use of derivative and other financial instruments to hedge cash flows and economic exposures subject to interest rate and currency risks. It is not expected that derivatives will be entered into for speculative purposes and Westfield Retail Trust's hedging policies are expected to be approved and monitored by its Board.

Interest rates

Westfield Retail Trust will be subject to the risk of rising interest rates associated with borrowing on a floating rate basis. All or part of Westfield Retail Trust's exposure to adverse fluctuations in floating interest rates may be managed by entering into interest rate hedging arrangements, including derivative financial instruments. Such arrangements involve risk, such as the risk that counterparties may fail to honour their obligations under these arrangements, and that such arrangements may not be effective in reducing exposure to movements in interest rate changes. To the extent that there is no hedging or hedging is not completed effectively against movements in interest rates, such interest rate movements may adversely affect Westfield Retail Trust's results of operations.

Due to documentation, designation and effectiveness requirements under Australian International Financial Reporting Standards, it is expected that derivative financial instruments used for hedging interest rate exposure will not qualify for hedge accounting. As a consequence, Westfield Retail Trust may experience volatility in its reported earnings due to changes in the mark-to-market valuations of interest rate derivative financial instruments. There can be no assurance that Westfield Retail Trust will not incur non-cash losses in future periods.

Although the interest rate hedging transactions are undertaken to achieve economic outcomes in line with treasury policy, there can be no assurance that such transactions or treasury policy will be effective.

Foreign exchange rates

Westfield Retail Trust's investment in New Zealand shopping centres exposes it to exchange rate risk. Details of the exchange rates used for the historical pro forma and forecast income statements are included in tables 5.3.1 and 5.3.4.

Westfield Retail Trust will derive A$ and NZ$ denominated earnings from its shopping centre investments in Australia and New Zealand. The impact of exchange rate movements may be managed on both its earnings and balance sheet by entering into hedging transactions, including derivative financial instruments. To the extent Westfield Retail Trust does not hedge or hedge effectively against movements in the exchange rate of these currencies, such exchange rate movements may adversely affect the results of operations and/or balance sheet.

Due to documentation, designation and effectiveness requirements under Australian International Financial Reporting Standards, it is expected that currency derivative financial instruments used for hedging exchange rate exposure (other than cross currency swaps that hedge investments in foreign operations) will not qualify for hedge accounting. As a consequence, Westfield Retail Trust may experience volatility in reported earnings due to changes in the mark-to-market valuations of our currency derivative financial instruments. There can be no assurance that Westfield Retail Trust will not incur non-cash losses in future periods.

Although the exchange rate hedging transactions are undertaken to achieve economic outcomes in line with treasury policy, there can be no assurance that such transactions or treasury policy will be effective.

Counterparty credit risk

Counterparty credit risk is the risk of a loss being sustained as a result of payment default by the counterparty with whom funds are placed on deposit or a counterparty with which Westfield Retail Trust enters into hedging transactions. The extent of the loss could be the full amount of the deposit or, in the case of hedging transactions, the cost of replacing those transactions. Under the proposed treasury risk management policy, Westfield Retail Trust will only deal with counterparties that are believed to be of a good credit standing and have assigned a maximum exposure to each of them according to the assessment of their credit-worthiness. These determinations are based upon their credit ratings and other factors and will be subject to continuous review. There can be no assurance that Westfield Retail Trust will successfully manage this risk or that such payment defaults by counterparties will not adversely affect its financial condition or performance. Even banks and financial institutions with high credit ratings can default and several of them have experienced severe difficulties in the recent adverse economic and global credit market environment.

5.10 Contractual obligations, other commitments and off-balance sheet arrangements

The following table summarises Westfield Retail Trust's proportionate share of estimated contractual obligations and commitments at the date of implementation of the Proposal.

$ million	Before $3.5 billion equity raised	After $1.75 billion equity raised	After $3.5 billion equity raised
Borrowings	4,651.8	2,948.8	1,198.8
Lease commitments	24.0	24.0	24.0
Capital expenditure commitments	570.0	570.0	570.0
Total	5,245.8	3,542.8	1,792.8
Maturity Profile			
Borrowings			
– Due within one year	4,151.8	2,448.8	698.8
– Due between one and five years	500.0	500.0	500.0
Lease commitments			
– Due within one year	0.4	0.4	0.4
– Due between one and five years	1.6	1.6	1.6
– Due after five years	22.0	22.0	22.0
Capital expenditure commitments			
– Due within one year	406.0	406.0	406.0
– Due between one and five years	164.0	164.0	164.0
	5,245.8	3,542.8	1,792.8

Westfield Retail Trust has not used special purpose vehicles or similar financing arrangements. Westfield Retail Trust does not have any off-balance sheet financing arrangements with any of its affiliates or with any unconsolidated entities.

5.11 Pro forma statutory financial information

Table 5.11.1 – Pro forma full year historical and forecast consolidated income statements (statutory format)

	Pro forma historical[1]			Pro forma Forecast[2]	Forecast prior to the Offer[3]	Forecast after the Offer – fully sub-scribed to $1.75 billion	Forecast after the Offer – fully sub-scribed[4]
Year to 31 December ($ million)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2011	FY 2011
Revenue							
Property revenue	371.2	379.3	374.6	400.9	458.1	458.1	458.1
Share of after tax profits before net financing costs from equity accounted joint ventures							
Property revenue	427.8	491.7	519.1	543.7	561.2	561.2	561.2
Property expenses and outgoings	(111.8)	(134.2)	(131.1)	(140.0)	(145.9)	(145.9)	(145.9)
	316.0	357.5	388.0	403.7	415.3	415.3	415.3
Property revaluations	481.7	(61.0)	(204.0)				
Deferred tax[5]	(33.5)	13.1	19.3				
Income tax[5]	(16.0)	(14.8)	(16.5)	(17.8)	(9.0)	(9.2)	(9.5)
	748.2	294.8	186.8				
Expenses							
Property expenses and outgoings	(99.9)	(109.7)	(98.6)	(110.0)	(123.1)	(123.1)	(123.1)
Property revaluations	254.8	20.1	(37.1)				
Income tax[5]	(1.7)	(2.0)	(2.0)	(2.4)	(3.0)	(3.0)	(3.0)
Net profit before net financing costs, corporate expenses and transaction costs	**1,272.6**	**582.5**	**423.7**	**674.4**	**738.3**	**738.1**	**737.8**
Reverse: Property revaluations and tax	(685.3)	44.6	240.3	20.2	12.0	12.2	12.5
Net operating income (before fair value adjustments and transaction costs, net financing costs, corporate expenses and tax)	**587.3**	**627.1**	**664.0**	**694.6**	**750.3**	**750.3**	**750.3**
Income tax (consolidated and equity accounted)	(17.7)	(16.8)	(18.5)	(20.2)	(12.0)	(12.2)	(12.5)
Net operating income after income tax	**569.6**	**610.3**	**645.5**	**674.4**	**738.3**	**738.1**	**737.8**
Corporate expenses					(35.0)	(35.0)	(35.0)
Net financing costs					(285.6)	(164.4)	(40.6)
Net profit after tax (excluding fair value adjustments and transaction costs)[6]					**417.7**	**538.7**	**662.2**

(1) The pro forma historical income statements are derived from WFT and Westfield Group historical audited income statements and have been presented before net financing costs and capital profits and losses due to the new capital and debt structure that will be in place following the Offer.

(2) The income statement for FY 2010 is the aggregation of the historical pro forma income statement for the half year ended 30 June 2010 and forecast pro forma income statement for the half year ending 31 December 2010.

(3) Assumes that no equity has been raised from the Offer and includes the Corporate Services fee to be paid to Westfield Group and net financing costs.

(4) Assumes that $3.5 billion of equity has been raised from the Offer and includes the Corporate Services fee to be paid to Westfield Group and net financing costs.

(5) Tax expense excludes tax on capital transactions. FY 2007, FY 2008, FY 2009 and FY 2010 excludes tax on net financing costs. FY 2011 includes tax on net financing costs.

(6) Net profit after tax excludes fair value adjustments and transaction costs as defined in section 5.1 and excludes transaction costs such as stamp duty, land transfer fees and professional fees incurred as part of the transaction. Total transaction costs are $210.0 million.

Table 5.11.2 – Pro forma half year historical consolidated income statements (statutory format)

	Pro forma historical[1]	
Half year ended 30 June ($ million)	**30 June 2009**	**30 June 2010**
Revenue		
Property revenue	181.5	192.8
Share of after tax profits before net financing costs from equity accounted joint ventures		
Property revenue	253.1	269.2
Property expenses and outgoings	(64.5)	(67.3)
	188.6	201.9
Property revaluations	(155.9)	77.7
Deferred tax[2]	16.5	(79.4)
Income tax[2]	(8.0)	(9.0)
Expenses	41.2	191.2
Property expenses and outgoings	(47.5)	(48.7)
Property revaluations	**(37.7)**	**87.9**
Income tax[2]	(1.0)	(0.9)
Net profit before net financing costs, corporate expenses and transaction costs	**136.5**	**422.3**
Reverse: property revaluations and tax	186.1	(76.3)
Net operating income (before fair value adjustments and transaction costs, net financing costs, corporate expenses and tax)	**322.6**	**346.0**
Income tax (consolidated and equity accounted)	(9.0)	(9.9)
Net profit after tax (excluding fair value adjustments and transaction costs)[3]	**313.6**	**336.1**

(1) The pro forma historical income statements are derived from WFT and Westfield Group historical audited income statements and have been presented before net financing costs and capital profits due to the new capital and debt structure that will be in place following the Offer.

(2) Tax expense excludes tax on capital transactions and tax on net financing costs.

(3) Net profit after tax excludes fair value adjustments and transaction costs as defined in section 5.1 and excludes transaction costs such as stamp duty, land transfer fees and professional fees incurred as part of the transaction.

Table 5.11.3 – Pro forma historical consolidated statement of financial position (statutory format)

30 June 2010 $ million	Assets and liabilities contributed by Westfield Group[1]	Westfield Sydney develop-ment update[2]	Westfield Sydney Facility[3]	Acquisition Facility[4]	Transaction costs[5]	Westfield Retail Trust before the Offer	$1.75 billion equity raised net of costs[6]	Westfield Retail Trust pro forma – $1.75 billion equity raised net of costs	Additional $1.75 billion equity raised	Westfield Retail Trust Pro forma – fully subscribed
Cash	8.2	–	–	200.0	(163.0)	45.2	–	45.2	–	45.2
Trade debtors and other assets	26.0	–	–	–	–	26.0	–	26.0	–	26.0
Total current assets	**34.2**	**–**	**–**	**200.0**	**(163.0)**	**71.2**	**–**	**71.2**	**–**	**71.2**
Shopping centre investments	4,517.3	–	–	–	–	4,517.3	–	4,517.3	–	4,517.3
Development projects	700.5	335.4	–	–	–	1,035.9	–	1,035.9	–	1,035.9
Equity accounted investments	6,217.8	–	–	–	–	6,217.8	–	6,217.8	–	6,217.8
Total non-current assets	**11,435.6**	**335.4**	**–**	**–**	**–**	**11,771.0**	**–**	**11,771.0**	**–**	**11,771.0**
Total assets	**11,469.8**	**335.4**	**–**	**200.0**	**(163.0)**	**11,842.2**	**–**	**11,842.2**	**–**	**11,842.2**
Trade and other payables	58.4	–	–	–	–	58.4	–	58.4	–	58.4
Borrowings	–	–	442.0	3,700.0	–	4,142.0	(1,703.0)	2,439.0	(1,750.0)	689.0
Total current liabilities	**58.4**	**–**	**442.0**	**3,700.0**	**–**	**4,200.4**	**(1,703.0)**	**2,497.4**	**(1,750.0)**	**747.4**
Payables and other creditors	4.2	–	–	–	–	4.2	–	4.2	–	4.2
Borrowings	–	–	500.0	–	–	500.0	–	500.0	–	500.0
Total non-current liabilities	**4.2**	**–**	**500.0**	**–**	**–**	**504.2**	**–**	**504.2**	**–**	**504.2**
Total liabilities	**62.6**	**–**	**942.0**	**3,700.0**	**–**	**4,704.6**	**(1,703.0)**	**3,001.6**	**(1,750.0)**	**1,251.6**
Net assets	**11,407.2**	**335.4**	**(942.0)**	**(3,500.0)**	**(163.0)**	**7,137.6**	**1,703.0**	**8,840.6**	**1,750.0**	**10,590.6**

(1) Initial contribution of assets and liabilities from Westfield Group (principally WFT) to Westfield Retail Trust and extracted from the audited 30 June 2010 Westfield Group and WFT financial statements.

(2) Development update from 1 July 2010 to the date of the Proposal for Westfield Sydney at $942 million. This excludes $398 million of project costs to complete the development (Westfield Sydney completed centre value is $1,340 million (Westfield Retail Trust share)). Also includes $45 million of costs for the Belconnen development.

(3) $942 million loan from Westfield Group to fund the acquisition of the initial Westfield Sydney interest.

(4) $3.7 billion Acquisition Facility drawn down by Westfield Retail Trust, of which $3.5 billion is paid to Westfield Group for the acquisition of the Shopping Centre Interests.

(5) Transaction costs of $163.0 million, including stamp duty and land transfer fees of $119.0 million and associated costs including professional fees of $44.0 million but excluding equity raising costs.

(6) Equity of $1.75 billion raised from the Offer less $47.0 million of associated costs.

5.12 Significant accounting policies

The preparation of Financial Information requires estimates, judgments and assumptions that affect the reported amounts of gross revenues, gross expenses, assets and liabilities. These estimates and judgments are based on historical experience and on various assumptions that management believes to be reasonable. Actual results may differ from these estimates under different assumptions or conditions. Revisions to estimates are recognised in the period in which the estimate is revised and in any future period affected. The significant accounting policies set out below apply estimates, judgments and assumptions which could materially affect the financial results or financial position reported in future periods.

Critical accounting policies

Critical accounting policies are those policies that require management to make estimates or judgments that may significantly affect the reported amounts of assets, liabilities, revenues or expenses or the disclosure of contingent assets or liabilities. Such estimates are based on judgments and assumptions and could potentially result in materially different results under different assumptions and conditions. The following disclosure discusses the estimates and judgments that management is required to make in the application of those critical accounting policies, having regard to trends, known events or assumptions that it believes to be reasonable at the time.

Investment properties

Westfield Retail Trust's Shopping Centre Interests, which are interests in Properties that are wholly owned or held through joint ventures or co-ownership arrangements, include freehold and leasehold land, buildings, leasehold improvements, tenant allowances and construction and development projects.

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 the diminution in value of the building content due to the passing of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the Properties to which Westfield Retail Trust's Shopping Centre Interests relate are stated at fair value. Gains and write-downs arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

At each reporting date, the fair value of the portfolio of investment properties is assessed by the directors, in accordance with AASB 140 "Investment Property" and where the fair value differs materially from the directors' assessment of fair value, an adjustment to the fair value is recorded as appropriate.

The directors' assessment of fair value of each shopping centre investment property is confirmed by annual independent valuations. In determining the fair value of an investment property, management and the independent valuer consider several factors, such as projected rental and vacancy rates, property operating expenses, capital expenditures and interest rates, changes in tenants, changes in competitors, changes to operating costs and any significant adverse changes in legal factors or business climate. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value method are used.

The valuation yield is based on the market in which the property is located, length of leases, tenant financial strength, the economy in general, demographics, environment, property location, visibility, age, physical condition and investor return requirements, among others.

Capitalisation rates and the discount rates fluctuate based on factors such as interest rates and the overall quality of the shopping centre. An increase in capitalisation and discount rates would result in a market valuation lower than Westfield Retail Trust's carrying value, conversely a decrease in capitalisation and discount rates would result in a market valuation higher than its carrying value. Also Westfield Retail Trust's assessment of the fair value of our investments is confirmed by annual independent valuations conducted on a rolling basis.

All of the above factors are considered by management in determining the value of any particular property. The value of any particular property is sensitive to the actual results of any of these uncertain factors, either individually or taken as a whole. If the actual results differ from management's judgment, the valuation could be negatively or positively affected.

The valuation and possible subsequent impairment in the value of Westfield Retail Trust's investment properties are significant estimates that can and do change based on management's continuous process of analysing each property.

Development projects

Development projects include costs incurred for the current and future redevelopment and expansion of new and existing shopping centre investments. Development projects include capitalised construction and development costs and where applicable, borrowing costs incurred on qualifying developments.

Development projects are carried at fair value based on the directors' assessment of fair value at each reporting date. Any increment or decrement in the fair value of development projects is included in the income statement in the year in which it arises. The assessment of fair value and possible impairment in the fair value of shopping centre investment and development projects are significant estimates that can change based on management's continuous process of assessing the factors affecting each property.

Receivables

At each reporting period, the Westfield Retail Trust Board makes an assessment on the recoverability of receivables. The receivable analysis has regard for past-due accounts and considers the nature and age of the receivables, the payment history and financial condition of the tenant, the basis for any disputes or negotiations with the tenant and other information which may impact recoverability.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Westfield Retail Trust and can be reliably measured. Rental income for investment properties is accounted for on an accruals basis. 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 receivable and is carried at fair value. Recoveries from tenants are recognised as income in the year the applicable costs are accrued.

Certain tenant allowances that are classified as lease incentives are amortised over the term of the lease against property income.

Where revenue is obtained from the sale of properties, it is recognised when the significant risks and rewards have transferred to the buyer. This will normally take place on unconditional exchange of contracts except where payment or completion is expected to occur significantly after exchange. For conditional exchanges, sales are recognised when these conditions are satisfied.

Deferred tax

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 to the year when the asset is realised through continued use or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Derivative and other financial instruments

Westfield Retail Trust's activities will expose it to changes in interest rates and foreign exchange rates. Westfield Retail Trust has policies and limits in respect of the use of derivative and other financial instruments to hedge cash flows subject to interest rate and currency risks.

The fair value of forward foreign exchange contracts and interest rate swap contracts that may be entered into are determined by reference to market values.

Further information on significant accounting policies relevant to the Financial Information are disclosed in Note 1 to the financial statements in Westfield Group's and WFT's 2009 Annual Report which has been lodged with ASIC and is available from www.westfield.com/corporate.

SECTION

6

INVESTIGATING ACCOUNTANTS' REPORT

WESTFIELD NEWMARKET, AUCKLAND

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PART 1 – INVESTIGATING ACCOUNTANTS' REPORT

2 November 2010

The Directors
Westfield Holdings Limited
Westfield America Management Limited (as responsible entity of Westfield America Trust)
Westfield Management Limited (as responsible entity of Westfield Trust)
Level 24, 100 William Street Sydney NSW 2011

The Directors
RE1 Limited (as responsible entity of Westfield Retail Trust 1), and
RE2 Limited (as responsible entity of Westfield Retail Trust 2)
Collectively ("Westfield Retail Trust")
Level 24, 100 William Street Sydney NSW 2011

Dear Directors

Investigating Accountants' Report on Historical Pro forma Financial Information and the Directors' Forecasts

Introduction

We have prepared this Investigating Accountants' Report (the "Report") on the Historical Pro forma Financial Information and the Directors' Forecasts of Westfield Retail Trust for inclusion in a Product Disclosure Statement ("the PDS") to be dated on or about 3 November 2010, in respect of an Initial Public Offering of units in Westfield Retail Trust and capital distribution of units in Westfield Retail Trust by Westfield Group (the "Offer and Capital Distribution").

Expressions defined in the PDS have the same meaning in this Report.

The nature of this report is such that it can be given only by an entity which holds an Australian Financial Services Licence under the Corporations Act. Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") holds the appropriate Australian Financial Services Licence.

Scope

You have requested Ernst & Young Transaction Advisory Services to prepare a Report for inclusion in the PDS to cover the following financial information:

Historical Pro forma Financial Information

The Historical Pro forma Financial Information, as set out in sections 5.3, 5.6 and 5.11 of the PDS comprises:

- Pro forma consolidated income statements (before fair value adjustments) of Westfield Retail Trust for the years ended 31 December 2007, 2008 and 2009 and the six month periods ended 30 June 2009 and 2010, as set out in section 5.3 and 5.11; and
- Pro forma consolidated statement of financial position and footnotes thereto of Westfield Retail Trust as at 30 June 2010 which assumes completion of the proposed transactions and includes the Pro forma adjustments disclosed in section 5.6 and 5.11.

The Historical Pro forma Financial Information for the years ended 31 December 2007, 2008 and 2009 and the six month periods ended 30 June 2009 and 2010 has been extracted from the audited Westfield Retail Trust Carve-Out Financial Statements, which were audited by Ernst & Young and on which unqualified audit opinions were issued.

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Directors' Forecasts

The Directors' Forecasts, as set out in sections 5.3 and 5.11 of the PDS comprises:

- forecast consolidated income statement (before fair value adjustments) of Westfield Retail Trust for the six month period ending 31 December 2010 and the years ending 31 December 2010 and 2011 as set out in sections 5.3 and 5.11; and
- Pro forma forecast distribution statement of Westfield Retail Trust for the year ending 31 December 2011 as set out in section 5.3.

The Directors of the Westfield Retail Trust Responsible Entities have prepared and are responsible for the preparation and presentation of the Historical Pro forma Financial Information and the Directors' Forecasts. The Directors are also responsible for the determination of the key best-estimate assumptions and Pro forma adjustments as set out in sections 5.4, 5.6 and 5.11 of the PDS. We disclaim any assumption of responsibility for any reliance on this Report, the Pro forma Historical Financial Information, or the Directors' Forecasts to which it relates for any purposes other than for which it was prepared.

The Historical Pro forma Financial Information and the Directors' Forecasts are presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports.

Scope of Review

Review of Historical Pro forma Financial Information

Our independent review of the Historical Pro forma has been conducted in accordance with Australian Auditing and Assurance Standards. Our procedures consist of reading of relevant Board minutes, reading of contracts and other legal documents, inquiries of Directors and management of Westfield Group and Westfield Retail Trust and analytical and other review procedures applied to the financial data. We have also determined whether the Pro forma transactions form a reasonable basis for the preparation of the Historical Pro forma Financial Information. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical Pro forma Financial Information.

We have conducted an independent review of the Historical Pro forma Financial Information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

a. the Historical Pro forma Financial Information has not been prepared on the basis of the assumptions set out in sections 5.1, 5.6 and 5.11 of the PDS;

b. the Pro forma Adjustments, as set out in sections 5.1, 5.6 and 5.11 of the PDS do not provide a reasonable basis for the Historical Pro forma Financial Information; and

c. the Historical Pro forma Financial Information is not presented fairly in accordance with the measurements and recognition requirements (but not all the presentation and disclosure requirements) of applicable accounting standards and other mandatory professional reporting requirements as if the pro forma adjustments set out in sections 5.1, 5.6 and 5.11 of the PDS had occurred on 30 June 2010.

ERNST & YOUNG

Review of Directors' Forecasts

Our review of the Directors' Forecasts was conducted in accordance with the Australian Auditing and Assurance Standards. Our procedures consisted primarily of enquiry and comparison and other analytical review procedures we considered necessary. These procedures included discussion with the Directors and management of Westfield Group and Westfield Retail Trust. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Directors' Forecasts.

We have conducted an independent review of the Directors' Forecasts in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

a. the Directors' best-estimate assumptions set out in section 5.4 of the PDS do not provide a reasonable basis for the preparation of the Directors' Forecasts;

b. the Directors' Forecasts are not properly compiled or prepared on the basis of the best-estimate assumptions;

c. the Directors' Forecasts are not presented fairly in accordance with the recognition and measurements principles (but not all of the presentation and disclosure requirements) prescribed in the accounting standards and other mandatory professional reporting requirements in Australia and the accounting policies disclosed in section 5.12 of the PDS; and

d. the Directors' Forecasts are unreasonable.

The Directors' Forecasts have been prepared by the Directors to provide investors with a guide to Westfield Retail Trust's potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the Directors' Forecasts. Actual results may vary materially from the forecasts and the variation may be materially positive or negative. Accordingly, investors should have regard to the Risk Factors set out in section 7 and the Sensitivity Analysis set out in section 5.5 of the PDS.

Review Statements

Historical Pro forma Financial Information

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that:

a. the Historical Pro forma Financial Information has not been prepared on the basis of the assumptions set out in sections 5.1, 5.6 and 5.11 of the PDS;

b. the Pro forma Adjustments, as set out in sections 5.1, 5.6 and 5.11 of the PDS do not provide a reasonable basis for the Historical Pro forma Financial Information; and

c. the Historical Pro forma Financial Information is not presented fairly in accordance with the measurement and recognition requirements (but not all the presentation and disclosure requirements) of applicable accounting standards and other mandatory professional reporting requirements as if the pro forma adjustments set out in sections 5.1, 5.6 and 5.11 of the PDS had occurred on 30 June 2010.

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Directors' Forecasts

Based on our review, of the Directors' Forecasts as set out in sections 5.3 and 5.11 of the PDS, which is not an audit, and based on our review of the reasonableness of the Directors best estimate assumptions giving rise to the Director's Forecasts, nothing has come to our attention which causes us to believe that:

a. the Directors best-estimate assumptions set out in section 5.4 of the PDS do not provide a reasonable basis for the preparation of the Directors' Forecasts;

b. the Directors' Forecasts are not properly prepared or compiled on the basis of the best-estimate assumptions;

c. the Directors' Forecasts are not presented fairly in accordance with the recognition and measurement principles (but not all the presentation and disclosure requirements) prescribed in accounting standards and other mandatory professional reporting requirements in Australia and the accounting policies disclosed in section 5.12 of the PDS; and

d. the Directors' Forecasts are unreasonable.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Directors. If events do not occur as assumed, actual results achieved and distributions provided by Westfield Retail Trust may vary significantly from the Directors' Forecasts. Accordingly, we do not confirm or guarantee the achievement of the Directors' Forecasts, as future events, by their very nature, are not capable of independent substantiation. Investors should have regard to the Sensitivity Analysis and Risk Factors detailed in sections 5.5 and 7 of the PDS, respectively.

Subsequent Events

Apart from the matters dealt with in this Report and having regard to the scope of our Report, to the best of our knowledge and belief, no material transactions or events outside the ordinary business of Westfield Retail Trust have come to our attention which require comment on or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

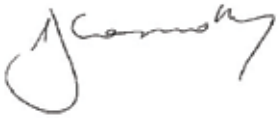
Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services does not have any interest in the outcome of the Offer and Capital Distribution. Ernst & Young Transaction Advisory Services will receive a professional fee for the preparation of this Report. Ernst & Young has been appointed as statutory auditor of Westfield Retail Trust and is the statutory auditor of Westfield Group for which it receives market based fees.

Consent to the inclusion of the Investigating Accountants' Report in the PDS in the form and context in which it appears has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully

Ernst & Young Transaction Advisory Services Limited



Tony Connolly

Director and Representative

ERNST & YOUNG

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INVESTIGATING ACCOUNTANTS' REPORT

PART 2 – FINANCIAL SERVICES GUIDE

1. **Ernst & Young Transaction Advisory Services**

   Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Investigating Accountants' Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. **Financial Services Guide**

   This Financial Services Guide ("**FSG**") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. **Financial services we offer**

   We hold an Australian Financial Services Licence which authorises us to provide the following services:

   – financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and

   – arranging to deal in securities.

4. **General financial product advice**

   In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

   You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

   We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. **Remuneration for our services**

   We charge fees for providing Reports. In relation to this Offer, Ernst & Young Transaction Advisory Services Limited and Ernst & Young will receive fees in aggregate of approximately $1.35 million (excluding disbursements and GST) as set out in section 11.10. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

   Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services. You may request further particulars of our remuneration.

   Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

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6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act.

Contacting Ernst & Young Transaction Advisory Services:

AFS Compliance Manager
Ernst & Young
680 George Street
SYDNEY NSW 2000
Telephone: (02) 9248 5555

Contacting the Independent Dispute Resolution Scheme:

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 3001

Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

SECTION

7

RISK FACTORS

WESTFIELD SYDNEY

SECTION CONTENTS: RISK FACTORS

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7 Risk factors

There are a number of risks associated with investing in both property and listed securities. This section identifies the key risk factors associated with an investment in Stapled Units.

You should consider carefully the risks described in this section before you decide to invest in Stapled Units. If any of the following risks actually occurs, Westfield Retail Trust's business, financial condition, results of operations and prospects are likely to suffer. In this case, the trading price of the Stapled Units could decline, and you may lose all or part of your investment.

7.1 Liquidity and realisation risk

Stapled Units have not previously traded on ASX and there is no guarantee that an active market will develop or that the price of the Stapled Units will increase. There may be few potential buyers or sellers of Stapled Units on ASX at any time. This may increase the volatility of the market price of Stapled Units. It may also affect the prevailing market price at which Stapled Unitholders are able to sell their Stapled Units. Further, if a large Stapled Unitholder chooses to sell its stake, this may affect the prevailing market price of the Stapled Units. This may result in Stapled Unitholders receiving a market price for their Stapled Units that is less than the Offer Price or the underlying net asset value.

7.2 Risks relating to investment in shopping centre properties in Australia and New Zealand

Investments in the Stapled Units will be subject to the general and specific risks associated with investments in entities owning real estate. In particular, an investment in Stapled Units will be subject to the risks of the ownership, management and development of retail shopping centre properties in Australia and New Zealand. Investment in retail shopping centre properties may involve greater risk than an investment in a more diverse portfolio of property types.

Any future deterioration in the Australian or New Zealand property market could adversely affect the value of the Shopping Centre Interests. Investment in retail shopping centre properties in Australia and New Zealand may involve a greater geographic concentration risk than an investment in a more geographically diverse group of properties.

7.3 Relationship with Westfield Group

Although Westfield Retail Trust believes that its close association with Westfield Group will bring many benefits, there are also certain risks that are inherent in the relationship. Some of these risks are described in sections 7.4, 7.5 and 7.6.

In performing its roles of Responsible Entity of the Trusts, co-owner of the properties, manager of all but six of the Properties, property developer, and provider of corporate and other services, the interests of Westfield Group and Westfield Retail Trust may not be aligned. Although many aspects of the relationship will be governed by the detailed agreements summarised in this PDS, these agreements were negotiated while Westfield Group and Westfield Retail Trust were affiliated entities.

After completion of the Offer, to the extent not constrained by those agreements, it should be assumed that Westfield Group will pursue its own interests and not those of Westfield Retail Trust. Because of its dependence on Westfield Group and the limited termination rights in the agreements between Westfield Retail Trust and Westfield Group, it may be difficult for Westfield Retail Trust to negotiate amendments to those agreements, and it would be difficult for Westfield Retail Trust to remove Westfield Group from any of the roles it will perform with respect to the Properties and the operation of Westfield Retail Trust.

In addition, Westfield Group has the power to appoint and remove directors to the Board of Westfield Retail Trust, and Stapled Unitholders will not have such power. The only way for Stapled Unitholders to change the Board and management of Westfield Retail Trust would be to vote to remove the Responsible Entities. Such an action would have the consequences under the agreements between Westfield Retail Trust and Westfield Group described in section 7.9.

7.4 Establishment of Westfield Retail Trust as a separately listed entity and dependence on corporate services from Westfield Group

Westfield Retail Trust is newly established and has not previously operated as a standalone entity. Westfield Retail Trust is developing its corporate governance, risk management and financial reporting processes to the standards required of a separately listed entity. While Westfield Retail Trust believes that it will have appropriate processes in place by the time it lists on ASX, any disruption in the development of those processes or failure to properly implement those processes may incur additional cost or negatively impact Westfield Retail Trust's ability to execute its business plans.

Westfield Retail Trust will receive corporate services in some areas from Westfield Group (see section 10.11). Westfield Retail Trust will be reliant on Westfield Group for the provision of those corporate services on satisfactory terms and will be reliant on Westfield Group for the standard of services it receives. As a result, it will have limited control over the standard of those services and may need to negotiate with Westfield Group regarding their cost. If there is any disruption to the provision of these services, that may negatively impact on the ability of Westfield Retail Trust to advance its business plans.

Westfield Retail Trust has undertaken due diligence inquiries to ensure that the creation of Westfield Retail Trust as a separately listed entity does not trigger any unforeseen costs to either Westfield Group or Westfield Retail Trust (including taxes or charges) and does not trigger any third party rights under contractual arrangements. However, there is a risk that such costs or rights may be triggered or that a claim may be made that such costs or rights have been triggered.

7.5 Co-ownership of the Shopping Centre Interests

All the Properties will be co-owned with Westfield Group, and in some cases also with third parties. Owning an interest in an asset with co-owners imposes restrictions on flexibility which do not apply where the asset is wholly owned. Westfield Retail Trust does not intend to manage any of the Properties.

Under the co-ownership arrangements with Westfield Group, Westfield Retail Trust does not have exclusive control over the development, financing, leasing, management and other aspects of the Properties.

Additionally, where there is a co-owner in addition to Westfield Group, these arrangements are by way of joint ventures and Co-ownership Agreements. Under certain of these arrangements, neither Westfield Group nor Westfield Retail Trust has the exclusive control over the development, financing, leasing, management and other aspects of the Properties. The existence of additional co-owners increases the prospects that commercial interests may diverge and disputes may occur.

From time to time major decisions are required to be made in respect of co-owned properties, such as those relating to redevelopment and refurbishment, refinancing, the sale of shopping centres or surplus land and the purchase of additional land. Westfield Group (and other relevant co-owners) may have economic or other business interests or goals which are inconsistent with Westfield Retail Trust's business interests or goals, and may be in a position to take actions contrary to Westfield Retail Trust's business strategy or objectives. Disputes between Westfield Retail Trust and co-owners may result in litigation or arbitration that would increase expenses and prevent Westfield Retail Trust from achieving its commercial objectives.

In addition, pre-emptive provisions or rights of first refusal will generally apply to sales or transfers of interests in co-owned properties. These provisions may work to Westfield Retail Trust's disadvantage because, among other things, Westfield Retail Trust might be required to make decisions about buying or selling interests in these properties at a time that is disadvantageous to it.

There is also the risk that co-owners might become bankrupt or default on their obligations, resulting in their interests becoming subject to external administration, transferred to creditors or sold to third parties, or otherwise act in a manner that adversely affects Westfield Retail Trust.

Westfield Group has undertaken due diligence inquiries to ensure that the creation of Westfield Retail Trust as a separately listed entity does not trigger any breaches of agreement or pre-emptive rights for co-owners under the arrangements concerning the Existing JV Properties. However, despite those enquiries, there is a risk that such breaches or rights may be triggered or that a claim may be made that such breaches or rights have been triggered.

7.6 Co-operation with Westfield Group on acquisitions, developments and divestments

Each of Westfield Retail Trust and Westfield Group may expand its portfolio of shopping centre properties in Australia and New Zealand. In accordance with the Co-operation Deed but subject to the terms and conditions of that deed (see section 10.8) each of Westfield Retail Trust and Westfield Group will have the right to share acquisition and development opportunities for retail property in Australia or New Zealand on the basis that Westfield Group will be offered the right to manage and develop the centre (if the terms permit it).

Depending on the circumstances, the existence of these rights may act to limit the attractiveness to a third party of negotiating the possible sale of an interest in a shopping centre to Westfield Retail Trust.

7.7 Stamp duty

Westfield Group has sought and obtained stamp duty exemptions in New South Wales, Victoria and Western Australia and has sought and expects to obtain stamp duty exemptions as to 95% of duty in the Australian Capital Territory from the stamp duty authorities in those places in relation to the Shopping Centre Interests situated there. If the applicability of those exemptions were denied, or the exemptions were subsequently withdrawn, that may result in unexpected costs being imposed on Westfield Retail Trust and those costs may be significant because the stamp duty on transfers of real estate is up to 6.75% of the value of the real estate.

7.8 Tax

Under current Australian income tax legislation Westfield Retail Trust 1 is not liable to pay Australian income tax, including capital gains tax, provided Stapled Unitholders are presently entitled to all the income of the trust as determined in accordance with its constitution. In that case, the distributions made by Westfield Retail Trust 1 to Westfield Retail Trust Stapled Unitholders will be on a 'pre tax' basis in the sense that any Australian tax in respect of the income of Westfield Retail Trust 1 will be payable by, or on behalf of, the Stapled Unitholders rather than by the responsible entity of Westfield Retail Trust 1 at the entity level. Stapled Unitholders should be aware that if the activities of Westfield Retail Trust 1 cause it to fall within the operative provisions of Division 6C of the Income *Tax Assessment Act 1936* then Westfield Retail Trust 1 may be taxed on its net income at the corporate tax rate of 30%, i.e. at the entity level and distributions by the trust would be paid on an 'after tax' basis.

Westfield Retail Trust 1 has sought and, based on discussions with the ATO, expects to receive a private ruling from the ATO confirming that its activities for the period up to and including the implementation of the Proposal will not cause Division 6C to apply.

By contrast, Westfield Retail Trust 2 is expected to earn non-rental income and conduct activities that will cause Division 6C to apply. Accordingly Westfield Retail Trust 2 will effectively be treated like a company for Australian tax purposes and will pay tax at the 30% company rate on its net income. Distributions by the trust will be treated as dividends for Australian tax purposes and may be franked.

The material Australian income taxation consequences of the Proposal to Stapled Unitholders are set out in this section 7.8 and in sections 9.1 and 11.5 below. Various of those anticipated tax outcomes have been confirmed by the ATO to Westfield Group by way of private rulings or are expected to be confirmed in the class ruling that has been sought in respect of the Proposal. In the event that any of those rulings are withdrawn by the ATO, the taxation consequences of the Proposal described in this PDS could be incorrect. Although Westfield Group has no reason to believe that the ATO will seek to resile from any of the relevant rulings, if the tax treatment of Westfield Retail Trust 1 or Westfield Retail Trust 2 were to change, Westfield Retail Trust's financial performance could be adversely affected.

The Australian taxation treatment of managed investment trusts (**MITs**) including listed property trusts commonly known as real estate investment trusts (**REITs**) has been under review for several years. Most recently, the Federal Government released a discussion paper on 18 October 2010 setting out a process of public consultation in respect of some proposed changes to the taxation of MITs that are intended to be finalised and introduced into law as from 1 July 2011.

It is likely that this process will result in some changes to the taxation treatment of Westfield Retail Trust 1 and Westfield Retail Trust 2.

In general terms, the changes are largely intended to better align the existing flow through tax treatment of MITs and REITs (like Westfield Retail Trust) with their commercial activities. However, the outcomes of the reform are not certain and the final law could result in some detrimental tax consequences for MITs (including Westfield Retail Trust).

In particular, there is a prospect that arm's length rules will be introduced that apply to various dealings between Westfield Retail Trust 1 and Westfield Retail Trust 2, and to various dealings between Westfield Retail Trust and its service providers and joint venture partners (including Westfield Group). Under such rules, amounts that a MIT treats as assessable or deductible for tax purposes could, regardless of the amounts actually received or paid, be adjusted to reflect the ATO's view of an arm's length amount in the circumstances.

7.9 Implications of a change of Responsible Entity

In accordance with the Corporations Act, RE1 and RE2 may be removed as responsible entities of Westfield Retail Trust 1 and Westfield Retail Trust 2 respectively and replaced with a new responsible entity by the securityholders of Westfield Retail Trust at a meeting of securityholders passed by ordinary resolution (50% of securityholders voting on the resolution).

If that was to occur:

- Westfield Retail Trust would cease to be entitled to use the name "Westfield" under the Licence Agreement (for further details see section 10.8(d));
- Westfield Group would have the right to terminate the Co-operation Deed (for further details see section 10.8(a));
- Westfield Group would cease to be required to provide corporate services to Westfield Retail Trust pursuant to the Corporate Services Agreement (for further details see section 10.11); and
- in the case of RE1 the interest of Westfield Retail Trust in Liverpool, Helensvale and Miranda would be subject to the operation of default provisions with the result that the co-owners of those shopping centres (other than Westfield Group) could acquire that interest at their market value subject to the terms and conditions of the relevant Co-ownership Agreements (for further details see section 10.4(d)).

It should be noted that the Co-ownership Agreements between Westfield Group and Westfield Retail Trust in relation to the Australian Properties and the New Zealand Properties do not provide for pre-emptive rights to apply or a default to arise if RE1 was replaced as the responsible entity of Westfield Retail Trust as a result of a valid resolution of the members of Westfield Retail Trust in circumstances when RE1 was not in default of the relevant co-owners agreement or unitholders agreement (as long as Westfield Retail Trust was a registered managed investment scheme listed on the ASX at the time). Except in relation to the three properties noted above, a similar exception (with some variances)[1] applies to the pre-emptive procedures or default provisions in the co-ownership agreements for the Existing JV Properties and the existing JV unitholders agreements. Further, in the case of the Australian Properties and the New Zealand Properties (but not the Existing JV Properties) pre-emptive rights would not be enlivened, nor a default occur, if RE1 was to cease to be owned by Westfield Group.[2]

Westfield Group would continue to have the ongoing right to manage the Properties and act as developer of the Properties if RE1 and RE2 were replaced as responsible entities of Westfield Retail Trust or if they were to cease to be owned by Westfield Group provided Westfield Group held at least a 25% direct or indirect interest in the relevant Property. For further details see section 10.6(a).

1 See section 10.4(d) and supporting footnotes.

2 See generally sections 10.4(c) and (d) and supporting footnotes.

7.10 Increased gearing if Offer not fully subscribed

The funds raised through the Offer will be used to pay down the Acquisition Facility. The table below provides examples of the impact of the funds raised through the Offer on the gearing level of Westfield Retail Trust:

Amount raised under the Offer	Reduction in Acquisition Facility	Amount outstanding on Acquisition Facility and Westfield Sydney Facility	Gearing
$3.5 billion	$3.5 billion	$1.189 billion	9.4%
$2.5 billion	$2.5 billion	$2.189 billion	17.6%
$1.75 billion	$1.75 billion	$2.939 billion	23.8%
$0	$0	$4.642 billion	37.8%

If less than $3.5 billion of equity is raised, Westfield Retail Trust will assume the risks associated with additional gearing. The use of debt increases exposure to rising interest rates and downturns in the economy.

Westfield Retail Trust will need to procure alternative funding sources to fully repay the Acquisition Facility when it is due to expire 364 days from the date of the agreement.

The Westfield Sydney Facility is repayable in 2012 at completion of Westfield Sydney. On completion of Westfield Sydney, Westfield Retail Trust must also pay the majority of the balance of $398 million due on completion of Westfield Sydney. Part of the Westfield Sydney Facility ($442 million) is payable on demand by Westfield Group.

The relatively short term nature of the maturity profile of Westfield Retail Trust's debt poses greater refinancing risk than if Westfield Retail Trust had borrowed these funds on a longer term basis.

When Westfield Retail Trust is required to refinance the debt amounts set out above it could do so by:

- refinancing the debt with new debt facilities, which may only be available on less favourable terms than the existing terms of that debt. The availability and terms of debt will depend on a number of factors such as prevailing market conditions and the performance of Westfield Retail Trust. For example, during the global financial crisis commencing in 2007, many companies found the availability of debt to be limited or only available on terms that were significantly less attractive than had been the case at other times. If adverse market conditions were to exist, these may negatively impact the position of Westfield Retail Trust; and/or
- raising new equity capital, which may not be available to Westfield Retail Trust or may only be available at an issue price per Stapled Unit that is less than the Offer Price (again, depending on a number of factors such as prevailing market conditions and the performance of Westfield Retail Trust). Any issue of new Stapled Units could dilute the proportionate interest of the holders of existing Stapled Units.

The same issues may arise should Westfield Retail Trust seek further equity or debt capital in the future to fund its ongoing operations (including any acquisition or development activity) or for any other purpose.

Westfield Retail Trust intends to seek a credit rating after listing. Until it obtains a credit rating, Westfield Retail Trust may have more limited access to capital markets. There is a risk that Westfield Retail Trust will not obtain an appropriate credit rating.

7.11 Requirement to Obtain Credit Rating

The terms of the $3.7 billion Acquisition Facility that has been put in place by Westfield Retail Trust to facilitate the purchase of assets from Westfield Group include a requirement for Westfield Retail Trust to have taken all reasonable steps to obtain a credit rating from either Standard & Poors or Moody's within three months of the date of signing of the Acquisition Facility. Failure to take such steps within the required timeframe would trigger a 90 day review period at the end of which the lenders could cancel the facility and demand all outstanding amounts be repaid. There can be no assurance that financing will be available to meet any such demands for repayment.

Westfield Retail Trust plans to seek a credit rating from both Standard & Poors and Moody's promptly after the Implementation Date.

7.12 Fluctuations in the value and rental income of retail properties

Returns from an investment in retail property depends largely upon the amount of rental income generated from the property and the expenses incurred in the operations, including the management and maintenance of the property as well as changes in the market value of the property.

Rental income and the market value of the Shopping Centre Interests may be adversely affected by a number of factors, including:

- the overall conditions in the national and local economies in which Westfield Retail Trust operates, such as growth or contraction in gross domestic product, employment trends, consumer sentiment and the level of inflation and interest rates;
- local real estate conditions, such as the level of demand for and supply of retail space;
- the ability to develop and redevelop its properties in order to maximise returns on investment from both increased rental income and capital appreciation of the asset;
- the perception of prospective tenants and shoppers of the attractiveness, convenience and safety of the shopping centres;
- the convenience and quality of competing shopping centres and other retail options such as the internet, as well as trends in the retail industry;
- the financial condition of tenants and, in particular, anchor tenants;
- high or increasing vacancy rates;
- changes in retail tenancy laws;
- terrorist attacks on, or other significant security incidents; and
- external factors including major world events such as war, and acts of God such as floods and earthquakes.

In addition, other factors may adversely affect a shopping centre's value without necessarily affecting its current revenues and operating income, including:

- changes in laws and governmental regulations, including retail tenancy, zoning, planning, environmental or tax laws;
- potential environmental or other legal liabilities;
- unforeseen capital expenditures;
- supply and demand for retail properties;
- availability of financing;
- changes in interest rates;
- supply of new retail facilities and other investment assets; and
- demand for shopping centres from investors.

7.13 Redevelopment risk

Westfield Retail Trust's future growth prospects and performance depends in part upon the continued development and improvement of its property interests from time to time (including the Properties to which the Shopping Centre Interests relate). Westfield Retail Trust will be subject to the risks associated with development activities, including risks occasioned by:

- construction not being completed on budget and on schedule;
- properties may not be leased on the terms anticipated by the feasibility study prepared for the particular project; and
- the inability to obtain funding for proposed developments.

Redevelopment activities may also involve the following risks:

- failure to obtain, or delay in obtaining, required permits, licences or approvals;
- industrial disputes may delay projects and / or add to the cost of developments;
- construction costs of a project may exceed original estimates or available financing, making the project unprofitable;
- temporary disruption of income from a property;
- failure to maintain occupancy rates for existing retail space and the inability to lease new retail space;
- loss of customers due to inconvenience caused by construction; and
- income derived from redeveloped shopping centres being lower than expected.

If a redevelopment project is unsuccessful or does not proceed, the investment by Westfield Retail Trust may exceed the value of the project on completion or predevelopment costs that are incurred may have to be written off.

7.14 Leasing terms and tenant default

Westfield Retail Trust's performance depends significantly on the ability of the manager to lease space in the shopping centres on economically favourable terms, if at all. Westfield Retail Trust's results may be adversely affected if a significant number of tenants or anchors were unable to meet their obligations under their leases or if there is a decrease in demand for new retail space in redeveloped shopping centres such that new tenants cannot be found at economically favourable rental prices. If the retail sales of stores operating in the shopping centres declined significantly due to economic conditions, closure of anchor stores or for other reasons, tenants might be unable to pay their existing minimum rents or common area maintenance charges (since these fixed rents and charges would represent a higher percentage of their sales). Further, if tenants' sales decline, new tenants would be less likely to be willing to pay minimum rent as high as they would otherwise pay. During times of economic recession or low economic growth, these risks would increase. In respect of the majority of its assets, Westfield Retail Trust is reliant on Westfield Group as property manager to mitigate these risks.

7.15 Illiquidity of investment in property

Investments in property are relatively illiquid, and some of the Properties to which the Shopping Centre Interests relate are subject to contractual limitations on transfer. Further, because the Properties to which the Shopping Centre Interests relate will all be co-owned by Westfield Retail Trust, its non-controlling and minority interests in those Properties may be less liquid than had they been wholly owned or controlled.

This illiquidity limits Westfield Retail Trust's ability to vary its portfolio promptly in response to changes in economic or other conditions. There is no assurance that Westfield Retail Trust will be able to dispose of its interest in a property at the desired time or at a price greater than the total investment in the property.

7.16 Bankruptcy or store closures of major tenants

Anchor tenants occupy a significant percentage of the total GLA of the Properties to which the Shopping Centre Interests relate. The bankruptcy, insolvency, a downturn in the business of any of these anchor tenants, or the failure of any anchor tenant to renew its lease when it expires or continue to operate its store, could adversely affect Westfield Retail Trust's results of operations because anchor tenants play an important role in generating customer traffic and making shopping centres desirable locations. Further, where the anchor tenants account for a significant amount of total rental income, any bankruptcy or insolvency of any such anchor tenants could adversely affect Westfield Retail Trust's results of operations.

The transfer to a new anchor tenant could adversely affect customer traffic in a shopping centre and thereby reduce the income generated by that centre and could also allow some other anchors and other tenants to make reduced rental payments or to terminate their leases at that centre. Each of these occurrences could adversely affect Westfield Retail Trust's income.

A negative change in the financial condition of any relevant anchor tenants discussed above could result in a substantial decrease in the revenues such tenants provide.

7.17 Fixed nature of significant costs

Significant expenditures associated with interests in property, such as interest payments, maintenance costs and property rates and taxes, are generally not reduced when circumstances cause a reduction in income from the investment. Under these circumstances, the financial performance and value of the relevant property would be adversely affected.

7.18 Acquisitions

Westfield Retail Trust may pursue acquisitions of retail property assets and related development projects as opportunities arise that meet its criteria and if funding is available. Retail property assets and development projects may be acquired directly or indirectly through acquisition of entities that own properties and development projects. Such acquisitions involve a number of risks inherent in assessing the values, strengths, weaknesses and profitability of the property assets. While Westfield Retail Trust's business strategy will be to undertake appropriate due diligence in order to assess these risks, unexpected problems and latent liabilities or contingencies such as the existence of hazardous substances (for example, asbestos or other environmental liabilities) may still emerge.

Additionally, the indirect acquisition of retail properties and related development projects through, for example, the takeover of another listed property-owning entity, may not allow for the usual standard of due diligence for a specific property acquisition to be undertaken.

Acquisition activities will also involve the following risks:

- the acquired properties may not achieve anticipated rental rates or leased rates;
- assumptions or judgments with respect to improvements to the financial returns (including the leased rates and rents of a completed project) of acquired properties may prove inaccurate;
- Westfield Retail Trust may abandon acquisition opportunities that it uses funds to explore;
- the acquired properties may be non-regional shopping centres and/or managed by third parties other than Westfield, which may carry a higher level of risk;
- Westfield Retail Trust may be unable to obtain financier and co-owner or joint venture approvals, if applicable, for expansion activities; and
- Westfield Retail Trust may be unable to obtain necessary regulatory licences and approvals for expansion activities.

By growing through acquisition, Westfield Retail Trust will face the operational and financial risks commonly encountered with such a strategy, including continuity or assimilation of operations or employees, dissipation of its management resources and impairment and restructuring of relationships with employees and tenants of the acquired property as a result of changes in ownership and management. In addition, depending on the type of transaction, it can take a period of time to realise the full benefits of the acquisition. Moreover, during a period following such a transaction, Westfield Retail Trust's operating results may decrease compared to results prior to the transaction.

The business strategy of Westfield Retail Trust is to restrict its investments to retail property assets in Australia and New Zealand that are managed by third party property managers. That restriction is reflected in the constitutions of Westfield Retail Trust. The constitution restriction could be removed by the securityholders of Westfield Retail Trust at a meeting of securityholders by special resolution. If Westfield Retail Trust were to change its investment strategy that may expose securityholders to different risks than those described in this PDS.

Westfield Retail Trust may also face financial risks associated with incurring additional indebtedness to make acquisitions, such as exposure to higher interest rates and reduction of its liquidity, access to capital markets or financial markets instability.

To the extent acquisitions are funded by short term or bridging financing facilities, Westfield Retail Trust also faces the risk of not being able to refinance such financing facilities prior to their stated maturities on favourable terms or at all.

7.19 Competition

Retail properties (including the Properties to which the Shopping Centre Interests relate) face competition from Australian and New Zealand property groups and other commercial organisations active in the Australian and New Zealand property markets. Westfield Retail Trust also faces the threat of new competitors emerging both generally and in particular trade areas. Competition in the property market may lead to an oversupply of retail premises through overdevelopment, to prices for existing properties or land for development being inflated through competing bids by potential purchasers or to the maximum rents to be achieved from existing properties being adversely impacted by an oversupply of retail space. Accordingly, the existence of such competition may have a material adverse impact on the property manager's ability to secure tenants for the Properties to which the Shopping Centre Interests relate at satisfactory rental rates and on a timely basis and to acquire properties or develop land at satisfactory cost.

In addition, all of the Properties to which the Shopping Centre Interests relate are located in developed retail and commercial areas, many of which compete with other malls or neighbourhood shopping centres within their primary trade area. The amount of rentable space in the relevant primary trade area, the quality of facilities and the nature of stores at such competing shopping centres could each have a material adverse effect on the property manager's ability to lease space and on the level of rents it can obtain. In addition, retail outlets at the Properties to which the Shopping Centre Interests relate face increasing competition from other forms of retailing, such as discount shopping centres and clubs, outlet malls, catalogues, video and home shopping networks, direct mail, telemarketing and shopping via the internet. Further, Westfield Retail Trust competes with other real estate investors for the acquisition of interests in new retail shopping centres.

7.20 Property damage and insurance

There is a risk that one or more Properties may be damaged or destroyed by natural catastrophic events such as earthquakes and floods.

The relevant property manager for each Property is required under the relevant Property Management Agreements to carry material damage, business interruption and liability insurance on its properties with policy specifications and insured limits that it believes are customarily carried for similar properties. However, potential losses of a catastrophic nature such as those arising from floods, earthquakes, terrorism or other similar catastrophic events may be either uninsurable, not insurable on a financially reasonable basis, or may not be insured at full replacement cost or may be subject to larger excesses.

The manager for each Property currently carries insurance with respect to terrorism and is expected to continue to seek appropriate coverage having regard to the nature of its properties and operations. The renewal of insurance, including in respect of acts of terrorism, will be dependent on a number of factors such as the continued availability of coverage, the nature of risks to be covered, the extent of the proposed coverage and costs involved.

If an uninsured loss occurs, Westfield Retail Trust could lose both its invested capital in and anticipated profits from the affected property.

Any failure by the company or companies providing insurance (or any reinsurance) may adversely affect rights of recovery under its insurance.

In some cases, an excess may be payable by the insured before any amount is payable by the insurer and this excess may, for certain risks, be substantial.

7.21 Funding

The real estate investment and development industry is highly capital intensive. Westfield Retail Trust's ability to raise funds on favourable terms for future acquisitions, refinancing its existing debt and development activity depends on a number of factors including general economic, political and capital market conditions, credit availability and the performance and financial strength of its business. An adverse change in one or more of these factors could increase the cost of funding or reduce the availability of funding for new projects or increase Westfield Retail Trust's refinancing risk for maturing debt facilities. If funding is unavailable to Westfield Retail Trust, it may not be able to continue with its development and redevelopment program.

7.22 Fluctuations in interest rates

Westfield Retail Trust is subject to the risk of rising interest rates associated with borrowing on a floating interest rate basis. Westfield Retail Trust may seek to manage its exposure to adverse fluctuations in floating interest rates by entering into interest rate hedging arrangements, including derivative financial instruments (see section 5.12). Such arrangements involve risk, such as the risk that counterparties may fail to honour their obligations under these arrangements, and that such arrangements may not be effective in reducing exposure to movements in interest rates. To the extent that Westfield Retail Trust does not hedge or hedge effectively against movements in interest rates, such interest rate movements may adversely affect Westfield Retail Trust's results of operations.

Due to complex documentation, designation and effectiveness requirements under Australian International Financial Reporting Standards, Westfield Retail Trust's derivative financial instruments used for hedging interest rate exposure may not qualify for hedge accounting. As a consequence, Westfield Retail Trust may experience volatility in its reported earnings due to changes in the mark-to-market valuations of its interest rate derivative financial instruments. See section 5.9 for further detail.

7.23 Fluctuations in exchange rates

Westfield Retail Trust's investment in New Zealand shopping centres exposes it to exchange rate risk. Westfield Retail Trust will derive NZ$ denominated earnings from its shopping centre investments in New Zealand. The impact of exchange rate movements may be managed on both its earnings and balance sheet by entering into hedging transactions, including derivative financial instruments. To the extent Westfield Retail Trust does not hedge or hedge effectively against movements in the exchange rate of these currencies, such exchange rate movements may adversely affect the results of operations and/or balance sheet.

Due to documentation, designation and effectiveness requirements under Australian International Financial Reporting Standards, it is expected that any currency derivative financial instruments used for hedging exchange rate exposure (other than cross currency swaps that hedge investments in foreign operations) will not qualify for hedge accounting. As a consequence, Westfield Retail Trust may experience volatility in reported earnings due to changes in the mark-to-market valuations of its currency derivative financial instruments. There can be no assurance that Westfield Retail Trust will not incur non-cash losses in future periods.

7.24 Fluctuations as a result of revaluations

In accordance with Australian International Financial Reporting Standards, the Properties (other than those subject to redevelopment) to which the Shopping Centre Interests relate will be independently revalued on an annual basis, and any increase or decrease in the value of its properties will be recorded in Westfield Retail Trust's income statement in the period during which the revaluation occurs. As a result, Westfield Retail Trust can have significant non-cash revenue gains and losses depending on the change in fair market value of its Properties from period to period, whether or not such properties are sold.

If a substantial decrease occurs in the fair market value of its Properties, Westfield Retail Trust's results of operations could be adversely affected and, as a result, Westfield Retail Trust may have difficulty maintaining its desired leverage ratio and other financial measures. Movements in the fair value of properties may negatively affect the ability of Westfield Retail Trust to meet the leverage ratios in its financing arrangements (see section 10.9).

7.25 Counterparty credit risk

Counterparty credit risk is the risk of a loss being sustained by Westfield Retail Trust as a result of payment default by the counterparty with whom Westfield Retail Trust has placed funds on deposit or entered into hedging transactions to hedge its interest rate and currency exchange rate risks. The extent of Westfield Retail Trust's loss could be the full amount of the deposit or, in the case of hedging transactions, the cost of replacing those transactions. It is expected that the Board will implement a policy which would require Westfield Retail Trust to deal only with counterparties which it believes are of good credit standing and assign a maximum exposure to each of them according to its assessment of their credit-worthiness. These determinations would be based upon each counterparty's credit ratings and other factors. There can be no assurance that Westfield Retail Trust will successfully manage this risk or that such payment defaults by counterparties will not adversely affect Westfield Retail Trust's financial condition or performance.

7.26 Regulatory issues, changes in law and accounting standards

Westfield Retail Trust is subject to the usual business risk that there may be changes in laws that reduce its income or increase its costs. For example, there could be changes in retail tenancy laws that limit Westfield Retail Trust's recovery of certain property operating expenses, new legislation on climate change and energy such as emissions trading, targets for renewable energy and energy efficiency, the costs of which may not be recoverable from tenants, changes or increases in real estate taxes that cannot be recovered from the tenants or changes in environmental laws that require significant capital expenditures.

Westfield Retail Trust's ability to take advantage of acquisition opportunities in Australia and New Zealand may be limited by regulatory issues or regulatory intervention based on competition grounds.

Westfield Retail Trust is also subject to the usual risk that there may be changes in laws and accounting standards as well as changes in the interpretation of such laws and accounting standards that may change the basis Westfield Retail Trust is required to use to prepare its financial statements, which may adversely affect Westfield Retail Trust's reported earnings and reported financial performance.

Changes in tax laws, or changes in the way tax laws are interpreted in the various jurisdictions in which Westfield Retail Trust operates, may also impact Westfield Retail Trust's future tax liabilities.

7.27 Compliance with safety regulations and requirements for disabled people

A number of Australian and New Zealand laws and regulations exist that may require modifications to existing buildings on the Properties or restrict some renovations by requiring improved access to such buildings by disabled persons. Additional legislation or regulations may impose further obligations on owners with respect to improved access by disabled persons. The costs of compliance with such laws and regulations may be substantial, and limits or restrictions on completion of some renovations may limit implementation of Westfield Retail Trust's investment strategy in some instances or reduce overall returns on Westfield Retail Trust's investments. Westfield Retail Trust could be adversely affected by the costs of compliance with such laws and regulations. In particular, there are regulations that are currently being considered in Australia that, if they become law, would impose additional requirements on the relevant manager to provide access by disabled persons to its Australian shopping centres.

7.28 Compliance with environmental regulations

Westfield Retail Trust, as a part owner of real property in Australia and New Zealand, is subject to extensive regulation under environmental laws. These laws vary by jurisdiction and are subject to change. Current and future environmental laws could impose significant costs or liabilities on Westfield Retail Trust.

For instance, the potential introduction of a carbon or other similar tax in Australia may result in increased energy costs for Westfield Retail Trust.

Also, under certain environmental laws, current or former owners or operators of real property may become liable for costs and damages resulting from soil or water contaminated by hazardous substances (for example, as a result of leaking underground storage tanks). These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such substances. Persons who arrange for the disposal of hazardous substances (for example, at a landfill) also may be liable. In some cases, liability may be joint and several. These laws may result in significant unforeseen costs to Westfield Retail Trust, or impair its ability to sell or rent real property or to borrow money using contaminated property as collateral, on acceptable terms or at all.

In addition, the presence of hazardous substances on Properties to which the Shopping Centre Interests relate could result in personal injury claims. These claims could result in costs or liabilities that could exceed the value of the property on which hazardous substances are present. Environmental incidents could adversely affect the operations of a property including its closure.

Asbestos-containing materials are present in a number of the Properties to which the Shopping Centre Interests relate as a consequence of building practices typical at the time the shopping centres were constructed. Environmental and safety laws regulate these materials and may allow personal injury and other claims for damages due to exposure to such materials. Although the costs and liabilities associated with such laws have not been material to Westfield Group in the past, there can be no assurance that they will not be material to Westfield Retail Trust in the future.

Westfield Retail Trust will generally conduct environmental reviews (including soil and groundwater sampling) of properties that it acquires an interest in. However, these reviews may fail to identify all environmental problems. Based on the reviews and past experience of Westfield Group, Westfield Retail Trust is not aware of any environmental claims or other liabilities that would require material expenditures. However, Westfield Retail Trust could become subject to such claims or liabilities in the future.

7.29 Terrorist attacks or other security incidents or war

Future terrorist attacks or other security incidents or war could damage infrastructure or otherwise inhibit or prevent access to the centres or harm the demand for and the value of the Properties in which Westfield Retail Trust has an interest. Certain of the relevant Properties are well-known landmarks or located near well-known landmarks and may be perceived as more likely terrorist targets than similar, less recognisable properties, which could potentially reduce the demand for and value of these properties. Further, future terrorist attacks or other security incidents could discourage consumers from shopping in public places like the Properties. A decrease in consumer retail demand or tenancy demand could make it difficult for the relevant Property manager to renew the leases, or re-lease properties, at lease rates equal to or above historical rates or then prevailing market rates. To the extent that Westfield Retail Trust's tenants are impacted by future terrorist attacks or other security incidents, their ability to continue to honour obligations under their leases with Westfield Retail Trust could be adversely affected.

7.30 Forecast assumptions not achieved

The assumptions on which the financial forecasts are based may prove to be incorrect such that the forecasts are not achieved, which may result in Westfield Retail Trust's financial results differing materially from those presented in the financial forecast.

7.31 General market risks

(a) Negative effects of market influences

The price of Stapled Units on ASX may rise or fall due to numerous factors which may affect the market performance of Westfield Retail Trust, including:

- general economic conditions, including fluctuations in inflation rates, interest rates and currency exchange rates;
- variations in the local and global market for listed stocks;
- changes to government policy, legislation or regulation;
- the nature of competition in the retail property sector; and
- general operational and business risks.

In particular, the market prices for many listed entities have in recent times been subject to wide fluctuations, which in many cases may reflect a diverse range of non-entity specific influences such as global hostilities and tensions, acts of terrorism, investor sentiment and the general state of the economy. Such market fluctuations may materially adversely affect the market price of Stapled Units.

Further, demand for property and listed property securities may change as investor preferences for particular sectors and asset class changes over time and can be influenced by general economic factors such as interest rates and stock market cycles.

No assurances can be given that Westfield Retail Trust's market performance will not be adversely affected by any such market fluctuations or factors. None of Westfield Retail Trust, its directors or any other person guarantees Westfield Retail Trust's market performance.

(b) Dilution

Stapled Unitholders may be diluted by future capital raisings by Westfield Retail Trust Responsible Entities on behalf of Westfield Retail Trust. The Westfield Retail Trust Responsible Entities may issue Stapled Units to finance future acquisitions which may dilute the value of the Stapled Unitholders' interests if the asset value received in the acquisition is less than the value given up by issuing Stapled Units to finance the acquisition.

(c) Disputes

In the ordinary course of its operations, Westfield Retail Trust may be involved in disputes and possible litigation, including legal proceedings by or against its joint venture partners. The extent of those disputes and litigation cannot be ascertained at this time but there exists a risk that a material or costly dispute or litigation could affect the value of the assets or expected income of Westfield Retail Trust or its relationship with its joint venture partners.

SECTION

8

FEES AND OTHER COSTS

WESTFIELD SOUTHLAND, MELBOURNE

SECTION CONTENTS: FEES AND OTHER COSTS

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8 Fees and other costs

CONSUMER ADVISORY WARNING

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from $100,000 to $80,000)

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

8.1 Fees and other costs of the Offer

Table 1 shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of Westfield Retail Trust as a whole.

Taxes are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Table 1: Fees and costs template

Type of fee or cost	Amount[1]	How and when paid
Fees when your money moves in or out of the fund		
Establishment fee The fee to open your investment	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment	Nil	Not applicable
Withdrawal fee The fee on each amount you take out of your investment	Nil	Not applicable
Termination fee The fee to close your investment	Nil	Not applicable

Type of fee or cost	Amount[1]	How and when paid
Management costs		
The fees and costs for managing your investment	The Westfield Retail Trust Responsible Entities (**REs**) will not charge any management fees. The REs will however recover their costs in operating the Westfield Retail Stapled Trusts (**Operating Expenses**[2]). The aggregate of the Operating Expenses of the Westfield Retail Stapled Trusts are estimated at 0.330% per annum of the combined net asset value of the Westfield Retail Stapled Trusts, i.e. $165.24 for every $50,000 invested in Stapled Units.[3]	To be reimbursed from the assets of the Westfield Retail Stapled Trusts as the costs are incurred by the Westfield Retail Trust Responsible Entities.
Offer costs[4]	Estimated at $47 million, i.e. $221.89 for every $50,000 invested in Stapled Units.[5]	Payable from the proceeds of the Offer to the joint lead managers and other external service providers at or about the time of Allotment. (Refer to section 11.11 for more information on the fees and expenses of the Offer.)
Service fees		
Investment switching fee the fee for changing investment options	Nil	Not applicable

(1) Including GST less any reduced input tax credits, as applicable.

(2) "Operating Expenses" includes amounts paid under the Corporate Services Agreement and the WRT Internal Reimbursement Agreement (see section 8.3(a)), fees and insurance costs of the directors of the REs, and other costs of operating Westfield Retail Trust including overheads.

(3) This assumes that $3.5 billion is raised under the Offer and the net assets of Westfield Retail Trust during 2011 is $10.590 billion. If only $1.75 billion were raised, the Operating Expenses would be 0.396% of the net asset value of Westfield Retail Trust, or $197.95 for every $50,000 invested.

(4) These costs include an amount payable to advisers as described in section 11.10.

(5) Subject to the same assumptions as in footnote (3). If the lower amount ($1.75 billion of the equity raised) were raised under the Offer, the Offer costs would represent $265.82 per $50,000 invested.

8.2 Example of annual fees and costs

Table 2 give examples of how the fees and costs to Westfield Retail Trust can affect your investment over a 1 year period.

You should use this table to compare this product with other managed investment products. All amounts are GST inclusive net of any reduced input tax credits.

Table 2: First year after the issue of Stapled Units

Example – Westfield Retail Trust

Type of fee or cost		Balance of $50,000 during year with contributions of $5,000 during the year.
Contribution fee	Nil	Nil
PLUS Management costs		For every $50,000 you have in the fund, you will be charged the following amounts in the first year:
Management fees	Nil	Nil
Operating expenses of Westfield Retail Trust	0.330% pa	$165.24
Offer costs	0.444%	$221.89
EQUALS Cost of fund		If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year, you would be charged fees of **$387.13**.

8.3 Additional explanation of fees and costs

(a) Fees relating to the Westfield Retail Trust Responsible Entities

Under the constitution of each Westfield Retail Stapled Trust, each Westfield Retail Trust Responsible Entity is not entitled to any management fee. However, it will recover its costs and expenses in connection with operating the Westfield Retail Stapled Trusts, including the amount payable under the Corporate Services Agreement and the WRT Internal Reimbursement Agreement, fees and insurance costs of the directors of the REs, and other costs of operating Westfield Retail Trust including corporate overheads.

The amount payable under the Corporate Services Agreement is $23 million for the first 12 months and then as those services and costs may be varied on 12 months notice. See sections 10.11 and 10.12 for more details of both the Corporate Services Agreement and the WRT Internal Reimbursement Agreement.

The amount payable under the WRT Internal Reimbursement Agreement is equal to the actual direct cost of providing resources under that agreement. The resources provided will primarily be employment costs of senior management and premises for the Westfield Retail Trust Responsible Entities, listing fees, audit fees, registry fees, directors' fees and insurance. It is estimated that these amounts payable will be $12 million in 2011.

The amounts payable under the Corporate Services Agreement and the WRT Internal Reimbursement Agreement and these other expenses total $35 million in the first year, and this is the amount included for Operating Expenses in the tables above.

(b) Fees to related parties under other agreements

Certain other fees and expenses will be paid from the assets of Westfield Retail Trust to Westfield Group entities pursuant to the Property Management Agreements and the Development Framework Agreements (see sections 10.6 and 10.7). However, these are not included in the above tables as "management costs" of Westfield Retail Trust, as they are of a kind that would be incurred if investors acquired the property assets directly and not through Westfield Retail Trust.

Property Management Agreements

Property Management Fee (including operational leasing)	5% of Westfield Retail Trust's share of annual gross income of the property
Tenancy co-ordination fee	Under the new property management arrangements recovery of Westfield Retail Trust's share of costs of up to $7,000 per specialty store (increasing by CPI)

Development Framework Agreements[1]

Property Development Fee	3% of Westfield Retail Trust's share of the project price
Design Fee	10% of Westfield Retail Trust's share of the project price
Project Leasing Fee	Up to 15% of Westfield Retail Trust's share of the first year's rent for leases that become available
Major Tenant New Lease and Renewal Lease Fee	Negotiated fee (for existing joint ventures) or a market based fee (for new joint ventures) (7% of Westfield Retail Trust's share of first year's rent being acknowledged as market based fee)
Major Tenant Market Rent Review Fee	Negotiated fee (for existing joint ventures) or a market based fee (for new joint ventures) (7% of Westfield Retail Trust's share of rental increase resulting from review being acknowledged as market based fee)
Tenancy co-ordination fee	Westfield Retail Trust's share of up to $7,000 per specialty store (increasing by CPI)

(1) Special arrangements apply to the Westfield Sydney redevelopment.

(c) Reimbursement of other expenses

Under the constitution of each Westfield Retail Stapled Trust, in addition to the Operating Expenses described above, each Westfield Retail Trust Responsible Entity is entitled to claim other expenses it incurs in relation to the proper performance of its duties in respect of the relevant Westfield Retail Stapled Trust.

The types of expenses that might be claimed in this way include the cost of holding a meeting convened by the holders of Stapled Units at some time in the future, or other extraordinary expenses. At the date of this PDS, no such extraordinary expenses are anticipated in the coming 12 months.

(d) Adviser remuneration

The Underwriters will receive from the proceeds of the Offer an underwriting fee in aggregate equal to 1.5% of the underwritten amount of $1.75 billion (less any amount raised under the Offer from the Lowy family interests), a management fee of $2.5 million each, an advisory of fee of $5 million each (if the proposal is implemented) and a joint lead manager fee of 0.5% of the amount raised under the Public Offer. The joint lead manager fee will be reduced by an amount equal to the joint lead manager fees paid to the other joint lead managers (see below) up to a maximum reduction of $7.47 million. From these fees the Underwriters may pay sub-underwriting fees.

ANZ Securities Limited, CBA Equities Limited, Deutsche Bank AG, Sydney Branch, J.P. Morgan Australia Limited, Merrill Lynch International (Australia) Limited, Moelis Australia Advisory Pty Limited, National Australia Bank, RBS Equity Capital Markets (Australia) Limited, UBS AG, Australia Branch and Westpac Banking Corporation will share a joint lead manager fee of up to $8.72 million.

These amounts have been included in the example in section 8.2.

SECTION

9

TAXATION IMPLICATIONS

WESTFIELD MARION, ADELAIDE

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9.2 New Zealand taxation implications 145

9 Taxation implications

This section addresses the Australian and New Zealand income tax and goods and services tax implications of purchasing Stapled Units pursuant to the Offer as well as the holding and disposing of such securities.

The Australian and New Zealand tax implications of acquiring (and then holding and disposing of) Stapled Units under the Capital Distribution are described in the Explanatory Memorandum that has been provided to all Westfield Group Securityholders.

This section deals only with the taxation implications relevant to Stapled Unitholders who hold their Stapled Units on capital account. This section does not apply to Stapled Unitholders who are banks, insurance companies and taxpayers carrying on a business of trading in shares or other securities.

The information in this section is general in nature and based on the law in force in Australia and New Zealand at the time of issue of this PDS. The precise taxation implications will depend upon each Stapled Unitholder's specific circumstances. Accordingly, all persons should seek their own independent taxation advice before reaching conclusions as to the possible taxation consequences of acquiring, holding or disposing of Stapled Units under the Offer. Non-residents of Australia and New Zealand should consider their domestic tax consequences of the Offer. Neither Westfield Retail Trust, nor any of its officers, nor its taxation or other advisers, accepts any liability or responsibility in respect of any statement concerning the taxation implications of acquiring, holding or disposing of Stapled Units.

9.1 Australian taxation implications

(a) Class ruling

Westfield Group has applied to the ATO for a class ruling to confirm the income tax consequences of the Capital Distribution and some aspects of the Westfield Securityholder Offer for Westfield Group Securityholders on the Westfield Securityholder Offer Record Date. Based on the draft class ruling that Westfield Group has received, it expects to receive a final class ruling that confirms the taxation consequences of the Westfield Securityholder Offer for Westfield Group Securityholders described in section 9.1(b) below.

As mentioned above, the taxation consequences of the Capital Distribution (including the details of the class ruling relevant to it) are described in the Explanatory Memorandum.

(b) The Westfield Securityholder Offer

The entitlement to acquire Stapled Units under the Westfield Securityholder Offer will be granted to Westfield Group Securityholders prior to their becoming holders of Westfield Retail Trust 1 units and Westfield Retail Trust 2 units. Accordingly, section 59–40 of the *Income Tax Assessment Act 1997* will not apply to treat the market value of the entitlements as non-assessable, non-exempt income.

However, the ATO is expected to confirm that no amount is required to be included in your assessable income as a result of the grant of entitlements.

If you accept the Westfield Securityholder Offer, you should not make a capital gain or otherwise derive assessable income from the acceptance. The income tax consequences of acquiring, holding and disposing of Stapled Units are dealt with below in sections 9.1(c) (Australian residents) and 9.1(d) (non-residents).

If you do not accept the Westfield Securityholder Offer, your entitlement will lapse without you receiving any disposal proceeds. There should be no income tax consequences arising from the lapsing of your entitlement.

(c) Income tax – Australian resident Stapled Unitholders

(i) Acquisition of Stapled Units under the Offer

Each Westfield Retail Trust 1 unit and Westfield Retail Trust 2 unit comprising a Stapled Unit cannot be traded separately. However, each of the above securities constitutes a separate asset for capital gains tax (CGT) purposes. Accordingly, where a Stapled Unit is acquired, it will need to be treated for CGT purposes as the acquisition of a Westfield Retail Trust 1 unit and a Westfield Retail Trust 2 unit.

Your cost base in each of the individual securities comprising the Stapled Unit will include so much of the total Offer Price you paid to acquire the Stapled Units (plus certain non-deductible incidental costs you incur to acquire them) that is reasonably attributable to that security. You will need to allocate the cost base of the individual securities comprising each Stapled Unit on a reasonable basis. In accordance with the ATO's general practice, one permissible method of apportionment is on the basis of the relative net asset values of Westfield Retail Trust 1 and Westfield Retail Trust 2.

Relevant information regarding the net asset values of Westfield Retail Trust 1 and Westfield Retail Trust 2 will be made available to you on the Westfield Retail Trust website: www.westfieldretailoffer.com.

If you also acquired Stapled Units under the Capital Distribution, your cost base for those securities will be as described in the Explanatory Memorandum.

(ii) Distributions from Westfield Retail Trust 1

You will be required to include your share of the net income of Westfield Retail Trust 1 (as advised by RE1) in your assessable income for tax purposes. Westfield Retail Trust will provide Stapled Unitholders with annual taxation statements. The taxation statements will be mailed to you in July, along with a tax guide to assist in the completion of your tax return.

It is expected that Westfield Retail Trust will have a 31 December year end for Australian income tax purposes. Thus, if you have a tax year end of 30 June, your assessable income for a particular income year will include the taxable income component of the distributions made by Westfield Retail Trust 1 to you in the preceding February and August.

Income distributed by Westfield Retail Trust 1 will generally retain the character it had when it was derived by the Trust. Distributions from Westfield Retail Trust 1 may include various components, the tax treatment of which may differ.

To the extent that a distribution from Westfield Retail Trust 1 includes foreign income (such as income from New Zealand assets), you may be entitled to receive a foreign income tax offset equal to the lesser of the Australian tax otherwise payable by you on that income or the quantum of foreign tax imposed. The foreign income tax offset component of a distribution is required to be included in your assessable income. However, if Australian tax is payable by you on the foreign income component of your taxable income or other foreign income not related to the Westfield Retail Trust 1 units, the foreign income tax offset may be applied against that Australian tax liability. Offsets that are not utilised in the income year in which they are derived will not be able to be carried forward.

If a net capital gain is included in the taxable income of Westfield Retail Trust 1 (for example, on disposal of a Shopping Centre Interest or other asset), you will be regarded as having derived a capital gain equal to your proportionate share of that net capital gain. However, where discount capital gains treatment has been applied in calculating the net capital gain at the Westfield Retail Trust 1 level, you will be required to gross-up the amount of the capital gain included in your assessable income. You can then apply any available capital losses from other sources to offset the capital gain and then apply your CGT discount factor, if applicable.

To the extent that Westfield Retail Trust 1 makes any non-assessable distributions to you (typically referred to as "tax deferred" distributions), such distributions will give rise to a CGT event E4. In these circumstances, you will make a capital gain if the total value of the non-assessable payment(s) made by the trustee during the income year in respect of your Westfield Retail Trust 1 unit exceeds your cost base in the Westfield Retail Trust 1 unit. Where this happens, the cost base and reduced cost base of the unit are reduced to nil. Where the sum of the non-assessable payments is not more than the cost base of the unit, the cost base and reduced cost base of the unit would be reduced by the amount of the non-assessable payment.

(iii) Distributions from Westfield Retail Trust 2

For tax purposes, Westfield Retail Trust 2 will be taxed like a company under Division 6C of the *Income Tax Assessment Act 1936* and its distributions (other than certain capital distributions) to unitholders will be taxed as dividends and may be franked.

Your assessable income will include the amount of the distributions by Westfield Retail Trust 2, as well as the amount of franking credits, if any, attached to the distributions. You will generally be entitled to a tax offset (rebate) corresponding to the amount of the franking credits.

Generally, to be eligible for the franking credit and tax offset, you must have held your Westfield Retail Trust 2 units "at risk" for at least 45 days (not including the date of acquisition or the date of disposal). This rule should not apply to you if you are an individual whose tax offset entitlement (on all shares and interests in shares held) does not exceed $5,000 for the income year in which the franked dividend is paid. If you enter into put or call options (or other derivatives) in relation to Stapled Units, this may affect whether the units are sufficiently held "at risk" for the purposes of the franking rules, and specific advice should be sought.

Where you are an individual, a complying superannuation entity or a registered charity (in certain circumstances), you will generally be entitled to a tax refund to the extent that the franking credits attached to your distributions from Westfield Retail Trust 2 for an income year exceed your tax liability for the income year.

Where you are a company, any franked distributions that you receive from Westfield Retail Trust 2 will generally give rise to a franking credit in your franking account.

(iv) Disposal of Stapled Units

As outlined above, each individual security comprising a Stapled Unit is a separate CGT asset. As such, the disposal of a Stapled Unit will constitute a disposal for CGT purposes in respect of each individual security comprising that Stapled Unit. Accordingly, the capital proceeds referable to the disposal of each individual security will need to be determined by apportioning the total capital proceeds received in respect of the disposal of the Stapled Unit on a reasonable basis.

You will, upon disposal of a Stapled Unit make a capital gain in relation to a particular security if the portion of the capital proceeds reasonably attributed to the Westfield Retail Trust 1 unit or Westfield Retail Trust 2 unit (as applicable) exceeds the cost base of the unit. You will, upon disposal of a Stapled Unit make a capital loss if the portion of the capital proceeds reasonably attributed to the Westfield Retail Trust 1 unit or Westfield Retail Trust 2 unit (as applicable) is less than the reduced cost base of the unit.

Generally, a capital loss arising in respect of one security can offset a capital gain arising in respect of another, subject to specific loss rules for Stapled Unitholders who are companies or trusts.

Stapled Unitholders who are individuals, trustees or complying superannuation entities and who have held a Stapled Unit for 12 months or more at the time of sale should be entitled to apply the applicable CGT discount factor to reduce any capital gain (after offsetting capital losses) made on the sale of the Stapled Unit. If you are an individual or trustee applying the CGT discount, your taxable capital gain (after offsetting any current year capital losses or carry forward net capital losses from previous years) will be reduced by one-half (or one-third if you are a complying superannuation entity).

(d) Income tax – non-resident Stapled Unitholders

The information in this section dealing with non-residents of Australia does not apply to non-residents who:

- hold their Stapled Units through a permanent establishment in Australia; or
- hold their Stapled Units via an interposed Australian entity(s).

(i) Westfield Retail Trust 1 Distributions

It is expected that Westfield Retail Trust 1 will be a managed investment trust (**MIT**) for tax purposes. RE1 will be liable to deduct withholding tax on your behalf in respect of the fund payment component of a distribution payable to you. This withholding tax does not always represent the final tax liability in respect of such distributions and in some circumstances you may have additional tax filing and tax payment obligations.

In respect of Westfield Retail Trust 1, the fund payment component of a distribution is likely to include amounts representing:

- Australian source income, such as rental income from Australian Properties; and
- capital gains in respect of taxable Australian property, grossed up for any CGT discount that has been applied at the Westfield Retail Trust 1 level (i.e. withholding tax is imposed on the gross capital gain). Taxable Australian property includes real property situated in Australia.

The fund payment component will not include amounts attributable to trust income comprising:

- interest, royalties or dividends (however, distributions attributable to such trust income may be subject to withholding tax – see below);
- capital gains in respect of CGT assets that are not taxable Australian property; and
- tax deferred distributions.

The withholding rate depends on whether you are a resident of a country with which Australia has determined to be an "exchange of information country". If you are not a resident of such a country, the withholding rate will be 30%. If you are a resident of such a country the rate of withholding will be 15% for the distribution in respect of the income year ended 31 December 2010 and 7.5%, thereafter.

In respect of the interest, dividend and royalty components of distributions, RE1 will also be required to deduct withholding tax from any amounts distributed to you.

For distributions from Westfield Retail Trust 1 attributable to:

- interest income of Westfield Retail Trust 1, the withholding tax rate is 10%;
- unfranked dividends received by Westfield Retail Trust 1, the withholding tax rate is generally 30%. However, for residents of countries with which Australia has entered into a tax treaty, the rate of withholding on such distributions is generally reduced to 15%;
- franked distributions received by Westfield Retail Trust 1, no withholding tax will apply; and
- royalty income of Westfield Retail Trust 1, the withholding tax rate is generally 30%. However, for residents of countries with which Australia has entered into a tax treaty, the rate of withholding on such distributions is generally reduced to 10% (or in some cases 5%).

The interest, dividend and royalty withholding taxes represent a final tax liability for non-resident Stapled Unitholders for these amounts (i.e. there is no further tax on an assessment basis in respect of these amounts).

(ii) Westfield Retail Trust 2 distributions

Franked distributions from Westfield Retail Trust 2 will be exempt from withholding tax. Unfranked distributions will be subject to dividend withholding tax. The withholding tax rate is generally 30%. However, for dividends paid to residents of countries with which Australia has entered into a tax treaty, the rate of withholding is generally reduced to 15%.

(iii) Disposal of Stapled Units

Upon disposal of your Stapled Units:

(A) no CGT liability will arise in relation to the disposal of the Westfield Retail Trust 1 component of your Stapled Unit unless you (and your associates) either:

- at the time of the disposal, hold 10% or more of the issued capital in Westfield Retail Trust 1; or
- prior to the time of disposal, held 10% or more of the issued capital in Westfield Retail Trust 1 throughout a 12 month period that began no earlier than 24 months before the time of the disposal and ended no later than that time; and

(B) no CGT liability will arise in relation to the disposal of the Westfield Retail Trust 2 component of your Stapled Unit if, as expected, the underlying value of Westfield Retail Trust 2 is not principally derived from Australian real property either at the time of disposal or throughout a 12 month period that began no earlier than 24 months before the time of the disposal and ended no later than that time. If the underlying value of Westfield Retail Trust 2 is principally derived from Australian real property, your tax treatment in respect of Westfield Retail Trust 2 will be the same as that for Westfield Retail Trust 1 outlined in (A) above.

(e) GST

There is no Australian goods and services tax payable in respect of the acquisition or disposal of Stapled Units.

9.2 New Zealand taxation implications

This section applies only to New Zealand tax resident Stapled Unitholders (**NZ Holders**).

(a) The Westfield Securityholder Offer

The entitlement to acquire Stapled Units under the Westfield Securityholder Offer will be granted to Westfield Group Securityholders prior to their becoming holders of Westfield Retail Trust 1 Units and Westfield Retail Trust 2 Units.

If you accept the Westfield Securityholder Offer, you should not derive assessable income from the acceptance. The income tax consequences of acquiring, holding and disposing of Stapled Units are dealt with in section 9.2(b) below.

If you do not accept the Westfield Securityholder Offer, your entitlements will lapse without your receiving any disposal proceeds. There should be no income tax consequences arising from the lapsing of your entitlements.

(b) New Zealand income tax implications of acquiring, holding and disposing of Stapled Units pursuant to the Offer

Your New Zealand tax treatment will depend on whether the foreign investment fund (**FIF**) rules apply to you.

New Zealand's FIF rules govern the taxation of offshore portfolio equity investment and may apply to NZ Holders in relation to their Stapled Units. The method which is generally used for calculating income under the FIF rules is the "fair dividend rate" method.

(i) If the FIF rules apply

If the FIF rules apply to a NZ Holder (**Non-De Minimis Holder**), under the fair dividend rate method you will be subject to New Zealand tax at your applicable tax rate on 5% of the opening market value (i.e. as at the start of your income year, which for most NZ Holders will be 1 April) of all your investments in non-New Zealand companies and unit trusts (taxed as a pool), subject to the exceptions listed below. Dividends from those investments and any gains on sale or redemption will not separately be subject to New Zealand tax (except where the "quick sale" rules apply – see below). You may be entitled to a credit against your FIF income for any Australian withholding tax deducted from distributions, depending on your personal circumstances. If the Stapled Units are not held by you on the first day of your income year, they are not included in the pool for calculating income under this method.

"Quick sale" rules apply when Stapled Units are acquired and sold within the same income year. The quick sale rules result in Non-De Minimis Holders being taxed on the lesser of (i) disposal proceeds and distributions less the cost of Stapled Units acquired and sold; and (ii) 5% of the cost of the Stapled Units acquired and sold. The cost of Stapled Units is determined on an average cost basis for all such Stapled Units acquired in the income year.

You may be able to use a method other than the fair dividend rate method, depending on your circumstances. For example, individuals and certain qualifying trusts whose non-New Zealand equity investments return less than 5% of their opening market value in an income year are entitled to use the "comparative value" method. This taxes the lower return (being the total of all realised and unrealised gains) rather than the deemed 5% of opening market value. The "cost" method may also be available.

(ii) If the FIF rules do not apply

The FIF rules do not apply to:

- individuals (not family trusts or companies) whose aggregate holdings in foreign companies and unit trusts (other than interests which qualify for the Australian Listed Exemption or the RWT Proxy Exemption – see below) at all times during the income year cost less than NZ$50,000 (**NZ$50,000 Exemption**);
- investments in Australian tax resident companies that are listed on the ASX, are included in an approved index such as the All Ordinaries, and maintain a franking account (**Australian Listed Exemption**). This exemption will not apply to the Stapled Units (due to their stapled nature), but may be relevant in determining if the NZ$50,000 Exemption applies to you.
- investments in certain Australian unit trusts where specific withholding tax arrangements have been put in place (**RWT Proxy Exemption**). This exemption will not apply to the Stapled Units because it is not intended that an "RWT proxy" be appointed as required by this exemption, but may be relevant in determining if the NZ$50,000 Exemption applies to you.

If the NZ$50,000 Exemption applies to a NZ Holder (**De Minimis Holder**), you will not be subject to the FIF regime described above and will be liable to New Zealand tax generally only on distributions received in respect of the Stapled Units (subject to any tax in respect of sale proceeds – see below). The distributions will constitute income subject to tax at your applicable rate, with a credit for any Australian withholding tax deducted from the distributions being available depending on your personal circumstances. No credit is available in New Zealand for any Australian franking credits attached to the distributions.

If a De Minimis Holder disposes of their Stapled Units, the proceeds should not constitute assessable income for New Zealand income tax purposes unless the De Minimis Holder:

- acquired the Stapled Units for the dominant purpose or intention of sale;
- carries on a business that comprises dealing in stapled securities (however, as noted above, these New Zealand taxation comments do not apply to such Stapled Unitholders); or
- derives the sale proceeds from the carrying on or carrying out of any undertaking or scheme entered into or devised for the purpose of making a profit.

(c) GST

There is no New Zealand goods and services tax payable in respect of the acquisition or disposal of Stapled Units.

SECTION

10

SUMMARY OF IMPORTANT DOCUMENTS

WESTFIELD MIRANDA, SYDNEY

SECTION CONTENTS: SUMMARY OF IMPORTANT DOCUMENTS

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10.1 Implementation Deed

The Implementation Deed to be entered into on or about 20 December 2010 is between WHL, WML as responsible entity of WFT, WAML as responsible entity of WAT, RE1 as responsible entity of Westfield Retail Trust 1 and RE2 as responsible entity of Westfield Retail Trust 2 (**Parties**). This deed sets out the procedures to be followed to implement the Proposal and other related matters.

In addition to those elements of the Proposal described elsewhere in this PDS, the Implementation Deed deals with the matters discussed in this section.

(a) Agreement to implement the Proposal

The Parties agree to do all things reasonably necessary to implement the Proposal and must use reasonable endeavours to give effect to the Proposal, subject to their constitutions, the Implementation Deed, and applicable laws. This includes using reasonable endeavours to ensure satisfaction of the conditions precedent (see below).

(b) Conditions precedent

The implementation of the Proposal is subject to:

(i) approval of ASX to the admission of Westfield Retail Trust 1 and Westfield Retail Trust 2 to the official list of ASX and for official quotation of units in Westfield Retail Trust 1 and units in Westfield Retail Trust 2;

(ii) ASIC, ASX and any other regulatory authority providing such consents or approvals or having done such other acts which the parties agree are reasonably necessary or desirable to effect the Proposal;

(iii) a revenue office in New South Wales, Victoria, Australian Capital Territory or Western Australia having not withdrawn, or threatened to withdraw, relief (which in the case of the Australian Capital Territory means relief as to 95% of the duty otherwise payable) from the payment of duty or stamp duty in relation to the Proposal;

(iv) all necessary consents being given under the *Overseas Investment Act 2005* (New Zealand) in respect of the Proposal, or the Proposal otherwise becoming lawful under that act;

(v) the ATO not having withdrawn, or threatened to withdraw, the taxation rulings given in relation to the Proposal;

(vi) all conditions precedent to the asset transfers under the Asset Transfer Deeds being satisfied including landlord consent to the transfer of the Shopping Centre Interests in the ACT to Westfield Retail Trust by the ACT Planning and Land Authority, consent to certain transfers by the Land Development Agency at Belconnen and all other required consents (including consents from co-owners) in relation to transfers of other relevant leasehold interests that form part of the Shopping Centre Interests;

(vii) satisfaction or waiver of all conditions precedent under Acquisition Facility such that funds can be unconditionally drawn down under that facility;

(viii) waiver in relation to the Proposal from the existing lenders under the Westfield Group Master Negative Pledge;

(ix) approval by the Westfield Group Securityholders at the Meeting of the Resolutions by the requisite majorities; and

(x) amendment of the WHL, WFT and WAT constitutions in the terms contemplated by the Resolutions.

(c) Termination

A party may terminate the Implementation Deed by notice in writing to the other parties if certain events occur prior to the Implementation Date. These events include:

(i) the Resolutions are not passed on or before 31 March 2011;

(ii) any one or more of WHL, WFT, WAT, Westfield Retail Trust 1 or Westfield Retail Trust 2 becomes insolvent;

(iii) a party materially breaches any warranty or obligation under the Implementation Deed;

(iv) the representations and warranties given by the parties in the Implementation Deed are not materially true and correct;

(v) RE1 and RE2 do not receive conditional consent in writing from the ASX granting official quotation of the Stapled Units;

(vi) a regulatory authority or judicial authority takes any action, or refuses to take any action, or makes any preliminary or final order or a decree which prevents the implementation of the Proposal; or

(vii) a material adverse change occurs.

In addition, WAML, WML, RE1 or RE2 may terminate the Implementation Deed if at any time prior to the Implementation Date it determines in good faith, based on expert advice, that it should do so because of the duties it owes to its securityholders.

The Implementation Deed will also automatically terminate on 31 March 2011 if the conditions precedent have not been satisfied or waived by that date.

(d) Limitation of liability

The liability of WML, WAML, RE1 and RE2 is limited to the extent it can be satisfied out of the property of the relevant trust of which it is the responsible entity and for which it is actually indemnified for the liability. The other parties may not sue WML, WAML, RE1 or RE2 in any capacity other than as responsible entity of the relevant trust.

The liability of WML, WAML, RE1 or RE2 is not limited in the above manner where there is a reduction in the extent of its indemnification out of the assets of the relevant trust under an agreement, by operation of law or as a result of its fraud, negligence or breach of trust.

A breach of an obligation, representation or warranty by WML, WAML, RE1 or RE2 will not be considered a breach of trust unless it has acted with negligence, or without good faith, in relation to the breach.

10.2 Stapling Deed

The Stapling Deed to be entered into on or about 20 December 2010 is between RE1 as responsible entity of Westfield Retail Trust 1 and RE2 as responsible entity of Westfield Retail Trust 2. It sets out the terms of the relationship between each of the Westfield Retail Stapled Trusts in respect of the Stapled Units.

Key features of the Stapling Deed include:

(a) Stapling

The units of Westfield Retail Trust 1 and Westfield Retail Trust 2 will remain stapled unless a special resolution of Stapled Unitholders approves unstapling, if stapling becomes unlawful or prohibited by the Listing Rules, or a winding up is commenced in respect of Westfield Retail Trust 1 or Westfield Retail Trust 2.

(b) Co-operation and consultation

The Westfield Retail Trust Responsible Entities agree to share accounting and other information, and to co-operate in operating Westfield Retail Trust including in relation to providing information to investors, valuing assets, preparing accounts, holding meetings, issuing securities, acquiring investments and making dividends and distributions.

(c) Dealings in Stapled Units

Units in Westfield Retail Trust 1 and Westfield Retail Trust 2 may only be issued or transferred as part of Stapled Units.

Each of the Westfield Retail Trust Responsible Entities must not cancel, buy-back, redeem or reorganise a Stapled Unit unless at the same time there is a corresponding cancellation, buy-back, redemption or reorganisation of each other Stapled Unit.

(d) Registers

Each of the Westfield Retail Trust Responsible Entities may maintain or procure the maintenance of a register of Stapled Units. This includes the appointment of a common registrar.

All details of Stapled Units and dealings in those units must be entered in the register. Although separate registers may be kept, the registers must be kept entirely consistent with one another.

(e) Duties

When carrying out their duties, each of the Westfield Retail Trust Responsible Entities may consider the interests of holders of the Stapled Unitholders as a whole, not only the interests of the unitholders of Westfield Retail Trust 1 and Westfield Retail Trust 2 separately.

(f) Dispute resolution

If there are disagreements arising from the deed, each of the Westfield Retail Trust Responsible Entities must use their best endeavours to resolve them and negotiate in good faith before instituting proceedings.

(g) Allocation of issue price

Each of the Westfield Retail Trust Responsible Entities must agree from time to time what part of the amount payable for the issue, redemption or buy-back of a Stapled Unit is to represent the price of units in each of Westfield Retail Trust 1 and Westfield Retail Trust 2.

In the absence of agreement, an independent accountant must determine what part of the amount payable is to represent the price of units in each of Westfield Retail Trust 1 and Westfield Retail Trust 2.

10.3 Asset Transfer Deeds

Asset Transfer Deeds will be entered into between WML, as the responsible entity of WFT, and RE1, as the responsible entity of Westfield Retail Trust 1 and applicable registered proprietors or trustees. These agreements will comprise:

- contracts of sale or umbrella contracts of sale for the Australian Properties and Existing JV Properties in which RE1 is to acquire from WML a direct property interest;
- unit sale agreements or umbrella unit sale agreements in relation to the Australian Properties and an Existing JV Property in which RE1 is to acquire from WML a unitholding in a unit trust which directly or indirectly owns a property interest in the relevant Properties; and
- a unit sale agreement whereby RE1 will acquire from WML all of the issued units in a sub trust of WFT, which sub trust in turn owns a 50% interest in all of the ordinary and redeemable preference share capital of Westfield NZ Holdings Limited. Westfield NZ Holdings Limited will be the parent company of the group through which the New Zealand Properties are held (**New Zealand Group**). At the same time, pursuant to a deed of assignment, RE1 will acquire the New Zealand Loan from WFT.

Key features of these Asset Transfer Deeds include the following:

(a) execution and completion of the Asset Transfer Deeds will occur simultaneously;

(b) on completion of the Asset Transfer Deeds, each of WFT and RE1 are to enter into Co-ownership Agreements or Unitholders Agreements (as applicable) (see sections 10.4 and 10.5), Property Management Agreements (see section 10.6) and Development Framework Agreements (see section 10.7), for each property to which the relevant Asset Transfer Deed relates other than Existing JV Properties and the shareholders of Westfield NZ Holdings Limited and Westfield NZ Holdings Limited itself are to enter into the Shareholders Agreement (see section 10.5). In relation to the Asset Transfer Deeds for those Existing JV Properties in which RE1 is to acquire a direct or indirect property interest, RE1, WML and the relevant third party are intended to enter into accession deeds whereby RE1 will become a party to the applicable Co-ownership Agreement, Joint Venture Agreement or Unitholders Agreements and to the Property Management and Development Framework Agreements that relate to those Existing JV Properties;

(c) in the case of the umbrella contract of sale in relation to the Australian Properties in which RE1 is to acquire a direct property interest, the direct property interest will be acquired subject to all existing tenancy agreements in relation to that Australian Property and WML will assign to RE1 its interest in those tenancy agreements and in all lease securities, bank guarantees, plant leases, contracts, permits or asset warranties that relate to that Australian Property;

(d) WML and RE1 will acknowledge that the purchase consideration to be paid for each property interest or unitholding acquired by RE1 will reflect a fair estimate to allow for their respective entitlements to receivables (including rent, outgoings and percentage rent) that relate to any period that includes the settlement date or a fair estimate of the net assets of the relevant unit trust at the settlement date (where a unitholding is acquired) and, unless requested by WML, there will be no post settlement adjustments between WML and RE1. Where RE1 acquires a unitholding in a unit trust (other than a unit trust that directly or indirectly owns an Existing JV Property) the trustee of the unit trust will on the completion date declare a distribution of income of that unit trust for the period up to and including completion and the income so declared will be subsequently distributed to WML;

(e) each of WML and RE1 will give warranties in relation to its capacity and authority to enter into the relevant transaction. WML will give title warranties to RE1 but will not provide any other vendor warranties in respect of the properties in which RE1 is to acquire a property interest, the unit trusts in which RE1 is to acquire a unitholding, the New Zealand Loan or, in the case of the New Zealand Unit Sale Agreement, the unit trust to be acquired by RE1, Westfield NZ Holdings Limited or its subsidiary companies; and

(f) The purchase consideration to be paid by RE1 in relation to each property interest or unitholding that it acquires (other than the purchase consideration to be paid in relation to the Westfield Sydney arrangements, see section 10.10, and for the New Zealand Loan, see section 10.5) will be allocated across the remaining Properties.

Brand alliances agreements

On completion, Westfield Alliances Pty Limited (a subsidiary of WHL) will assign to Westfield Retail Trust 2 half of Westfield Alliances Pty Limited's interest in the long term brand alliance agreements that it has entered into with various third parties in respect of a number of the Properties. These brand alliance agreements provide for the licensing of space in the relevant Properties for the display of advertising in consideration for the payment of licence fees.

In addition, Westfield Alliances Pty Limited will transfer half of its interest in a number of digital screens that it has installed in a number of the Properties to Westfield Retail Trust 2 in consideration for an amount equal to half of the written down value of the screens.

10.4 Co-ownership or Unitholders Agreements

Co-ownership or Unitholders Agreements (as applicable) will be put in place to regulate the joint ownership by WML and RE1 of the Australian Properties (other than the Existing JV Properties) or the unit trusts that directly or indirectly own Australian Properties (other than the Existing JV Unit Trusts). A Shareholders Agreement will also be put in place to regulate the co-ownership of the New Zealand Properties owned by Westfield NZ Holdings Limited through its subsidiary companies. Similarly Property Management Agreements and Development Framework Agreements (with annexed prescribed Design and Construction and Leasing Agreements) will be put in place for all the properties other than the Existing JV Properties.

Where RE1 is to acquire a direct interest in an Existing JV Property or in a unit trust that directly owns an Existing JV Property, it will be required to execute accession deeds whereby it will assume rights and accept obligations under the Co-ownership Agreement or Unitholders Agreement (as applicable), Property Management Agreements and Development Framework Agreements already in place for those Existing JV Properties. Where RE1 is to acquire an indirect interest in an Existing JV Property (by acquiring a unitholding from WML in a unit trust that holds an interest in that Existing JV Property indirectly through an interposed trust), any Co-ownership Agreements, Unitholders Agreements, Joint Venture Agreements, asset management agreements, Property Management Agreements or Development Framework Agreements already in place for that Existing JV Property will continue to operate and there will be no requirement for RE1 to accede to any of those agreements. However, in those cases, a Unitholders Agreement will be entered into between RE1 and WML to regulate their co-ownership of the unit trust in which they are joint investors. Under those Unitholders Agreements, WML will be required to ensure that the trustee of any interposed trust will be a Westfield Group subsidiary except where a professional trustee company is already in place, or as otherwise agreed between WML and RE1. These Unitholders Agreements will also contain a procedure for WML and RE1 to determine how the interposed trust will exercise its committee representation and voting rights under the Co-ownership Agreement or Unitholders Agreement that regulates the Existing JV Property or Existing JV Unit Trust in which the interposed trust is an investor.

Set out below are the key matters regulated by each Co-ownership/Unitholders Agreements (as applicable) for the Australian Properties to be entered into, or, in the case of Existing JV Properties, to be acceded to by RE1, or that will otherwise continue to operate. In the case of the Existing JV Properties, whilst these key terms are generally representative, there will be variances, some but not all of which are noted below. The key matters are:

(a) the proportionate sharing of income and expenses between the co-owners/unitholders and their successor co-owners/unitholders in accordance with their respective proportionate interests;

(b) the establishment of co-owners committees or unitholders committees (as applicable) and (other than in the case of some Existing JV Properties) special committees with each co-owner/unitholder being entitled to representation and voting on each such committee in proportion to their respective interests. These co-owners or unitholders committees will deal with, and make decisions concerning all major issues concerning the ultimate property asset, such as approval of annual business plans and operating and capital budgets, major development and refurbishment, asset acquisitions and disposals. Where applicable, the special committee will comprise senior representatives of each co-owner or unitholder (as applicable). The purpose of the special committee will be to resolve issues referred to it by the co-owners committee or that have not been resolved by the co-owners committee. In the case of new Co-ownership Agreements and Unitholders Agreements to be entered into between WML and RE1, valid resolutions of the co-owners or unitholders committees will require:

- a unanimous vote to approve acquisitions or disposals of direct or indirect interests in properties at a cost exceeding $20 million and capital expenditure items exceeding $20 million; and
- a simple majority vote in all other cases including for the approval of annual business plans and budgets;

(c) each Co-ownership or Unitholders Agreement will also contain provisions to regulate dealings by the parties with respect to their respective property interests or unitholdings (as applicable). Generally, a party will not be able to dispose of a property interest or a unitholding that is less than 25%. Further, except in the case of "Permitted Transfers" (as defined in the relevant Co-ownership or Unitholders Agreement), generally a party will not be able to dispose of the whole or part of its property interest or unitholding without first offering to sell it to the other parties (in proportion to the other party's respective interests) by tender notice or transfer notice specifying the proposed sale price and other sale terms which will generally remain open for 60 days (**Pre-emption Procedure**). If the selling party's property interest or unitholding is not disposed of through the Pre-emption Procedure, the selling party may sell the property interest or unitholding on the open market for a price and terms no more favourable than the tendered price and terms for a further period, generally six to nine months from the date of closure of the tender.

Generally a party will not be obliged to comply with the Pre-emption Procedure where it transfers the whole or part of its property interest or unitholding to a related body corporate or to a trust, fund or managed investment scheme[1] of which it or its related body corporate is the trustee or responsible entity or to a subsidiary entity of any such trust, fund or managed investment scheme. A transferee from a party that has any of these characteristics will be a **Permitted Transferee**. Generally each co-owner or unitholder together with its Permitted Transferees constitute a **Group** for the purposes of the application of the Pre-emption Procedures, the change of control provisions described in paragraph (d) below and for representation and voting on committees;

(d) where a co-owner or a unitholder ceases to have the characteristics that would qualify it as a Permitted Transferee or a member of its Group, that co-owner or unitholder will generally be deemed to have committed a default under the relevant Co-ownership or Unitholders Agreements. Other than in the case of three Existing JV Properties, there is an exception where the party concerned is the responsible entity of a managed investment scheme[2] which (other than for Existing JV Properties) is also listed on the ASX, is not otherwise in default, and which is removed and replaced with a new responsible entity by a resolution of the members of that registered managed investment scheme;[3,4]

(e) where a co-owner or unitholder disposes of the whole or part of its property interest or unitholding, it will be required to procure that the transferee (whether or not a Permitted Transferee) accedes to the Co-ownership Agreement or Unitholders Agreement concerned and, where applicable, to the Property Management Agreement and Development Framework Agreement that relates to the relevant property by executing an accession deed containing terms reasonably required by the remaining co-owners or unitholders;

(f) generally a co-owner or unitholder (as applicable) will be permitted to mortgage the whole or part of its property interest or unitholding provided it procures that the mortgagee enters into a accession deed whereby the mortgagee becomes bound to observe and abide by the terms of the applicable Co-ownership or Unitholders Agreement (including the Pre-emption Procedures) and, where applicable, the Property Management Agreement and Development Framework Agreement that relates to the relevant property; and

(g) each Co-ownership Agreement and Unitholders Agreement will also contain provisions to deal with the default by a co-owner or unitholder of its obligations under that agreement (including a failure to comply with Pre-emption Procedures – see paragraph (c) above) or generally a deemed default where a change of control of a co-owner or unitholder has occurred other than in permitted circumstances (see paragraph (d) above). In a case where any such default is not rectified within a specified cure period or, where incapable of rectification (other than in the case of some Existing JV Properties), reasonable compensation has not been provided to the co-owner or unitholder not in default (**Non-Defaulting Party**) then the Non-Defaulting Party may within a specified period exercise rights to acquire the interest of the co-owner or unitholder that has defaulted (**Defaulting Party**) (on a proportionate basis where there is more than one Non-Defaulting Party) at independent valuation less transaction costs and amounts owing to the Non-Defaulting Party by the Defaulting Party.

10.5 Shareholders Agreement – New Zealand Properties

The shareholders of Westfield NZ Holdings Limited and Westfield NZ Holdings Limited itself, will enter into a Shareholders Agreement which will regulate their co-ownership of the ordinary and redeemable preference share capital of Westfield NZ Holdings Limited, the New Zealand Group and the New Zealand Properties.

Under the Shareholders Agreement, a shareholders committee and a special committee (to deal with matters not resolved by the shareholders committee) will be established that will deal with and make decisions principally concerning commercial and operational issues in respect of the various New Zealand Properties (other than certain specified matters that are reserved for determination by the board or ordinary shareholders of Westfield NZ Holdings Limited). Representation and voting rights in relation to these committees (the members of which are appointed by the ordinary shareholders of Westfield NZ Holdings Limited) will be structured similarly to the representation and voting rights for co-owners, unitholders and special committees described in paragraph 10.4(b) above with appropriate adaptation to deal with matters peculiar to the joint investment by the shareholders in the New Zealand Properties through a corporate group structure.

The Shareholders Agreement will also regulate dealings by the shareholders in relation to their respective shareholdings in Westfield NZ Holdings Limited and their indirect interests in the New Zealand Properties. In summary, dealings by the shareholders with their respective indirect property interests in New Zealand Properties will be permitted provided a pre-emptive procedure is followed. Again, the provisions regulating such dealings including the pre-emptive procedures and the permitted transfer exceptions to those procedures will be structured similarly to the corresponding procedures under Co-ownership Agreements and Unitholders Agreements described in paragraphs (c), (d) and (e) of section 10.4 with appropriate adaptations to reflect the New Zealand Group's corporate structure.

1 Specifically required to be a registered managed investment scheme in the case of some Existing JV Properties.

2 Specifically required to be a registered managed investment scheme other than for some Existing JV Properties.

3 The removal/replacement of responsible entity is not required to be by member resolution in the case of some Existing JV Properties.

4 The exception does not apply in the case of some Existing JV Properties where the removal/replacement of responsible entity is part of the disposal of the funds management business of the group to which the relevant co-owner belongs.

These adaptations include the limitation that, if a shareholder exercises pre-emptive rights (**non selling shareholder**), it will acquire from the other shareholder (**selling shareholder**) redeemable preference shares held by the selling shareholder that relate to the relevant New Zealand Property. The non selling shareholder will not be able to acquire from the relevant New Zealand Property Company a direct interest in the relevant New Zealand Property.

The adaptations also incorporate detailed methodology to determine the sale value of a selling shareholders' relevant redeemable preference shares, the amount of dividends the selling shareholder is to receive (whether immediately prior to sale or redemption or otherwise) and the amount to be repaid to the selling shareholder's finance entity in respect of loans made to the New Zealand Group that relate to the relevant New Zealand Property. This methodology also applies in circumstances where pre-emptive rights are not exercised and the selling shareholder's indirect interest in a New Zealand Property is sold to a third party. In those circumstances, the consequent realisation of the selling shareholder's economic interest is effected through the redemption of all or part of the class of redeemable preference shares that it holds that relate to its indirect interest in the relevant New Zealand Property and the loan repayment as described above.

The methodology similarly applies where pre-emptive rights are exercised and the selling shareholder's relevant redeemable preference shares are redeemed instead of being acquired by the non selling shareholder, with loan repayment, each as described above.

Where the shareholder's committee or special committee is unable to agree on matters such as the determination of the net asset value of particular New Zealand Property Companies and/or the calculation of the sale value or redemption value of redeemable preference shares the disputed matter may be referred by a shareholder to the auditor of the New Zealand Group whose decision will be final and binding on the shareholders.

In circumstances where a shareholder's indirect interest in a New Zealand Property is transferred to a third party (where pre-emptive rights are not exercised) or where the shareholders agree to procure the sale of a direct interest in a New Zealand Property to a third party, a new Co-ownership Agreement will then be entered into between the relevant New Zealand Property Company and the third party concerned. Again, the key features of that replacement Co-ownership Agreement will be similar to the key features of the Co-ownership and Unitholders Agreements described in section 10.4.

10.6 Property Management Agreements

A Westfield Group property manager will continue to manage the properties (other than certain Existing JV Properties – see section 4.8). For this purpose other than for Existing JV Properties, Property Management Agreements will be entered into either between RE1, WML and the relevant Westfield Group property manager in the case of those properties in which RE1 and WML have a direct property interest or between WML, RE1, the trustee of the unit trust in which each of RE1 and WML directly or indirectly co-invests and the applicable Westfield Group property manager.

The Property Management Agreements and/or Asset Management Agreements in place for Existing JV Properties will continue and, where RE1 acquires a direct property interest in those properties, it will be required to accede to those Agreements by signing an accession deed (see section 10.4). In the case of the New Zealand Properties, Property Management Agreements will be entered into between a Westfield Group property manager and Westfield NZ Holdings Limited or each New Zealand Property Company.

The following key terms generally apply to the Property Management Agreements (other than for six Existing JV Properties which are managed by the AMP Group). In the case of other Existing JV Properties, whilst those key terms are generally similar, there will be variances, some but not all of which are noted below. The key terms are:

(a) the Westfield Group property manager is appointed as sole manager and agent to manage, operate, promote and provide leasing services for each property, including negotiating leases and licences with occupants of the properties. That appointment will continue until Westfield Group (as defined under the applicable Co-ownership Agreement/Unitholders Agreement or Property Management Agreement) holds less than a 25% (or in one case 20%) interest except where the Property Management Agreement is earlier terminated by a co-owner/s or unitholder/s in the circumstances described in paragraph (h) below;

(b) the Westfield Group property manager's obligation to collect rent and outgoings contributions from tenants, pay operating expenses for each property and its other specific duties, powers and obligations with respect to the leasing, management and operation of each property including in relation to the maintenance and operation of trust accounts are comprehensively specified;

(c) a management committee is appointed comprising representatives appointed by the co-owners or unitholders (as applicable) with representation and voting rights determined in accordance with proportionate interests held.

The management committee is to meet at least monthly or at other times agreed by the co-owners/unitholders and will deal with specified management and operational matters concerning the relevant property, including recommendations from the Westfield Group property manager who is required to attend such meetings. A quorum for any meeting of the management committee requires the presence of at least one member of the management committee appointed by each co-owner or unitholder (as applicable). Valid resolutions of the management committee require a simple majority vote determined on the basis of co-owners or unitholders direct or indirect proportionate interests in the property;

(d) the Westfield Group property manager is paid a fee equal to 5% of the annual gross income of each property payable monthly in arrears. The Westfield Group property manager is entitled to the reimbursement of specific internal and external costs and expenses (whether or not incurred on site) as specified in the Property Management Agreement including (other than in the case of Existing JV Properties) the costs (not being more than $7,000 in each case) incurred by the Westfield Group property manager (including consultants costs) in providing tenancy, design and co-ordination services in relation to areas that are the subject of small shop leases. The Property Management Agreement provides for the appointment of the Westfield Group property manager or its officers as attorneys for the co-owners for the purposes of negotiating and executing small shop leases;

(e) the Westfield Group property manager is generally required to submit to the co-owners or unitholders (as applicable) of each Property an annual business plan, operating and capital budget and a leasing strategy for the Property together with recommendations in relation to matters specified in the Property Management Agreement. Generally a co-owner or unitholder may not unreasonably withhold its approval to a budget or recommendation submitted by the Westfield Group property manager. Until a business plan or budget is approved, generally the Westfield Group property manager may incur expenditure in respect of the property on the basis of the previously approved budget (with relevant budget items escalated for CPI movements) or actual charges incurred in respect of items included in the previous business plan or budget (also escalated for CPI movements) and (other than in the case of Existing JV Properties) new taxes, charges and abnormal items and the amounts by which statutory insurance and utility charges may have increased by more than CPI movements. The Westfield Group property manager is also required to provide to the co-owners or unitholders monthly operating reports for the shopping centre and semi-annual and annual accounts and financial reports for each property;

(f) the co-owners or unitholders (as applicable) are entitled to use the name "Westfield" for the purpose of naming each property for so long as the Westfield Group property manager continues as the property manager of the property;

(g) intellectual property created by or on behalf of the Westfield Group property manager at the request of the co-owners that was created solely in relation to a Property will belong to the co-owners to the extent that the Westfield Group property manager has been reimbursed for the associated costs and expenses incurred by it or to the extent that the co-owners paid for the intellectual property. The co-owners will be licensed at no cost to use other intellectual property created by the Westfield Group property manager or others solely for the purposes of a Property Management Agreement. However, under the Property Management Agreement to be entered into for the Australian Properties and New Zealand Properties, the Westfield Group property manager will be entitled to commercially exploit the intellectual property associated with any internet web site created or operated by it that comprises a virtual shopping centre or similar internet facility that may include references to a Property, its name or location, the names of retailers located at the Property, the goods or services sold by those retailers or that incorporates functionality enabling on line purchases of such goods or services to be made; and

(h) the Property Management Agreement may be terminated by a co-owner/s or unitholder/s (as applicable) which has, or who together have, at least a 50% property interest or unitholding in circumstances where the Westfield Group property manager has breached its obligations or in the event of other specified defaults (including the insolvency of the Westfield Group property manager) and fails to remedy its default within a specified cure period. The Property Management Agreement may also be terminated in circumstances where the Co-ownership Agreement or Unitholders Agreement (as applicable) or the Development Framework Agreement in relation to the relevant property has been validly terminated.

10.7 Development Framework Agreements

RE1 and WML (or, where applicable, a sub trust or subsidiary company in which they are jointly invested) will enter into Development Framework Agreements with a Westfield Group subsidiary (**Westfield Developer**) for each of the Australian Properties and New Zealand Properties (other than Existing JV Properties).

Westfield Limited will also be a party to the Development Framework Agreement entered into for the Australian Properties. In the case of the New Zealand Properties, Development Framework Agreements will be entered into between a Westfield developer and Westfield NZ Holdings Limited or each New Zealand Property Company.

Whilst the Development Framework Agreement, Design and Construction Agreement and Leasing Agreement described below specifically relate to the Properties (other than the Existing JV Properties) the relevant terms are materially consistent with the corresponding agreements for the Existing JV Properties where a Westfield Group subsidiary is the developer. However there will be variances, some but not all of which are identified in sections 4.6 and 4.7.

Under each Development Framework Agreement the Westfield Developer will be exclusively appointed to provide a comprehensive range of planning services, design services and development services approved from time to time by the co-owners in relation to the future development of each Property. These services also include the preparation for co-owners' approval of budgets for the provision of planning services, design services and development services as approved by the co-owners, the carrying out of all such planning services, design services and development services and the preparation of feasibility submissions in relation to development works to be undertaken in relation to the development of the Properties. The agreements provide a process for co-owners to approve proposals for the carrying out of development works and to negotiate and agree with the Westfield Developer the commercial terms upon which those development works will be undertaken. The co-owners are entitled to obtain advice from consultants and to engage an independent quantity surveyor that may be selected by the co-owners from a specified panel for these purposes.

Under the Development Framework Agreement the Westfield Developer is also required to prepare a major tenants leasing strategy for the leasing of space to major tenants in relation to development works approved by the co-owners. In addition, Westfield Limited may, with the approval of the co-owners, undertake or procure an appropriately licensed related body corporate to procure services relating to the negotiation and execution of new and renewed Agreements for Lease with major tenants and the administration and enforcement of market rental review provisions of major tenant leases to produce outcomes to the best advantage of the co-owners.

Where the co-owners approve a proposal to proceed with particular development works in relation to a Property, those development works are to be undertaken in accordance with a Design and Construction Agreement and Leasing Agreement in a form that is annexed to the Development Framework Agreement with relevant commercial terms (other than the fees described below) including a lump sum project price to be inserted in those agreements as agreed between the co-owners and the Westfield Developer as part of the approval process. The fees described below will be included in those Agreements.

The Westfield Developer or Leasing Manager (as applicable) is entitled to be paid the following fees for the services that are provided to the co-owners under each Development Framework Agreement:

- a Development Fee equal to 3% of the project price (as adjusted for variations) payable under the Design and Construction Agreement for particular development works;
- a Design Fee equal to 10% of the project price (as adjusted for variations) payable under the Design and Construction Agreement for particular development works;
- a Leasing Fee up to 15% of the first year's rent (excluding outgoings contributions) payable by tenants for leases of new specialty shops created by the development works and by tenants who take leases of specialty shop space that existed prior to the development and that was previously occupied by tenants who lease new specialty shops created by the development works; and
- a Tenancy Design and Co-ordination Fee of $7,000 in respect of each small shop lease entered into in respect of a project (increasing by CPI).

In addition to the above fees, the Westfield Developer will be entitled to be reimbursed for third party costs incurred by it in carrying out the various services provided under the Development Framework Agreement in accordance with budgets approved by the co-owners (including the costs of consultants engaged by the Westfield Developer for these purposes).

Westfield Limited is entitled to be paid a market based fee (that is established to the reasonable satisfaction of the co-owners) for the services that it provides from time to time with the approval of co-owners in relation to the negotiation and execution of new Agreements for Lease with major tenants, the renewal of expiring leases with existing major tenants and the administration and enforcement of market rent review provisions contained in major tenant leases. The parties acknowledge that at the date of each Development Framework Agreement a market based fee in respect of new or renewed major tenant leases is 7% of the first year's rental (of any kind) payable by the relevant major tenant under a relevant lease and for market reviews under a major tenant lease is 7% of any increase in the annual rent payable resulting from that market review.

The Westfield Developer is entitled to receive the Development Fee and Design Fee payable to it on a progressively invoiced basis in accordance with stipulated milestones with 80% of the Development Fee and 70% of the Design Fee payable by that date that occurs five days after the Design and Construction Agreement for each development project has been entered into. The balance of these fees is then payable progressively through to substantial completion of the relevant development works.

The Development Framework Agreement permits cost and fee adjustments and other contractual adjustments to be made between WML and the Westfield Developer as they jointly agree, provided that no such adjustment exposes RE1 to any loss, cost or expense or increased commercial risk under the Development Framework Agreement that it would not otherwise have been exposed to. WML and the Westfield Developer jointly indemnify RE1 against any such exposure.

The Westfield Developer is entitled to be paid accrued costs and expenses that it incurs in relation to the provision of planning services, development services and design services in relation to development works that the co-owners agree should not proceed. However, the Co-owners are entitled to a credit in respect of any fees paid in respect of such services to the extent to which those services are utilised in a subsequent project.

The Westfield Developer is also entitled to progressively invoice the co-owners and be paid fees for planning services, development services or design services undertaken prior to the execution of a Design and Construction Agreement for particular development works in accordance with the relevant approved budgets for those services. Any such payments made to the Westfield Developer that relate to planning services, design services or aborted development services (including the cost of design consultants or development consultants) shall be in addition to the fees referred to above.

A Development Committee is to be appointed under each Development Framework Agreement and is to comprise representatives of the co-owners. Committee representation and voting is determined in accordance with the proportionate direct or indirect interest held by each co-owner in the relevant property. The Development Committee is responsible for reviewing and administering all aspects of development works and the Design and Construction Agreements and Leasing Agreements for particular projects including providing instructions to the co-owners' representative appointed under a Design and Construction Agreement. On matters considered by the Development Committee a maximum of 100 votes may be cast by Committee representatives. A valid resolution requires a majority exceeding 50 votes. Disputed matters which are unresolved by the Development Committee are to be referred to the Special Committee appointed under the Co-owners Agreement or Unitholders Agreement for the relevant Property.

The Westfield Developer is required to provide written reports to the Development Committee on matters that the Development Committee requests, including a specified range of matters relating to development works, financial aspects of the particular developments and matters relating to major tenants. The Development Framework Agreement provides for the appointment of the Westfield Developer or its officers as attorneys for the co-owners for the purposes of negotiating and executing small shop leases.

The Development Framework Agreement also regulates the provision by the Westfield Developer of design services and development services in relation to small projects (costing less than $10 million) with the terms of the Development Framework Agreement and the prescribed form of Design and Construction Agreement to apply to such small projects to the extent they can be properly applied in the context of the small project.

Unless earlier terminated as a consequence of default on the part of the Westfield Developer or the co-owners, each Development Framework Agreement will continue for so long as members of Westfield Group hold at least a 25% direct or indirect interest in the Property to which the agreement relates.

A Development Framework Agreement may be terminated by any co-owner holding at least a 50% direct or indirect interest in the relevant Property in the case of a default by the Westfield Developer that remains unremedied after a specified cure period (and where the co-owner seeking termination has first consulted in good faith with other co-owners in relation to any objection another co-owner may have in relation to the serving of a default notice). In addition, a co-owner having at least a 50% direct or indirect interest in the relevant Property may terminate the Westfield Developer's appointment in the case of certain specified default events, including those of an insolvency character. Any co-owner may terminate the Westfield Developer's appointment under a Development Framework Agreement where the applicable Co-owners Agreement or Property Management Agreement for the Property concerned has been validly terminated. Where the Westfield Developer's appointment has been validly terminated, it is required to immediately surrender any area that it occupies on the Property, assign contracts that it has entered into in relation to development services or design services, prepare a report containing specified information in relation to any development works being undertaken at the property and take certain other actions directed to achieving an orderly handover.

The Westfield Developer may terminate a Development Framework Agreement in the event of unremedied default by a co-owner and where certain other specified defaults (largely of an insolvency character) occur in relation to a co-owner.

The rights and obligations of the Westfield Developer under a Development Framework Agreement are not assignable without the co-owners' consent except the co-owners shall not withhold their consent where the assignment is to a related company of the Westfield Developer which has the skills, expertise and qualifications required to perform the agreement to the same standard as the Westfield Developer and who accedes to the Development Framework Agreement and whose obligations are guaranteed by the Westfield Developer. A co-owner is required to assign its rights and obligations under the Development Framework Agreement to any entity which acquires that co-owner's interest in the relevant Property in accordance with the provisions of the applicable Co-owners Agreement. In such circumstances the other parties to the Development Framework Agreement are required to sign a deed giving effect to the assignment upon request by the assigning co-owner.

Design and Construction Agreement and Leasing Agreement

Where a proposal to undertake development works has been approved by the co-owners and the commercial terms of a Design and Construction Agreement have been negotiated between the co-owners and the Westfield Developer under a Development Framework Agreement, the co-owners and the Westfield developer will enter into a Design and Construction Agreement and a Leasing Agreement in the form annexed to the Development Framework Agreement. The Design and Construction Agreement and Leasing Agreement will be completed with the relevant commercial terms approved including, in the case of the Design and Construction Agreement, a lump sum project price inclusive of construction costs, provisional sums and overhead and profit which are separately itemised in the Agreement. The Design Fee, Development Fee and Leasing Fee described above will be payable to the Westfield Developer or Leasing Manager (as applicable) under these Agreements in relation to the project to which the Agreements relate. The commercial terms to be inserted in the Design and Construction Agreement include the date for commencement of the development works, the date for practical completion of the development works or partial practical completion of each stage of the works, bonuses and liquidated damages (if any), delay costs, the plans and specifications, the construction programme, the cost plan, the level of profit and overheads and the description of the land on which the development works are to be undertaken. The Leasing Agreement will be completed by the inclusion of a schedule specifying pre-opening expenses for the relevant Property.

Design and Construction Agreement

The Design and Construction Agreement provides for the co-owners to appoint a co-owners' representative other than a related body corporate of the co-owners (with the Westfield Developer having the right to object on reasonable grounds to a particular appointment). The co-owners' representative is to act on behalf of the co-owners and will be authorised to issue instructions to the Westfield Developer in relation to relevant matters concerning the undertaking of the project, including acting as assessor, valuer or a certifier, as applicable, in relation to various aspects of the execution and completion of the works, the quality of materials and workmanship, the rectification of defects, extensions of time, determining when practical completion or partial practical completion of the development works or a stage of the development works (as applicable) has occurred, the certification of progress payments and delay costs, the valuation of variations and the issuance of a final certificate.

The Westfield Developer is licensed by the co-owners to occupy the development site for the purpose of carrying out the development works in accordance with the Design and Construction Agreement. The Westfield Developer is required to undertake the works regularly and diligently in accordance with the plans and specifications and the terms of all applicable consents, approvals, licences, permits and authorities and the construction programme.

The Westfield Developer is also required to provide performance securities issued by a bank or by a reputable insurer to each Co-owner/s having a 50% direct or indirect interest in the Property for an amount equal to 2.5% of the project price.

The Design and Construction Agreement regulates the process whereby the Westfield Developer may seek the approval of owners to variations (other than excluded variations resulting from design, development or errors or omissions in plans and specifications or design documents or other documents provided by the Westfield Developer or otherwise caused by the Westfield Developer). The cost of variations is determined by agreement between the Westfield Developer and co-owners' representative in accordance with the principles contained in a cost plan annexed to the Design and Construction Agreement specifying rates and unit prices for the purposes of valuing variations. The cost of variations is to be increased by the agreed overhead and profit percentage. The Westfield Developer will be entitled to receive the Design Fee and Development Fee specified above in relation to the cost of any variation (whether a positive or negative variation) adjusted by the relevant agreed overhead and profit percentage. In the case of a negative variation, the Westfield Developer shall be entitled to retain any Design Fee and Development Fee previously paid to it determined by reference to the project price prior to adjustment for the relevant variation.

The Westfield Developer is entitled to claim extensions of time for the partial practical completion or practical completion of the works for specified events including, generally any act, matter or thing beyond the Westfield Developer's reasonable control subject to compliance with a process providing for certification of claimed delays by the co-owners' representative.

The Westfield Developer will not be entitled to make any claim for delay costs arising from a variation, save in circumstances where the delay is attributable to an act of the co-owners or the co-owners' representative and the Westfield Developer has incurred additional costs as a consequence of that delay.

In circumstances where the commercial agreement reached between the co-owners and the Westfield Developer in relation to the Design and Construction Agreement for particular development works includes provision for liquidated damages (where practical completion of the works or a stage of the works is not achieved by the date for practical completion or partial practical completion of that stage (as applicable)) or provision for bonuses where practical completion is achieved earlier than those dates, the Westfield Developer shall be liable to the owners for the relevant agreed rate of liquidated damages or entitled to receive the agreed bonus rate for early completion (as applicable).

Under each Design and Construction Agreement the Westfield Developer is entitled to sub-contract parts of the development works, although it will remain liable to the owners for performance of the Design and Construction Agreement and will be responsible for the consequences of any acts, defaults or omissions of the relevant sub-contractor or supplier.

The Westfield Developer is obliged to carry out the works in accordance with applicable legal requirements including environmental health and safety legislation and other specified requirements.

The Westfield Developer is responsible for the design of the works and will be required to undertake the relevant design services with the level of skill, care and diligence expected of an architect or engineer providing the same or similar services. The Westfield Developer will also warrant that all consultant services will be performed with professional skill and care appropriate to the nature of the works.

The Westfield Developer is entitled to make a variation claim in relation to additional work or additional costs incurred as a consequence of variations in site conditions, including surface conditions encountered in the execution of the works (as certified by the co-owners' representative) unless the physical conditions and characteristics should reasonably have been foreseen by a competent contractor.

The Westfield Developer is required to rectify defects or faults in the works at the request of the co-owners' representative within a 12 months defects liability period following the date of practical completion or date of partial practical completion for a stage of the works (as applicable). The defects liability period is to be refreshed for a further period of six months in relation to any particular rectified defect.

The Westfield Developer is obliged to effect insurance cover in the joint names of the Westfield developer and the owners for loss, damage or destruction to the works and legal liability (for an amount of not less than $10 million) in respect of accidents occurring in the course of the works. The Westfield Developer is also obliged to effect insurance cover for the liability of its own employees engaged in connection with the execution of the works as required by applicable legislation and to effect professional indemnity insurance with a reputable insurer in the amount of $40 million.

The Westfield Developer is required to use reasonable endeavours to ensure that sub-contractors engaged by it effect and maintain adequate public risk insurance in the sum of $10 million.

The Design and Construction Agreement provides for the payment to the Westfield Developer of the project price and specified provisional sums together with the Design Fee and the Development Fee referred to above and to be reimbursed for the cost of development consultants and design consultants engaged in connection with the development services.

70% of the Design Fee and 80% of the Development Fee is to be paid within five days of the date of execution of the Design and Construction Agreement subject to the owners being entitled to set off against such fees any amounts previously paid on account of such fees under the Development Framework Agreement (other than, in the case of the Design Fee, any fees paid or payable in respect of aborted costs and master planning services and, in the case of the Development Fee aborted costs and planning services and costs paid to consultants).

The balance of the Design Fee (30%) and Development Fee (20%) are to be paid progressively during the construction period in specified instalments.

Under each Design and Construction Agreement the Co-owners are required to pay the actual amount payable in respect of provisional sum items listed in the Agreement as and when the relevant amount is required to be paid by the Westfield Developer.

The co-owners are also required to pay the Westfield Developer a tenancy, design and co-ordination fee for tenancy, design and co-ordination services to be provided by the Westfield Developer as specified in the Design and Construction Agreement. The fee is $7,000 for each small shop lease (see under heading "Leasing Agreement" below) resulting from the development works. This fee is to be paid progressively as and when each tenant has completed its fit out.

The Design and Construction Agreement provides a procedure for the Westfield Developer to claim monthly progress payments of the project price subject to certification by the co-owners' representative. The Westfield Developer is to submit progress claims which meet specified requirements to the co-owners' representative as the development works progress.

The Design and Construction Agreement also provides a procedure for the Westfield Developer to notify the co-owners' representative when the works have reached practical completion or a stage of the works has achieved partial practical completion and for the co-owners' representative to provide certification that the works have achieved practical completion or partial practical completion, as applicable, or alternatively, to specify any works referred to in the Westfield Developer's notice which have not been appropriately completed. No later than the expiry of the defects liability period, the Westfield Developer is required to issue to the co-owners' representative a final statement specifying certain information, including the balance of the project price then due and the co-owners' representative is to then issue a final certificate with adjustments of the project price to be made between the Westfield Developer and the co-owners as certified in the final certificate.

Each Design and Construction Agreement provides for the referral of disputes in relation to variations and/or issues concerning the quantum of claim payments to specified experts. Disputes between the Westfield Developer and the co-owners in relation to other matters, including disputes relating to matters determined by an expert (where the amount of the determination is greater than $500,000) may be referred to the special committee appointed under the Co-owners Agreement for the relevant Property.

The Westfield Developer has responsibility to prepare plans, specifications, working drawings and other design documents necessary for the works. The Westfield Developer also warrants that the design documents will be consistent with the co-owners' requirements as set out in the plans and specifications and will be fit for their purpose (without in any way implying the economic viability or efficiency of the Property) and that the development works when completed will comply with the plans and specifications.

The Westfield Developer is required to provide copies of the plans and specifications to the co-owners without charge and on or before the expiry of six months from the date of practical completion to hand to the owners' representative copies of as built drawings, maintenance manuals, layout, general arrangement and site drawings.

In addition, the Westfield Developer is required to provide the co-owners with progress reports from time to time but at least monthly containing specified information in relation to the design of the works.

Copyright in the plans, specifications and other drawings and documents prepared by the Westfield Developer and/or co-owners' representative is to remain with the Westfield Developer. However the co-owners and/or the co-owners' representatives are entitled to the use and reproduction of such documents for the purposes of the execution of the development works or the subsequent maintenance, demolition or rebuilding of the development works.

The Design and Construction Agreement contains broadly similar termination provisions to the Development Framework Agreement providing for the termination of the Agreement by one or more co-owners holding at least a direct or indirect 50% interest in the Property and also contains provisions regulating the procedures to apply on termination, including the handover to an alternative builder engaged by the co-owners to complete the development works, the use of plant, machinery or appliances on the development site by such builder and the issuance of a final certificate and adjustment of outstanding payments as between the co-owners and the Westfield Developer after adjustments for any loss or damages incurred by the co-owners. A particular Design and Construction Agreement would not be terminable solely as a result of termination of a related Co-ownership Agreement, Property Management Agreement or Development Framework Agreement.

The Westfield Developer is also entitled to suspend operations or determine its engagement in relation to the development works in the event of certain specified defaults by the co-owners or the co-owners' representative, including the failure to issue required certificates or to pay any amounts due or delays in the execution of the development works caused by the co-owners or the co-owners' representative's default.

Leasing Agreement

The Leasing Agreement to be entered into with a Westfield group subsidiary appointed as Leasing Manager for a development project approved by the co-owners (**Leasing Manager**) provides for the Leasing Manager to undertake specified development leasing services necessary to secure appropriate lessees to enter into small shop leases in relation to the development project and related services.

For the purpose of the Leasing Agreement a small shop lease is defined as:

(a) the lease of an area in a Property which is less than 2,000 square metres of gross lettable area;

(b) has not previously been the subject of a small shop lease; and

(c) has become available for occupation by a lessee as a result of development works.

The Leasing Manager is required to prepare an initial leasing strategy for the Development Committee's approval which contains specified information and to undertake the negotiation and execution of small shop leases with tenants at a rental and otherwise in conformity with the initial leasing strategy.

The Leasing Agreement provides for the process whereby the Leasing Manager is to proceed to negotiate and execute leases with tenants which conform with the initial leasing strategy once approved by the Development Committee and to submit proposals for the Development Committee's approval in relation to small shop leases that do not conform with the initial leasing strategy with accompanying information as to the nature and impact of the variances in such proposals from the approved initial leasing strategy.

The Leasing Agreement also requires the Leasing Manager to submit to the Development Committee from time to time of a recommended standard form of small shop lease and ancillary documents to seek the approval of those documents by the Development Committee. The Leasing Manager is required to document small shop leases in accordance with the approved standard form documents.

The Leasing Agreement provides for the appointment of the Leasing Manager or its officers as attorneys for the co-owners for the purposes of negotiating and executing small shop leases. The Leasing Manager for the Australian Properties is required to hold and maintain relevant licences, consents and authorities required to carry on the business of a real estate agent.

The co-owners are required to pay to the Leasing Manager the Leasing Fee referred to above for each small shop lease entered into. This fee is to be paid in relation to each small shop lease when it has been executed by the relevant tenant, any required guarantee, bank guarantees or securities have been provided and the small shop lease is either legally binding or, alternatively, the Development Committee has given written consent to a lessee to occupy premises the subject of the small shop lease.

The Leasing Agreement also provides for the co-owners to reimburse the Leasing Manager for the agreed amount of pre-opening expenses and for the cost of certain external consultants engaged by the Leasing Manager in order to perform the development leasing services.

The Leasing Manager is entitled to sub-contract the whole or part of the development leasing services to sub-contractors and to engage, at its own expense, consultants in connection with the development leasing services but in so doing is not relieved of its obligations under the Leasing Agreement.

The Leasing Manager is required to ensure that its representative attends meetings of the Development Committee when reasonably requested and to provide statements containing specified information to the Development Committee. The Leasing Manager is also required to maintain financial statements and records in relation to the development leasing services (except to the extent that such statements and records are maintained in accordance with the Property Management Agreement).

The Leasing Agreement contains termination provisions which are broadly similar to those applicable to the Design and Construction Agreement. However, a particular Leasing Agreement would not be terminable solely as a result of the termination of a related Co-ownership Agreement, Property Management Agreement or Development Framework Agreement.

10.8 Co-operation Deed

WML, WHL, RE1, RE2 and Westfield Limited will enter into a Co-operation Deed which will govern the relationship between Westfield Group and Westfield Retail Trust in connection with any new investment opportunities and the use of Westfield trade marks and will provide Westfield Group with rights in relation to certain Properties in circumstances where Westfield Group wishes to dispose of its interest.

(a) Acquisition opportunities

In accordance with the deed, where Westfield Group or Westfield Retail Trust has or develops an opportunity to acquire an interest (direct or indirect) in a retail property or a retail development site in Australia or New Zealand (including any development sites owned by Westfield Group on implementation of the Proposal which are not acquired by Westfield Retail Trust as part of the Shopping Centre Interests), to the extent they are lawfully permitted to do so they must offer the other the same opportunity to acquire 50% of the available interest in that property. However, the opportunity does not need to be offered if, having used all reasonable endeavours to share the opportunity:

- the terms of the opportunity do not allow sharing of the opportunity; or
- in the case of Westfield Group only, sharing the opportunity with Westfield Retail Trust would result in the Group losing a right to act as property manager or developer for the property concerned.

If an opportunity is not offered for the reasons set out above and Westfield Group or Westfield Retail Trust (as applicable) proceeds with the opportunity, if lawfully permitted to do so it must use all reasonable endeavours to ensure the other is offered any subsequent opportunity that may arise to acquire an interest in the relevant property on the basis of up to an equal participation (provided the terms of the subsequent opportunity allow it to do so). Where Westfield Retail Trust subsequently acquires an opportunity to appoint a property manager and/or developer, if lawfully permitted to do so it must offer to WML a right for it or any Westfield subsidiary to be so appointed.

If an opportunity is accepted and the property is acquired by Westfield Group and Westfield Retail Trust, Westfield Group may appoint a Westfield Group property manager and/or developer to the property (provided the terms of the opportunity allow it to do so). If the offer is not accepted by a party (subject to the previous paragraph), the other party may participate in the opportunity on its own or offer the opportunity to a third party and, in the case of Westfield Retail Trust, it will be free to appoint its own choice of property manager and property developer to the property in these circumstances.

Westfield Retail Trust must at all times support Westfield Group being appointed as property manager and/or developer of any opportunity it shares with Westfield Group.

These arrangements will continue until terminated by mutual agreement or Westfield Group, which may elect to do so where the Westfield Retail Trust Responsible Entities (or another entity related to Westfield Group) cease to be responsible entities of Westfield Retail Trust.

(b) Sale co-operation arrangements

Under the deed, Westfield Group will have certain rights to require Westfield Retail Trust to join Westfield Group and sell their respective interests in certain Properties for which Westfield Group does not manage the Property and in most cases has a minority interest,[1] and the office component of the Westfield Sydney property. These rights will operate for a period of five years from the date of the deed (**Sale Co-operation Period**).

During the Sale Co-operation Period Westfield Group and Westfield Retail Trust will co-operate, share information and consult in good faith in relation to:

- all matters necessary to achieve development approval, the registration of relevant strata plans and the issuance of separate titles for each of the office and retail components of Westfield Sydney; and
- pursuing and negotiating sale opportunities in relation to the Pacific Fair property, the Karrinyup property, the Warringah Mall property, the Macquarie property, the Knox property and the Booragoon Property.

If, during the Sale Co-operation Period, Westfield Group receives an offer from a third party to acquire the Pacific Fair property, the Karrinyup property the Warringah Mall property, the Macquarie property, the Knox property, the Booragoon property, or the office component of Westfield Sydney in each case for a price that is equal to or exceeds the current market value for the relevant Property and is otherwise on commercial terms, Westfield Group may, within 28 days of receiving such offer (or such shorter period in accordance with the terms of the offer), give written notice to Westfield Retail Trust requiring it to join with Westfield Group in the sale of their respective interests in that Property. Upon receipt of such notice, Westfield Retail Trust will be required to join with Westfield Group in doing all things necessary to effect the joint sale of its own interest and the interest of Westfield Group in the relevant Property on the terms set out in the notice.

To determine the current market price, unless otherwise agreed, Westfield Retail Trust and Westfield Group will each appoint a valuer who will prepare a valuation. If those valuations are within 5% of each other, then the lower of the valuations will be the agreed valuation. If the valuations are not within 5% of each other, then a third valuer will be appointed whose valuation will be used to determine the agreed current market value.

(c) No transfer of shares in RE1 and RE2

WHL also covenants in favour of the Stapled Unitholders that it will not dispose of its shares in RE1 or RE2 for so long as they are the responsible entities respectively of Westfield Retail Trust 1 and Westfield Retail Trust 2.

(d) Branding

The “Westfield” trade marks are owned by Westfield Limited, the main operating entity of Westfield Group. Under the Co-operation Deed, each of Westfield Retail Trust 1 and Westfield Retail Trust 2 is licensed to use the “Westfield” trade marks solely in relation to their scheme names for so long as the Westfield Retail Trust Responsible Entities remain as the responsible entities of the trusts and are a related body corporate of WHL. The “Westfield” branded shopping centres in which Westfield Retail Trust will hold a proprietary or economic interest are separately licensed through the relevant Property Management Agreement.

(e) Dispute resolution

The parties undertake in good faith to use best endeavours to settle a dispute by negotiation between a Group managing director or the most senior executive officer of Westfield Group and a managing director or the most senior executive officer of Westfield Retail Trust. If the dispute is not resolved within 14 days, a party may convene a meeting of the Chairperson of each of Westfield Retail Trust and Westfield Group with the objective of settling the dispute.

1 Pacific Fair, Warringah Mall, Macquarie, Knox, Booragoon and Karrinyup, in all of which a minority interest is held, except for Macquarie.

10.9 Financing arrangements (including Acquisition Facility)

(a) Background

Westfield Retail Trust has established a fund raising structure similar to that of Westfield Group.

The structure includes a Master Guarantee and a Master Negative Pledge.

Westfield Retail Trust 1 has entered into an Acquisition Facility with banks for $3.7 billion, $3.5 billion of which is available to pay the purchase price to WML under the Asset Transfer Deeds and $200 million of which is for working capital purposes. The banks will have the benefit of the financing structure which Westfield Retail Trust has established. Further details of the Acquisition Facility are described below.

Initially, treasury subsidiaries, being special purpose companies, will be incorporated in New Zealand for the purposes of borrowing funds and on-lending them to entities within Westfield Retail Trust and the New Zealand Group. Some other entities within Westfield Retail Trust may also continue to borrow. Westfield Retail Trust will also enter into hedge arrangements.

(b) Documentation structure

The main documents are as follows:

(i) The **Master Guarantee** (a deed poll) containing the main guarantee.

Under the Master Guarantee, Westfield Retail Trust 1 and Westfield Retail Trust 2 on a joint and several basis, and their New Zealand treasury subsidiary, on a joint and several basis, agreed to guarantee the obligations of debtors within Westfield Retail Trust.

(ii) The **Master Negative Pledge**, a deed poll entered into by Westfield Retail Trust 1 and Westfield Retail Trust 2, contains the representations and warranties, undertakings, financial covenants, review events and events of default which are intended to be common to the extent practicable across all facilities provided to Westfield Retail Trust which have the benefit of the structure.

It is intended that it will apply in favour of all bank lenders.

Each lender who benefits is able to enforce the Master Negative Pledge. However the Master Negative Pledge may be amended and waived (with certain exceptions where the consent of all lenders will be required) on the instructions of the majority lenders.

In addition to standard events of default relating to non-payment, breach of undertaking or warranty, cross-default, insolvency and ceasing business, it is an event of default if a trustee or responsible entity of Westfield Retail Trust 1 or Westfield Retail Trust 2 ceases to be sole trustee or responsible entity and is not replaced within 60 Business Days by an entity which is a member of Westfield Group, Westfield Retail Trust or one which is approved by the requisite majority of the applicable finance parties.

It is also a review event (which can lead to demand for repayment) if, except in limited circumstances, the Stapled Units cease to be listed on the ASX.

The Master Negative Pledge contains the following financial covenants:

- **Gearing:** The ratio of net debt to net assets as at each reporting date shall not exceed 0.65:1;
- **Unencumbered Pool:** Unencumbered assets shall not be less than 150% of outstanding unsecured debt at all times;
- **Cash Flow to Fixed Charges:** The ratio of operating cash flow to fixed charges for the 12 month period ending on a reporting date to be at least 1.50:1;
- **Priority Debt:** Certain debt incurred directly by operating subsidiaries must not to exceed 40% of total assets at any time; and
- **Unencumbered Interest Cover:** If on a reporting date priority debt exceeds 25% of total assets, the ratio of unencumbered operating cash flow to unencumbered interest expense for the 12 months ending on that reporting date to be at least 1.50:1.

(c) Acquisition Facility

The Acquisition Facility is constituted under an agreement between various banks and Westfield Retail Trust 1 as borrower.

It comprises two tranches: one tranche is for $3.5 billion to be used to pay the purchase price to WML for acquisition under the Asset Transfer Deed and the other tranche is for $200 million to provide for working capital for Westfield Retail Trust.

Each tranche is available for a period of 364 days from the date of the agreement. The net proceeds of the Offer must be used to pay down the Acquisition Facility.

The banks under the facility agreement have the benefit of the Master Guarantee and the Master Negative Pledge.

The Acquisition Facility contains certain conditions precedent to drawdown, including evidence that the Offer has been made, that the Stapled Units are listed, that certain resolutions of Westfield Group Securityholders have been passed and that the Asset Transfer Deeds have been executed.

This facility contains a further review event being if within three months after the date of the agreement, Westfield Retail Trust has not taken all reasonable steps to obtain a credit rating from Standard & Poors or Moody's.

10.10 Westfield Sydney arrangements

(a) Background

Westfield Sydney is currently being redeveloped. Stage one of the redevelopment was completed in October 2010 and the overall redevelopment is expected to be completed in early 2012.

Westfield Retail Trust will become the 50% joint venture owner in Westfield Sydney with Westfield Group. The total investment by Westfield Retail Trust is expected to be $1.340 billion when the redevelopment is completed, on which it is expected to achieve a 5.6% yield.

At the completion of the acquisition of the Shopping Centre Interests on the Implementation Date, Westfield Retail Trust will acquire a 50% interest in Westfield Sydney for $942 million which is the independently assessed appraisal value at the time of transfer, including work in progress. The acquisition of that interest will be fully funded by Westfield Group pursuant to the Westfield Sydney Facility.

Westfield Retail Trust will hold its interest in Westfield Sydney through its ownership of the units in Westfield Sydney Investment Trust (**WSIT**) and its ownership of the trustee of that trust, RE Nominee Company Pty Limited (**RENC**).

(b) Transaction Documents

Westfield Retail Trust will acquire its interest in Westfield Sydney through an Acquisition Agreement and will also enter a Co-ownership Agreement, Property Management Agreement and Development Framework Agreement.

At the time of acquisition, Westfield Retail Trust will also enter into a Project Design and Construction Agreement for the completion of the redevelopment of Westfield Sydney. Westfield Retail Trust's share of the project payments payable under the Project Design and Construction Agreement is $398 million (plus accrued interest and any variations).

Project payments in an aggregate amount of $280 million will be charged during 2011 but with payment deferred until 7 days after practical completion of the project and capitalised at an interest rate of 6.75% p.a. At that time these amounts and a final amount of $118 million (plus any variations) will be payable.

As the Project Design and Construction Agreement relates to a development in progress that will be substantially advanced when Westfield Retail Trust acquires its interest in Westfield Sydney it is based upon a similar project design and construction agreement involving members of Westfield Group and a third party property investor that was used when a partially redeveloped property was acquired. While the Project Design and Construction Agreement contains some features that are similar to that agreement, other features have been adapted to suit the particular circumstances of the Westfield Sydney redevelopment and the commercial terms of the Westfield Sydney arrangements.

(c) Westfield Sydney Facility Agreement

Westfield Group will make available the Westfield Sydney Facility to WSIT.

The Westfield Sydney Facility will be fully drawn on the Implementation Date and the proceeds of $942 million will be used to fund the acquisition of 50% of Westfield Sydney as outlined above. There will be two separate loans.

- Loan 1 – an interest bearing loan of $500 million (at an interest rate of 6.75% p.a.).
- Loan 2 – an interest free loan of $442 million.

Loan 1 will be repayable seven days after practical completion of the Westfield Sydney redevelopment or other date agreed between the parties not being later than the tenth anniversary of the date of the Loan 1 agreement.

Loan 2 will be repayable on demand but in any event not later than the tenth anniversary of the Loan 2 agreement. However Westfield Group intends to request the repayment of this loan seven days after practical completion of the Westfield Sydney redevelopment.

As a consequence the Westfield Sydney Facility will be repayable seven days after practical completion of the Westfield Sydney development (subject to Loan 2 not being called earlier).

During the term of the Westfield Sydney Facility, RENC will not be permitted to incur financial indebtedness exceeding $5 million (except indebtedness arising under the Project Design and Construction Agreement between RENC and Westfield Group relating to completion of Westfield Sydney) or to transfer, deal with or grant security over the land and improvement comprising Westfield Sydney. Further, any dealing by Westfield Retail Trust in the units in WSIT or shares in RENC such that WSIT is no longer directly or indirectly owned by Westfield Retail Trust 2 would constitute a deemed breach by RENC of this negative pledge arrangement.

Westfield Retail Trust will be a party to the Westfield Sydney Facility solely for the purpose of undertaking not to transfer, deal with or grant security over the units that it holds in WSIT or shares in RENC.

The intra group loans from WSIT to Westfield Retail Group (being the proceeds of drawing under the Westfield Sydney Facility to be used by Westfield Retail Group to fund payment of the Purchase Consideration) will be subordinated to the claims of creditors under the Acquisition Facility.

(d) Income Guarantee

Westfield Group will provide Westfield Retail Trust with an income guarantee for each of the three years commencing on the date that occurs seven days after practical completion of the project which will ensure that Westfield Retail Trust receives a minimum annual yield of 5.6% of its total investment in Westfield Sydney.

The income guarantee will be provided pursuant to a Post Construction Period Income Guarantee Deed to be entered into by Westfield Group and Westfield Retail Trust. Pursuant to that agreement the developer has agreed to make adjustment payments if in any of the three years referred to above Westfield Retail Trust's share of the annual net operating income of Westfield Sydney is less than the guaranteed net operating income for the year. The adjustment payments must be paid within 3 months of the end of the relevant year.

10.11 Corporate Services Agreement

Westfield Limited, the chief operating entity of Westfield Group in Australia, will enter into a Corporate Services Agreement with the Westfield Retail Trust Responsible Entities, under which Westfield Limited will provide to them (either directly or through a related body corporate) the staff, systems, resources and services required to enable RE1 and RE2 to properly perform their duties under the constitutions of the Westfield Retail Stapled Trusts, the compliance plan, their Australian financial services licences, the listing rules of the ASX and the Corporations Act. This includes the provision of resources and services for investment management, administration, accounting, compliance, reporting, investor relations and other aspects of operating the Westfield Retail Trust Responsible Entities and the Westfield Retail Stapled Trusts.

The key terms of the Corporate Services Agreement include the following:

- the resources to be provided include certain staff, systems, services and other resources which are necessary to enable each Westfield Retail Trust Responsible Entity to carry on its business as the responsible entity of a listed trust and comply with its duties;
- the agreement continues until terminated, although no party may give notice to terminate in the first 12 months. After the initial 12 month term, the agreement may be terminated or the level of services or fees changed on 12 months' notice given by either party. If the Westfield Retail Trust Responsible Entities cease to be the responsible entities of Westfield Retail Trust the agreement automatically terminates;
- the amount payable to Westfield Limited in the first year is $23 million for all the resources and services provided. Following the initial 12 month period, there is to be an annual review and negotiation in good faith of the level of fees and services to be provided. It will be open to the Westfield Retail Trust Responsible Entities, subject to giving 12 months notice, to vary the scope and associated cost of the services to be provided under the agreement; and
- Westfield Limited will be liable for the quality of the staff and other services and resources it provides in case of negligence, fraud, misconduct or breach of the agreement, subject to a cap on its liability of twice the annual fees paid or payable under the agreement.

10.12 Other corporate resources

In addition to the corporate services provided to the Westfield Retail Trust Responsible Entities under the Corporate Services Agreement described above, the Westfield Retail Trust Responsible Entities will incur further corporate costs in carrying out their duties as responsible entities of Westfield Retail Trust.

The costs will be incurred by a subsidiary of Westfield Retail Trust (RE Holding Company Pty Limited). That entity will then recharge the costs to the Westfield Retail Trust Responsible Entities pursuant to the WRT Internal Reimbursement Agreement between those entities so that the costs can be paid by Westfield Retail Trust. This is an internal arrangement within Westfield Retail Trust and none of these amounts will be paid to Westfield Group.

It is estimated that these costs will total $12 million for 2011 and include:

- employees of Westfield Retail Trust;
- share registry fees;
- non-executive director fees;
- audit and other professional advisory fees; and
- insurances.

10.13 Underwriting Agreement

WHL and WML (as responsible entity of WFT) (together, the **Guarantors**) and the Underwriters have entered into an Underwriting Agreement dated on or around 3 November 2010. The Westfield Retail Trust Responsible Entities (the **Issuers**) will accede to this agreement on the Implementation Date, expected to be 20 December 2010. Under the Underwriting Agreement, the Underwriters have agreed to manage the Offer, and have agreed to subscribe for any Stapled Units for which valid applications are not received under the Offer in their respective proportions of one third each, up to a maximum of $1.75 billion in aggregate.

Fees and expenses

The Issuers will pay the Underwriters an underwriting fee in aggregate equal to 1.5% of the underwritten amount of $1.75 billion (less any amount raised under the Offer from the Lowy family interests), a management fee of $2.5 million each, an advisory of fee of $5 million each (if the proposal is implemented) and a joint lead manager fee of 0.5% of the amount raised under the Public Offer. The joint lead manager fee will be reduced by an amount equal to the joint lead manager fees paid to the other joint lead managers other than the Underwriters up to a maximum reduction of $7.47 million. From these fees the Underwriters may pay sub-underwriting fees.

The Issuers will pay the reasonable costs of and incidental to the Offer incurred by the Underwriters, including their reasonable legal fees.

Representations and warranties

Customary representations and warranties are given by the Guarantors and the Issuers in relation to matters such as the power to enter into the Underwriting Agreement, corporate authority and approvals, the subsistence of the Westfield Retail Stapled Trusts and the status of the Westfield Retail Trust Responsible Entities. The Guarantors and the Issuers give a number of further representations and warranties, including that this PDS and the Explanatory Memorandum comply with the Corporations Act and the Listing Rules, and will not contain any misleading or deceptive statements or omissions.

Termination events

Each Underwriter may terminate the Underwriting Agreement by notice to the Issuers and the other Underwriters on the occurrence of certain termination events (subject to, in the case of some termination events only, satisfaction of specified materiality thresholds).

These termination events include:

- Westfield Group Securityholders failing to pass the Resolutions at the Meeting;
- a statement in this PDS or the Explanatory Memorandum is or becomes false, misleading or deceptive, or the omission of a matter from the PDS required by law;
- over the 3 day period in which the Institutional Westfield Securityholder Offer is carried out, the S&P/ASX200 A-REIT Index (excluding the Group), closes on any trading day by an amount that is 15% or more lower than its level at the close of trading on 2 November 2010 (**Starting Level**);
- the S&P/ASX200 A-REIT Index closes on any trading day after the closing date of the Institutional Westfield Securityholder Offer and until the trading day after the Closing Date (**Last Day**) at a level that is 15% or more lower than the Starting Level for at least three trading days over that period;
- during the last three trading days of the above period, the S&P/ASX200 A-REIT Index closes at a level that is 15% or more lower than the Starting Level on each trading day of that period;
- withdrawal of this PDS or the Explanatory Memorandum by the Issuers or the Guarantors;
- the Issuers being prevented from allotting and issuing Stapled Units within the time required by, amongst other things, the timetable in the Underwriting Agreement or the Listing Rules;
- withdrawal, revocation or amendment of an ASIC modification or ASX waiver obtained in connection with the Offer;
- the issuance of or application for specified ASIC orders, or the commencement of certain investigations under the Corporations Act, in relation to the Offer or the PDS;
- refusal of Westfield Retail Trust's application for ASX listing or for the official quotation of Stapled Units on ASX;
- replacement of any of WML, RE1 or RE2 as responsible entities of the relevant trusts;
- an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of Westfield Group or Westfield Retail Trust from that disclosed publicly by them;
- a director of an Issuer is charged with an offence relating to any financial or corporate matter or is disqualified from managing a corporation under the Corporations Act;
- commencement of a public action by a government agency against an Issuer or any of their directors in that capacity, or announces that it intends to take such action;
- a representation or warranty made or given by an Issuer or Guarantor under the Underwriting Agreement is or becomes untrue or incorrect;
- a default by an Issuer or Guarantor in the performance of any of its obligations under the Underwriting Agreement;
- the Issuers issue or become required to issue a supplementary PDS under the Corporations Act, or a new circumstance arises that would have been required to be included in the PDS or Explanatory Memorandum if it had arisen prior to their lodgement or distribution; and
- a transaction agreement entered into in connection with the Proposal (as disclosed in this PDS) is, amongst other things, void or voidable, breached in a material respect, terminated or rescinded, or amended without the consent of the Underwriters.

The Underwriting Agreement also contains a number of other customary termination events (e.g. insolvency of an Issuer or a Guarantor, certain changes in or contraventions of law, or specified disruptions in financial markets and hostilities).

Indemnity

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct or negligence by the Underwriters, each Issuer indemnifies the Underwriters and certain affiliated parties against all losses suffered directly or indirectly, or claims incurred, as a result of or in connection with the Offer, this PDS or the Explanatory Memorandum, or the appointment of the Underwriters pursuant to the Underwriting Agreement.

SECTION

11

ADDITIONAL INFORMATION

WESTFIELD ALBANY, AUCKLAND

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11 Additional information

11.1 Rights and liabilities attaching to Stapled Units

The rights and liabilities attaching to Stapled Units are set out in:

- the constitution of Westfield Retail Trust 1; and
- the constitution of Westfield Retail Trust 2,

which are summarised in section 11.2. A copy of each constitution is available during the Offer Period to any person free of charge by contacting the Westfield Retail Trust Offer Information Line:

- Westfield Group Securityholders should call 1300 132 211 (within Australia) or +61 3 9415 4070 (outside Australia);
- New investors should call 1800 143 150 (within Australia) or +61 3 9415 4282 (outside Australia),

at any time from 8.30am to 5.00pm (Sydney time) Monday to Friday.

11.2 Constitution summaries

The Westfield Retail Stapled Trusts are registered managed investment schemes and the main rules governing their operation are set out in their constitutions which are dated 28 November 2001 (as amended) and 19 October 2010 respectively. The Corporations Act, exemptions and declarations given by ASIC, the Listing Rules (subject to waivers) and the general law of trusts are also relevant to the rights and obligations of the Westfield Retail Trust Responsible Entities and Stapled Unitholders (referred to in this summary as **Members**).

The constitutions of the Westfield Retail Stapled Trusts are identical, except that for Westfield Retail Trust 2:

- there is provision for it to be taxed as if it was a company (and to make distributions accordingly);
- the principal investment policy described below does not apply; and
- brand alliance costs are a reimbursable expense.

With those exceptions, the following summary applies to each of the Westfield Retail Stapled Trust constitutions.

The main provisions of the constitutions that deal with the respective rights and obligations of Stapled Unitholders and the Westfield Retail Trust Responsible Entities are as follows.

Principal investment policy for Westfield Retail Trust 1

Westfield Retail Trust 1's principal investment policy is to invest predominantly in property and rights in connection with property used primarily for retail and associated purposes located within Australia and New Zealand, and cash and incidental investments.

Stapled Units and stapling

Subject to the terms of issue of particular Stapled Units, each Stapled Unit confers an equal undivided interest in the Westfield Retail Stapled Trust's assets as a whole, subject to liabilities.

While the stapling provisions apply, the Stapled Units and any other securities to which they may be stapled must be stapled in the same ratio and will be treated as one security. No Stapled Units can be issued unless the other securities stapled to those units are issued at the same time to the same person.

Stapled Units may be consolidated or divided as determined by the Westfield Retail Trust Responsible Entities.

Income and distribution to members

Subject to the terms of issue of particular Stapled Units, Members are generally entitled to share in distributions in proportion to the number of Stapled Units they hold.

For Westfield Retail Trust 1, "distributable income" (as defined) if any will be paid semi-annually at the end of February and August each year or such other dates as the Responsible Entity designates. The Responsible Entity may also distribute any amount of capital to Members pro rata at any time.

For Westfield Retail Trust 2, the Responsible Entity may decide the amount of distributions as if the Trust were a company.

Distributions may be in the form of cash or additional units or, in certain circumstances, in the form of other assets.

Transfer of units

Subject to the Corporations Act and the Listing Rules, while the Stapled Units are quoted for trading on ASX, they may be transferred by any method permitted by the operating rules of ASX's clearing and settlement facility or the Corporations Act and ASX.

While stapling applies, Stapled Units may not be transferred without the other security or securities which are stapled to those units being transferred at the same time.

Withdrawal

Stapled Units may not be redeemed while Westfield Retail Trust is listed except by way of an on market buy back or withdrawal offer.

While the stapling provisions apply, the Westfield Retail Trust Responsible Entities may not redeem a Stapled Unit without also redeeming any other security to which it is stapled.

Powers and delegation

The Westfield Retail Trust Responsible Entities have powers to invest, borrow, grant all types of security, enter into an underwriting arrangement and generally manage Westfield Retail Trust subject to the principal investment policy of Westfield Retail Trust 1 which is described above.

The Responsible Entity of Westfield Retail Trust 1 is required to engage an appropriately resourced and qualified third party service provider to provide all property management, leasing and development services in connection with the assets of Westfield Retail Trust 1.

The Westfield Retail Trust Responsible Entities have the power to staple Stapled Units to any other security without the prior approval of Members. Subject to the Corporations Act, the Listing Rules and the constitutions of each entity which has issued securities stapled to Stapled Units, the Westfield Retail Trust Responsible Entities have the power to unstaple Stapled Units without the prior approval of Members. They also have power to enter into a reorganisation of Westfield Retail Trust such as an exchange of Stapled Units for other securities, although Member approval by ordinary resolution would be required in some circumstances. The constitutions provide for the Stapled Units to be automatically stapled to Westfield Stapled Securities and then automatically destapled as part of the Proposal and the Public Offer.

The Westfield Retail Trust Responsible Entities may amend the Constitutions by deed, but must have the changes approved by Members if the Corporations Act requires.

Meetings

While the Westfield Retail Stapled Trusts are registered managed investment schemes, Members' rights to requisition, attend and vote at meetings are mostly prescribed by the Corporations Act.

Rights and limitation of liability of Westfield Retail Trust Responsible Entities

Each Westfield Retail Trust Responsible Entity may hold Stapled Units in the Westfield Retail Stapled Trusts and deal with itself in another capacity.

The Westfield Retail Trust Responsible Entities are not liable in contract, tort or otherwise to Members for any loss suffered in any way relating to the Westfield Retail Stapled Trusts except to the extent that the Corporations Act imposes such liability.

Members' liability

A Member's liability is limited to the amount if any which remains unpaid in relation to their Stapled Units, except where the Westfield Retail Trust Responsible Entities are entitled to be indemnified by the Member for tax or costs which are incurred as a result of a Member's action or inaction. A Member need not indemnify the Westfield Retail Trust Responsible Entities if there is a deficiency in the assets of the Westfield Retail Stapled Trusts or meet the claim of any creditor of the Westfield Retail Trust Responsible Entities in respect of the Westfield Retail Stapled Trusts' assets.

Westfield Retail Trust Responsible Entities' fees and expenses

The constitutions of the Westfield Retail Stapled Trusts do not authorise the Westfield Retail Trust Responsible Entities to be paid management fees from the assets of the Westfield Retail Stapled Trusts. However, the Westfield Retail Trust Responsible Entities are entitled to be paid or reimbursed from the assets of the relevant Westfield Retail Trust for their costs and expenses in connection with all aspects of performing the role of responsible entity. The Westfield Retail Trust Responsible Entities may decide not to seek reimbursement of all costs and expenses, or defer payment for any period.

Each of the Westfield Retail Trust Responsible Entities is entitled to be indemnified out of the relevant Westfield Retail Stapled Trust's assets for the types of costs and expenses listed in the relevant constitution and any other expenses incurred in the proper performance of its duties in relation to the relevant Westfield Retail Stapled Trust.

Winding up

On winding up, each Member is entitled to receive a share of the value of each Westfield Retail Stapled Trust's assets, after meeting all liabilities and expenses, proportionate to the number of Stapled Units held. The Westfield Retail Stapled Trusts continue until the earlier of:

- where the Westfield Retail Stapled Trust remains a registered managed investment scheme – the date which the Members determine by extraordinary resolution or a date determined by the Westfield Retail Trust Responsible Entity and advised by written notice to Members at least 60 days before the proposed date of termination; or
- where the Westfield Retail Stapled Trust is not a registered managed investment scheme – the date specified by the Westfield Retail Trust Responsible Entity in a notice to Members; or
- the date on which the Westfield Retail Stapled Trust terminates in accordance with its constitution or by law.

No Stapled Units may be issued or redeemed after the 80th anniversary of the day before the day the Westfield Retail Stapled Trust commenced unless that issue or redemption would not offend the rule against perpetuities or any other rule of law or equity.

Small holdings

While the Stapled Units are quoted on ASX, the Westfield Retail Trust Responsible Entities may sell or redeem Stapled Units without the request of a Member where the Stapled Units comprise less than a marketable parcel. The Westfield Retail Trust Responsible Entities may only sell or redeem Stapled Units once every 12 months after giving the Member written notice and at least six weeks from the date of that notice to notify the Westfield Retail Trust Responsible Entities that the Member wishes to retain the Stapled Units.

While the stapling provisions apply, the Westfield Retail Trust Responsible Entities may not sell or redeem a Stapled Unit without also selling or redeeming the security to which it is stapled.

11.3 Exercise of discretions

The Westfield Retail Trust Responsible Entities have prepared policies for the exercise of discretions relating to issue and redemption prices for units in Westfield Retail Trust 1 and Westfield Retail Trust 2. Copies of the policies are available on request by contacting the Westfield Retail Trust Offer Information Line:

- Westfield Group Securityholders should call 1300 132 211 (within Australia) or +61 3 9415 4070 (outside Australia);
- New investors should call 1800 143 150 (within Australia) or +61 3 9415 4282 (outside Australia),

at any time from 8.30am to 5.00pm (Sydney time) Monday to Friday.

11.4 Intellectual property rights

Westfield Group owns valuable brand rights and other intellectual property which it has developed and licensed from third parties in connection with Westfield Group's business. Westfield Group continues to look for new ways to exploit the value of the Westfield brand and the associated intellectual property. In doing so, it may engage in businesses for the purpose of deriving income other than from the rental of shopping centres and activities related to ownership and management of shopping centres. For example, it is anticipated that Westfield Group will engage in the business of internet retailing, utilising the Westfield brand and intellectual property developed and licensed specifically for that purpose.

In acquiring the Shopping Centre Interests, Westfield Retail Trust will not acquire ownership rights or any entitlement to income or profit derived from utilisation of Westfield Group's intellectual property (which includes all rights associated with the Westfield brand and all intellectual property developed or licensed by Westfield Group from time to time) or any right to prevent Westfield Group utilising that intellectual property as it thinks fit. Rather, Westfield Retail Trust will be licensed to use the "Westfield" name in connection with the name of the Westfield Retail Trust Responsible Entities (for so long as those entities are not replaced by another responsible entity not related to Westfield Group) and in connection with shopping centres managed by Westfield Group (as provided in the Property Management Agreements).

11.5 Roll-over of Shopping Centre Interests from Westfield Group to Westfield Retail Trust

The Australian and New Zealand income tax consequences for Stapled Unitholders of acquiring Stapled Units under the Offer are discussed in section 9 above.

It should be noted that the establishment of Westfield Retail Trust through the Capital Distribution and other key steps described in this PDS is commercially similar to a demerger but is not a 'demerger' for Australian tax law purposes. Rather, the establishment of Westfield Retail Trust involves a roll-over for Australian CGT purposes as permitted for asset transfers between certain trusts. The Australian and New Zealand tax consequences of the establishment of Westfield Retail Trust and for Westfield Group Securityholders of acquiring Stapled Units under the Capital Distribution are described in the Explanatory Memorandum.

One of the consequences of a transfer of the Shopping Centre Interests from Westfield Group to Westfield Retail Trust by way of the proposed CGT roll-over is that the CGT cost base that Westfield Group has in those assets will be inherited by Westfield Retail Trust 1. This will be the case in respect of the rolled over assets regardless of the amount paid for their acquisition by Westfield Retail Trust 1 to Westfield Group. Another consequence of the roll-over is that Westfield Group will not be subject to any gain or loss for CGT purposes in respect of the transfer.

Under the Proposal, all the Shopping Centre Interests other than the New Zealand Loan will be transferred by way of the CGT roll-over. This will mean that if Westfield Retail Trust 1 were subsequently to dispose of some part of its interest in those assets its profit, or loss, for CGT purposes will be calculated having regard to the inherited cost base (as adjusted since being held by Westfield Retail Trust 1). An example of a possible disposal by Westfield Retail Trust 1 of a Shopping Centre Interest would include an exercise by Westfield Group of the sales co-operation arrangements as described in section 10.8(b).

11.6 Ethical and other considerations

The Westfield Retail Trust Responsible Entities do not take into account labour standards or environmental, social or ethical considerations for the purpose of selecting, retaining or realising investments for Westfield Retail Trust. Environmental factors are addressed as part of normal property due diligence.

11.7 Compliance plans and complaints

(a) Compliance plans

The compliance plans for the Westfield Retail Stapled Trusts set out the measures that the Westfield Retail Trust Responsible Entities will apply in operating the Westfield Retail Stapled Trusts to ensure compliance with the Corporations Act and the constitutions of each of the Westfield Retail Stapled Trusts. The Westfield Retail Trust Board is not required to establish a compliance committee as at least half of the directors are external directors.

(b) Complaints

If you have a complaint about the Westfield Retail Stapled Trusts or the Westfield Retail Trust Responsible Entities in connection with your investment in Westfield Retail Trust you can:

- contact the relevant Compliance Officer on +61 2 9358 7145 between 8.30am and 5.30pm (Sydney time) from Monday to Friday; or
- write to the Compliance Officer at:

  Compliance Officer
  Westfield Retail Trust Responsible Entities
  Level 24
  Westfield Towers
  100 William Street
  Sydney NSW 2011.

For investment advice, please see your financial advisor.

The Compliance Officer will acknowledge your concern as soon as possible and within 14 days, investigate it and report back to you within 45 days.

If you are dissatisfied with the response or the complaint is not resolved within 45 days, you may raise the matter directly with the Financial Ombudsman Service Limited (**FOS**). Its contact details are:

Financial Ombudsman Service Limited (FOS)
GPO Box 3
Melbourne Vic 3001
Freecall 1300 78 08 08

The Westfield Retail Trust Responsible Entities are both members of FOS.

11.8 Interests of Westfield Retail Trust Directors

Except as set out in this PDS, no director or proposed director of RE1 or RE2 holds, or held at any time during the last two years any interest in:

- the formation or promotion of the Westfield Retail Stapled Trusts; or
- property acquired or proposed to be acquired by the Westfield Retail Stapled Trusts in connection with either of their formation or promotion with the Offer,

and no person has paid or agreed to pay, or given or agreed to give, any benefit to a director or proposed director of RE1 or RE2:

- to induce them to become, or to qualify as, a director of the Westfield Retail Trust Responsible Entity; or
- for services provided by a director or proposed director of the Westfield Retail Trust Responsible Entity in connection with either the formation or promotion of the Westfield Retail Stapled Trusts or with the Offer.

Andrew Harmos will cease to be a director of Westfield New Zealand Group on 26 November 2010. Over the last three years, Westfield Group paid Mr Harmos $30,000 per annum in director fees for being a director of Westfield New Zealand Group and Westfield Group paid Harmos Horton Lusk Limited $nil in professional advisory fees.

11.9 Related party transactions with Westfield Group

Westfield Retail Trust has not agreed to give any financial benefit to Westfield Group or a related party of Westfield Group (as defined in the Corporations Act) and Westfield Group has not agreed to give any financial benefit to Westfield Retail Trust or a related party of Westfield Retail Trust (as defined in the Corporations Act), other than the financial benefits summarised in this PDS and including the benefits to be given under:

- the Asset Transfer Deeds (including the transfer of the New Zealand Loan and the 50% interest in the Properties from WML (as responsible entity of WFT) to RE1 (as responsible entity of Westfield Retail Trust 1)) and the payment by RE1 of the Purchase Consideration for the property interests;
- the Co-ownership, Unitholders or Shareholders Agreements (including the rights and obligations of WML (as responsible entity of WFT) and RE1 (as responsible entity of Westfield Retail Trust 1) to one another in respect of the co-ownership of the Properties);
- the Property Management Agreements (including the management services provided by the Westfield Group property manager to RE1 (as responsible entity of Westfield Retail Trust 1) and fees paid by RE1 to the Westfield Group property manager in respect of the Australian Properties and New Zealand Properties);
- the Development Framework Agreements (including the expansion, redevelopment and related rights granted by RE1 (as responsible entity of Westfield Retail Trust 1) to Westfield Group in connection with the Properties (other than the Existing JV Properties where AMP Group is the development manager) and the fees payable to Westfield Group under the prescribed Design and Construction Agreements and Leasing Agreements);
- the Co-operation Deed (including the rights and obligations of WML (as responsible entity of WFT), WHL and RE1 (as responsible entity of Westfield Retail Trust 1) to one another governing their relationship in connection with any new investment opportunities (including information sharing and necessary consents in relation thereto) as well as the sale co-operation arrangements described in section 10.8(b));
- the Corporate Services Agreement (including the ongoing services provided by Westfield Limited to RE1 and RE2 and the amount payable by Westfield Retail Trust for the provision of those services) and WRT Internal Reimbursement Agreement (including the staff made available to RE1 and RE2 by RE Holding Company Pty Limited);
- the development arrangements for Westfield Sydney and the Westfield Sydney Facility (including amounts to be paid to Westfield Group under the Project Design and Construction Agreement, interest payable on amounts drawn down under the Westfield Sydney Facility and an income guarantee) and the development arrangements for the Fountain Gate and Belconnen properties (including the Co-ownership Agreement and Development Framework Agreement in relation to Fountain Gate, and the Development Agreement to be acceded to by Westfield Retail Trust in relation to Belconnen); and
- the transfer of half of Westfield Alliances Pty Limited's (a subsidiary of WHL) interest in certain long term brand alliance agreements to Westfield Retail Trust 2, and the transfer of half of Westfield Alliances Pty Limited's interest in a number of digital screens that it has installed in a number of the Properties to Westfield Retail Trust 2 for an amount equal to half of the written down value of the screens.

A summary of the payments expected to be made from Westfield Retail Trust to Westfield Group under the property management and development arrangements for 2011 are as follows:[1]

Property Management Agreements (fees are based on the operations of Westfield Retail Trust)		FY 2011 $ million
Property Management Fee (including operational leasing)	5% of Westfield Retail Trust's share of annual gross income of the property	46.9
Tenancy co-ordination fee	Under the new property management arrangements, recovery of Westfield Retail Trust's share of costs of up to $7,000 per specialty store (increasing by CPI)	3.9

Development Framework Agreements(1) (fees are based on the development program of Westfield Retail Trust)		FY 2011 $ million
Property Development Fee	3% of Westfield Retail Trust's share of the project price	5.4
Design Fee	10% of Westfield Retail Trust's share of the project price	15.4
Project Leasing Fee	Up to 15% of Westfield Retail Trust's share of the first year's rent for leases that become available	0.6
Major Tenant New Lease and Renewal Lease Fee	Negotiated fee (for existing joint ventures) or a market based fee (for new joint ventures) (7% of Westfield Retail Trust's share of the first year's rent being acknowledged as market based fee)	0.3
Major Tenant Market Rent Review Fee	Negotiated fee (for existing joint ventures) or a market based fee (for new joint ventures) (7% of Westfield Retail Trust's share of the rental increase resulting from review being acknowledged as market based fee)	0.1
Tenancy co-ordination fee	Westfield Retail Trust's share of up to $7,000 per specialty store (increasing by CPI)	0.1

(1) Special arrangements apply to the Westfield Sydney redevelopment.

Corporate Services Agreement		FY 2011 $ million
Corporate services costs	Estimated cost of providing services	23.0

The fees are long term in nature and the quantum of the fees in each year will be dependent on activities in that year, particularly the level of annual gross income of the Properties and property development activities.

Design, development and project leasing fees for Westfield Sydney are not included in the above figures as the payments to Westfield Group for Westfield Sydney are a fixed amount of $398 million for completion, including design fees of $4.9 million, development fees of $0.9 million, project leasing fees of $2.8 million and tenancy co-ordination fees of $0.3 million. In addition, Westfield Group is expected to receive $42.0 million of interest on the Westfield Sydney Facility for the year ended 2011.

1 Excludes fees relevant to the Westfield Sydney development which has a fixed price of $398 million payable seven days after completion, including all project design and construction costs.

11.10 Interests of experts and advisers

Other than as set out in this PDS, no person named in this PDS as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this PDS and no promoter of Westfield Retail Trust or underwriter of the Offer or financial services licensee named in this PDS as a financial services licensee involved in the Offer, holds at the date of this PDS, or has held in the two years prior to that date, an interest in the formation or promotion of Westfield Retail Trust, any property acquired or proposed to be acquired by Westfield Retail Trust in connection with its formation or promotion or the Offer, nor has anyone paid or agreed to pay any amount, or given or agreed to give any benefit, to such persons for services provided in connection with the formation or promotion of Westfield Retail Trust or the Offer.

Mallesons Stephen Jaques is entitled to be paid approximately $3.65 million (plus GST and disbursements) in fees and charges for legal services rendered to Westfield Retail Trust up to date of this PDS in connection with the Offer. Further amounts may be paid in accordance with its normal time based charges.

Russell McVeagh is entitled to be paid approximately NZ$20,000 (plus GST and disbursements) in fees and charges for legal services rendered to Westfield Retail Trust up to date of this PDS in connection with the Offer. Further amounts may be paid in accordance with its normal time based charges.

Greenwoods & Freehills is entitled to be paid approximately $30,000 (plus GST and disbursements) in fees and charges for tax advice rendered to the Westfield Retail Trust Board up to date of this PDS in connection with the Offer. Further amounts may be paid in accordance with its normal time based charges.

Ernst & Young Transaction Advisory Services Limited is entitled to be paid approximately $1.35 million (plus GST and disbursements) in fees and charges for preparation of the Investigating Accountants' Report to Westfield Retail Trust up to the date of this PDS in connection with the Offer. Further amounts may be paid in accordance with its normal time based charges.

Citigroup Global Markets Australia Pty Limited, Credit Suisse (Australia) Limited and Morgan Stanley Australia Securities Limited have acted as Financial Advisors, Joint Bookrunners, Joint Underwriters and Joint Lead Managers for the Offer and are entitled to receive the fees and commissions described in section 8.3(d).

Each of ANZ Securities Limited, CBA Equities Limited, Deutsche Bank AG, Sydney Branch, J.P. Morgan Australia Limited, Merrill Lynch International (Australia) Limited, Moelis Australia Advisory Pty Limited, National Australia Bank, RBS Equity Capital Markets (Australia) Limited, UBS AG, Australia Branch and Westpac Banking Corporation has acted as Joint Lead Managers and are entitled to receive the fees and commissions described in section 8.3(d).

11.11 Expenses of the Offer

The expenses of the Offer are expected to be approximately $47 million. These expenses will be borne by Westfield Retail Trust.

11.12 Consent to being named and to inclusion of statements in this PDS

Each of the parties listed below has given and has not, before lodgement of this PDS with ASIC, withdrawn its written consent to the inclusion of the statements in this PDS that are specified below in the form and context in which the statements appear:

- Shopping Centre Council of Australia – statements based on statements made by them in the Investment Highlights section and section 3.4;
- Ernst & Young Transaction Advisory Services Limited – the inclusion of the Investigating Accountants' Report in section 6 and for its name to appear in the corporate directory in the capacity in which it is named;
- Greenwoods & Freehills – statements based on statements made by Westfield Retail Trust's and Westfield Group's Australian Tax Adviser in sections 9.1 and 11.5 and for its name to appear in the corporate directory in the capacity in which it is named; and
- Russell McVeagh – statements based on statements made by Westfield Retail Trust's and Westfield Group's New Zealand Legal and Tax Adviser in section 9.2 and for its name to appear in the corporate directory in the capacity in which it is named.

Each of Citigroup Global Markets Australia Pty Limited, Credit Suisse (Australia) Limited and Morgan Stanley Australia Securities Limited has given and has not, before lodgement of this PDS with ASIC, withdrawn its written consent to be named in this PDS as Financial Advisors, Joint Bookrunners, Joint Underwriters and Joint Lead Managers in the form and context in which they are named.

Deutsche Bank AG Sydney Branch, J.P. Morgan Australia Limited, Merrill Lynch International (Australia) Limited, RBS Equity Capital Markets (Australia) Limited and UBS AG, Australia Branch has given and has not, before lodgement of this PDS with ASIC, withdrawn its written consent to be named in this PDS as equity advisers to Westfield Retail Trust and Joint Lead Managers in the form and context in which they are named.

ANZ Securities Limited, CBA Equities Limited, Moelis Australia Advisory Pty Limited, National Australia Bank, and Westpac Banking Corporation has given and has not, before lodgement of this PDS with ASIC, withdrawn its written consent to be named in this PDS as Joint Lead Managers in the form and context in which they are named.

Mallesons Stephen Jaques, Ernst & Young and Computershare Investor Services Pty Limited have each given and have not, before lodgement of this PDS with ASIC, withdrawn their written consent for their names to appear in the corporate directory in the capacity in which they are named.

Each incoming Westfield Retail Trust director, being Mr Richard F E Warburton AO (Chairman), Mr Laurence Brindle, Mr Andrew Harmos, Mr Michael Ihlein and Ms Sandra McPhee has given and has not, before lodgement of this PDS with ASIC, withdrawn his or her written consent to be named in this PDS as an incoming director in the form and context in which they are named and for the statements made by and on behalf of him or her to be included in this PDS.

None of the parties referred to above has made any statement that is included in this PDS or any statement on which a statement in this PDS is based, other than any statement or report included in this PDS with the consent of that party as specified above. Each of these parties to the maximum extent permitted by law expressly disclaims and takes no responsibility for any statements in or omissions from this PDS other than references to its name or a statement or report included in this PDS with the consent of that party as specified above.

11.13 ASX waivers

In order to conduct the Offer, Westfield Retail Trust has sought, and been granted, certain waivers to the Listing Rules by ASX. ASX has granted Westfield Retail Trust:

- confirmation that the structure of Westfield Retail Trust is appropriate for a listed entity for the purposes of Listing Rule 1.1 (condition 1);
- confirmation that Westfield Retail Trust is not required to provide accounts for the last three financial years under Listing Rule 1.3.5(a);
- confirmation that the reviewed financial statements provided in this PDS are sufficient for the purposes of Listing Rule 1.3.5(c);
- customary stapling relief in relation to Listing Rules 1.1 (condition 7 and condition 8), 2.1 (condition 2), 6.24, 8.10 and 10.1 to ensure that Westfield Retail Trust satisfies the requisite value thresholds even though the component parcels of each of the Westfield Retail Stapled Trusts may not individually do so;
- confirmation that disclosure by one entity on behalf of Westfield Retail Trust satisfies the obligation for each entity on a matter for the purposes of Listing Rule 3.1;
- confirmation under Listing Rule 2.1 (condition 1) that the terms of the Stapled Units are acceptable;
- waiver from Listing Rule 7.1 to permit the issue of Stapled Units on the condition the Proposal is approved by Westfield Group Securityholders;
- confirmation that the Westfield Securityholder Offer complies with Listing Rule 7.17;
- confirmation under Listing Rule 7.40 that the proposed timetable is acceptable to ASX;
- waiver from Listing Rule 10.1 to permit the asset transfers entered into as part of the Proposal without approval from Westfield Group Securityholders for the purposes of Listing Rule 10.1;
- confirmation that approval from Westfield Group Securityholders is not required for Listing Rule 11.1;
- waiver from Listing Rule 10.11 to permit the issue of the Stapled Units under the Offer to directors of the Westfield Retail Trust Responsible Entities and other related parties; and
- confirmation that Stapled Units are “equity securities” for the purpose of Listing Rule 19.12.

11.14 ASIC relief

Westfield Retail Trust has sought, and been granted the following relief and modifications from ASIC:

Transaction specific relief

- modification of section 323D(5) of the Corporations Act to allow the first half-year financial year for the Westfield Retail Stapled Trusts to fall on the same date as that of Westfield Group;
- exemption from compliance with Part 5C.7 in relation to the entry into various transaction documents at a time when the new Westfield Retail Trusts are stapled to the existing Westfield Group entities and financial benefits to be given under those agreements;
- modification of section 1015C(1)(a) to permit WML and WHL to take the address shown in the register of members as being the address nominated by a Westfield Group Securityholder in relation to the receipt of the PDS (in so far as it relates to the Capital Distribution);
- exemption from section 1016A of the Corporations Act to allow for the issue and sale of a financial product without the need for an application form (in relation to this PDS in so far as the Capital Distribution is concerned); and
- modification of section 1017E to permit the Westfield Retail Trust Responsible Entities to retain the Application Monies received under the Offer until Allotment of Stapled Units (which may be more than one month since receipt of Application Monies).

Customary stapling relief

Customary stapling relief to allow the Westfield Retail Stapled Trusts to be treated as a single stapled economic entity.

11.15 Litigation

Westfield Retail Trust is not a party to any current litigation material to the financial standing of Westfield Retail Trust and the Westfield Retail Trust Directors have no such knowledge of any such potential litigation.

11.16 Privacy

The Application Form requires you to provide information that may be personal information for the purposes of the Privacy Act 1988 (Cth) (as amended). The Westfield Retail Trust Responsible Entities (and the Registry on their behalf) collects, holds and uses that personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and to administer the Westfield Retail Stapled Trusts. The Corporations Act requires certain particulars of securityholders to be collected and maintained in a public register.

Access to information may also be provided to other Westfield Retail Trust entities and to the Westfield Retail Trust Responsible Entities' agents and service providers on the basis that they deal with such information in accordance with Westfield Retail Trust's privacy policy, and otherwise as required by law.

If you do not provide the information requested of you in the Application Form, the Registry may not be able to process your Application for Stapled Units appropriately.

Under the Privacy Act 1988 (Cth) (as amended), you may request access to your personal information held by (or on behalf of) the Westfield Retail Trust Responsible Entities. You can request access to your personal information by telephoning or writing to the Registry.

11.17 Application Form

Returning a completed Application Form (or, in the case of Westfield Group Securityholders paying by BPAY, that payment) will be taken to constitute a representation by the Applicant that they:

- have received a printed or electronic copy of the PDS (and any supplementary or replacement document) accompanying the Application Form and have read them all in full;
- agree that their Application is completed and lodged in accordance with the PDS and subject to the declarations and statements on the Application Form;
- declare that all details and statements in the Application Form are complete and accurate;
- acknowledge that once the Application Form is returned (or, in the case of Westfield Group Securityholders paying by BPAY, once that payment is made) it may not be withdrawn;
- agree to being issued the number of Stapled Units they apply for (or a lower number issued in accordance with the PDS);
- if natural persons, are at least 18 years old and do not suffer from any legal disability preventing them from applying for Stapled Units; and
- authorise Westfield Group, Westfield Retail Trust and the Underwriters and their officers or agents, to do anything on their behalf necessary for Stapled Units to be issued to them, including to act on instructions received by the Registry using the contact details in the Application Form.

11.18 Cooling-off period

Cooling-off rights do not apply to an investment in Stapled Units pursuant to the Offer. This means that, in most circumstances, Applicants cannot withdraw their Application once it has been accepted.

11.19 Accessing information about your investment

The Westfield Retail Trust Responsible Entities will provide regular communication to Stapled Unitholders, including publication of:

- the Westfield Retail Stapled Trusts' half yearly reports which provides an update on the investments held, operation of the Westfield Retail Stapled Trusts, and performance for the period;
- the Westfield Retail Stapled Trusts' annual report including audited financial statements for each financial year ending 31 December;
- half yearly distribution statements;
- annual taxation statements; and
- any continuous disclosure notices given by the Westfield Retail Stapled Trusts.

Westfield Retail Trust will also have a website that will provide up to date information on the Westfield Retail Stapled Trusts including current Stapled Unit prices, access to half year and annual reports and distribution information.

The Westfield Retail Trust Responsible Entities, as disclosing entities, will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Westfield Retail Stapled Trusts may be obtained from, or inspected at, an ASIC office.

You also have the right to obtain a copy of each annual report, half yearly report and any continuous disclosure notice from the Westfield Retail Stapled Trusts free of charge.

As at the date of this PDS, the Westfield Retail Stapled Trusts have not lodged with ASIC any annual report or half year report with ASIC and has not given any continuous disclosure notices to ASX.

11.20 Restrictions on offer in jurisdictions outside Australia

As at the date of this PDS, no action has been taken to register or qualify the Stapled Units or the Offer or to otherwise permit a public offering of the Stapled Units outside Australia or New Zealand.

The distribution of this PDS (including an electronic copy) outside Australia or New Zealand may be restricted by law. If you come into possession of this PDS outside Australia or New Zealand, then you should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may violate securities laws. This PDS does not constitute an Offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an Offer or invitation.

The Stapled Units may be offered in a jurisdiction outside Australia or New Zealand where such offer is made in accordance with the laws of that jurisdiction.

Each person submitting an Application Form will be deemed to have acknowledged that it is aware of the restrictions referred to in this section 11.20 and to have represented and warranted that it is able to apply for and acquire the Stapled Units in compliance with those restrictions.

(a) United States

Stapled Units have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States absent an exemption from registration being available.

This PDS may not be distributed in the United States or elsewhere outside Australia unless it is attached to, or constitutes part of, the Institutional Offering Memorandum, and may only be distributed to persons to whom the Offer may be lawfully made in accordance with the laws of any applicable jurisdiction. The Offer is not an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful. Each Applicant in the Public Offer and each person in Australia to whom the Institutional Offer is made under this PDS will be taken to have represented, warranted and agreed as follows:

- it understands that the Stapled Units to be issued in the Offer have not been, and will not be registered under the US Securities Act and may not be offered, sold or resold in the United States, expect in transaction exempt from, or not subject to, registration under the U.S. Securities Act and any other applicable securities laws;
- it is not in the United States;
- it has not sent and will not send the PDS or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Stapled Unites to be issued in the Offer in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the U.S. Securities Act and in compliance with all applicable laws in the jurisdiction in which the Stapled Units to be issued in the Offer are offered and sold.

(b) United Kingdom

This PDS does not constitute an offer of transferable securities to the public in the United Kingdom to which section 85 of the Financial Services and Markets Act 2000 of the United Kingdom (**FSMA**) applies and has not been delivered to the Financial Services Authority (**FSA**) in accordance with the Prospectus Rules published by the FSA. No Stapled Units will be offered or sold except in circumstances which have not resulted and will not result in an offer to the public in contravention of section 85 of the FSMA in the United Kingdom.

The Stapled Units comprise units in Westfield Retail Trust 1 and Westfield Retail Trust 2 which are unregulated collective investment schemes for the purposes of United Kingdom law and regulation. The Stapled Units may only be promoted in the United Kingdom to restricted categories of persons.

Invitations or inducements to engage in investment activity within the meaning of section 21 of the FSMA (a “financial promotion”) in connection with the issue or sale of any of the Stapled Units in the United Kingdom will only be communicated in circumstances which would give rise to (i) no breach of section 21(1) of the FSMA (which restricts the making of financial promotions) and (ii) no breach of section 238(5) of the FSMA (which restricts the communication of invitations and inducements to participate in a collective investment scheme by authorised persons).

The distribution of this document in the United Kingdom is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the **FPO**) and Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001, as amended (the **PCISO**), (ii) high net-worth companies, unincorporated associations and other bodies within the categories described in Article 49(2) of the FPO and Article 22(2) of the PCISO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available in the United Kingdom only to such persons. It is not intended that this document be distributed or passed on in the United Kingdom, directly or indirectly, to any other class of person and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

(c) New Zealand

(i) For offers to New Zealand investors made under the Retail Westfield Securityholder Offer and the Public Offer

The offers made to New Zealand investors under the Retail Westfield Securityholder Offer and the Public Offer are regulated offers made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

These offers and the content of this offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Regulations set out how these offers must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to these offers. If you need to make a complaint about either of these offers, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

These offers may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

The dispute resolution process described in this offer document is only available in Australia and is not available in New Zealand.

(ii) For offers to New Zealand investors made under the Institutional Westfield Securityholder Offer

No action has been taken to permit the Institutional Westfield Securityholder Offer to be made to the public in New Zealand under the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008 (New Zealand). Consequently, the only persons in New Zealand to whom Stapled Units may be offered under the Institutional Offer are persons who meet the requirements of section 3(2)(a) and/or section 5(2CC) of the Securities Act 1978 (New Zealand).

(d) Hong Kong

This PDS is provided only for the personal and confidential use of its intended recipient. If you are not the intended recipient of this document, you are hereby notified that any review, dissemination, distribution or copying of this document is strictly prohibited.

This PDS is not a prospectus within the meaning of the Companies Ordinance (Cap 32) (**CO**) nor is it an offer or invitation to the public within the meaning of the CO and the Securities and Futures Ordinance (Cap 571) (**SFO**), or an advertisement, invitation or document subject to section 103(1) of the SFO.

This PDS and the contents within have not been authorised by the Hong Kong Securities and Futures Commission and no invitation, advertisement or other document relating to the Stapled Units, whether in Hong Kong or elsewhere, has been or will be issued, which is directed at, or the contents of which are likely to be accessed or read by the public in Hong Kong within the meaning of the CO and the SFO (except if permitted to do so under the laws of Hong Kong).

This PDS must not be distributed, published or reproduced (in whole or in part), disclosed by or to any other person in Hong Kong or to any person to whom the disclosure of this document would be a breach of the CO or the SFO. This PDS is given to designated recipients only and may not be provided, assigned or transferred, to any person. You are advised to exercise caution in relation to this document. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. Where are you a retail investor, this PDS has been provided to you for the sole purpose of approving the Proposal.

(e) Singapore

(i) For offers made under the Westfield Securityholder Offer

This PDS has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this PDS and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Stapled Units may not be circulated or distributed, nor may the Stapled Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) existing holders of Stapled Units pursuant to section 282X(3)(e) of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**) or (ii) pursuant to, and in accordance with the conditions of, an exemption under any provision of Subdivision (3) of Division 1A of Part XIII of the SFA.

(ii) For offers made under the Institutional Offer made pursuant to exemptions under section 282Y of the SFA.

This PDS has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this PDS and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Stapled Units may not be circulated or distributed, nor may Stapled Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 282Y of SFA, (ii) to a relevant person pursuant to section 282Z(1), or any person pursuant to section 282Z(2), and in accordance with the conditions specified in section 282Z, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

(f) The Netherlands

The Stapled Units will not be offered or sold, directly or indirectly, in the Netherlands, other than:

(i) for a minimum consideration of €50,000 per class of units per investor or the equivalent in another currency;

(ii) with a minimum denomination per unit of €50,000 or the equivalent in another currency;

(iii) to fewer than 100 individuals or legal entities other than qualified investors; or

(iv) solely to qualified investors,

all within the meaning of article 1:12 and article 5:3 of the Financial Supervision Act (*Wet op het financieel toezicht*) and article 4 of the Financial Supervision Act Exemption Regulation (*Vrijstellingsregeling Wft*).

In respect of the Offer, neither RE1 as management company of Westfield Retail Trust 1 nor RE2 as management company of Westfield Retail Trust 2, is required to obtain a licence as a management company (*beheerder*) of an investment institution pursuant to the Financial Supervision Act and is not subject to market conduct supervision of the Netherlands Authority for the Financial Markets and prudential supervision of the Dutch Central Bank (*De Nederlandsche Bank N.V.*).

(g) Germany

The Stapled Units are neither registered for public distribution with the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – **BaFin**) according to the German Investment Act *(Investmentgesetz)* nor listed on a German exchange. No sales prospectus pursuant to the German Sales Prospectus Act (*Verkaufsprospektgesetz*) as well as the German Securities Prospectus Act (*Wertpapierprospektgesetz*) has been filed with BaFin. Consequently, the Stapled Units may not be distributed within Germany by way of a public offer, public advertisement or in any similar manner, and this document and any other document relating to the Stapled Units, as well as information or statements contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the Stapled Units to the public in Germany or any other means of public marketing. Any resale of the Stapled Units in Germany may only be made in accordance with the German Securities Prospectus Act, German Sales Prospectus Act, German Investment Act and any other applicable laws in Germany governing the sale and offering of securities. No view on taxation is expressed. Prospective investors in Germany are urged to consult their own tax advisers as to the tax consequences that may arise from an investment in the Stapled Units.

(h) France

The Stapled Units may only be offered or sold, directly or indirectly in the Republic of France, to (i) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investors (*investisseurs qualifiés*) acting for their own account, all as defined in, and in accordance with, articles L. 411-1, L. 411-2, D. 411-1 to D. 411-3, D. 744-1, D. 754-1 and D. 764-1 of the French Code monétaire et financier (Monetary and Financial Code); neither this PDS, nor any information contained therein or any offering material relating to the Stapled Units, may be distributed or caused to be distributed to the public in France.

This PDS has not been submitted to the clearance procedure of the Autorité des marchés financiers. In the event that the Stapled Units, thus purchased or subscribed to by such investors listed above, are offered or resold, directly or indirectly, to the public in France, the conditions relating to public offerings set forth in Articles L. 411-1, L.411-2, L.412-1 and L. 621-8 to L.621-8-3 of the Monetary and Financial Code and applicable regulations thereunder shall be complied with.

(i) Japan

The Stapled Units may only be transferred by you as a whole, that is you may only transfer the Stapled Units that you have subscribed for under this PDS where you transfer the full number of Stapled Units that are allotted to you. Further, you will only be permitted to transfer the securities to another person who is a "qualified institutional investor" as defined under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended).

(j) Ireland

Stapled Units may be offered to the public in Ireland at any time under the following exemptions under the Prospectus Directive:

(i) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(ii) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(iii) to fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) subject to obtaining the prior written consent of the Underwriters; and

(iv) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Stapled Units shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

(k) Norway

The offering of the Stapled Units falls outside the scope of the public offer rules under the Norwegian Securities Trading Act.

Accordingly, the contents of this PDS have not been approved by or registered with *Finanstilsynet* (the Financial Supervisory Authority of Norway) or with the Norwegian Company Registry or any other Norwegian public authority. This PDS should not in any way be copied or otherwise distributed by the recipient.

(l) Switzerland

Neither Westfield Retail Trust nor Westfield Group have been approved by the Swiss Financial Supervisory Market Authority (**FINMA**) as a foreign collective investment scheme pursuant to article 120 of the Swiss Collective Investment Schemes Act of 23 June 2006 (the **CISA**). Accordingly, the Westfield Retail Stapled Trusts and/or Stapled Units may not be publicly offered in or from Switzerland and neither this PDS nor any other offering materials relating to the Westfield Retail Stapled Trusts and/or Stapled Units may be made available through a public offering in or from Switzerland. Each copy of any of those documents is addressed to a specifically named qualified (with the meaning of the CISA) recipient and may not be passed on to third parties. The Westfield Retail Stapled Trusts and/or Stapled Units may only be offered and this PDS may only be distributed to a limited circle (as defined by article 652a of the Swiss Code of Obligations) of qualified investors (as defined in the CISA and its implementing ordinances).

(m) Sweden

The Stapled Units are being offered to a limited number of investors who are not qualified investors and therefore this PDS has not been, and will not be, registered with the Swedish Financial Supervisory Authority under the Swedish Financial Instruments Trading Act. Accordingly, this PDS may not be made available, nor may the units otherwise be marketed and offered for sale in Sweden, other than in circumstances which are deemed not to be an offer to the public in Sweden under the Financial Instruments Trading Act.

(n) European Union

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) an offer to the public of any Stapled Units may not be made in that Relevant Member State, except that the Stapled Units may be offered to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(i) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(ii) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(iii) by the Underwriters to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Westfield Retail Trust Responsible Entities for any such offer; or

(iv) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Stapled Units shall result in a requirement for the publication by the Westfield Retail Trust Responsible Entities or any Underwriter of a Prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression “an offer of Offer Shares to the public” in relation to any Stapled Units in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and the Stapled Units to be offered so as to enable an investor to decide to purchase or subscribe for the Stapled Units, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

11.21 Directors’ consent

Each director of RE1, RE2, WML and WHL as at the date of this PDS has consented to the lodgement of this PDS with ASIC.

GLOSSARY

WESTFIELD ST LUKES, AUCKLAND

RED HOT SALE
NEWPORT
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RUBBISH

GLOSSARY

Term	Meaning
Acquisition Facility	means the loan facility for $3.7 billion from a syndicate of lenders to Westfield Retail Trust.
Allotment	the allotment of Stapled Units following acceptance of an Application.
AMP Group	AMP Limited and its related bodies corporate.
Applicant	a person who submits a valid Application Form pursuant to this PDS.
Application	an application for Stapled Units under the Offer described in this PDS.
Application Form	each of the paper and electronic application forms attached to, or accompanying this PDS upon which an Application may be made, being: – the blue application form attached to this PDS to be used by General Applicants applying under the Public Offer; and – the green personalised application form to be used by Eligible Westfield Securityholders applying under the Westfield Securityholder Offer.
Application Monies	monies received from Applicants in respect of their Application(s).
Asset Transfer Deeds	deeds under which direct and indirect interests in the Properties to which the Shopping Centre Interests relate, and the New Zealand Loan, will be transferred from WFT to Westfield Retail Trust 1 as described in section 10.3.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or the market operated by it as the context requires.
ATO	Australian Taxation Office.
Australian Properties	means each of the Australian Properties that are currently wholly owned by Westfield Group and listed in section 4.1 (excluding the Existing JV Properties).
Capital Distribution	the distribution in specie to holders of Westfield Stapled Securities on the Capital Distribution Record Date: – by WML as responsible entity of WFT of its units in Westfield Retail Trust 1; and – by WHL of its units in Westfield Retail Trust 2, as described in this PDS.
Capital Distribution Record Date	7.00pm, Friday, 17 December 2010.
Closing Date	the Closing Date for the Public Offer and Westfield Securityholder Offer being 5.00pm (Sydney time), Monday, 6 December 2010.
Co-operation Deed	the deed between Westfield Group and Westfield Retail Trust as described in sections 4.3 and 10.8.
Co-ownership Agreement	an agreement regulating matters concerning the co-ownership of a Property between the co-owners of that Property as described in sections 4.4 and 10.4.
Corporate Services Agreement	the agreement between Westfield Limited and the Westfield Retail Trust Responsible Entities as described in section 10.11.
Corporations Act	*Corporations Act 2001* (Cth).
CPI	Consumer Price Index.
Development Framework Agreements	an agreement for the provision of development, design and construction services for a Property as described in sections 4.6 and 10.7.

Term	Meaning
Distributable Earnings	the reported Australian International Financial Reporting Standard profit after excluding property revaluations, mark to market adjustments for derivative financial instruments, transaction costs, capital profits and losses and tax thereon, deferred tax expense and the impact of properties under development.
Dollar or $	Australian dollars.
Eligible Jurisdictions	means each of Australia, Canada, Belgium, the United States, United Kingdom, New Zealand, Hong Kong, Singapore, the Netherlands, Germany, France, Japan, Ireland, Norway, Switzerland and Sweden.
Eligible Institutional Westfield Securityholder	means an Eligible Westfield Securityholder who is an Institutional Investor.
Eligible Retail Westfield Securityholder	means an Eligible Westfield Securityholder who is a Retail Investor.
Eligible Westfield Securityholder	means, for the Westfield Securityholder Offer, those persons who are registered holders of Westfield Stapled Securities as at the Westfield Securityholder Offer Record Date with a registered address in an Eligible Jurisdiction, excluding securityholders that are in the United States.
Existing JV Properties	means the following properties currently co-owned by Westfield Group and third parties: – Airport West; – Booragoon; – Doncaster; – Geelong; – Helensvale; – Hurstville; – Karrinyup; – Knox; – Liverpool; – Macquarie; – Marion; – Miranda; – Mt Druitt; – Mt Gravatt; – North Lakes; – Pacific Fair; – Parramatta; – Penrith; – Plenty Valley; – Southland; – Tea Tree Plaza; – Warringah Mall; – Westlakes – Whitford City; and – Woden.
Existing JV Unit Trust	a unit trust in which Westfield Group and a third party each have a unitholding.
Financial Information	the summary historical financial information and forecast financial information of Westfield Retail Trust as set out in section 5.
General Applicants	any Australian and New Zealand resident Retail Investor who has submitted an Application Form in the Public Offer.
GLA	gross lettable area.
Implementation Date	the date on which the Capital Distribution and transfer of the Shopping Centre Interests will occur, expected to be Monday, 20 December 2010.
Implementation Deed	the Implementation Deed between WHL, WML as responsible entity of WFT, WAML as responsible entity of WAT, RE1 as responsible entity of Westfield Retail Trust 1 and RE2 as responsible entity of Westfield Retail Trust 2 as described in section 10.1.
Ineligible Westfield Securityholder	means, for the Westfield Securityholder Offer, Westfield Group Securityholders with a registered address outside of the Eligible Jurisdictions and those Westfield Group Securityholders who Westfield Group and the Underwriters agree should not receive an offer will not be eligible to participate in the Institutional Westfield Securityholder Offer.

Term	Meaning
Institutional Investors	a person to whom offers and issues of Stapled Units may lawfully be made without the need for disclosure to investors under Part 7.9 of the Corporations Act or without any other lodgement, registration or approval with or by a government agency (other than one with which Westfield Retail Trust, in its absolute discretion, is willing to comply), provided that if such person is in the United States it must be a QIB.
Institutional Offer	the offer under this PDS of Stapled Units to Institutional Investors.
Institutional Westfield Securityholder Offer	the Westfield Securityholder Offer as it applies to Eligible Institutional Westfield Securityholders in accordance with this PDS.
Investigating Accountant's Report	the report by Ernst & Young Transaction Advisory Services Limited included in section 6.
Listing Rules	the official listing rules of ASX from time to time as modified by any express written confirmation, waiver or exemption given by ASX.
Meeting	the extraordinary general meeting of Westfield Group Securityholders for the purpose of considering the Resolutions.
New Zealand Group	Westfield NZ Holdings Limited and its subsidiaries.
New Zealand Loan	means a loan of approximately NZ$700 million from WFT to a Westfield Retail Trust finance subsidiary in connection with the refinancing of New Zealand Group debt as part of implementing the Proposal.
New Zealand Properties	each of the New Zealand Properties that are currently wholly owned by Westfield Group and listed in section 4.1 (excluding the Existing JV Properties).
New Zealand Property Company	means a subsidiary of Westfield NZ Holdings Limited that owns a direct interest in a New Zealand Property.
Offer	the offer under this PDS to raise up to $2.0 billion under the Public Offer and up to $1.5 billion under the Westfield Securityholder Offer.
Offer Period	the period commencing on the Opening Date and ending on the Closing Date.
Offer Price	$2.75 per new Stapled Unit under the Westfield Securityholder Offer and the Public Offer.
Opening Date	the Opening Date for the Public Offer and Westfield Securityholder Offer, being Thursday, 11 November 2010.
PDS	this document dated 3 November 2010 in respect of the Offer and the Capital Distribution.
Properties	comprises each of the Australian Properties, New Zealand Properties and the Existing JV Properties.
Property Management Agreement	an agreement for the provision of property management services (including leasing services) in relation to a Property as described in sections 4.5 and 10.6.
Proposal	means the proposal to establish Westfield Retail Trust as a separately listed entity (initially holding the Shopping Centre Interests) through the Capital Distribution, Offer and various other key steps described in this PDS.
Public Offer	means the offer to Australian and New Zealand resident Retail Investors and Institutional Investors to raise up to $2.0 billion.
Purchase Consideration	means the aggregate of: (a) $3.5 billion for the Shopping Centre Interests (excluding Westfield Sydney) comprising: (i) the payment of approximately NZ$700 million to acquire the New Zealand Loan; and (ii) the payment of the balance to acquire the interests in the remaining Australian Properties, New Zealand Properties and Existing JV Properties; and (b) the amount of $942 million drawn down under the Westfield Sydney Facility to acquire Westfield Sydney.

Term	Meaning
QIB	a "qualified institutional buyer" as defined in Rule 144A under the U.S. Securities Act.
RE1	RE1 Limited (ABN 80 145 743 862) (AFS Licence 380202) as responsible entity of Westfield Retail Trust 1.
RE2	RE2 Limited (ABN 41 145 744 065) (AFS Licence 380203) as responsible entity of Westfield Retail Trust 2.
Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Regulations	Corporations Regulations 2001 (Cth).
Resolutions	means each of the resolutions in connection with the Proposal to be considered by Westfield Group Securityholders at the Meeting.
Retail Investor	a person who is a resident of Australia or New Zealand and who is not in the United States or is otherwise treated as an Institutional Investor as contemplated by section 2.8(a).
Retail Westfield Securityholder Offer	the Westfield Securityholder Offer as it applies to Eligible Retail Westfield Securityholders in accordance with this PDS.
Shareholders Agreement	the agreement between the shareholders of Westfield NZ Holdings Limited, and Westfield NZ Holdings Limited itself, that regulates their co-ownership of Westfield NZ Holdings Limited as described in section 10.5.
Shopping Centre Interests	means the portfolio of Australian and New Zealand shopping centre interests which Westfield Retail Trust (through Westfield Retail Trust 1) intends to acquire from WFT or a sub trust of WFT in connection with the Proposal, comprising: – a 50% interest in the Australian Properties; – interests ranging from 12.5% to 37.5% in the Existing JV Properties; and – the New Zealand Loan and a 50% interest in the New Zealand Properties.
Stapled or Stapling	in the case of two or more securities, being on the official list of ASX together so that one such security may not be dealt with without the other or others being dealt with in an identical manner and at the same time and with such restriction on dealing being denoted on the register of each such stapled security.
Stapled Unit	a stapled security in Westfield Retail Trust comprising one unit in Westfield Retail Trust 1 and one unit in Westfield Retail Trust 2.
Stapled Unitholder	a person who is the registered holder of a Stapled Unit.
Stapling Deed	the Stapling Deed between RE1 as responsible entity of Westfield Retail Trust 1 and RE2 as responsible entity of Westfield Retail Trust 2 as described in section 10.2.
Underwriters	Citigroup Global Markets Australia Pty Limited, Credit Suisse (Australia) Limited and Morgan Stanley Australia Securities Limited.
Underwriting Agreement	The underwriting agreement in respect of the Offer as described in section 10.13.
Unitholders Agreement	an agreement between the unitholders of a unit trust regulating their joint ownership of units in that unit trust as described in sections 4.4 and 10.4.
U.S. Securities Act	U.S. Securities Act of 1933.
WAML	Westfield America Management Limited (ABN 66 072 780 619) (AFS Licence 230324) as responsible entity of WAT.
WAT	Westfield America Trust (ARSN 092 058 449).

GLOSSARY

Term	Meaning
Westfield Directors	the directors of WHL, WML and WAML.
Westfield Group	WFT, WAT, WHL and each of their controlled entities.
Westfield Group Securityholder	means a holder of a Westfield Stapled Security.
Westfield Register	the register of Westfield Group Securityholders.
Westfield Retail Stapled Trusts	Westfield Retail Trust 1 and/or Westfield Retail Trust 2 as the context requires, Westfield Retail Stapled Trust has a corresponding meaning.
Westfield Retail Trust	the Westfield Retail Stapled Trusts and each of their controlled entities.
Westfield Retail Trust 1	Westfield Retail Trust 1 (ARSN 146 934 536).
Westfield Retail Trust 2	Westfield Retail Trust 2 (ARSN 146 934 652).
Westfield Retail Trust Board	the board of directors of the Westfield Retail Trust Responsible Entities.
Westfield Retail Trust Directors	the directors of the Westfield Retail Trust Responsible Entities.
Westfield Retail Trust Responsible Entities	means RE1 in respect of Westfield Retail Trust 1 and RE2 in respect of Westfield Retail Trust 2.
Westfield Securityholder Offer	means the offer under this PDS to Eligible Westfield Securityholders to apply for 1 Stapled Unit for every 4.23 Westfield Stapled Securities they hold on the Westfield Securityholder Offer Record Date to raise up to $1.5 billion.
Westfield Securityholder Offer Record Date	7.00pm, Monday, 8 November 2010.
Westfield Stapled Security	means a stapled security in Westfield Group, comprising one unit in WFT, one share in WHL and one unit in WAT.
Westfield Sydney	means the Westfield Sydney project located at Pitt Street Mall, Castlereagh and Markets Street Sydney.
Westfield Sydney Facility	means the loan of $942 million from a subsidiary of Westfield Group to Westfield Retail Trust to fund the acquisition of 50% of the Westfield Sydney property.
WFT	Westfield Trust (ARSN 090 849 746).
WHL	Westfield Holdings Limited (ABN 66 001 671 496).
WML	Westfield Management Limited (ABN 41 001 670 579) (AFS Licence 230329) as responsible entity of WFT.
WRT Internal Reimbursement Agreement	the agreement between RE1, RE2 and RE Holding Company Pty Limited as described in section 10.12.

Westfield RETAIL TRUST
PUBLIC OFFER

RE1 Limited ABN 80 145 743 862 AFS Licence 380202
as responsible entity of **Westfield Retail Trust 1** ARSN 146 934 536
RE2 Limited ABN 41 145 744 065 AFS Licence 380203
as responsible entity of **Westfield Retail Trust 2** ARSN 146 934 652

Broker Code

Adviser Code

Application Form (Public Offer)

This Application Form is important and requires your immediate attention. If you are in doubt as to how to deal with it, please consult your financial or other professional adviser.

The units to which this Application Form relates are stapled units in Westfield Retail Trust 1 and Westfield Retail Trust 2 (Stapled Units). Further details about the Offer and Stapled Units are contained in the Product Disclosure Statement dated 3 November 2010 (PDS) issued in respect of the Offer by RE1 Limited (as responsible entity of Westfield Retail Trust 1) and RE2 Limited (as responsible entity of Westfield Retail Trust 2). During the Offer period, paper copies of the PDS, any supplementary PDS and the Application Form will be available free of charge upon request.

Instructions for the completion and lodgement of this form are contained in the section titled "How to complete this form" which appears on the reverse of this Application Form. You should read the entire PDS carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the PDS.

A **Number of Stapled Units applied for**

You may be allocated all of the Stapled Units above or a lesser number

B **Price per Stapled Unit**

A$2.75

C **Amount enclosed at A$2.75 per Stapled Unit**

A$.

Your application must be for at least $2,000.

D **Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)**

Title or Company Name | Given Name(s) | Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

E **Enter your postal address - Include State and Postcode**

Unit | Street Number | Street Name or PO Box /Other Information

City / Suburb / Town | State | Postcode

F **Enter your contact details**

Contact Name

Telephone Number - Business Hours / After Hours

( )

G **CHESS Participant**

Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any securities issued as a result of the Offer will be held on the Issuer Sponsored subregister.

Payment details - Please note that funds are unable to be directly debited from your bank account

H

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A$

Make your cheque or bank draft payable to Westfield Retail Trust

By submitting this Application Form, I/we declare that this application is completed and lodged according to the PDS and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declarations on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitutions of Westfield Retail Trust.

See back of form for completion guidelines

How to complete the Application Form (Public Offer)

A **Stapled Units Applied for**
Enter the number of Stapled Units you wish to apply for. The application must be for at least $2,000 (being at least 728 Stapled Units) and in at least $500 (being at least 182 Stapled Units) multiples thereafter.

B **Price per Stapled Unit**

C **Application Monies**
Enter the amount of Application Monies payable. To calculate the amount, multiply the number of Stapled Units applied for in box A by the price per Stapled Unit in box B.

D **Applicant Name(s)**
Enter the full name you wish to appear on the statement of unit holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

E **Postal Address**
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

F **Contact Details**
Enter your contact details. These are not compulsory but will assist us if we need to contact you.

G **CHESS**
Westfield Retail Trust (WRT) will apply to ASX to participate in CHESS, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of ASX Limited. In CHESS, WRT will operate an electronic CHESS Subregister of unit holdings and an electronic Issuer Sponsored Subregister of unit holdings. Together the two Subregisters will make up WRT's principal register of units. WRT will not be issuing certificates to applicants in respect of Stapled Units allotted. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Stapled Units allotted to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by WRT and allocated a Securityholder Reference Number (SRN).

H **Payment**
Make your cheque, money order or bank draft payable to Westfield Retail Trust in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box C. **Please note that funds are unable to be directly debited from your bank account.**

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Declarations

- I/we have received a printed or electronic copy of the PDS (and any supplementary or replacement document) accompanying the Application Form and have read them all in full;
- I/we agree that my/our Application is lodged in accordance with the PDS and subject to the declarations and statements on the Application Form;
- I/we declare that all details and statements in the Application Form are complete and accurate;
- I/we acknowledge that once the Application Form is submitted it may not be withdrawn;
- I/we agree to being issued the number of Stapled Units I/we apply for (or a lower number issued in accordance with the PDS);
- If I/we are natural persons, I/we are at least 18 years old and do not suffer from any legal disability preventing me/us from applying for Stapled Units;
- I/we understand that the Stapled Units to be issued in the Offer have not been and will not be registered under the US Securities Act and may not be offered, sold or resold in the United States, except in transactions exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- I/we agree that I/we are not in the United States, have not sent and will not send the PDS or any other material relating to the Offer to any person in the United States, and will not offer or sell the Stapled Units to be issued in the Offer in the United States or in any other jurisdiction outside Australia except in transactions exempt from or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which the Stapled Units to be issued in the Offer are offered and sold;
- I/we understand that the PDS does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer, and that no action has been taken to register the Stapled Units or otherwise permit an offering of Stapled Units in any jurisdiction outside of Australia or New Zealand; and
- I/we authorise Westfield Group, Westfield Retail Trust and the Joint Lead Managers and their officers or agents, to do anything on my/our behalf necessary for Stapled Units to be issued to me/us, including to act on instructions received by the Registry using the contact details in the Application Form.

Lodgement of Application
Application Forms must be received by Computershare Investor Services Pty Limited Melbourne by no later than 5.00pm (Sydney time) on 6 December 2010. You should allow sufficient time for this to occur. Return the Application Form with your cheque, bank draft or money order attached to:

Computershare Investor Services Pty Limited
GPO Box 2115
MELBOURNE VIC 8060

Neither CIS nor Westfield Retail Trust accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Statement
Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1800 143 150 (within Australia) or +61 3 9415 4282 (outside Australia).

123013_B- V7

Correct forms of registrable title(s)
Note that ONLY legal entities are allowed to hold Stapled Units. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Westfield RETAIL TRUST
PUBLIC OFFER

RE1 Limited ABN 80 145 743 862 AFS Licence 380202
as responsible entity of **Westfield Retail Trust 1** ARSN 146 934 536
RE2 Limited ABN 41 145 744 065 AFS Licence 380203
as responsible entity of **Westfield Retail Trust 2** ARSN 146 934 652

Broker Code

Adviser Code

Application Form (Public Offer)

This Application Form is important and requires your immediate attention. If you are in doubt as to how to deal with it, please consult your financial or other professional adviser.

The units to which this Application Form relates are stapled units in Westfield Retail Trust 1 and Westfield Retail Trust 2 (Stapled Units). Further details about the Offer and Stapled Units are contained in the Product Disclosure Statement dated 3 November 2010 (PDS) issued in respect of the Offer by RE1 Limited (as responsible entity of Westfield Retail Trust 1) and RE2 Limited (as responsible entity of Westfield Retail Trust 2). During the Offer period, paper copies of the PDS, any supplementary PDS and the Application Form will be available free of charge upon request.

Instructions for the completion and lodgement of this form are contained in the section titled "How to complete this form" which appears on the reverse of this Application Form. You should read the entire PDS carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the PDS.

A **Number of Stapled Units applied for**

You may be allocated all of the Stapled Units above or a lesser number

B **Price per Stapled Unit**

A$2.75

C **Amount enclosed at A$2.75 per Stapled Unit**

A$.

Your application must be for at least $2,000.

D **Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)**

Title or Company Name | Given Name(s) | Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

E **Enter your postal address - Include State and Postcode**

Unit | Street Number | Street Name or PO Box /Other Information

City / Suburb / Town | State | Postcode

F **Enter your contact details**

Contact Name

Telephone Number - Business Hours / After Hours

( )

G **CHESS Participant**

Holder Identification Number (HIN)

X

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- I/we agree that I/we are not in the United States, have not sent and will not send the PDS or any other material relating to the Offer to any person in the United States, and will not offer or sell the Stapled Units to be issued in the Offer in the United States or in any other jurisdiction outside Australia except in transactions exempt from or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which the Stapled Units to be issued in the Offer are offered and sold;
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Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

CORPORATE DIRECTORY

Westfield Retail Trust

Westfield Retail Trust 1
ARSN 146 934 536

RE1
RE1 Limited ABN 80 145 743 862, AFSL 380202 in its capacity as responsible entity of Westfield Retail Trust 1 ARSN 146 934 536

Westfield Retail Trust 2
ARSN 146 934 652

RE2
RE2 Limited ABN 41 145 744 065, AFSL 380203 in its capacity as responsible entity of Westfield Retail Trust 2 ARSN 146 934 652

Westfield Towers
Level 24
100 William Street

Sydney NSW 2011

Westfield Group
Westfield Holdings Limited
ABN 66 001 671 496

Westfield Trust
ABN 55 191 750 378
ARSN 090 849 746

Westfield Management Limited ABN 41 001 670 579, AFSL 230329, in its capacity as responsible entity and trustee of Westfield Trust ARSN 090 849 746

Westfield America Trust
ABN 27 374 714 905
ARSN 092 058 449

Westfield America Management Limited ABN 66 072 780 619, AFSL 230324, in its capacity as the responsible entity and trustee of Westfield America Trust ARSN 092 058 449

Westfield Towers
Level 24
100 William Street
Sydney NSW 2011

Auditor
Ernst & Young
The Ernst & Young Centre
680 George Street
Sydney NSW 2000

Australian legal adviser
Mallesons Stephen Jaques
Level 61
Governor Phillip Tower
1 Farrer Place Sydney
NSW 2000

Australian tax adviser
Greenwoods & Freehills
Level 39, MLC Centre
Martin Place
Sydney NSW 2000

New Zealand legal and tax adviser
Russell McVeagh
Vero Centre
48 Shortland St
Auckland
New Zealand

Investigating Accountant
Ernst & Young Transaction Advisory Services Limited
The Ernst & Young Centre
680 George Street
Sydney NSW 2000

Financial Advisors, Joint Bookrunners, Joint Underwriters and Joint Lead Managers
Citigroup Global Markets Australia Pty Limited
Credit Suisse (Australia) Limited
Morgan Stanley Australia Securities Limited

Equity advisors to Westfield Retail Trust and Joint Lead Managers
Deutsche Bank AG, Sydney Branch
J.P. Morgan Australia Limited
Merrill Lynch International (Australia) Limited
RBS Equity Capital Markets (Australia) Limited
UBS AG, Australia Branch

Joint Lead Managers
ANZ Securities Limited
CBA Equities Limited
Moelis Australia Advisory Pty Limited
National Australia Bank
Westpac Banking Corporation

Registry

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000

Westfield Retail Trust Offer Information Line

- Westfield Group Securityholders should call 1300 132 211 (within Australia) or +61 3 9415 4070 (outside Australia);
- New investors should call 1800 143 150 (within Australia) or +61 3 9415 4282 (outside Australia),

at any time from 8.30am to 5.00pm (Sydney time) Monday to Friday during the Offer Period

Westfield Retail Trust Website

www.westfieldretailoffer.com

DESIGN AND TYPESETTING: MONCHO CREATIVE / WWW.MONCHOCREATIVE.COM.AU
PRODUCTION: OCTOPUS SOLUTIONS / WWW.OCCY.COM.AU

Westfield
RETAIL TRUST

PUBLIC OFFER

www.westfieldretailoffer.com