

SCENTRE GROUP

ASX Announcement

12 March 2021

SCENTRE GROUP (ASX: SCG)

Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 2020 Annual Financial Reports

On 24 February 2021, Scentre Group released its 2020 full year results and Annual Financial Report.

In accordance with the requirement to lodge annual financial reports for each of Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 (the Trusts), attached are the 2020 Annual Financial Reports for each of the Trusts.

The results of the Trusts are consolidated into Scentre Group's accounts. As Scentre Group operates as a co-ordinated economic entity, reference should be made to Scentre Group's consolidated accounts for an understanding of the results and operations of Scentre Group as a whole.

Authorised for release by the Company Secretary.

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Scentre Management Limited
ABN 41 001 670 579
AFS Licence No: 230329 as responsible
entity of Scentre Group Trust 1
ABN 55 191 750 378 ARSN 090 849 746

RE1 Limited
ABN 80 145 743 862
AFS Licence No: 380202 as responsible
entity of Scentre Group Trust 2
ABN 66 744 282 872 ARSN 146 934 536

RE2 Limited
ABN 41 145 744 065
AFS Licence No: 380203 as responsible
entity of Scentre Group Trust 3
ABN 11 517 229 138 ARSN 146 934 652

*Creating extraordinary places, connecting
and enriching communities*

31 December 2020

Scentre Group Trust 1

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

Scentre Group Trust 2

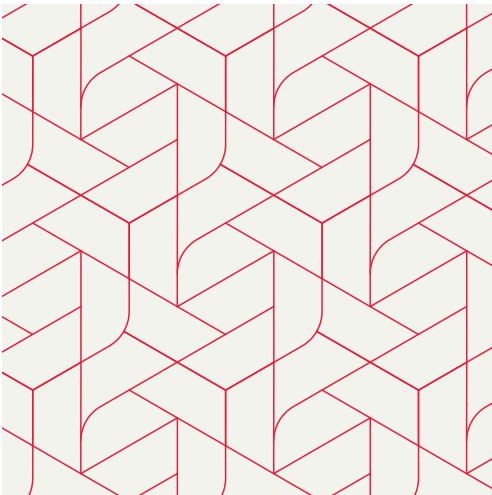
RE1 Limited ABN 80 145 743 862
AFSL No. 380202 as responsible entity of
Scentre Group Trust 2 ARSN 146 934 536

Scentre Group Trust 3

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

SCENTRE GROUP

2020 Annual Trust Reports



Directory

Scentre Group

Scentre Group Limited
ABN 66 001 671 496

Scentre Group Trust 1

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

Scentre Group Trust 2

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

Scentre Group Trust 3

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

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Listing

Australian Securities Exchange – SCG

Website

www.scentregroup.com

Scentre Group Trust 1

31 December 2020

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Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	31 Dec 20 \$million	31 Dec 19 \$million
Revenue			
Property revenue		532.2	600.6
		532.2	600.6
Expenses			
Property expenses, outgoing and other costs		(144.0)	(157.6)
Overheads		(11.5)	(13.7)
		(155.5)	(171.3)
Share of after tax profits/(loss) of equity accounted entities			
Property revenue		532.2	555.6
Property expenses, outgoing and other costs		(141.0)	(148.4)
Net interest expense		(0.6)	(0.5)
Expected credit charge relating to COVID-19		(80.7)	–
Property revaluations		(1,154.8)	(50.3)
Tax expense		(3.7)	(6.4)
	6(a)	(848.6)	350.0
Interest income	11(a)	2.4	8.7
Currency gain	10	28.5	8.6
Financing costs	11(b)	(348.4)	(327.3)
Gain in respect of capital transactions	12	–	95.9
Expected credit charge relating to COVID-19	3(b)	(68.3)	–
Property revaluations		(930.2)	(46.1)
Profit/(loss) before tax		(1,787.9)	519.1
Tax expense	7	–	–
Profit/(loss) after tax for the period		(1,787.9)	519.1
Other comprehensive income/(loss)			
<i>Movement in foreign currency translation reserve⁽ⁱ⁾</i>			
– Realised and unrealised differences on the translation of investment in foreign operations		(6.0)	1.4
Total comprehensive income/(loss) for the period		(1,793.9)	520.5
Profit/(loss) after tax for the period attributable to:			
– Members of Scentre Group Trust 1		(1,747.7)	511.0
– External non controlling interests		(40.2)	8.1
Profit/(loss) after tax for the period		(1,787.9)	519.1
Total comprehensive income/(loss) attributable to:			
– Members of Scentre Group Trust 1		(1,753.7)	512.4
– External non controlling interests		(40.2)	8.1
Total comprehensive income/(loss) for the period		(1,793.9)	520.5

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

	Note	cents	cents
Basic and diluted earnings/(loss) per unit attributable to members of Scentre Group Trust 1	9(a)	(33.63)	9.64

Balance Sheet

As at 31 December 2020

	Note	31 Dec 20 \$million	31 Dec 19 \$million
Current assets			
Cash and cash equivalents	13(a)	81.4	43.3
Trade debtors	3	39.6	5.0
Receivables	3	72.9	89.7
Derivative assets	17(a)	2.3	94.6
Other current assets		11.5	20.1
Total current assets		207.7	252.7
Non current assets			
Trade debtors	3	1.7	–
Investment properties	4	8,269.1	9,128.4
Equity accounted investments	6(b)	8,198.5	9,275.3
Derivative assets	17(a)	457.6	630.3
Other non current assets		33.9	44.6
Total non current assets		16,960.8	19,078.6
Total assets		17,168.5	19,331.3
Current liabilities			
Trade creditors		69.3	78.3
Payables and other creditors	14	1,178.1	1,195.0
Interest bearing liabilities	15	1,595.9	1,486.0
Other financial liabilities	16	240.2	–
Lease liabilities		0.1	0.1
Derivative liabilities	17(b)	18.8	15.5
Total current liabilities		3,102.4	2,774.9
Non current liabilities			
Interest bearing liabilities	15	5,912.0	6,216.3
Other financial liabilities	16	372.5	689.0
Lease liabilities		7.5	7.7
Derivative liabilities	17(b)	618.8	264.0
Total non current liabilities		6,910.8	7,177.0
Total liabilities		10,013.2	9,951.9
Net assets		7,155.3	9,379.4
Equity attributable to members of Scentre Group Trust 1			
Contributed equity	18(b)	1,459.0	1,527.2
Reserves	19	18.3	24.3
Retained profits	20	5,512.0	7,618.6
Total equity attributable to members of Scentre Group Trust 1		6,989.3	9,170.1
Equity attributable to external non controlling interests			
Contributed equity		70.3	70.3
Retained profits		95.7	139.0
Total equity attributable to external non controlling interests		166.0	209.3
Total equity		7,155.3	9,379.4

Statement of Changes in Equity

For the year ended 31 December 2020

	Contributed Equity \$million	Reserves \$million	Retained Profits \$million	31 Dec 20 Total \$million	Contributed Equity \$million	Reserves \$million	Retained Profits \$million	31 Dec 19 Total \$million
Changes in equity attributable to members of Scentre Group Trust 1								
Balance at the beginning of the period	1,527.2	24.3	7,618.6	9,170.1	1,646.7	22.9	7,591.5	9,261.1
– Profit/(loss) after tax for the period ⁽ⁱ⁾	–	–	(1,747.7)	(1,747.7)	–	–	511.0	511.0
– Other comprehensive income/(loss) ⁽ⁱⁱ⁾	–	(6.0)	–	(6.0)	–	1.4	–	1.4
Transactions with owners in their capacity as owners								
– Buy-back and cancellation of units and associated costs	(68.2)	–	–	(68.2)	(119.5)	–	–	(119.5)
– Distributions paid or provided for	–	–	(358.9)	(358.9)	–	–	(483.9)	(483.9)
Closing balance of equity attributable to members of Scentre Group Trust 1	1,459.0	18.3	5,512.0	6,989.3	1,527.2	24.3	7,618.6	9,170.1
Changes in equity attributable to external non controlling interests								
Balance at the beginning of the period	70.3	–	139.0	209.3	75.9	–	152.2	228.1
– Profit/(loss) after tax for the period attributable to external non controlling interests ⁽ⁱ⁾	–	–	(40.2)	(40.2)	–	–	8.1	8.1
– Distributions paid or provided for	–	–	(3.1)	(3.1)	–	–	(9.9)	(9.9)
– Decrease in external non controlling interest	–	–	–	–	(5.6)	–	(11.4)	(17.0)
Closing balance of equity attributable to external non controlling interests	70.3	–	95.7	166.0	70.3	–	139.0	209.3
Total equity	1,529.3	18.3	5,607.7	7,155.3	1,597.5	24.3	7,757.6	9,379.4

⁽ⁱ⁾ Total comprehensive loss for the period amounts to \$1,793.9 million (31 December 2019: income of \$520.5 million).

⁽ⁱⁱ⁾ Movement in reserves attributable to members of Scentre Group Trust 1 comprises realised and unrealised differences on the translation of investment in foreign operations of \$6.0 million (31 December 2019: income of \$1.4 million).

Cash Flow Statement

For the year ended 31 December 2020

	Note	31 Dec 20 \$million	31 Dec 19 \$million
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		507.5	683.6
Payments in the course of operations (including GST)		(153.6)	(193.9)
Dividends/distributions received from equity accounted entities		261.5	356.1
GST paid ⁽ⁱ⁾		(34.5)	(46.0)
Payments of financing costs (excluding interest capitalised)		(345.7)	(350.9)
Interest received		2.4	8.7
Net cash inflow from operating activities⁽ⁱ⁾		237.6	457.6
Add/(less): GST received/(paid) on outstanding trade debtors		(8.6)	0.1
Net cash inflow from operating activities	13(b)	229.0	457.7
Cash flows from investing activities			
Capital expenditure		(72.1)	(101.2)
Proceeds from the sale of assets		–	1,337.0
Payments relating to the sale of assets		(4.4)	(25.8)
Acquisition of listed securities		–	(12.9)
Net outflows for investments in equity accounted entities		(59.1)	(149.1)
Financing costs capitalised to qualifying development projects and construction in progress		(6.1)	(10.8)
Net cash inflow/(outflow) from investing activities		(141.7)	1,037.2
Cash flows from financing activities			
Buy-back of units and associated costs		(68.2)	(119.5)
Termination of derivatives		(14.8)	–
Net proceeds from/(repayment of) interest bearing liabilities and lease liabilities	13(c)	373.1	(827.4)
Net funds received from/(paid to) related entities	13(c)	24.3	(27.8)
Distributions paid		(358.9)	(483.9)
Distributions paid by controlled entities to external non controlling interests		(4.7)	(10.2)
Net cash outflow from financing activities		(49.2)	(1,468.8)
Net increase in cash and cash equivalents held		38.1	26.1
Add opening cash and cash equivalents brought forward		43.3	17.2
Cash and cash equivalents at the end of the period⁽ⁱⁱ⁾	13(a)	81.4	43.3

⁽ⁱ⁾ Excludes GST received/(paid) on outstanding trade debtors.

⁽ⁱⁱ⁾ Cash and cash equivalents comprises cash of \$81.4 million (31 December 2019: \$43.3 million) net of bank overdraft of nil (31 December 2019: nil).

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Notes to the Financial Statements

For the year ended 31 December 2020

Note 1 Basis of preparation of the Financial Report

(a) Corporate information

This financial report of Scentre Group Trust 1 (SGT1) and its controlled entities (collectively the Trust) for the year ended 31 December 2020 was approved in accordance with a resolution of the Board of Directors of Scentre Management Limited as Responsible Entity of SGT1.

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

(b) Accounting for the Trust

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

(c) Impact of the COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the outbreak of the COVID-19 virus a pandemic. Both Australia and New Zealand experienced an outbreak of the virus, and the governments of both countries implemented a number of measures, including significant restrictions on people movement and activity. This impacted the Trust's operations and financial results for the year ended 31 December 2020.

Additional disclosures relating to the impact of the COVID-19 pandemic have been included in the relevant notes to the financial statements, including Note 2: Segment reporting, Note 3: Trade and other receivables, Note 5: Details of shopping centre investments, and in section 1 Operating and Financial Review of the Directors' Report.

(d) Going concern

This financial report has been prepared on a going concern basis. The Directors' assessment of Scentre Group's ability to continue as a going concern also applies to the Trust, as the Trust forms part of the stapled group and is a member of Scentre Group's cross-guarantee arrangements. In making the going concern assessment for the Trust, the Directors have considered:

- Scentre Group's ability to meet its financial obligations over the next twelve months, using cash flow sensitivity analysis and having regard to debt maturities, funding requirements, operating cash earnings and available financing facilities as disclosed in Note 15: Interest bearing liabilities; and
- Scentre Group's ability to meet its financial covenants over the next twelve months, assuming various scenarios for the potential impact of the COVID-19 pandemic.

(e) Basis of Accounting

This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 (Corporations Act), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. This financial report has also been prepared on a historical cost basis, except for investment properties, investment properties within equity accounted investments, derivative financial instruments, financial assets at fair value through profit and loss and other financial liabilities.

This financial report is presented in Australian dollars.

(f) Statement of Compliance

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board. The accounting policies adopted are consistent with those of the previous financial year except that the Trust has adopted the following new or amended standards which became applicable on 1 January 2020:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase 1
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

For the financial period, the adoption of these amended standards and interpretation had no material impact on the financial statements of the Trust.

Note 1 Basis of preparation of the Financial Report (continued)

(f) Statement of Compliance (continued)

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Trust for the year ended 31 December 2020. The impact of these new standards or amendments to the standards (to the extent relevant to the Trust) and interpretations is as follows:

- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase 2 (effective from 1 January 2021)

This amends AASB 9 Financial Instruments, AASB 139 Financial Instruments: Recognition and Measurement, AASB 7 Financial Instruments: Disclosures, AASB 4 Insurance Contracts and AASB 16 Leases to address issues that arise during the reform of an interest rate benchmark (IBOR), including the replacement of one benchmark with an alternative one. This amendment is not expected to have a significant impact on the financial statements on application.

- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective from 1 January 2022)

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

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments (effective from 1 January 2022)

This amends (to the extent relevant to the Trust):

- (i) AASB 9 Financial Instruments to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
- (ii) AASB 3 Business Combinations to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; and
- (iii) AASB 137 Provisions, Contingent Liabilities and Contingent Assets to specify the costs that an entity includes when assessing whether a contract will be loss-making.

These amendments are not expected to have a significant impact on the financial statements on application.

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Noncurrent (effective from 1 January 2023)

This amends AASB 101 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non current. This amendment is not expected to have a significant impact on the financial statements on application.

(g) Significant accounting judgements, estimates and assumptions

The preparation of this financial report requires management to make judgements, estimates and assumptions.

Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Further details of judgements, estimates and assumptions applied may be found in the relevant notes to the financial statements, in particular, Note 2: Segment reporting, Note 3: Trade and other receivables, Note 4: Investment properties, Note 5: Details of shopping centre investments and Note 24: Fair value of financial assets and liabilities.

At 31 December 2020, uncertainties remain over the potential economic impact of the ongoing COVID-19 pandemic. Accordingly, actual results may differ from these estimates under different assumptions and conditions and may materially affect the Trust's financial results or its financial position in future periods.

(h) Comparative information

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

(i) Rounding

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

Note 2 Segment reporting

Geographic segments

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

The Trust's segment income and expenses as well as the details of segment assets have been prepared on a proportionate format on a geographic basis. The proportionate format presents the net income from and net assets in equity accounted properties on a gross format whereby the underlying components of net income and net assets are disclosed separately as revenues and expenses, assets and liabilities.

The proportionate format is used by management in assessing and understanding the performance and results of operations of the Trust as it allows management to observe and analyse revenue and expense results and trends on a portfolio-wide basis. The assets underlying both the consolidated and the equity accounted components of the statutory statement of comprehensive income are similar (that is, Australian and New Zealand shopping centres), all centres are under common management and therefore the drivers of their results are similar. Accordingly, management considers that the proportionate format provides a more useful way to understand the performance of the portfolio as a whole than the statutory format.

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

(a) Geographic segment information

	Australia \$million	New Zealand \$million	31 Dec 20 \$million	Australia \$million	New Zealand \$million	31 Dec 19 \$million
Revenue						
Shopping centre base rent and other property income ⁽ⁱ⁾	1,034.1	59.0	1,093.1	1,136.5	52.4	1,188.9
Amortisation of tenant allowances	(33.4)	(1.5)	(34.9)	(38.7)	(0.8)	(39.5)
Straightlining of rent	5.3	0.9	6.2	6.4	0.4	6.8
	1,006.0	58.4	1,064.4	1,104.2	52.0	1,156.2
Expenses						
Property expenses, outgoings and other costs	(268.8)	(16.2)	(285.0)	(291.6)	(14.4)	(306.0)
Expected credit charge relating to COVID-19	(142.2)	(6.8)	(149.0)	–	–	–
	(411.0)	(23.0)	(434.0)	(291.6)	(14.4)	(306.0)
Segment income and expenses	595.0	35.4	630.4	812.6	37.6	850.2
Shopping centre investments	15,755.4	731.2	16,486.6	17,579.5	834.4	18,413.9
Development projects and construction in progress	82.8	27.1	109.9	132.1	28.3	160.4
Segment assets ⁽ⁱⁱ⁾	15,838.2	758.3	16,596.5	17,711.6	862.7	18,574.3
Additions to segment non current assets during the year	101.2	11.4	112.6	79.0	138.0	217.0

⁽ⁱ⁾ Includes recoveries of outgoings from lessees of \$134.6 million (31 December 2019: \$149.0 million).

⁽ⁱⁱ⁾ Includes equity accounted segment assets of \$8,327.4 million (31 December 2019: \$9,445.9 million).

Note 2 Segment reporting (continued)

(b) Reconciliation of segment information

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

	Consolidated \$million	Equity Accounted \$million	31 Dec 20 \$million	Consolidated \$million	Equity Accounted \$million	31 Dec 19 \$million
Property revenue	532.2	532.2	1,064.4	600.6	555.6	1,156.2
Property expenses, outgoings and other costs	(144.0)	(141.0)	(285.0)	(157.6)	(148.4)	(306.0)
Expected credit charge relating to COVID-19	(68.3)	(80.7)	(149.0)	–	–	–
Segment income and expenses	319.9	310.5	630.4	443.0	407.2	850.2
Overheads			(11.5)			(13.7)
Interest income			2.6			9.0
Currency gain			28.5			8.6
Financing costs			(349.2)			(328.1)
Gain in respect of capital transactions			–			95.9
Property revaluations			(2,085.0)			(96.4)
Tax expense			(3.7)			(6.4)
External non controlling interests			40.2			(8.1)
Net profit/(loss) attributable to members of SGT1⁽ⁱ⁾			(1,747.7)			511.0

⁽ⁱ⁾ Net loss attributable to members of SGT1 was \$1,747.7 million (31 December 2019: profit of \$511.0 million). Net loss after tax for the year which includes loss attributable to external non controlling interests of \$40.2 million (31 December 2019: profit of \$8.1 million) was \$1,787.9 million (31 December 2019: profit of \$519.1 million).

	Consolidated \$million	Equity Accounted \$million	31 Dec 20 \$million	Consolidated \$million	Equity Accounted \$million	31 Dec 19 \$million
Shopping centre investments	8,209.6	8,277.0	16,486.6	9,034.0	9,379.9	18,413.9
Development projects and construction in progress	59.5	50.4	109.9	94.4	66.0	160.4
Segment assets	8,269.1	8,327.4	16,596.5	9,128.4	9,445.9	18,574.3
Cash and cash equivalents	81.4	28.8	110.2	43.3	10.7	54.0
Trade and other receivables	178.7	126.7	305.4	100.0	20.6	120.6
Expected credit loss allowance	(64.5)	(74.7)	(139.2)	(5.3)	(4.3)	(9.6)
Other assets	505.3	1.9	507.2	789.6	5.3	794.9
Total assets	8,970.0	8,410.1	17,380.1	10,056.0	9,478.2	19,534.2
Interest bearing liabilities	7,507.9	–	7,507.9	7,702.3	–	7,702.3
Other financial liabilities	612.7	–	612.7	689.0	–	689.0
Deferred tax liabilities	–	57.0	57.0	–	58.2	58.2
Other liabilities	1,892.6	154.6	2,047.2	1,560.6	144.7	1,705.3
Total liabilities	10,013.2	211.6	10,224.8	9,951.9	202.9	10,154.8
Net assets	(1,043.2)	8,198.5	7,155.3	104.1	9,275.3	9,379.4

Accounting Policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and can be reliably measured. Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount. Recoveries of outgoings from lessees are recognised as services are provided.

Certain tenant allowances that are classified as lease incentives are recorded as part of investment properties and amortised over the term of the lease. The amortisation is recorded against property revenue.

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

All other revenues are recognised as services are provided.

Note 2 Segment reporting (continued)

Impact of the COVID-19 pandemic

During the year, temporary lease arrangements which included rent abatements, were negotiated with tenants to assist with their cash flow issues due to the impact of the COVID-19 pandemic.

When an agreement is legally executed, rent abated that relates to past occupancy is recognised as an expense in the statement of comprehensive income and rent abated that relates to future occupancy is accounted for as a lease modification and recognised on a straight-line basis over the remaining term of the lease.

When an agreement has not been legally executed at balance date, rental income is recognised on a straight-line basis in accordance with the terms of the original lease. However, an allowance for expected credit loss is recognised against outstanding trade debtors based on management's expectations of the level of rental abatements that will be provided to tenants for the period to 31 December 2020. Refer to Note 3 for further details of judgements, estimates and assumptions used by management in assessing the expected credit loss allowance.

Expenses

Expenses are brought to account on an accruals basis.

Note 3 Trade and other receivables

	Note	31 Dec 20 \$million	31 Dec 19 \$million
Current			
Trade debtors		39.6	5.0
Receivables			
– Other receivables		7.6	19.6
– Interest receivable from related entities	32(a)	65.3	70.1
		112.5	94.7
Non current			
Trade debtors		1.7	–
		1.7	–
		114.2	94.7
(a) Trade and other receivables comprise:			
Trade and other receivables		178.7	100.0
Expected credit loss allowance		(64.5)	(5.3)
Total trade and other receivables		114.2	94.7
(b) Movement in expected credit loss allowance			
Balance at the beginning of the year		(5.3)	(6.6)
Expected credit charge relating to COVID-19		(68.3)	–
Amounts written-off relating to COVID-19		4.7	–
Other decreases in expected credit loss		4.4	1.3
Balance at the end of the year		(64.5)	(5.3)

Impact of the COVID-19 pandemic

Many of the Trust's retailers have been adversely impacted as a result of the pandemic and the government restrictions on people movement and activity, resulting to loss of revenue which impacted many tenants' financial position. In response to the pandemic, the Australian Governments issued the Code of Conduct for small to medium sized retailers in April 2020, which mandated a framework for temporary lease arrangements to reduce cash rent in proportion to the retailers' revenue impact during the pandemic period. New Zealand does not have a Code of Conduct, however the Trust has implemented similar principles in that market with respect to small to medium sized retailers. The Trust has also worked with retail partners that are not subject to the code on a case-by-case basis to determine appropriate ways to assist with their cash flow issues.

The expected credit charge relating to COVID-19 recognised for the year ended 31 December 2020 is solely related to the COVID-19 pandemic and has been separately disclosed in the statement of comprehensive income to highlight its significant impact on the Trust's financial results. The charge reflects the expected rental abatements and the additional credit risk associated with tenants. The expected rental abatements are based on management's expectations of the level of rental abatements that will be provided to tenants for the period to 31 December 2020. The level of expected rental abatements has been determined after discussions and agreements with tenants. Where abatements have not been agreed with tenants, estimates have been made giving reference to outcomes with similar retailers.

Note 3 Trade and other receivables (continued)

For trade and other receivables outstanding at 31 December 2020 in excess of the expected rental abatements, management have assessed that there is an increased level of credit risk on the collection of these balances. Rather than primarily applying historical loss rates, the assumptions used in estimating lifetime expected credit loss include the following:

- the extent and duration of the pandemic;
- the effectiveness of government policies in response to the pandemic;
- the credit quality of tenants based on shared credit risk characteristics (e.g. size, industry, aging);
- future economic conditions which are based on forward looking information such as economic growth and inflation; and
- consumer and business sentiment.

In determining the expected credit loss allowance, management has taken into account security deposits received from tenants generally in the form of bank guarantees, which can be called upon if the tenant is in default under the terms of the lease contract. Trade debtors also include GST which is fully recoverable from the relevant tax authorities and therefore excluded from the loss allowance.

Trade and other receivables written-off include rent abated relating to past occupancy that is part of rent relief arrangements with tenants applying to the COVID-19 pandemic period.

Uncertainties over the near-term and longer-term impact of the COVID-19 pandemic affect management's ability to reliably determine key judgements, estimates and assumptions used in determining expected credit loss. The expected credit loss allowance has been determined based on available information of conditions that existed at 31 December 2020. In the event that the Governments in Australia were to mandate future lockdowns and depending on the length and severity this could result in further write-downs of trade debtors. However, after allowing for the GST element of trade debtors and bank guarantees any further write-down would not be material to the Trust's financial position at 31 December 2020.

At 31 December 2020, approximately 80% of trade debtors are aged greater than 90 days and the expected credit loss allowance is 61% of trade debtors. An increase or decrease of 5% in the expected credit loss rate (after adjusting for GST and bank guarantees) would result in an increase or decrease in expected credit loss allowance of \$3.5 million respectively. At 31 December 2019, approximately 56% of trade debtors are aged greater than 90 days and the expected credit loss allowance is 48% of trade debtors. An increase or decrease of 5% in the expected credit loss rate (after adjusting for GST and bank guarantees) would result in an increase or decrease in expected credit loss allowance of \$0.3 million respectively.

Receivables also include interest receivable which is linked to derivatives that have been transacted with credit worthy counterparties in accordance with Scentre Group's credit risk policy.

Accounting Policies

Trade and other receivables

Trade and other receivables are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. At initial recognition, these are measured at fair value.

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses are recognised in the statement of comprehensive income. The receivable is written off when there is no reasonable expectation of recovering the contractual cash flows such as when all legal avenues for debt recovery have been exhausted, and when rent is waived as part of the COVID-19 rent relief negotiations. Any gain or loss on derecognition is also recognised in the statement of comprehensive income.

In assessing for impairment, the Trust assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. For trade and other receivables, the Trust applies the simplified approach, which requires lifetime expected losses to be recognised from initial recognition of the receivables.

In measuring the expected credit loss, trade and other receivables have been grouped based on shared credit risk characteristics (e.g. size and industry) and the days past due. The expected loss rates are determined based on days past the due date and the historical credit losses experienced. Historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of customers to settle their debts.

The Trust generally considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Trust may also consider a financial asset to be in default when internal or external information indicates that the Trust is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Trust.

Note 4 Investment properties

	Note	31 Dec 20 \$million	31 Dec 19 \$million
Shopping centre investments	5	8,209.6	9,034.0
Development projects and construction in progress		59.5	94.4
Total investment properties		8,269.1	9,128.4
Movement in total investment properties			
Balance at the beginning of the year		9,128.4	10,359.0
Disposal of properties ⁽ⁱ⁾		–	(1,203.4)
Capital expenditure		70.9	18.9
Net revaluation decrement		(930.2)	(46.1)
Balance at the end of the year ⁽ⁱⁱ⁾		8,269.1	9,128.4

⁽ⁱ⁾ In June 2019, the Sydney Office Towers and the Trust's interest in Westfield Burwood were sold and derecognised from the Trust's balance sheet. The sale of the Sydney Office Towers was effected by way of granting a 299-year leasehold interest over the office components located at 100 Market Street, and 77 and 85 Castlereagh Street.

⁽ⁱⁱ⁾ The fair value of investment properties at the end of the year of \$8,269.1 million (31 December 2019: \$9,128.4 million) comprises investment properties at market value of \$8,261.5 million (31 December 2019: \$9,120.6 million) and ground lease assets of \$7.6 million (31 December 2019: \$7.8 million).

Accounting Policies

Investment properties

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

(i) Shopping centre investments

The Trust's shopping centre investment properties represent completed centres comprising freehold and leasehold land, buildings and leasehold improvements.

Land and buildings are considered as having the function of an investment and therefore are regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than by the diminution in value of the building content due to effluxion of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Initially, shopping centre investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the Trust's portfolio of shopping centre investment properties are stated at fair value. Gains and losses arising from changes in the fair values of shopping centre investment properties are included in the statement of comprehensive income in the year in which they arise. Any gains or losses on the sale of an investment property are recognised in the statement of comprehensive income in the year of sale.

At each reporting date, the carrying value of the portfolio of shopping centre investment properties is assessed by the Directors and where the carrying value differs materially from the Directors' assessment of fair value, an adjustment to the carrying value is recorded as appropriate.

The Directors' assessment of fair value of each shopping centre takes into account the latest independent valuations generally prepared annually, with updates taking into account any changes in capitalisation rate, underlying income and valuations of comparable centres. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used, which are based upon assumptions and judgements in relation to future rental income, capitalisation rate and make reference to market evidence of transaction prices for similar properties.

The key assumptions and estimates used in determining fair value are disclosed in Note 5.

(ii) Development projects and construction in progress

The Trust's development projects and construction in progress include costs incurred for the current and future redevelopment and expansion of new and existing shopping centre investments. Development projects and construction in progress include capitalised construction and development costs, payments and advances to contractors and where applicable, borrowing costs incurred on qualifying developments.

Note 4 Investment properties (continued)

Accounting Policies (continued)

Investment properties (continued)

(ii) Development projects and construction in progress (continued)

The Directors' assessment of fair value of each development project and construction in progress that meets the definition of an investment property, takes into account the expected costs to complete, the stage of completion, expected underlying income and yield of the developments. From time to time, during a development, the Directors may commission an independent valuation of the development project. On completion, the development projects are reclassified to shopping centre investments and an independent valuation is obtained.

Independent valuations are conducted in accordance with guidelines and valuation principles as set by the International Valuation Standards Council.

It is Scentre Group's policy to appoint a number of qualified independent valuers and that no individual valuer is appointed to appraise an individual property for greater than three consecutive years. The following qualified independent valuers were appointed by Scentre Group to carry out property appraisals for the current financial year:

Australian shopping centres

- CBRE Valuations Pty Limited
- Colliers International Holdings (Australia) Ltd
- Cushman & Wakefield (Valuations) Pty Ltd
- Jones Lang LaSalle Advisory Services Pty Ltd
- Knight Frank Australia Pty Ltd
- Savills Valuations Pty Ltd

New Zealand shopping centres

- Colliers International New Zealand Limited
- Jones Lang La Salle Limited

Note 5 Details of shopping centre investments

	31 Dec 20 \$million	31 Dec 19 \$million
Consolidated Australian shopping centres	8,209.6	9,034.0
Total consolidated shopping centres	8,209.6	9,034.0
Equity accounted Australian shopping centres	7,545.8	8,545.5
Equity accounted New Zealand shopping centres	731.2	834.4
Total equity accounted shopping centres	8,277.0	9,379.9
	16,486.6	18,413.9

Centres that are held through controlled entities or are held directly and jointly as tenants in common and are treated as joint operations are consolidated. For joint operations, the contractual arrangements establish that the parties share all the liabilities, obligations, costs and expenses in their ownership proportion. The allocation of revenue and expenses is based on the ownership interest in the joint arrangement.

Centres that are held through a separate vehicle with joint control and are treated as a joint venture are accounted for under the equity method of accounting.

Impact of the COVID-19 pandemic

As at 31 December 2020 there was significant valuation uncertainty relating to the investment property valuations. The COVID-19 pandemic and the regulatory response has significantly impacted our operations as well those of our tenants. This uncertainty affects our ability to reliably determine the key judgements and assumptions used in the property valuations. The Income Capitalisation approach and the Discounted Cash Flow approach are used to arrive at a range of valuation outcomes, from which a best estimate of fair value is derived at a point in time. The key assumptions and estimates used in these valuation approaches which have been impacted by COVID-19 include:

- forecast future income, based on the location, type and quality of the property, which are supported by the terms of any existing leases, other contracts or external evidence such as current market rents for similar properties adjusted to recognise the COVID-19 impact;
- lease assumptions based on current and expected future market conditions after expiry of any current lease;
- the capitalisation rate and discount rate derived from recent comparable market transactions adjusted for COVID-19 to reflect the uncertainty in the amount and timing of cash flows; and
- the impact of government support on tenants and rental schemes giving rise to rent deferrals, rent waivers, and eviction moratoriums.

Note 5 Details of shopping centre investments (continued)

Due to the valuation uncertainty the property values may change significantly and unexpectedly over a relatively short period of time. The property valuations have been prepared based on information that is available at 31 December 2020.

The table below summarises some of the key inputs used in determining investment property valuations:

	31 Dec 20	31 Dec 19
Australian portfolio		
Retail capitalisation rate	4.25%-6.25%	4.00%-6.00%
Weighted average retail capitalisation rate	4.83%	4.66%
Retail discount rate	6.00%-7.50%	6.00%-7.50%
New Zealand portfolio		
Retail capitalisation rate	5.50%-6.75%	5.25%-6.63%
Weighted average retail capitalisation rate	6.14%	5.92%
Retail discount rate	7.00%-8.50%	7.00%-8.28%

Changes to key inputs would result in changes to the fair value of investment properties. An increase in capitalisation rate and/or discount rate would result in lower fair value, while a decrease in capitalisation rate and/or discount rate will result in higher fair value (with all other factors held constant). The discount rates adopted at 31 December 2020 have broadly remained unchanged to 31 December 2019. The capitalisation rate sensitivity analysis is detailed below.

		31 Dec 20 \$million	31 Dec 19 \$million
The sensitivity of shopping centre valuations to changes in capitalisation rates is as follows:	Capitalisation rate movement		Increase/(decrease) in fair value
	-50 bps	1,870.0	2,170.9
	-25 bps	884.8	1,025.0
	+25 bps	(799.1)	(922.4)
	+50 bps	(1,524.2)	(1,756.7)

Note 6 Details of equity accounted investments

	31 Dec 20 \$million	31 Dec 19 \$million
(a) Share of equity accounted entities' net profit/(loss) and comprehensive income/(loss)		
Share of after tax profit/(loss) of equity accounted entities	(848.6)	350.0
Other comprehensive income/(loss) ⁽ⁱ⁾	(6.0)	1.4
Share of total comprehensive income/(loss) of equity accounted entities	(854.6)	351.4

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

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

The Trust's equity accounted investments of \$8,198.5 million (31 December 2019: \$9,275.3 million) comprise investments in joint ventures in Australia and New Zealand represented by equity of \$7,693.1 million (31 December 2019: \$8,781.3 million) and interest bearing loans and interest payable of \$505.4 million (31 December 2019: \$494.0 million). Inter-entity interest charges on the loans amounted to \$9.7 million (31 December 2019: \$12.9 million).

Note 6 Details of equity accounted investments (continued)

	31 Dec 20 \$million	31 Dec 19 \$million
(c) Details of the Trust's share of equity accounted entities' tax expense		
Current tax expense – underlying operations	(4.4)	(3.7)
Deferred tax benefit/(expense)	0.7	(2.7)
	(3.7)	(6.4)
The prima facie tax on profit/(loss) before tax is reconciled to the income tax expense provided in the financial statements as follows:		
Profit/(loss) before income tax	(844.9)	356.4
Less: Net Trust loss/(income) not taxable for the Trust – tax payable by members	871.2	(331.1)
	26.3	25.3
Prima facie tax expense at 30%	(7.9)	(7.6)
Tax rate differential on New Zealand foreign income	0.3	0.5
Deferred tax release on New Zealand capital transactions	3.9	–
Other	0.0	0.7
Tax expense	(3.7)	(6.4)

(d) Equity accounted entities economic interest

Name of investments	Type of equity	Balance Date	Economic interest	
			31 Dec 20	31 Dec 19
Australian investments ⁽ⁱ⁾				
Bondi Junction	Trust units	31 Dec	50.0%	50.0%
Chatswood	Trust units	31 Dec	50.0%	50.0%
Doncaster	Trust units	31 Dec	25.0%	25.0%
Fountain Gate	Trust units	31 Dec	50.0%	50.0%
Garden City	Trust units	31 Dec	50.0%	50.0%
Hornsby	Trust units	31 Dec	50.0%	50.0%
Knox	Trust units	31 Dec	25.0%	25.0%
Kotara	Trust units	31 Dec	50.0%	50.0%
Mt Druitt ⁽ⁱⁱ⁾	Trust units	30 Jun	25.0%	25.0%
Southland ⁽ⁱⁱ⁾	Trust units	30 Jun	25.0%	25.0%
Sydney Central Plaza	Trust units	31 Dec	50.0%	50.0%
Tea Tree Plaza ⁽ⁱⁱ⁾	Trust units	30 Jun	31.3%	31.3%
Tuggerah	Trust units	31 Dec	50.0%	50.0%
Warringah Mall	Trust units	31 Dec	25.0%	25.0%
New Zealand investments ⁽ⁱ⁾				
Albany	Shares	31 Dec	25.5%	25.5%
Manukau	Shares	31 Dec	25.5%	25.5%
Newmarket	Shares	31 Dec	25.5%	25.5%
Riccarton	Shares	31 Dec	25.5%	25.5%
St Lukes	Shares	31 Dec	25.5%	25.5%

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

⁽ⁱⁱ⁾ Notwithstanding that the financial year of these investments ends on 30 June, the consolidated financial statements have been prepared so as to include the accounts for a period coinciding with the financial year of the Parent Entity being 31 December.

Note 7 Taxation

	31 Dec 20 \$million	31 Dec 19 \$million
Tax expense		
Current – underlying operations	–	–
	–	–
The prima facie tax on profit/(loss) before tax is reconciled to the income tax expense provided in the financial statements as follows:		
Profit/(loss) before income tax	(1,787.9)	519.1
Less: Trust loss/(income) not taxable for the Trust – tax payable by members	1,787.9	(519.1)
	–	–

Accounting Policies

Taxation

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

- (i) The Trust has elected into the Attribution Managed Investment Trust Regime. Accordingly, the Trust is not liable for Australian income tax provided that the taxable income is attributed to members. The members of the Trust are taxable on the share of the taxable income of the Trust attributed to them.

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

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

Note 8 Distributions

	31 Dec 20 \$million	31 Dec 19 \$million
(a) Final distribution paid		
4.43 cents per unit (31 December 2019: 6.85 cents per unit)	229.9	358.9
	229.9	358.9

Details of the full year components of distribution will be provided in the Annual Tax Statements which will be sent to members in March 2021.

The Trust did not pay an interim distribution for the half-year ended 30 June 2020. Final distribution was paid on 26 February 2021. The record date for the final distribution was 5pm, 15 February 2021. Scentre Group does not operate a Distribution Reinvestment Plan.

	31 Dec 20 \$million	31 Dec 19 \$million
(b) Distributions paid during the year		
Distribution in respect of the 6 months to 31 December 2019	358.9	–
Distribution in respect of the 6 months to 30 June 2019	–	303.1
Distribution in respect of the 6 months to 31 December 2018	–	180.8
	358.9	483.9

Note 9 Statutory earnings/(loss) per unit

	31 Dec 20 cents	31 Dec 19 cents
(a) Summary of earnings/(loss) per unit attributable to members of Scentre Group Trust 1		
Basic and diluted earnings/(loss) per unit	(33.63)	9.64

There are no potential ordinary units which are dilutive.

In calculating basic and diluted earnings/(loss) per unit attributable to Scentre Group Trust 1, net loss attributable to members of Scentre Group Trust 1 of \$1,747.7 million (31 December 2019: profit of \$511.0 million) was divided by the weighted average number of ordinary units of 5,197,532,568 (31 December 2019: 5,301,587,161).

(b) Conversions, calls, subscription, issues or buy-back after 31 December 2020

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

Accounting Policies

Earnings per unit

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

Note 10 Currency gain

	31 Dec 20 \$million	31 Dec 19 \$million
Net fair value gain and associated credit risk on currency derivatives that do not qualify for hedge accounting	28.5	8.6
	28.5	8.6

The translation of the Trust's foreign currency borrowings to Australian dollars has been economically hedged by currency derivative receivables with the same principal values. Therefore the statement of comprehensive income is not sensitive to any movements in exchange rates in relation to these net positions. The recognition of a net gain results from the movement in the fair value calculation of the credit risk on the currency derivative positions only.

Accounting Policies

Where hedge accounting requirements have been met, gains or losses arising on the movements in the fair value of currency derivatives which hedge net investments in foreign operations are recognised in the foreign currency translation reserve. Where a currency derivative, or portion thereof, is deemed an ineffective hedge for accounting purposes, gains or losses thereon are recognised in the statement of comprehensive income. On disposal of a net investment in foreign operations, the cumulative gains or losses recognised previously in the foreign currency translation reserve are transferred to the statement of comprehensive income.

Translation of foreign currency transactions

Foreign currency transactions are converted to Australian dollars at exchange rates ruling at the date of those transactions. Amounts payable and receivable in foreign currency at balance date are translated to Australian dollars at exchange rates ruling at that date. Exchange differences arising on the settlement of or on translating amounts payable or receivable in foreign currency at rates different from those at which they were translated on initial recognition, are recognised in the statement of comprehensive income in the period in which they arise, except where hedge accounting is applied.

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

Note 11 Interest income and financing costs

	Note	31 Dec 20 \$million	31 Dec 19 \$million
(a) Interest income			
Interest income		0.5	0.5
Interest income from related entities	32(a)	1.9	8.2
		2.4	8.7
(b) Financing costs			
Gross financing costs (excluding net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting)			
– External		(233.9)	(224.7)
– Related entities	32(a)	(92.9)	(115.5)
Financing costs capitalised to qualifying development projects and construction in progress		6.1	10.8
Interest expense on other financial liabilities		(22.0)	(32.2)
Lease liabilities interest expense		(0.4)	(0.4)
		(343.1)	(362.0)
Net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting		(79.2)	25.8
Net fair value gain on other financial liabilities		76.3	7.9
Net modification gain/(loss) on refinanced borrowing facilities		(2.4)	1.0
		(348.4)	(327.3)

Accounting Policies

Interest income and financing costs

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

Financing costs include interest, amortisation of discounts or premiums relating to borrowings and other costs incurred in connection with the arrangement of borrowings. Financing costs are expensed as incurred unless they relate to a qualifying asset. A qualifying asset is an asset which generally takes more than 12 months to get ready for its intended use or sale. In these circumstances, the financing costs are capitalised to the cost of the asset. Where funds are borrowed by the Trust for the acquisition or construction of a qualifying asset, the financing costs are capitalised.

Refer to Notes 16 and 17 for other items included in financing costs.

Note 12 Gain in respect of capital transactions

	31 Dec 20 \$million	31 Dec 19 \$million
Asset sales and capital costs		
– proceeds from asset sales	–	1,337.0
– less: carrying value of assets sold and other capital costs	–	(1,241.1)
Gain in respect of capital transactions	–	95.9

Note 13 Cash and cash equivalents

	31 Dec 20 \$million	31 Dec 19 \$million
(a) Components of cash and cash equivalents		
Cash	81.4	43.3
Bank overdrafts	—	—
Total cash and cash equivalents	81.4	43.3
(b) Reconciliation of profit/(loss) after tax to net cash flows from operating activities		
Profit/(loss) after tax	(1,787.9)	519.1
Property revaluations	930.2	46.1
Share of equity accounted profit/(loss) in excess of dividends/distributions received	1,121.0	19.3
Net fair value gain and associated credit risk on currency derivatives	(28.5)	(8.6)
Net fair value loss/(gain) on interest rate hedges that do not qualify for hedge accounting	79.2	(25.8)
Net fair value gain on other financial liabilities	(76.3)	(7.9)
Net modification loss/(gain) on refinanced borrowing facilities	2.4	(1.0)
Gain in respect of capital transactions	—	(95.9)
Decrease/(increase) in working capital attributable to operating activities	(11.1)	12.4
Net cash flows from operating activities	229.0	457.7
(c) Changes in net debt arising from financing activities		
Net debt at the beginning of the year	8,161.5	9,023.8
Net proceeds from/(repayments of) interest bearing liabilities and lease liabilities	373.1	(827.4)
Net funds received from/(paid to) related entities	24.3	(27.8)
Effects of exchange rate changes and fair value movement on currency derivatives	(47.4)	(7.1)
Net debt at the end of the year ⁽ⁱ⁾	8,511.5	8,161.5

⁽ⁱ⁾ Net debt comprises total interest bearing liabilities of \$7,507.9 million (31 December 2019: \$7,702.3 million), non interest bearing loans payable of \$960.8 million (31 December 2019: \$967.5 million), lease liabilities of \$7.6 million (31 December 2019: \$7.8 million) and net payable on currency derivatives hedging borrowings in foreign currency of \$35.2 million (31 December 2019: net receivable of \$516.1 million).

Accounting Policies

Cash and cash equivalents

Cash and cash equivalents on the balance sheet comprises cash at bank and on hand and short term deposits on demand with an original maturity of 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses (if any) are recognised in the statement of comprehensive income.

For purposes of the cash flow statement, cash and cash equivalents includes cash on hand and at bank, short term deposits on demand and bank accepted bills of exchange readily converted to cash net of bank overdrafts. Bank overdrafts are carried at the principal amount.

Note 14 Payables and other creditors

	Note	31 Dec 20 \$million	31 Dec 19 \$million
Payables and other creditors		168.6	173.2
Interest payable to related entities	32(a)	48.7	54.3
Non interest bearing loans payable to related entities	32(a)	960.8	967.5
		1,178.1	1,195.0

Accounting Policies

Payables and other creditors

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Trust prior to the end of the financial year that are unpaid and arise when the Trust becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days. Loans payable to related entities are carried at amortised cost, are at call and classified as current.

Note 15 Interest bearing liabilities

	Note	31 Dec 20 \$million	31 Dec 19 \$million
Current			
Unsecured			
Loans payable to related entities	32(a)	546.8	527.1
Notes payable			
– € denominated		–	958.9
– US\$ denominated		649.1	–
– A\$ denominated		400.0	–
		1,595.9	1,486.0
Non current			
Unsecured			
Notes payable			
– € denominated		1,754.9	1,758.0
– US\$ denominated		2,401.7	2,280.5
– £ denominated		1,414.9	1,512.3
– A\$ denominated		–	400.0
– HK\$ denominated		67.0	–
Secured			
Bank loans and mortgages			
– A\$ denominated		273.5	265.5
		5,912.0	6,216.3
Total interest bearing liabilities		7,507.9	7,702.3

The Trust maintains a range of interest bearing liabilities. The sources of funding are spread over various counterparties to minimise credit risk and the terms of the instruments are negotiated to achieve a balance between capital availability and the cost of debt.

The Trust consolidates Carindale Property Trust (CDP) and the borrowings in CDP are secured by a mortgage over CDP's interest in Westfield Carindale and sundry property. The recorded fair value of Westfield Carindale and sundry property is \$735.3 million (31 December 2019: \$853.3 million) compared to borrowings of \$273.5 million (31 December 2019: \$265.5 million).

Note 15 Interest bearing liabilities (continued)

	31 Dec 20 \$million	31 Dec 19 \$million
(a) Summary of financing facilities		
Committed financing facilities available to the Trust:		
Financing facilities	11,792.0	8,955.3
Interest bearing liabilities	(7,507.9)	(7,702.3)
Bank guarantees	(0.1)	(0.1)
Available financing facilities	4,284.0	1,252.9
Cash	81.4	43.3
Financing resources available	4,365.4	1,296.2

These facilities comprise fixed rate notes and both secured and unsecured interest only floating rate facilities. Certain facilities are also subject to negative pledge arrangements which require Scentre Group to comply with specific minimum financial and non-financial requirements. Intragroup facilities within Scentre Group are on commercial arm's length terms. These facilities exclude the property linked notes liability of \$612.7 million (31 December 2019: \$689.0 million). The available financing facilities above totalling \$4,284.0 million (31 December 2019: \$1,252.9 million) are available to the Trust and other members of Scentre Group at year end. The Trust is able to draw on these financing facilities, provided they are unutilised by other members of Scentre Group. Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

	Maturity Date	Committed financing facilities 31 Dec 20 \$million	Interest bearing liabilities 31 Dec 20 \$million	Committed financing facilities 31 Dec 19 \$million	Interest bearing liabilities 31 Dec 19 \$million
(b) Financing facilities and interest bearing liabilities, comprise:					
Unsecured notes payable					
– US\$ ⁽ⁱ⁾	Apr 21 to May 30	3,050.8	3,050.8	2,280.5	2,280.5
– € ⁽ⁱ⁾	Mar 23 to Jul 24	1,754.9	1,754.9	2,716.9	2,716.9
– £ ⁽ⁱ⁾	Apr 22 to Jul 26	1,414.9	1,414.9	1,512.3	1,512.3
– HK\$ ⁽ⁱ⁾	Apr 30	67.0	67.0	–	–
– A\$	Sep 21	400.0	400.0	400.0	400.0
Total unsecured notes payable		6,687.6	6,687.6	6,909.7	6,909.7
Unsecured bank loan facilities available to the Trust	Jan 22 to Sep 25	4,257.6	–	1,218.5	–
Loans payable to related entities	At call	546.8	546.8	527.1	527.1
Secured bank loans and mortgages	Feb 23	300.0	273.5	300.0	265.5
		11,792.0	7,507.9	8,955.3	7,702.3

⁽ⁱ⁾ The US\$, €, £ and HK\$ denominated unsecured notes payables are economically hedged using cross currency swaps with the same principal values to convert into A\$ payables.

Accounting Policies

Interest bearing liabilities

Interest bearing liabilities are recognised initially at the fair value of the consideration received less any directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are recorded at amortised cost using the effective interest rate method.

Interest bearing liabilities are classified as current liabilities where the liability has been drawn under a financing facility which expires within one year. Amounts drawn under financing facilities which expire after one year are classified as non current, where the Trust has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. Loans payable to related entities are at call and classified as current.

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

The fair values of the Trust's interest bearing liabilities as disclosed in Note 24 are determined as follows:

- Fair values of quoted notes and bonds are based on price quotations at the reporting date.
- The fair values of unquoted instruments, loans from banks and other non current financial liabilities are estimated by discounting future cash flows using rates that approximate the Trust's borrowing rate at the balance date, for debt with similar maturity, credit risk and terms.

Note 16 Other financial liabilities

	31 Dec 20 \$million	31 Dec 19 \$million
Current		
Property linked notes	240.2	–
	240.2	–
Non current		
Property linked notes	372.5	689.0
	372.5	689.0
	612.7	689.0

The Property Linked Notes (Notes) are designed to provide returns based on the economic performance of certain Westfield Australian super regional and regional shopping centres. When the Notes were originally issued, these centres were: Parramatta, Hornsby and Burwood in Sydney, Southland in Melbourne, Tea Tree Plaza in Adelaide and Belconnen in the Australian Capital Territory (collectively the Westfield centres). The return under the Notes is based on a proportional interest, in respect of the relevant Westfield centre, as specified in the Note (Reference Property Interest). Redemption events under the Notes include non performance events by the Issuer, changes in tax laws and sale of the relevant Westfield centre. The Notes may also be redeemed at a review date.

The redemption value of a Note is effectively calculated as the market value of the Note holder's Reference Property Interest at the date of redemption and the final coupon (if applicable). The Notes were initially recorded at fair value and are subsequently remeasured at fair value each reporting period. The fair value of the Notes is determined by reference to the fair value of the relevant Westfield centre with the gains and losses recorded through the statement of comprehensive income. Accordingly, the gains or losses recorded through the statement of comprehensive income are directly related to the revaluation of the relevant Westfield centre. On redemption, the obligation to pay the amount due on the Notes can, in certain circumstances, be satisfied by the transfer of the underlying Reference Property Interest to the Note holder. The Notes are subordinated to all other secured and unsecured debt of Scentre Group. The Notes are guaranteed (on a subordinated basis) by SGL and RE1 Limited as responsible entity of SGT2.

\$857.8 million of the Notes have been repaid and terminated since the Notes were originally issued. The review dates for the remaining Notes linked to Parramatta, Southland and Hornsby are 31 December 2021, 2022 and 2023, respectively. The coupon on the Notes is payable quarterly on 15 March, 15 June, 15 September and 15 December each year for as long as the Notes remain outstanding.

Accounting Policies

Other financial liabilities

Other financial liabilities pertain to property linked notes. Where there is a minimum distribution entitlement and/or the redemption terms include the settlement for cash on redemption, the instrument is classified as a financial liability and is designated as fair value through the statement of comprehensive income.

The fair value of property linked notes is determined by reference to the fair value of the underlying linked property investments.

Note 17 Derivative assets and liabilities

	31 Dec 20 \$million	31 Dec 19 \$million
(a) Derivative assets		
Current		
Receivables on currency derivatives hedging borrowings in foreign currency	0.3	89.9
Receivables on interest rate derivatives	2.0	4.7
	2.3	94.6
Non current		
Receivables on currency derivatives hedging borrowings in foreign currency	218.2	447.5
Receivables on interest rate derivatives	239.4	182.8
	457.6	630.3
(b) Derivative liabilities		
Current		
Payables on interest rate derivatives	18.8	15.5
	18.8	15.5
Non current		
Payables on currency derivatives hedging borrowings in foreign currency	253.7	21.3
Payables on interest rate derivatives	365.1	242.7
	618.8	264.0

The Trust's derivatives above do not meet the accounting requirements to qualify for hedge accounting treatment. Changes in fair value have been reflected in the statement of comprehensive income. As at 31 December 2020, the aggregate fair value is a net payable of \$177.7 million (31 December 2019: receivable of \$445.4 million). The change in fair value for the year ended 31 December 2020 was a net loss of \$623.1 million (31 December 2019: \$160.5 million).

The Trust presents the fair value mark to market of its derivative assets and derivative liabilities on a gross basis. Certain derivative assets and liabilities are subject to legally enforceable master netting arrangements, however do not meet the criteria for offsetting in the balance sheet. As at 31 December 2020, if these netting arrangements were applied to the derivative portfolio, derivative assets of \$459.9 million would be reduced by \$459.9 million to the net amount of nil and derivative liabilities of \$637.6 million would be reduced by \$459.9 million to the net amount of \$177.7 million. As at 31 December 2019, derivative assets of \$724.9 million would be reduced by \$273.9 million to the net amount of \$451.0 million and derivative liabilities of \$279.5 million would be reduced by \$273.9 million to the net amount of \$5.6 million.

Accounting Policies

Derivative financial instruments

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

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

Gains or losses arising on the movements in the fair value of currency derivatives which hedge net investments in foreign operations are recognised in the foreign currency translation reserve where hedge accounting requirements have been met. Where a currency derivative, or portion thereof, is deemed an ineffective hedge for accounting purposes, gains or losses thereon are recognised in the statement of comprehensive income. On disposal of a net investment in foreign operations, the cumulative gains or losses recognised previously in the foreign currency translation reserve are transferred to the statement of comprehensive income.

The fair value of derivatives has been determined with reference to market observable inputs for contracts with similar maturity profiles. The valuation is a present value calculation which incorporates interest rate curves, foreign exchange spot and forward rates, option volatilities and the credit quality of counterparties.

Note 18 Contributed equity

	31 Dec 20 Number of units	31 Dec 19 Number of units
(a) Number of units on issue		
Balance at the beginning of the year	5,238,757,932	5,316,997,206
Buy-back and cancellation of units	(48,379,593)	(78,239,274)
Balance at the end of the year	5,190,378,339	5,238,757,932

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

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

	31 Dec 20 \$million	31 Dec 19 \$million
(b) Amount of contributed equity attributable to members of SGT1		
Balance at the beginning of the year	1,527.2	1,646.7
Buy-back and cancellation of units and associated costs	(68.2)	(119.5)
Balance at the end of the year	1,459.0	1,527.2

Accounting Policies

Contributed equity

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

Note 19 Reserves

	31 Dec 20 \$million	31 Dec 19 \$million
Foreign currency translation reserve	18.3	24.3
	18.3	24.3
Movement in foreign currency translation reserve		
Balance at the beginning of the year	24.3	22.9
Foreign exchange movement		
– realised and unrealised differences on the translation of investment in foreign operations	(6.0)	1.4
Balance at the end of the year	18.3	24.3

The foreign currency translation reserve is used to record net exchange differences arising from the translation of the net investments, including qualifying hedges, in foreign controlled and equity accounted entities.

Accounting Policies

Translation of accounts of foreign operations

The functional and presentation currency of the Trust and its Australian subsidiaries is Australian dollars. The functional currency of the New Zealand entities is New Zealand dollars. The presentation currency of the overseas entities is Australian dollars to enable the consolidated financial statements of the Trust to be reported in a common currency.

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

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

Note 20 Retained profits

	Note	31 Dec 20 \$million	31 Dec 19 \$million
Movement in retained profits attributable to members of Scentre Group Trust 1			
Balance at the beginning of the year		7,618.6	7,591.5
Profit/(loss) after tax for the period		(1,747.7)	511.0
Distributions paid	8(b)	(358.9)	(483.9)
Balance at the end of the year		5,512.0	7,618.6

Note 21 Capital and financial risk management

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

Refer to Note 22: Capital risk management, Note 23: Financial risk management, Note 24: Interest rate risk management, Note 25: Exchange rate risk management, Note 26: Credit risk management and Note 27: Liquidity risk management of Scentre Group's 2020 Annual Financial Report for details of Scentre Group's policies in identifying, assessing and managing the capital and financial risks of the stapled group.

Note 22 Financial covenants

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

Refer to Note 28: Financial covenants of Scentre Group's 2020 Annual Financial Report for details of Scentre Group's financial covenants.

Note 23 Interest bearing liabilities, interest and derivatives cash flow maturity profile

Refer to Note 15 for the details of interest bearing liabilities and financing facilities. The maturity profiles of the principal amounts of interest bearing liabilities including aggregate future estimated nominal interest and the future estimated nominal cash flows of derivative financial instruments are set out below:

	31 Dec 20 \$million	31 Dec 19 \$million
Interest bearing liabilities and interest		
Due within one year	(1,808.6)	(1,685.7)
Due between one year and five years	(4,722.2)	(4,388.4)
Due after five years	(1,958.8)	(2,391.8)
	(8,489.6)	(8,465.9)
Comprising:		
– principal amounts of current and non current interest bearing liabilities	(7,507.9)	(7,702.3)
– aggregate future estimated nominal interest	(981.7)	(763.6)
	(8,489.6)	(8,465.9)
Derivatives inflows/(outflows)		
Due within one year	(74.6)	7.8
Due between one year and five years	64.1	105.7
Due after five years	(249.2)	255.0
	(259.7)	368.5

The non interest bearing loans payable to related entities disclosed in Note 14 and the contingent liabilities set out in Note 29 are not included in the amounts shown above.

Note 24 Fair value of financial assets and liabilities

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

	Fair value hierarchy	Fair value 31 Dec 20 \$million	31 Dec 19 \$million	Carrying amount 31 Dec 20 \$million	31 Dec 19 \$million
Consolidated assets					
Cash and cash equivalents		81.4	43.3	81.4	43.3
Trade and other receivables ⁽ⁱ⁾		114.2	94.7	114.2	94.7
Derivative assets ⁽ⁱⁱ⁾	Level 2	459.9	724.9	459.9	724.9
Consolidated liabilities					
Trade and other payables ⁽ⁱ⁾		1,247.4	1,273.3	1,247.4	1,273.3
Interest bearing liabilities ⁽ⁱⁱ⁾					
– Fixed rate debt	Level 2	7,152.2	7,195.9	6,687.6	6,909.7
– Floating rate debt	Level 2	820.3	792.6	820.3	792.6
Other financial liabilities ⁽ⁱⁱ⁾	Level 3	612.7	689.0	612.7	689.0
Derivative liabilities ⁽ⁱⁱ⁾	Level 2	637.6	279.5	637.6	279.5

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

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

Determination of fair value

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

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

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

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

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

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

	Property linked notes ⁽ⁱ⁾ 31 Dec 20 \$million	Property linked notes ⁽ⁱ⁾ 31 Dec 19 \$million
Level 3 fair value movement		
Balance at the beginning of the year	689.0	696.9
Net fair value gain included in financing costs in the statement of comprehensive income	(76.3)	(7.9)
Balance at the end of the year	612.7	689.0

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

Investment properties are considered Level 3, refer to Note 4: Investment properties and Note 5: Details of shopping centre investments for relevant fair value disclosures.

Note 25 Other significant accounting policies

(a) Consolidation and classification

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

In preparing the consolidated financial statements all inter-entity transactions and balances, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

i) Synchronisation of Financial Year

By an order dated 5 November 2001, made by the Australian Securities and Investments Commission (ASIC) pursuant to subsection 340(1) of the Corporations Act, the Directors of the Responsible Entity have been relieved from compliance with subsection 323D(3) of the Corporations Act insofar as that subsection requires them to ensure the financial year of the controlled entity Carindale Property Trust (CDP), coincides with the financial year of SGT1.

Notwithstanding that the financial year of CDP ends on 30 June, the consolidated financial statements have been prepared so as to include the accounts for a period coinciding with the financial year of SGT1 being 31 December.

ii) Joint arrangements

Joint operations

The Trust has significant co-ownership interests in a number of properties through unincorporated joint ventures. These interests are held directly and jointly as tenants in common. The Trust has the rights to the individual assets and obligations arising from these interests and recognises its share of the assets, liabilities, revenues and expenses of the operation.

Joint ventures

The Trust has significant co-ownership interests in a number of properties through property partnerships or trusts. These joint ventures are accounted for using the equity method of accounting.

The Trust and its joint ventures use consistent accounting policies. Investments in joint ventures are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Trust's share of net assets of the joint ventures. The consolidated statement of comprehensive income reflects the Trust's share of the results of operations of the joint ventures.

iii) Controlled entities

Where an entity either began or ceased to be a controlled entity during the reporting period, the results are included only from the date control commenced or up to the date control ceased. Non controlling interests are shown as a separate item in the consolidated financial statements.

(b) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on purchase of goods and services is not recoverable from the tax authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amounts of GST included.

The net amount of GST payable or receivable to government authorities is included as part of receivables or payables on the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flow.

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

(c) Recoverable amount of assets

At each reporting date, the Trust assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Trust makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Note 26 Share based payments

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

As at 31 December 2020, there were 13,599,235 (31 December 2019: 10,993,066) performance rights held by participants in Scentre Group's STAR/LTAR Plans and Retention Awards equating to 13,599,235 (31 December 2019: 10,993,066) Scentre Group stapled securities. A performance right is the right, for no payment, to receive Scentre Group stapled securities on vesting. Descriptions of the STAR/LTAR Plans and Retention Awards are in the Remuneration Report in Scentre Group's 2020 Annual Financial Report.

	31 Dec 20 Number of rights	31 Dec 19 Number of rights
Vesting profile – Performance Rights – STAR, LTAR and Retention Awards		
2020	–	4,415,185
2021	3,294,439	4,873,194
2022	3,607,566	1,704,687
2023	3,348,622	–
2024	3,348,608	–
	13,599,235	10,993,066

Note 27 Lease commitments

Operating lease receivables

Substantially all of the property owned and leased by the Trust is leased to third party retailers. Lease terms vary between retailers and some leases include percentage rental payments based on sales revenue.

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

	31 Dec 20 \$million	31 Dec 19 \$million
Future minimum rental revenues under non cancellable operating property leases:		
Due within one year	781.8	804.4
Due between one and two years	655.4	672.7
Due between two and three years	528.6	555.7
Due between three and four years	412.3	440.5
Due between four and five years	307.4	321.4
Due after five years	1,118.3	1,124.6
	3,803.8	3,919.3

These amounts do not include percentage rentals which may become receivable under certain leases on the basis of retailer sales in excess of stipulated minimums and do not include recovery of outgoings.

These amounts include undiscounted future lease payments to be received under non cancellable operating leases calculated based on contracted lease terms as at the end of the year, and have not been adjusted for any further impact that the ongoing COVID-19 pandemic may have on existing lease arrangements.

Note 28 Capital expenditure commitments

The following is prepared on a proportionate basis which includes both consolidated and equity accounted capital expenditure commitments.

	31 Dec 20 \$million	31 Dec 19 \$million
Estimated capital expenditure committed at balance date but not provided for in relation to development projects:		
Due within one year	10.0	32.7
Due between one year and five years	–	6.3
	10.0	39.0

Note 29 Contingent liabilities

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

	31 Dec 20 \$million	31 Dec 19 \$million
Performance guarantees	0.1	0.1
Guaranteed borrowings of associates of the Responsible Entity	8,656.3	6,594.1
	8,656.4	6,594.2

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

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

From time to time, in the normal course of business, the Trust is involved in lawsuits. The Directors believe that the ultimate outcome of such pending litigation will not materially affect the results of operations or the financial position of the Trust.

Note 30 Parent entity

The Parent Entity financial information is presented in accordance with the amendments to the Corporations Regulations 2001 and the Corporations Amendment Regulations 2010 (No. 6). Summary data of the Parent Entity is disclosed as follows:

	31 Dec 20 \$million	31 Dec 19 \$million
(a) Assets		
Current assets	249.0	278.9
Non current assets	16,279.6	18,394.5
Total assets	16,528.6	18,673.4
(b) Liabilities		
Current liabilities	2,915.9	2,603.7
Non current liabilities	6,623.4	6,899.6
Total liabilities	9,539.3	9,503.3
(c) Equity		
Contributed equity	1,459.0	1,527.2
Reserves	6,437.3	7,847.5
Accumulated losses	(907.0)	(204.6)
Total equity	6,989.3	9,170.1
(d) Comprehensive income/(loss)		
Profit/(loss) after tax for the period	(343.5)	416.4
Other comprehensive income/(loss)	(1,410.2)	96.0
Total comprehensive income/(loss) for the period	(1,753.7)	512.4
(e) Contingent liabilities		
Performance guarantees	0.1	0.1
Guaranteed borrowings of associates of the Responsible Entity	8,656.3	6,594.1
Total contingent liabilities	8,656.4	6,594.2

Note 31 Auditor's remuneration

	31 Dec 20 \$000	31 Dec 19 \$000
Amounts received or due and receivable by the auditor of the Parent Entity and any other entity in the Trust for:		
– Auditing the statutory financial report of the Parent Entity covering the Trust	539	685
– Auditing the statutory financial reports of any controlled entities	67	65
– Fees for assurance services that are required by legislation to be provided by the auditor ⁽ⁱ⁾	92	–
– Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements ⁽ⁱⁱ⁾	357	430
– Fees for other services	–	–
	1,055	1,180
Amounts received or due and receivable by affiliates of the auditor of the Parent Entity for:		
– Auditing the statutory financial report of the Parent Entity covering the Trust	23	28
– Auditing the statutory financial reports of any controlled entities	95	84
– Fees for assurance services that are required by legislation to be provided by the auditor	–	–
– Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements ⁽ⁱⁱ⁾	17	21
– Fees for other services	–	–
	135	133
	1,190	1,313

⁽ⁱ⁾ Includes Compliance Plan and Comfort Letters issued in respect of corporate note issuances.

⁽ⁱⁱ⁾ Includes assurance services such as real estate trust audits, outgoings audits and other assurance engagements.

Note 32 Related party disclosures

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

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

Nature of relationship with related parties

Key Management Personnel of the Trust

Refer to Note 33 for details and remuneration of Key Management Personnel (KMP).

Other Related Parties

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

LFG Services Pty Limited and The Lowy Institute for International Policy (LFG), their related entities and other entities controlled by members of the Lowy family were considered to be related parties of Scentre Group. This was due to LFG being under the control or significant influence of Mr Steven Lowy, who was a non-executive Director of Scentre Group. Mr Lowy retired from the Board on 4 April 2019, and all disclosures relate to 1 January 2019 to 4 April 2019.

Transactions with related parties and their terms and conditions

Transactions with KMP of the Trust

Refer to Note 33 for details and remuneration of KMP.

Transactions with Other Related Parties

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

During the year, charges by SGL to the Trust were as follows:

- Property management fees of \$49.5 million (31 December 2019: \$57.8 million);
- Manager's service charge of \$7.6 million (31 December 2019: \$9.9 million);
- Reimbursement of expenses of \$21.1 million (31 December 2019: \$23.8 million);
- Tenancy coordination fees of \$4.3 million (31 December 2019: \$4.4 million); and
- Development and construction billings of \$97.9 million (31 December 2019: \$221.1 million).

As at 31 December 2020, amounts payable by the Trust to SGL amounted to \$14.4 million (31 December 2019: \$20.1 million).

Loans

As at 31 December 2020, loans transacted with related entities were as follows:

- i) Interest bearing loans payable outstanding to SGT2 and SGT3 of \$546.8 million (31 December 2019: \$527.1 million). The interest expense for the year in respect of these loans was \$11.3 million (31 December 2019: \$15.7 million), of which \$0.5 million (31 December 2019: \$1.6 million) was unpaid.
- ii) Non interest bearing loan payable outstanding to SGL of \$960.8 million (31 December 2019: \$967.5 million).

During the year, an interest bearing loan to SGT2 was provided and repaid. The interest income for the year in respect to this loan was \$1.9 million (31 December 2019: \$8.2 million).

Facility fees

During the year, the Trust reimbursed SGL and SGT2 for external facility related costs incurred on its behalf totalling \$14.9 million (31 December 2019: \$6.1 million).

Financial derivatives

As at 31 December 2020, financial derivatives transacted with SGL were as follows:

- i) Notional principals of interest rate swaps outstanding were A\$3,950.0 million and NZ\$405.0 million (31 December 2019: A\$5,950.0 million and NZ\$305.0 million). The net interest expense for the year in respect of these derivatives was the A\$ equivalent of \$129.0 million (31 December 2019: \$84.7 million), of which \$27.7 million (31 December 2019: \$23.1 million) was unpaid.
- ii) Notional principals of callable interest rate swaps outstanding were A\$1,000.0 million (31 December 2019: nil). The net interest income for the year in respect of these derivatives was \$0.4 million (31 December 2019: nil), of which nil (31 December 2019: nil) was unpaid.
- iii) Notional principals of cross currency swaps outstanding were US\$2,350.0 million, €1,100.0 million, £800.0 million and HK\$400.0 million receivables and aggregate A\$6,343.9 million payable (31 December 2019: US\$1,600.0 million, €1,700.0 million and £800.0 million receivables and aggregate A\$5,986.7 million payable). The net interest income for the year in respect of these derivatives was the A\$ equivalent of \$47.1 million (31 December 2019: \$15.0 million net interest expense), of which \$44.8 million net interest income (31 December 2019: \$40.5 million) was unpaid. The foreign currency receivable exposures above are matched to the foreign currency borrowings disclosed in Note 15, therefore the statement of comprehensive income is not affected by any movements in exchange rates in relation to these net positions.

During the year, the Trust received net A\$9.2 million from SGL in exchange for the Trust paying net NZ\$9.5 million to SGL. The net realised gain from the contracts was A\$0.1 million.

Note 32 Related party disclosures (continued)

Transactions with related parties and their terms and conditions (continued)

(b) LFG

During the period Mr Lowy was a KMP (from 1 January to 4 April 2019), Scentre Group had an agreement with LFG to provide office space and other services and charged LFG \$683,410 which were on commercial arm's length terms.

There were no amounts payable to or receivable from LFG as at 31 December 2019.

No credit loss has been recognised with respect to amounts payable or receivable from LFG for the year ended 31 December 2019.

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

Note 33 Details and remuneration of KMP

KMP are those individuals having the authority and responsibility for planning, directing and controlling the activities of the Trust, either directly or indirectly. The non-executive Directors, Chief Executive Officer (CEO) and other senior executives are considered KMP.

(a) Key Management Personnel

The Trust forms part of Scentre Group. Scentre Group's remuneration framework and philosophy and remuneration outcomes for the KMP are detailed in the Remuneration Report in Scentre Group's 2020 Annual Financial Report.

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

As at 31 December 2020, the Board comprised the following Directors:

Brian Schwartz	Non-executive Chairman
Peter Allen	Managing Director and CEO
Andrew Harnos	Non-executive Director
Michael Ihlein	Non-executive Director
Carolyn Kay	Non-executive Director
Steven Leigh	Non-executive Director
Guy Russo	Non-executive Director
Margaret Seale	Non-executive Director
Michael Wilkins	Non-executive Director

Aliza Knox retired from the Board on 8 April 2020. Michael Wilkins was appointed as a non-executive Director on 8 April 2020 and Guy Russo on 1 September 2020.

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

During the year, Elliott Rusanow, Chief Financial Officer, was also a KMP.

(b) Remuneration of KMP

The Directors of the Responsible Entity receive remuneration in their capacity as Directors of the Responsible Entity. These amounts are paid directly by SGL. Other KMP are paid by Scentre Limited, a wholly owned subsidiary of SGL.

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

Note 34 Details of material and significant entities

Name of entity	31 Dec 20 – Interest			31 Dec 19 – Interest		
	Beneficial ⁽ⁱ⁾ Parent Entity %	Trust %	Consolidated or Equity accounted %	Beneficial ⁽ⁱ⁾ Parent Entity %	Trust %	Consolidated or Equity accounted %
ENTITIES INCORPORATED IN AUSTRALIA						
Parent Entity						
Scentre Group Trust 1	100.0	100.0	100.0	100.0	100.0	100.0
Consolidated Controlled Entities						
Carindale Property Trust	62.58	62.58	100.0	62.58	62.58	100.0
Scentre Sub Trust G	100.0	100.0	100.0	100.0	100.0	100.0
Equity Accounted Entities						
Bondi Junction Trust	–	50.0	50.0	–	50.0	50.0
WestArt Trust	–	50.0	50.0	–	50.0	50.0
ENTITIES INCORPORATED IN NEW ZEALAND						
Consolidated Controlled Entities						
SCG1 Finance (NZ) Limited	100.0	100.0	100.0	100.0	100.0	100.0
Equity Accounted Entities						
Scentre NZ Holdings Limited	–	50.0	50.0	–	50.0	50.0

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

Directors' Declaration

For the year ended 31 December 2020

The Directors of Scentre Management Limited, the Responsible Entity of Scentre Group Trust 1 (Trust), declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) complying with accounting standards and regulations in accordance with section 296 of the Corporations Act 2001;
 - (ii) giving a true and fair view of the financial position as at 31 December 2020 and the performance of the consolidated entity for the year ended on that date in accordance with section 297 of the Corporations Act 2001;
 - (iii) the International Financial Reporting Standards issued by the International Accounting Standards Board; and
- (c) they have been provided with the declarations required by section 295A of the Corporations Act 2001.

Made on 12 March 2021 in accordance with a resolution of the Board of Directors.



Brian Schwartz AM
Chairman
12 March 2021



Michael Ihlein
Director



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Independent Auditor's Report

To the Members of Scentre Group Trust 1

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Scentre Group Trust 1 and its controlled entities (the Trust), which comprises the consolidated balance sheet as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

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

- a. Giving a true and fair view of the consolidated balance sheet of the Trust as at 31 December 2020 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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

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

Why significant

The Trust holds economic interests in shopping centre investment properties which are carried at a fair value of \$16.6 billion at 31 December 2020. These include shopping centres recorded directly in the consolidated balance sheet as investment properties and indirectly through equity accounted investments as disclosed in Note 2 of the financial report. Collectively they represent 95% of total assets.

Fair values were determined by the Trust at the end of the reporting period with reference to external independent property valuations and market conditions existing at the reporting date. Changes in fair value are recognised in the statement of comprehensive income.

We considered this to be a key audit matter as property valuations are based on certain assumptions, such as capitalisation rates, market rent, occupancy levels, re-leasing and capital expenditure, which are judgemental in nature. Minor changes in certain assumptions can lead to significant changes in the valuation.

Impact of COVID-19 on investment property values

Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case.

The disclosures in the financial report provide particularly important information about the assumptions made in the investment property valuations and market conditions at 31 December 2020.

The financial report describes the material valuation uncertainty and the impact of the COVID-19 pandemic on the determination of fair value of investment properties and how this has been considered by the directors in the preparation of the financial report at 31 December 2020. Due to the material valuation uncertainty arising from the COVID-19 pandemic, investment property values may change significantly and unexpectedly over a relatively short period of time.

We draw attention to Notes 4 and 5 of the financial report which discloses the accounting policy for these assets, the material uncertainty and impact of the COVID-19 pandemic as well as the sensitivity of these valuations to changes in key assumptions.

How our audit addressed the key audit matter

Our audit procedures included the following for both properties held directly and through equity accounted investments:

- We discussed the following matters with management:
 - Movements in the Trust's investment property portfolio;
 - Changes in the condition of each property, including an understanding of key developments and changes to development activities;
 - The impact that COVID-19 has had on the Trust's investment property portfolio including rental waivers and deferrals offered to tenants and tenant occupancy risk from changes in the estimated lease renewals.
- We assessed the effectiveness of the Trust's controls over the leasing process and associated schedule of tenancy reports which are used as source data in the property valuations by testing a sample of the relevant controls.
- On a sample basis, we performed the following procedures:
 - We assessed net income, lease expiry and vacancy assumptions adopted in the valuation to the schedule of tenancy reports, lease expiry profile and vacancy levels of the underlying asset in considering the reasonableness of the assumptions adopted in the valuation, including re-leasing and capital expenditure requirement assumptions. Where available we corroborated these assumptions to supporting lease documentation or external market data.
 - Assessed whether changes to lease arrangements as a result of COVID-19 had been factored into the valuations and that changes in tenant occupancy risk were also considered.
 - Tested the mathematical accuracy of valuations.
- We involved our real estate valuation specialists to assist with:
 - the assessment of capitalisation rates adopted across the portfolio; and
 - the review and assessment of the property valuations for a sample of properties based on size, geographical location and other property valuation specific risk factors.
- We evaluated the suitability of the valuation methodology used across the portfolio. We considered the reports of independent valuers and held discussions with them, where appropriate, to gain an understanding of the assumptions and estimates used and the valuation methodology applied. This included the impact that COVID-19 has had on key assumptions such as the capitalisation, discount or growth rates and future forecast rentals. We have also considered the 'material valuation uncertainty' disclosure included in independent valuation reports and any other restrictions imposed on the valuation process (if any) and the market conditions at balance date.
- Where relevant we assessed the reasonableness of comparable transactions utilised by the Trust in the valuation process.
- We assessed the qualifications, competence and objectivity of the external valuers used by the Trust.
- We considered whether there have been any indicators of material changes in property valuations from 31 December 2020 up to the date of our opinion or any matters emerging since 31 December 2020 which provide evidence of a material change in valuation at that date. We involved our real estate valuation specialists to assist in making this assessment.
- We assessed the appropriateness of disclosures included in Note 5 of the financial report, in particular those relating to the material valuation uncertainty of the investment property portfolio.

2. Carrying Value of Trade and Other Receivables

Why significant	How our audit addressed the key audit matter
<p>As at 31 December 2020, the Trust held \$305.4 million in trade and other receivables, and \$139.2 million allowance for expected credit losses. Trade and other receivables primarily comprise amounts due from tenants of the Trust's investment properties under lease agreements and receivables from related entities, less an allowance for expected credit losses.</p> <p>The Trust applies Australian Accounting Standard – AASB 9 <i>Financial Instruments</i> in calculating the allowance for expected credit losses, applying a forward-looking expected loss impairment model. This involves significant judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions.</p> <p>The recoverability of trade and other receivables is considered a key audit matter due to the value of uncollected rental income at 31 December 2020 and the significant judgement required in determining the allowance for expected credit losses.</p> <p>The continued uncertainty in the economic environment and the uncertain outcome of rental assistance negotiations with tenants have contributed to significant estimation uncertainty in determining the allowance for expected credit losses at 31 December 2020.</p> <p>We draw attention to Note 3 of the financial report which describes the impact of the COVID-19 pandemic on trade and other receivables and the related allowance for expected credit losses and how this has been considered by the directors in the preparation of the financial report at 31 December 2020. In the event the impact of COVID-19 varies from conditions anticipated at balance date, this may result in a change in the expected credit loss provision in future periods.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> – Assessed the effectiveness of relevant controls in relation to tenant lease arrangements. – Tested the existence of trade and other receivables for a sample of tenant balances. – We assessed management's risk assessment of tenants across the portfolio and their expectation around future collections with reference to rental assistance arrangements agreed with tenants. We assessed the impact of such arrangements against broader debtor groups and reviewed cash collections after year end in assessing future collectability of trade and other receivable balances. – Evaluated the key assumptions applied in calculating expected credit losses for a sample of tenants. – We assessed whether forward-looking information as well as tenant related risk profiles were considered in the expected credit loss model. – We assessed whether the methodology used in the determination of expected credit losses was consistent with the principles of AASB 9 and tested the accuracy of data and mathematical calculations within the model. – Assessed the adequacy of the Trust's disclosures in relation to the valuation uncertainty of trade and other receivables included in the financial report, including the assumptions, estimations and judgements made in calculating the allowance for expected credit losses.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors of Scentre Management Limited, the Responsible Entity of the Trust, are responsible for the other information. The other information comprises the information in the Trust's Annual Report for the year ended 31 December 2020 but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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



Ernst & Young

Megan Wilson
Partner

Sydney, 12 March 2021

Liability limited by a scheme approved under Professional Standards Legislation.

Directors' Report

The Directors of Scentre Management Limited (Responsible Entity), the responsible entity of Scentre Group Trust 1 (the Trust or SGT1) submit the following report for the year ended 31 December 2020 (Financial Year).

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited (SGL), the Trust, Scentre Group Trust 2 (SGT2), Scentre Group Trust 3 (SGT3) and their respective controlled entities. Scentre Group operates as a single coordinated economic entity, with a common Board of Directors and management team.

1. Operating and Financial Review

1.1 Operating overview

Scentre Group owns and operates an extraordinary platform of 42 Westfield Living Centres with 37 located in Australia and five in New Zealand. Westfield Living Centres are strategically located in close proximity to where the majority of the population lives. The Trust has a joint interest in 39 Westfield Living Centres.

Scentre Group has remained agile and focused on delivering for our customers throughout the disruption presented by the global COVID-19 pandemic. We elevated our health and hygiene standards across our centres, increasing the frequency of cleaning for high touch point areas and introduced COVID-Safe protocols to ensure our customers could continue to feel safe and assured when they visited us.

Every Westfield Living Centre has remained open every day, providing our retail and brand partners the opportunity to connect with the customer. During 2020, we had more than 450 million customer visits, including an average of 46 million per month during the fourth quarter. Customers spent approximately one and a half hours of their time on each visit.

Demand for space across Westfield Living Centres remains strong with the portfolio 98.5% leased at 31 December 2020 compared to 99.3% at 31 December 2019. During the year Scentre Group completed 2,625 leasing deals with total spreads reducing by 13.1%. In the previous corresponding period Scentre Group completed 2,566 leasing deals with a reduction in spreads of 6.4%. The average specialty lease incentives reduced from 7.2% to 5.2% in December 2020.

Scentre Group continues to make progress on COVID-related deal negotiations and have reached commercial arrangements with 3,398 of our 3,600 retail partners, including 2,456 SME retailers in relation to the Code of Conduct.

1.2 Investors

Financial performance and position

For the Financial Year, the Trust's financial result was a loss of \$1,787.9 million, including an unrealised non-cash reduction in property valuations of \$2,085.0 million. This compares to a net profit of \$519.1 million including an unrealised non-cash reduction in property valuations of \$96.4 million in the comparative period.

An expected credit charge of \$149.0 million related to the financial impact of the COVID-19 pandemic during the Financial Year is included in the financial result.

The aggregate distribution attributable to members of SGT1 for the Financial Year is \$229.9 million (being 4.43 cents per unit). Basic earnings per unit for the Financial Year was a loss of 33.63 cents.

Net assets have decreased from \$9,379.4 million at 31 December 2019 to \$7,155.3 million at 31 December 2020. The result includes a decrease in property revaluation of \$2,085.0 million and a buy-back of securities of \$68.2 million during the Financial Year.

Capital management

Very early into the pandemic, Scentre Group focused on obtaining additional funding to ensure it would be in a strong financial position to see us through and beyond the volatile period. Scentre Group paused its security buy-back program and announced it would not be paying an interim distribution at the half year.

During the Financial Year, Scentre Group executed \$10.1 billion of new and extended funding, including \$3.6 billion of bank facilities, \$2.4 billion of long-term bonds and \$4.1 billion of subordinated notes, further diversifying Scentre Group's sources of capital, strengthening credit metrics and protecting securityholder value.

As at 31 December 2020, the Trust had available financing facilities of \$4.3 billion (31 December 2019: \$1.3 billion), after deducting facilities utilised by its borrowings.

Scentre Group's interest cover for the Financial Year was 3.1 times and balance sheet gearing at 31 December 2020 was 27.7%.

Scentre Group maintains "A" grade credit ratings by S&P, Fitch and Moody's.

Development activity

During the Financial Year, Scentre Group completed projects that were already underway, including:

- the \$50 million redevelopment of Westfield Carindale which included the opening of its new Kmart store;
- the \$30 million rooftop dining precinct at Westfield Doncaster. The new modern-village style indoor/outdoor precinct features 14 restaurants and is fast becoming a convenient social destination in Melbourne's East;
- the development of the Harvey Norman tenancy at Westfield Hornsby; and
- the development of the new format, two-level Myer store at Westfield Belconnen.

The Trust has a joint interest in Westfield Carindale (31.29%), Westfield Doncaster (25%), Westfield Hornsby (50%) and Westfield Belconnen (50%).

Strategic developments will continue to be a driver of growth for Scentre Group. Pre-development work on future developments remains underway.

A detailed operating and financial review for Scentre Group is contained in the Directors' Report in Scentre Group's 2020 Annual Financial Report which is available at www.scentregroup.com.

1.3 Outlook

Whilst uncertainty remains in 2021, subject to no material change in conditions, Scentre Group expects to distribute, at least, 14.00 cents per security for 2021. The distribution is expected to continue to grow in future years.

Scentre Group plans to retain earnings to cover operating and leasing capital expenditure, fund strategic initiatives and reduce net debt.

1.4 Matters subsequent to the end of the Financial Year

No event has occurred since the end of the year which would significantly affect the operations of the Trust.

1.5 Principal Activity

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

1.6 Future Developments

At the date of this report there is no proposed change to the principal activities of the Trust. The strategy, key drivers and outlook of Scentre Group are described in the Directors' Report in Scentre Group's 2020 Annual Financial Report.

1.7 Risks

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

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

A number of important strategic risks and how such risks are managed and monitored are outlined in Scentre Group's 2020 Annual Financial Report which can be found at www.scentregroup.com.

1.8 Sustainability

Environmental laws and regulations in force in the various jurisdictions in which Scentre Group operates are applicable to areas of Scentre Group's operations and in particular to its development, construction and shopping centre management activities. Scentre Group has in place procedures to identify and comply with such requirements including complying with the conditions of relevant authority consents and approvals and obtaining any necessary licences. These compliance procedures are regularly reviewed and audited and their application closely monitored.

Scentre Group's 2020 Responsible Business Report and Performance Data Pack will be published on 31 March 2021.

Previous Sustainability Reports, recent case studies and stories from across Scentre Group's business relating to responsible business initiatives are available on Scentre Group's website: scentregroup.com/about-us/sustainability.

2. Distributions

For the 6 months ended 31 December 2019, the Trust distribution of 6.85 cents per ordinary unit formed part of the distribution of 11.30 cents per Scentre Group stapled security, paid on 28 February 2020. This distribution was an aggregate of a distribution from the Trust and a distribution from SGT2. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

No interim distribution was paid for the half-year ended 30 June 2020.

For the 6 months ended 31 December 2020, the Trust distribution of 4.43 cents per ordinary unit formed part of the distribution of 7.00 cents per Scentre Group stapled security, paid on 26 February 2021. This distribution was an aggregate of a distribution from the Trust and a distribution from SGT2. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

3. The Directors

The Board comprises eight independent non-executive Directors and one executive Director (being the Managing Director/ Chief Executive Officer (CEO)). The period of office⁽¹⁾ held by each Director and their significant directorships held in other companies are set out below.

Name	Position held	Appointed or last elected / re-elected at an AGM
Brian Schwartz	Non-executive Chairman	4 April 2019
Peter Allen	Managing Director and CEO	25 May 2011 (not required to stand for re-election)
Andrew Harnos	Non-executive Director	8 April 2020
Michael Ihlein	Non-executive Director	4 April 2019
Carolyn Kay	Non-executive Director	5 April 2018
Steven Leigh	Non-executive Director	4 April 2019
Guy Russo	Non-executive Director	1 September 2020
Margaret Seale	Non-executive Director	5 April 2018
Michael Wilkins	Non-executive Director	8 April 2020

⁽¹⁾ Scentre Group was established on 30 June 2014. Prior to that date, Scentre Group Limited and Scentre Management Limited formed part of the prior Westfield Group and the appointment dates of Mr Schwartz (6 May 2009) and Mr Allen (25 May 2011) pre-date the establishment of Scentre Group. Mr Schwartz was appointed to the Boards of RE1 Limited and RE2 Limited on 30 June 2014. Mr Allen was appointed to the Boards of RE1 Limited and RE2 Limited on 12 August 2010. Mr Harnos and Mr Ihlein were both appointed to Scentre Group Limited and Scentre Management Limited on 30 June 2014 (the appointment date to RE1 Limited and RE2 Limited, which formed part of the prior Westfield Retail Trust, was 21 December 2010). Ms Kay and Ms Seale were appointed on 24 February 2016. Mr Leigh was appointed to each board on 4 April 2019. Mr Wilkins was appointed to each board on 8 April 2020 and Mr Russo was appointed to each board on 1 September 2020. Ms Knox who had been appointed on 7 May 2015, retired from each board on 8 April 2020.

Biographies of the current Board and their independence status, qualifications, skills and experience and details of their attendance at Board and Committee meetings during the year can be found in Scentre Group's 2020 Annual Financial Report and on Scentre Group's website.

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

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

Director	Number of Stapled Securities
Brian Schwartz	165,861
Peter Allen	6,077,607
Andrew Harnos	147,897
Michael Ihlein	48,048
Carolyn Kay	57,000
Steven Leigh	96,316
Guy Russo	145,000
Margaret Seale	56,750
Michael Wilkins	100,000

No Director holds options over any issued or unissued Scentre Group securities. No options over any issued or unissued stapled securities have been issued to the Directors. None of the Directors hold debentures of Scentre Group.

None of the non-executive Directors are party to or entitled to a benefit under a contract which confers a right to call for, or be delivered, interests or securities in Scentre Group.

Aliza Knox retired from the Board of the Responsible Entity on 8 April 2020. She held 60,400 securities at that date.

Details of the performance rights held by the executive KMP are set out in the Remuneration Report in Scentre Group's 2020 Annual Financial Report.

4. Directors' directorships of other listed companies

Details of all directorships of other listed entities held by each Director at any time in the 3 years immediately before 31 December 2020 are set out below.

Scentre Group comprises SGL, SGT1, SGT2 and SGT3. The responsible entity of SGT1 is Scentre Management Limited. The responsible entity of SGT2 is RE1 Limited and the responsible entity of SGT3 is RE2 Limited. Scentre Management Limited is also the responsible entity of Carindale Property Trust, a listed managed investment scheme (ASX:CDP). Each Directors' appointment to these companies is continuing. The date of appointment is set out at section 3.

Director	Company	Date appointed	Date resigned
Brian Schwartz	Westfield America Management Limited [^]	6 May 2009	7 June 2018
	Westfield Corporation Limited [^]	8 April 2014	7 June 2018
Peter Allen			
Andrew Harmos	AMP Limited	1 June 2017	8 May 2020
Michael Ihlein	CSR Limited	7 July 2011	Continuing
	Inghams Group Limited	16 April 2020	Continuing
	Ampol Limited	1 June 2020	Continuing
Carolyn Kay	Brambles Limited	21 August 2006	23 October 2018
Steven Leigh	National Storage Holdings Limited	21 November 2014	Continuing
Guy Russo	SomnoMed Limited	24 August 2020	Continuing
Margaret Seale	Telstra Corporation Limited	7 May 2012	Continuing
	Westpac Banking Corporation	1 March 2019	Continuing
	Bank of Queensland Limited	21 January 2014	28 June 2018
	Ramsay Health Care Limited	28 April 2015	31 October 2018
Michael Wilkins	QBE Insurance Group Limited	1 November 2016	Continuing
	Medibank Private Limited	25 May 2017	Continuing
	AMP Limited	12 September 2016	14 February 2020

Notes:

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

[#] Former Director Aliza Knox retired on 8 April 2020.

5. Options and unissued interests

No options were issued by the Trust during or since the end of the Financial Year and no Director or officer holds options over issued or unissued Scentre Group stapled securities or units in the Trust.

Details of the performance rights held by the executive Key Management Personnel are set out in the Remuneration Report in Scentre Group's 2020 Annual Financial Report.

6. Indemnities and insurance premiums

Subject to the following, no indemnity was given or insurance premium paid during or since the end of the Financial Year out of the assets of the Trust in regards to a person who is or has been an officer or auditor of the Responsible Entity. So long as the Responsible Entity acts in accordance with the Constitution and the Corporations Act 2001, it remains indemnified out of the assets of the Trust against any losses incurred while acting as the Responsible Entity.

The Responsible Entity's Constitution provides that a person who is or has been a Director or Secretary of the Responsible Entity may be indemnified by the Responsible Entity against liabilities incurred by the person in that capacity and for all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings in which the person becomes involved because of that capacity. The indemnity does not apply to the extent that the Responsible Entity is forbidden by statute to indemnify the person or the indemnity would, if given, be made void by statute.

A related corporation of the Responsible Entity has paid premiums for directors' and officers' liability insurance in respect of Directors, Secretaries and Executive Officers of the Responsible Entity as permitted by the Corporations Act 2001. The terms of the insurance policy prohibit disclosure of details of the nature of the liabilities covered by, and the amounts of the premiums payable under, that insurance policy.

In addition, each Director has entered into a Deed of Indemnity and Access which provides for indemnity against liability as a Director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The Deed also entitles the Director to access the Responsible Entity's documents and records, subject to undertakings as to confidentiality.

To the extent permitted by law, the Responsible Entity has agreed to indemnify its auditor, Ernst & Young, as part of its standard terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment with respect to such indemnity has been made to Ernst & Young during or since the Financial Year.

7. Special rules for registered schemes

- \$61.4 million in fees were paid or payable to the Responsible Entity and its associates out of the assets of the Trust during the Financial Year.
- \$97.9 million of development and construction billings were paid or payable to associates of the Responsible Entity out of the assets of the Trust during the Financial Year.
- No units in the Trust were held by the Responsible Entity at the end of the Financial Year. Associates of the Responsible Entity held 13,578,323 units as at the end of the Financial Year.
- Details of units issued in the Trust during the Financial Year are set out in Note 18 to the Financial Report.
- No withdrawals were made from the scheme during the Financial Year.
- Details of the value of the Trust's assets as at the end of the Financial Year and the basis for the valuation are set out in Notes 4, 5 and 6 to the Financial Report.
- Details of the number of units in the Trust as at the end of the Financial Year are set out in Note 18 to the Financial Report.

8. Audit

8.1 Audit and Risk Committee

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

Details of the activities of the Committee are outlined in Scentre Group's Corporate Governance Statement.

8.2 Non-Audit Services and Audit Independence

Details of the amount paid to the auditor, which includes amounts paid for non-audit services, are set out in Note 31 to the Financial Report. The Board is satisfied that the provision of non-audit services by the auditor during the Financial Year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Furthermore, the provision of non-audit services by the auditor during the Financial Year did not compromise the independence requirements under the Corporations Act 2001 because:

- Scentre Group's Charter of Non-Audit Services sets out the categories of non-audit services that the auditor may or may not undertake. Those categories of permitted services remain subject to the overriding principle that a non-audit service may not be provided in circumstances where it would be detrimental to the actual or perceived independence of the statutory auditor.
- The Charter of Non-Audit Services provides a mechanism by which approval for non-audit services proposed to be performed by the auditor is required to be given prior to the provision of such non-audit services, providing an appropriate review point for independence issues prior to engagement.
- Under the Charter of Non-Audit Services, the auditor is required to report as to its compliance with the terms of the Charter and, in all instances, confirm the position that the independence of EY as statutory auditor has been maintained.
- The auditor has provided an Auditor's Independence Declaration to the Board declaring that there has been no contravention of the auditor independence requirements of the Corporations Act 2001 or of any applicable code of professional conduct.

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



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

As lead auditor for the audit of the financial report of Scentre Group Trust 1 for the financial year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Megan Wilson
Partner

Sydney, 12 March 2021

Liability limited by a scheme approved under Professional Standards Legislation.

9. ASIC disclosures

9.1 Rounding

The Trust is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly, amounts in the Directors' Report, the Financial Statements and the Notes to the Financial Statements have been rounded to the nearest tenth of a million dollars unless otherwise indicated. Amounts shown as 0.0 represent amounts less than \$50,000 that have been rounded down.

9.2 Synchronisation of financial year

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

10. ASX listing

ASX reserves the right (but without limiting its absolute discretion) to remove SGL, SGT1, SGT2 and SGT3 from the official list of the ASX if any of the shares or units comprising those stapled securities cease to be stapled together, or any equity securities are issued by a Scentre Group entity which are not stapled to the equivalent securities in the other entities.

11. Corporate Governance Statement

Scentre Group is committed to ensuring that its policies and practices reflect a high standard of corporate governance. Ethical business practices and high standards of personal conduct are fundamental to the way we work as a responsible, sustainable business.

Scentre Group's 2020 Corporate Governance Statement is available in the corporate governance section on Scentre Group's website: scentregroup.com/about-us/corporategovernance. During 2020, Scentre Group's corporate governance framework was consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition published in February 2019).

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

Brian Schwartz AM
Chairman

12 March 2021

Michael Ihlein
Director

Members' Information

As at 2 February 2021

Twenty Largest Holders of Stapled Securities in Scentre Group*		Number of Securities
1	HSBC Custody Nominees (Australia) Limited	1,792,113,146
2	J P Morgan Nominees Australia Pty Limited	1,131,187,289
3	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	623,459,374
4	Citicorp Nominees Pty Limited	605,404,672
5	National Nominees Limited	233,787,568
6	BNP Paribas Noms Pty Ltd <DRP>	95,871,876
7	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	61,334,501
8	HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	28,876,183
9	HSBC Custody Nominees (Australia) Limited-GSCO ECA	10,011,460
10	Merrill Lynch (Australia) Nominees Pty Limited	9,070,911
11	AMP Life Limited	8,441,014
12	Argo Investments Limited	7,526,662
13	The Trust Company (Australia) Limited <A/C 4>	7,156,000
14	CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	6,260,136
15	BNP Paribas Noms (NZ) Ltd <DRP>	6,085,272
16	HSBC Custody Nominees (Australia) Limited	5,987,017
17	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	5,908,972
18	Milton Corporation Limited	5,589,474
19	Amondi Pty Ltd <W E O P T A/C>	5,388,133
20	Netwealth Investments Limited <Wrap Services A/C>	5,312,978
		4,654,772,638

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

Voting rights

Scentre Group Limited – At a meeting of members, on a show of hands, every person present who is a member or representative of a member has one vote, and on a poll every member present in person or by proxy or attorney and every person who is a representative of a member has one vote for each share they hold or represent.

Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 – At a meeting of members, on a show of hands, every person present who is a member or representative of a member has one vote, and on a poll every member present in person or by proxy or attorney and every person who is a representative of a member has one vote for each dollar value of the total interest they have in the respective trusts.

Distribution schedule

(as at 2 February 2021)

Category	Number of stapled securities*	Number of securityholders	% of securities in each category
1 – 1,000	14,908,948	33,751	0.29
1,001 – 5,000	95,498,970	38,069	1.84
5,001 – 10,000	76,452,873	10,580	1.47
10,001 – 100,000	189,860,669	8,354	3.66
100,001 and over	4,813,656,879	412	92.74
Total	5,190,378,339	91,166	100.00

8,066 securityholders hold less than a marketable parcel (being 182 securities at the closing price of \$2.76) of quoted securities in Scentre Group.

* There are 13,599,235 performance rights on issue under Scentre Group's performance rights plan to 93 participants. These rights may be satisfied by either the transfer of Scentre Group securities to employees or settled by way of cash payout which amount is calculated by reference to the market price of Scentre Group securities at the time of vesting. Under the stapling arrangement, in the case of the issue of securities, each of Scentre Group Limited, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 is required to issue securities on the vesting of a performance right.

** During FY20, Scentre Group securities held by Scentre Executive Option Plan Trust were transferred to executives to satisfy entitlements on the vesting of rights under Scentre Group's equity-linked plans.

Buy-back

On 25 August 2020, Scentre Group released its final share buy-back notice announcing it had bought back and cancelled 126,618,867 securities (2.38%) from \$800 million security buy-back program announced on 27 June 2019.

Substantial securityholders

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

The Vanguard Group	585,400,810
UniSuper Limited as trustee for UniSuper and UniSuper Management Pty Limited	507,458,956
BlackRock Group	496,793,754
State Street	344,111,816



Scentre Group Trust 2

31 December 2020

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Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	31 Dec 20 \$million	31 Dec 19 \$million
Revenue			
Property revenue		570.4	596.6
		570.4	596.6
Expenses			
Property expenses, outgoings and other costs		(152.1)	(152.0)
Overheads		(6.9)	(7.5)
		(159.0)	(159.5)
Share of after tax profits/(loss) of equity accounted entities			
Property revenue		524.1	547.3
Property expenses, outgoings and other costs		(138.1)	(145.4)
Net interest expense		(10.6)	(6.9)
Expected credit charge relating to COVID-19		(79.7)	–
Property revaluations		(1,138.1)	(46.8)
Tax expense		(3.7)	(6.4)
	6(a)	(846.1)	341.8
Interest income	11(a)	10.6	6.8
Currency gain	10	34.2	6.6
Financing costs	11(b)	(564.5)	(298.8)
Gain in respect of capital transactions	12	–	76.7
Expected credit charge relating to COVID-19	3(b)	(73.3)	–
Property revaluations		(1,044.3)	(72.1)
Profit/(loss) before tax		(2,072.0)	498.1
Tax expense	7	(0.1)	–
Profit/(loss) after tax for the period		(2,072.1)	498.1
Other comprehensive income/(loss)			
<i>Movement in foreign currency translation reserve⁽ⁱ⁾</i>			
– Realised and unrealised differences on the translation of investment in foreign operations		(6.0)	1.4
Total comprehensive income/(loss) for the period		(2,078.1)	499.5
⁽ⁱ⁾ This may be subsequently transferred to the profit and loss. In relation to the foreign currency translation reserve, the portion relating to the foreign operations may be transferred to the profit and loss depending on how the foreign operations are sold.			
	Note	cents	cents
Basic and diluted earnings/(loss) per unit	9(a)	(39.87)	9.40



Balance Sheet

As at 31 December 2020

	Note	31 Dec 20 \$million	31 Dec 19 \$million
Current assets			
Cash and cash equivalents	13(a)	127.8	42.3
Short term deposits at bank	13(a)	2,212.8	–
Trade debtors	3	41.8	6.9
Receivables	3	1,342.8	88.1
Derivative assets	16(a)	7.5	–
Other current assets		14.1	16.9
Total current assets		3,746.8	154.2
Non current assets			
Trade debtors	3	1.8	–
Investment properties	4	9,113.6	10,099.5
Equity accounted investments	6(b)	7,606.5	8,678.3
Derivative assets	16(a)	264.3	276.9
Other non current assets		51.6	31.9
Total non current assets		17,037.8	19,086.6
Total assets		20,784.6	19,240.8
Current liabilities			
Trade creditors		71.2	77.9
Payables and other creditors	14	262.8	169.2
Interest bearing liabilities			
– Senior borrowings	15	405.9	732.9
Lease liabilities		0.1	0.1
Derivative liabilities	16(b)	21.5	0.3
Total current liabilities		761.5	980.4
Non current liabilities			
Interest bearing liabilities			
– Senior borrowings	15	4,355.8	4,595.0
– Subordinated notes	15	3,894.6	–
Lease liabilities		7.6	7.7
Derivative liabilities	16(b)	811.4	293.0
Total non current liabilities		9,069.4	4,895.7
Total liabilities		9,830.9	5,876.1
Net assets		10,953.7	13,364.7
Equity			
Contributed equity	17(b)	7,868.4	7,968.2
Reserves	18	15.9	21.9
Retained profits	19	3,069.4	5,374.6
Total equity		10,953.7	13,364.7

Statement of Changes in Equity

For the year ended 31 December 2020

	Contributed Equity \$million	Reserves \$million	Retained Profits \$million	31 Dec 20 Total \$million	Contributed Equity \$million	Reserves \$million	Retained Profits \$million	31 Dec 19 Total \$million
Changes in equity								
Balance at the beginning of the period	7,968.2	21.9	5,374.6	13,364.7	8,142.3	20.5	5,418.9	13,581.7
– Profit/(loss) after tax for the period ⁽ⁱ⁾	–	–	(2,072.1)	(2,072.1)	–	–	498.1	498.1
– Other comprehensive income/(loss) ⁽ⁱⁱ⁾	–	(6.0)	–	(6.0)	–	1.4	–	1.4
Transactions with owners in their capacity as owners								
– Buy-back and cancellation of units and associated costs	(99.8)	–	–	(99.8)	(174.1)	–	–	(174.1)
– Distributions paid or provided for	–	–	(233.1)	(233.1)	–	–	(542.4)	(542.4)
Total equity	7,868.4	15.9	3,069.4	10,953.7	7,968.2	21.9	5,374.6	13,364.7

⁽ⁱ⁾ Total comprehensive loss for the period amounts to \$2,078.1 million (31 December 2019: income of \$499.5 million).

⁽ⁱⁱ⁾ Movement in reserves comprises realised and unrealised differences on the translation of investment in foreign operations of \$6.0 million (31 December 2019: income of \$1.4 million).

Cash Flow Statement

For the year ended 31 December 2020

	Note	31 Dec 20 \$million	31 Dec 19 \$million
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		549.4	672.9
Payments in the course of operations (including GST)		(162.0)	(176.4)
Dividends/distributions received from equity accounted entities		257.3	350.7
Withholding taxes paid		(0.1)	–
GST paid ⁽ⁱ⁾		(39.4)	(47.5)
Payments of financing costs (excluding interest capitalised)		(254.6)	(187.5)
Interest received		10.6	6.8
Net cash inflow from operating activities ⁽ⁱ⁾		361.2	619.0
Less: GST paid on outstanding trade debtors		(8.7)	(0.2)
Net cash inflow from operating activities	13(b)	352.5	618.8
Cash flows from investing activities			
Capital expenditure		(104.5)	(86.9)
Proceeds from the sale of assets		–	761.5
Payments relating to the sale of assets		(4.4)	(21.5)
Acquisition of investment properties		–	(570.0)
Net outflows for investments in equity accounted entities		(35.8)	(56.5)
Financing costs capitalised to qualifying development projects and construction in progress		(10.5)	(4.2)
Net cash inflow/(outflow) from investing activities		(155.2)	22.4
Cash flows from financing activities			
Buy-back of units and associated costs		(99.8)	(174.1)
Proceeds from the issuance of subordinated notes	13(c)	4,109.6	–
Cancellation of derivatives following the issuance of subordinated notes		(189.5)	–
Short term deposits at bank	13(c)	(2,208.0)	–
Net repayment of senior borrowings and lease liabilities	13(c)	(295.7)	(0.9)
Net funds received from/(paid to) related entities	13(c)	(1,195.3)	105.5
Distributions paid		(233.1)	(542.4)
Net cash outflow from financing activities		(111.8)	(611.9)
Net increase in cash and cash equivalents held		85.5	29.3
Add opening cash and cash equivalents brought forward		42.3	13.0
Cash and cash equivalents at the end of the period ⁽ⁱⁱ⁾	13(a)	127.8	42.3

⁽ⁱ⁾ Excludes GST paid on outstanding trade debtors.

⁽ⁱⁱ⁾ Cash and cash equivalents comprises cash of \$127.8 million (31 December 2019: \$42.3 million) net of bank overdraft of nil (31 December 2019: nil).

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Notes to the Financial Statements

For the year ended 31 December 2020

Note 1 Basis of preparation of the Financial Report

(a) Corporate information

This financial report of Scentre Group Trust 2 (SGT2) and its controlled entities (collectively the Trust) for the year ended 31 December 2020 was approved in accordance with a resolution of the Board of Directors of RE1 Limited as Responsible Entity of SGT2.

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

(b) Accounting for the Trust

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited (SGL), Scentre Group Trust 1 (SGT1), SGT2, Scentre Group Trust 3 (SGT3) and their respective controlled entities. Scentre Group was established on 30 June 2014. The securities of each of SGL, SGT1, SGT2 and SGT3 are stapled and trade as one security on the Australian Securities Exchange (ASX) under the code SCG. The stapled securities of SGL, SGT1, SGT2 and SGT3 cannot be traded separately.

(c) Impact of the COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the outbreak of the COVID-19 virus a pandemic. Both Australia and New Zealand experienced an outbreak of the virus, and the governments of both countries implemented a number of measures, including significant restrictions on people movement and activity. This impacted the Trust's operations and financial results for the year ended 31 December 2020.

Additional disclosures relating to the impact of the COVID-19 pandemic have been included in the relevant notes to the financial statements, including Note 2: Segment reporting, Note 3: Trade and other receivables, Note 5: Details of shopping centre investments and in section 1 Operating and Financial Review of the Directors' Report.

(d) Going concern

This financial report has been prepared on a going concern basis. The Directors' assessment of Scentre Group's ability to continue as a going concern also applies to the Trust, as the Trust forms part of the stapled group and is a member of Scentre Group's cross-guarantee arrangements. In making the going concern assessment for the Trust, the Directors have considered:

- Scentre Group's ability to meet its financial obligations over the next twelve months, using cash flow sensitivity analysis and having regard to debt maturities, funding requirements, operating cash earnings and available financing facilities; and
- Scentre Group's ability to meet its financial covenants over the next twelve months, assuming various scenarios for the potential impact of the COVID-19 pandemic.

(e) Basis of Accounting

This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 (Corporations Act), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. This financial report has also been prepared on a historical cost basis, except for investment properties, investment properties within equity accounted investments, derivative financial instruments and financial assets at fair value through profit and loss.

This financial report is presented in Australian dollars.

(f) Statement of Compliance

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board. The accounting policies adopted are consistent with those of the previous financial year except that the Trust has adopted the following new or amended standards which became applicable on 1 January 2020:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase 1
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

For the financial period, the adoption of these amended standards and interpretations had no impact on the financial statements of the Trust.

Note 1 Basis of preparation of the Financial Report (continued)

(f) Statement of Compliance (continued)

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Trust for the year ended 31 December 2020. The impact of these new standards or amendments to the standards (to the extent relevant to the Trust) and interpretations is as follows:

- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase 2 (effective from 1 January 2021)

This amends AASB 9 Financial Instruments, AASB 139 Financial Instruments: Recognition and Measurement, AASB 7 Financial Instruments: Disclosures, AASB 4 Insurance Contracts and AASB 16 Leases to address issues that arise during the reform of an interest rate benchmark (IBOR), including the replacement of one benchmark with an alternative one. This amendment is not expected to have a significant impact on the financial statements on application.

- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective from 1 January 2022)

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

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments (effective from 1 January 2022)

This amends (to the extent relevant to the Trust):

- i) AASB 9 Financial Instruments to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
- ii) AASB 3 Business Combinations to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; and
- iii) AASB 137 Provisions, Contingent Liabilities and Contingent Assets to specify the costs that an entity includes when assessing whether a contract will be loss-making.

These amendments are not expected to have a significant impact on the financial statements on application.

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Noncurrent (effective from 1 January 2023)

This amends AASB 101 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non current. This amendment is not expected to have a significant impact on the financial statements on application.

(g) Significant accounting judgements, estimates and assumptions

The preparation of this financial report requires management to make judgements, estimates and assumptions.

Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Further details of judgements, estimates and assumptions applied may be found in the relevant notes to the financial statements, in particular, Note 2: Segment reporting, Note 3: Trade and other receivables, Note 4: Investment properties, Note 5: Details of shopping centre investments and Note 23: Fair value of financial assets and liabilities.

At 31 December 2020, uncertainties remain over the potential economic impact of the ongoing COVID-19 pandemic. Accordingly, actual results may differ from these estimates under different assumptions and conditions and may materially affect the Trust's financial results or its financial position in future periods.

(h) Comparative information

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

(i) Rounding

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

Note 2 Segment reporting

Geographic segments

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

The Trust's segment income and expenses as well as the details of segment assets have been prepared on a proportionate format on a geographic basis. The proportionate format presents the net income from and net assets in equity accounted properties on a gross format whereby the underlying components of net income and net assets are disclosed separately as revenues and expenses, assets and liabilities.

The proportionate format is used by management in assessing and understanding the performance and results of operations of the Trust as it allows management to observe and analyse revenue and expense results and trends on a portfolio-wide basis. The assets underlying both the consolidated and the equity accounted components of the statutory statement of comprehensive income are similar (that is, Australian and New Zealand shopping centres), all centres are under common management and therefore the drivers of their results are similar. Accordingly, management considers that the proportionate format provides a more useful way to understand the performance of the portfolio as a whole than the statutory format.

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

(a) Geographic segment information

	Australia \$million	New Zealand \$million	31 Dec 20 \$million	Australia \$million	New Zealand \$million	31 Dec 19 \$million
Revenue						
Shopping centre base rent and other property income ⁽ⁱ⁾	1,063.0	59.0	1,122.0	1,123.3	52.4	1,175.7
Amortisation of tenant allowances	(32.2)	(1.5)	(33.7)	(37.0)	(0.8)	(37.8)
Straightlining of rent	5.3	0.9	6.2	5.6	0.4	6.0
	1,036.1	58.4	1,094.5	1,091.9	52.0	1,143.9
Expenses						
Property expenses, outgoing and other costs	(274.0)	(16.2)	(290.2)	(283.0)	(14.4)	(297.4)
Expected credit charge relating to COVID-19	(146.2)	(6.8)	(153.0)	–	–	–
	(420.2)	(23.0)	(443.2)	(283.0)	(14.4)	(297.4)
Segment income and expenses	615.9	35.4	651.3	808.9	37.6	846.5
Shopping centre investments	16,340.7	731.2	17,071.9	18,278.7	834.4	19,113.1
Development projects and construction in progress	255.8	27.1	282.9	301.4	28.3	329.7
Segment assets⁽ⁱⁱ⁾	16,596.5	758.3	17,354.8	18,580.1	862.7	19,442.8
Additions to segment non current assets during the year	101.3	11.4	112.7	679.6	138.0	817.6

⁽ⁱ⁾ Includes recoveries of outgoing from lessees of \$137.0 million (31 December 2019: \$144.2 million).

⁽ⁱⁱ⁾ Includes equity accounted segment assets of \$8,241.2 million (31 December 2019: \$9,343.3 million).

Note 2 Segment reporting (continued)

(b) Reconciliation of segment information

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

	Consolidated \$million	Equity accounted \$million	31 Dec 20 \$million	Consolidated \$million	Equity accounted \$million	31 Dec 19 \$million
Property revenue	570.4	524.1	1,094.5	596.6	547.3	1,143.9
Property expenses, outgoings and other costs	(152.1)	(138.1)	(290.2)	(152.0)	(145.4)	(297.4)
Expected credit charge relating to COVID-19	(73.3)	(79.7)	(153.0)	–	–	–
Segment income and expenses	345.0	306.3	651.3	444.6	401.9	846.5
Overheads			(6.9)			(7.5)
Interest income			10.8			7.1
Currency gain			34.2			6.6
Financing costs						
– Net fair value movement and modification gain/(loss)			(295.7)			(108.3)
– Lease liabilities			(1.1)			(1.1)
– Senior borrowings			(234.2)			(206.9)
– Subordinated notes coupon			(55.5)			–
– Interest capitalised			11.2			10.3
			(575.3)			(306.0)
Gain in respect of capital transactions			–			76.7
Property revaluations			(2,182.4)			(118.9)
Tax expense			(3.8)			(6.4)
Net profit/(loss)			(2,072.1)			498.1
Shopping centre investments	8,880.6	8,191.3	17,071.9	9,833.0	9,280.1	19,113.1
Development projects and construction in progress	233.0	49.9	282.9	266.5	63.2	329.7
Segment assets	9,113.6	8,241.2	17,354.8	10,099.5	9,343.3	19,442.8
Cash and cash equivalents	127.8	28.5	156.3	42.3	10.5	52.8
Short term deposits at bank	2,212.8	–	2,212.8	–	–	–
Trade and other receivables	1,456.2	125.3	1,581.5	100.2	19.9	120.1
Expected credit loss allowance	(69.8)	(73.8)	(143.6)	(5.2)	(4.2)	(9.4)
Receivables on currency derivatives hedging						
– NZ\$ net assets	7.5	–	7.5	–	–	–
– Senior borrowings	79.3	–	79.3	140.3	–	140.3
Other assets	250.7	1.9	252.6	185.4	5.1	190.5
Total assets	13,178.1	8,323.1	21,501.2	10,562.5	9,374.6	19,937.1
Interest bearing liabilities						
– Senior borrowings	4,761.7	504.9	5,266.6	5,327.9	492.3	5,820.2
– Subordinated notes ⁽ⁱ⁾	3,894.6	–	3,894.6	–	–	–
Deferred tax liabilities	–	57.0	57.0	–	58.2	58.2
Payables on currency derivatives hedging						
– NZ\$ net assets	5.9	–	5.9	–	–	–
– Senior borrowings	145.9	–	145.9	–	–	–
– Subordinated notes ⁽ⁱ⁾	215.0	–	215.0	–	–	–
Other liabilities	807.8	154.7	962.5	548.2	145.8	694.0
Total liabilities	9,830.9	716.6	10,547.5	5,876.1	696.3	6,572.4
Net assets	3,347.2	7,606.5	10,953.7	4,686.4	8,678.3	13,364.7

⁽ⁱ⁾ The hedged value of the US\$ subordinated 60-year notes was \$4,109.6 million (31 December 2019: nil) comprising notes of \$3,894.6 million (31 December 2019: nil) translated at the year end rate of 0.7703 and the net fair value payable on currency derivatives of \$215.0 million (31 December 2019: nil).



Note 2 Segment reporting (continued)

Accounting policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and can be reliably measured. Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount. Recoveries of outgoings from lessees are recognised as services are provided.

Certain tenant allowances that are classified as lease incentives are recorded as part of investment properties and amortised over the term of the lease. The amortisation is recorded against property revenue.

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

All other revenues are recognised as services are provided.

Impact of the COVID-19 pandemic

During the year, temporary lease arrangements which included rent abatements, were negotiated with tenants to assist with their cash flow issues due to the impact of the COVID-19 pandemic.

When an agreement is legally executed, rent abated that relates to past occupancy is recognised as an expense in the statement of comprehensive income and rent abated that relates to future occupancy is accounted for as a lease modification and recognised on a straight-line basis over the remaining term of the lease.

When an agreement has not been legally executed at balance date, rental income is recognised on a straight-line basis in accordance with the terms of the original lease. However, an allowance for expected credit loss is recognised against outstanding trade debtors based on management's expectations of the level of rental abatements that will be provided to tenants for the period to 31 December 2020. Refer to Note 3 for further details of judgements, estimates and assumptions used by management in assessing the expected credit loss allowance.

Expenses

Expenses are brought to account on an accruals basis.

Note 3 Trade and other receivables

	Note	31 Dec 20 \$million	31 Dec 19 \$million
Current			
Trade debtors		41.8	6.9
Receivables			
– Other receivables		19.7	27.6
– Interest receivable from related entities	31(a)	92.4	26.2
– Interest bearing loans receivable from related entities	31(a)	1,230.7	34.3
		1,384.6	95.0
Non current			
Trade debtors		1.8	–
		1.8	–
		1,386.4	95.0
(a) Trade and other receivables comprise:			
Trade and other receivables		1,456.2	100.2
Expected credit loss allowance		(69.8)	(5.2)
Total trade and other receivables		1,386.4	95.0
(b) Movement in expected credit loss allowance			
Balance at the beginning of the year		(5.2)	(5.1)
Expected credit charge relating to COVID-19		(73.3)	–
Amounts written-off relating to COVID-19		5.0	–
Other decreases/(increases) in expected credit loss		3.7	(0.1)
Balance at the end of the year		(69.8)	(5.2)

Impact of the COVID-19 pandemic

Many of the Trust's retailers have been adversely impacted as a result of the pandemic and the government restrictions on people movement and activity, resulting to loss of revenue which impacted many tenants' financial position. In response to the pandemic, the Australian Governments issued the Code of Conduct for small to medium sized retailers in April 2020, which mandated a framework for temporary lease arrangements to reduce cash rent in proportion to the retailers' revenue impact during the pandemic period. New Zealand does not have a Code of Conduct, however the Trust has implemented similar principles in that market with respect to small to medium sized retailers. The Trust has also worked with retail partners that are not subject to the code on a case-by-case basis to determine appropriate ways to assist with their cash flow issues.

The expected credit charge relating to COVID-19 recognised for the year ended 31 December 2020 is solely related to the COVID-19 pandemic and has been separately disclosed in the statement of comprehensive income to highlight its significant impact on the Trust's financial results. The charge reflects the expected rental abatements and the additional credit risk associated with tenants. The expected rental abatements are based on management's expectations of the level of rental abatements that will be provided to tenants for the period to 31 December 2020. The level of expected rental abatements has been determined after discussions and agreements with tenants. Where abatements have not been agreed with tenants, estimates have been made giving reference to outcomes with similar retailers.

For trade and other receivables outstanding at 31 December 2020 in excess of the expected rental abatements, management have assessed that there is an increased level of credit risk on the collection of these balances. Rather than primarily applying historical loss rates, the assumptions used in estimating lifetime expected credit loss include the following:

- the extent and duration of the pandemic;
- the effectiveness of government policies in response to the pandemic;
- the credit quality of tenants based on shared credit risk characteristics (e.g. size, industry, aging);
- future economic conditions which are based on forward looking information such as economic growth and inflation; and
- consumer and business sentiment.



Note 3 Trade and other receivables (continued)

In determining the expected credit loss allowance, management has taken into account security deposits received from tenants generally in the form of bank guarantees, which can be called upon if the tenant is in default under the terms of the lease contract. Trade debtors also include GST which is fully recoverable from the relevant tax authorities and therefore excluded from the loss allowance.

Trade and other receivables written-off include rent abated relating to past occupancy that is part of rent relief arrangements with tenants applying to the COVID-19 pandemic period.

Uncertainties over the near-term and longer-term impact of the COVID-19 pandemic affect management's ability to reliably determine key judgements, estimates and assumptions used in determining expected credit loss. The expected credit loss allowance has been determined based on available information of conditions that existed at 31 December 2020. In the event that the Governments in Australia were to mandate future lockdowns and depending on the length and severity this could result in further write-downs of trade debtors. However, after allowing for the GST element of trade debtors and bank guarantees any further write-down would not be material to the Trust's financial position at 31 December 2020.

At 31 December 2020, approximately 80% of trade debtors are aged greater than 90 days and the expected credit loss allowance is 61% of trade debtors. An increase or decrease of 5% in the expected credit loss rate (after adjusting for GST and bank guarantees) would result in an increase or decrease in expected credit loss allowance of \$3.8 million respectively. At 31 December 2019, approximately 56% of trade debtors are aged greater than 90 days and the expected credit loss allowance is 41% of trade debtors. An increase or decrease of 5% in the expected credit loss rate (after adjusting for GST and bank guarantees) would result in an increase or decrease in expected credit loss allowance of \$0.3 million respectively.

Receivables also include interest receivable which is primarily linked to derivatives that have been transacted with credit worthy counterparties in accordance with the Trust's credit risk policy.

Accounting Policies

Trade and other receivables

Interest bearing loans receivable from related entities are at call and generally classified as current. Loans receivable that are not expected to be realised within 12 months after the reporting period are classified as non current.

Interest bearing loans, trade and other receivables are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. At initial recognition, these are measured at fair value.

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses are recognised in the statement of comprehensive income. The receivable is written off when there is no reasonable expectation of recovering the contractual cash flows such as when all legal avenues for debt recovery have been exhausted, and when rent is waived as part of the COVID-19 rent relief negotiations. Any gain or loss on derecognition is also recognised in the statement of comprehensive income.

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

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

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

The Trust generally considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Trust may also consider a financial asset to be in default when internal or external information indicates that the Trust is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Trust.

Note 4 Investment properties

	Note	31 Dec 20 \$million	31 Dec 19 \$million
Shopping centre investments	5	8,880.6	9,833.0
Development projects and construction in progress		233.0	266.5
Total investment properties		9,113.6	10,099.5
Movement in total investment properties			
Balance at the beginning of the year		10,099.5	10,198.7
Acquisition of properties		–	599.5
Disposal of properties ⁽ⁱ⁾		–	(684.8)
Capital expenditure		58.4	58.2
Net revaluation decrement		(1,044.3)	(72.1)
Balance at the end of the year ⁽ⁱⁱ⁾		9,113.6	10,099.5

⁽ⁱ⁾ In June 2019, the Sydney Office Towers were sold and derecognised from the Trust's balance sheet. The sale of the Sydney Office Towers was effected by way of granting a 299-year leasehold interest over the office components located at 100 Market Street, and 77 and 85 Castlereagh Street.

⁽ⁱⁱ⁾ The fair value of investment properties at the end of the year of \$9,113.6 million (31 December 2019: \$10,099.5 million) comprises investment properties at market value of \$9,105.9 million (31 December 2019: \$10,091.7 million) and ground lease assets of \$7.7 million (31 December 2019: \$7.8 million).

Accounting Policies

Investment properties

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

(i) Shopping centre investments

The Trust's shopping centre investment properties represent completed centres comprising freehold and leasehold land, buildings and leasehold improvements.

Land and buildings are considered as having the function of an investment and therefore are regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than by the diminution in value of the building content due to effluxion of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Initially, shopping centre investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the Trust's portfolio of shopping centre investment properties are stated at fair value. Gains and losses arising from changes in the fair values of shopping centre investment properties are included in the statement of comprehensive income in the year in which they arise. Any gains or losses on the sale of an investment property are recognised in the statement of comprehensive income in the year of sale.

At each reporting date, the carrying value of the portfolio of shopping centre investment properties is assessed by the Directors and where the carrying value differs materially from the Directors' assessment of fair value, an adjustment to the carrying value is recorded as appropriate.

The Directors' assessment of fair value of each shopping centre takes into account the latest independent valuations generally prepared annually, with updates taking into account any changes in capitalisation rate, underlying income and valuations of comparable centres. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used, which are based upon assumptions and judgements in relation to future rental income, capitalisation rate and make reference to market evidence of transaction prices for similar properties.

The key assumptions and estimates used in determining fair value are disclosed in Note 5.

(ii) Development projects and construction in progress

The Trust's development projects and construction in progress include costs incurred for the current and future redevelopment and expansion of new and existing shopping centre investments. Development projects and construction in progress include capitalised construction and development costs, payments and advances to contractors and where applicable, borrowing costs incurred on qualifying developments.

The Directors' assessment of fair value of each development project and construction in progress that meets the definition of an investment property, takes into account the expected costs to complete, the stage of completion, expected underlying income and yield of the developments. From time to time, during a development, the Directors may commission an independent valuation of the development project. On completion, the development projects are reclassified to shopping centre investments and an independent valuation is obtained.

Note 4 Investment properties (continued)

Accounting Policies (continued)

Investment properties (continued)

Independent valuations are conducted in accordance with guidelines set by the International Valuation Standards Council.

It is Scentre Group's policy to appoint a number of qualified independent valuers and that no individual valuer is appointed to appraise an individual property for greater than three consecutive years. The following qualified independent valuers were appointed by Scentre Group to carry out property appraisals for the current financial year:

Australian shopping centres

- CBRE Valuations Pty Limited
- Colliers International Holdings (Australia) Ltd
- Cushman & Wakefield (Valuations) Pty Ltd
- Jones Lang LaSalle Advisory Services Pty Ltd
- Knight Frank Australia Pty Ltd
- Savills Valuations Pty Ltd

New Zealand shopping centres

- Colliers International New Zealand Limited
- Jones Lang La Salle Limited

Note 5 Details of shopping centre investments

	31 Dec 20 \$million	31 Dec 19 \$million
Consolidated Australian shopping centres	8,880.6	9,833.0
Total consolidated shopping centres	8,880.6	9,833.0
Equity accounted Australian shopping centres	7,460.1	8,445.7
Equity accounted New Zealand shopping centres	731.2	834.4
Total equity accounted shopping centres	8,191.3	9,280.1
	17,071.9	19,113.1

Centres that are held through controlled entities or are held directly and jointly as tenants in common and are treated as joint operations are consolidated. For joint operations, the contractual arrangements establish that the parties share all the liabilities, obligations, costs and expenses in their ownership proportion. The allocation of revenue and expenses is based on the ownership interest in the joint arrangement.

Centres that are held through a separate vehicle with joint control and are treated as a joint venture are accounted for under the equity method of accounting.

Impact of the COVID-19 pandemic

As at 31 December 2020 there was significant valuation uncertainty relating to the investment property valuations. The COVID-19 pandemic and the regulatory response has significantly impacted our operations as well those of our tenants. This uncertainty affects our ability to reliably determine the key judgements and assumptions used in the property valuations. The Income Capitalisation approach and the Discounted Cash Flow approach are used to arrive at a range of valuation outcomes, from which a best estimate of fair value is derived at a point in time. The key assumptions and estimates used in these valuation approaches which have been impacted by COVID-19 include:

- forecast future income, based on the location, type and quality of the property, which are supported by the terms of any existing leases, other contracts or external evidence such as current market rents for similar properties adjusted to recognise the COVID-19 impact;
- lease assumptions based on current and expected future market conditions after expiry of any current lease;
- the capitalisation rate and discount rate derived from recent comparable market transactions adjusted for COVID-19 to reflect the uncertainty in the amount and timing of cash flows; and
- the impact of government support on tenants and rental schemes giving rise to rental deferrals, rent waivers, and eviction moratoriums.

Due to the valuation uncertainty the property values may change significantly and unexpectedly over a relatively short period of time. The property valuations have been prepared based on the information that is available at 31 December 2020.

Note 5 Details of shopping centre investments (continued)

The table below summarises some of the key inputs used in determining investment property valuations:

	31 Dec 20	31 Dec 19
Australian portfolio		
Retail capitalisation rate	4.25% – 6.25%	4.00% – 6.00%
Weighted average retail capitalisation rate	4.80%	4.64%
Retail discount rate	6.00% – 7.50%	6.00% – 7.50%
New Zealand portfolio		
Retail capitalisation rate	5.50% – 6.75%	5.25% – 6.63%
Weighted average retail capitalisation rate	6.14%	5.92%
Retail discount rate	7.00% – 8.50%	7.00% – 8.28%

Changes to key inputs would result in changes to the fair value of investment properties. An increase in capitalisation rate and/or discount rate would result in lower fair value, while a decrease in capitalisation rate and/or discount rate will result in higher fair value (with all other factors held constant). The discount rates adopted at 31 December 2020 have broadly remained unchanged to 31 December 2019. The capitalisation rate sensitivity analysis is detailed below.

	31 Dec 20 \$million	31 Dec 19 \$million
The sensitivity of shopping centre valuations to changes in capitalisation rates is as follows:	Capitalisation rate movement	Increase/(decrease) in fair value
	-50 bps	1,951.5
	-25 bps	923.0
	+25 bps	(832.9)
	+50 bps	(1,588.4)

Note 6 Details of equity accounted investments

	31 Dec 20 \$million	31 Dec 19 \$million
(a) Share of equity accounted entities' net profit/(loss) and comprehensive income/(loss)		
Share of after tax profit/(loss) of equity accounted entities	(846.1)	341.8
Other comprehensive income/(loss) ⁽ⁱ⁾	(6.0)	1.4
Share of total comprehensive income/(loss) of equity accounted entities	(852.1)	343.2

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

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

The Trust's equity accounted investments of \$7,606.5 million (31 December 2019: \$8,678.3 million) comprise investments in joint ventures in Australia and New Zealand.

Note 6 Details of equity accounted investments (continued)

	31 Dec 20 \$million	31 Dec 19 \$million
(c) Details of the Trust's share of equity accounted entities' tax expense		
Current tax expense – underlying operations	(4.4)	(3.7)
Deferred tax benefit/(expense)	0.7	(2.7)
	(3.7)	(6.4)

The prima facie tax on profit/(loss) before tax is reconciled to the income tax expense provided in the financial statements as follows:

Profit/(loss) before income tax	(842.4)	348.2
Less: Net Trust loss/(income) not taxable for the Trust – tax payable by members	868.4	(323.0)
	26.0	25.2
Prima facie tax expense at 30%	(7.8)	(7.6)
Tax rate differential on New Zealand foreign income	0.3	0.5
Deferred tax release on New Zealand capital transactions	3.9	–
Other	(0.1)	0.7
Tax expense	(3.7)	(6.4)

(d) Equity accounted entities economic interest

Name of investments	Type of equity	Balance date	Economic interest	
			31 Dec 20	31 Dec 19
Australian investments ⁽ⁱ⁾				
Bondi Junction	Trust units	31 Dec	50.0%	50.0%
Chatswood	Trust units	31 Dec	50.0%	50.0%
Doncaster	Trust units	31 Dec	25.0%	25.0%
Fountain Gate	Trust units	31 Dec	50.0%	50.0%
Garden City	Trust units	31 Dec	50.0%	50.0%
Hornsby	Trust units	31 Dec	50.0%	50.0%
Knox	Trust units	31 Dec	25.0%	25.0%
Kotara	Trust units	31 Dec	50.0%	50.0%
Mt Druitt ⁽ⁱⁱ⁾	Trust units	30 Jun	25.0%	25.0%
Southland ⁽ⁱⁱ⁾	Trust units	30 Jun	25.0%	25.0%
Sydney Central Plaza	Trust units	31 Dec	50.0%	50.0%
Tea Tree Plaza ⁽ⁱⁱ⁾	Trust units	30 Jun	18.8%	18.8%
Tuggerah	Trust units	31 Dec	50.0%	50.0%
Warringah Mall	Trust units	31 Dec	25.0%	25.0%
New Zealand investments ⁽ⁱ⁾				
Albany	Shares	31 Dec	25.5%	25.5%
Manukau	Shares	31 Dec	25.5%	25.5%
Newmarket	Shares	31 Dec	25.5%	25.5%
Riccarton	Shares	31 Dec	25.5%	25.5%
St Lukes	Shares	31 Dec	25.5%	25.5%

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

⁽ⁱⁱ⁾ Notwithstanding that the financial year of these investments ends on 30 June, the consolidated financial statements have been prepared so as to include the accounts for a period coinciding with the financial year of the Parent Entity being 31 December.

Note 7 Taxation

	31 Dec 20 \$million	31 Dec 19 \$million
Tax expense		
Current – underlying operations	(0.1)	–
	(0.1)	–
The prima facie tax on profit/(loss) before tax is reconciled to the income tax expense provided in the financial statements as follows:		
Profit/(loss) before income tax	(2,072.0)	498.1
Less: Trust loss/(income) not taxable for the Trust – tax payable by members	2,075.1	(498.1)
	3.1	–
Prima facie tax expense at 30%	(0.9)	–
Tax rate differential on New Zealand non-resident withholding tax	0.6	–
Other	0.2	–
	(0.1)	–

Accounting Policies

Taxation

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

- (i) The Trust has elected into the Attribution Managed Investment Trust Regime. Accordingly, the Trust is not liable for Australian income tax provided that the taxable income is attributed to members. The members of the Trust are taxable on the share of the taxable income of the Trust attributed to them.

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

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

Note 8 Distributions

	31 Dec 20 \$million	31 Dec 19 \$million
(a) Final distribution paid		
2.57 cents per unit (31 December 2019: 4.45 cents per unit)	133.4	233.1
	133.4	233.1

Details of the full year components of distribution will be provided in the Annual Tax Statements which will be sent to members in March 2021.

The Trust did not pay an interim distribution for the half-year ended 30 June 2020. Final distribution was paid on 26 February 2021. The record date for the final distribution was 5pm, 15 February 2021. Scentre Group does not operate a Distribution Reinvestment Plan.

	31 Dec 20 \$million	31 Dec 19 \$million
(b) Distributions paid during the year		
Distribution in respect of the 6 months to 31 December 2019	233.1	–
Distribution in respect of the 6 months to 30 June 2019	–	297.8
Distribution in respect of the 6 months to 31 December 2018	–	244.6
	233.1	542.4



Note 9 Statutory earnings/(loss) per unit

	31 Dec 20 cents	31 Dec 19 cents
(a) Summary of earnings/(loss) per unit		
Basic and diluted earnings/(loss) per unit	(39.87)	9.40

There are no potential ordinary units which are dilutive.

In calculating basic and diluted earnings per unit, net loss of \$2,072.1 million (31 December 2019: net profit of \$498.1 million) was divided by the weighted average number of ordinary units of 5,197,532,568 (31 December 2019: 5,301,587,161).

(b) Conversions, calls, subscriptions, issues or buy-back after 31 December 2020

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

Accounting Policies

Earnings per unit

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

Note 10 Currency gain

	31 Dec 20 \$million	31 Dec 19 \$million
Net fair value gain and associated credit risk on currency derivatives that do not qualify for hedge accounting	34.2	6.6
	34.2	6.6

The translation of the Trust's foreign currency borrowings to Australian dollars has been economically hedged by currency derivative receivables with the same principal values. Therefore the statement of comprehensive income is not sensitive to any movements in exchange rates in relation to these net positions. The recognition of a net gain results from the movement in the fair value calculation of the credit risk on the currency derivative positions only.

Accounting Policies

Where hedge accounting requirements have been met, gains or losses arising on the movements in the fair value of currency derivatives which hedge net investments in foreign operations are recognised in the foreign currency translation reserve. Where a currency derivative, or portion thereof, is deemed an ineffective hedge for accounting purposes, gains or losses thereon are recognised in the statement of comprehensive income. On disposal of a net investment in foreign operations, the cumulative gains or losses recognised previously in the foreign currency translation reserve are transferred to the statement of comprehensive income.

Translation of foreign currency transactions

Foreign currency transactions are converted to Australian dollars at exchange rates ruling at the date of those transactions. Amounts payable and receivable in foreign currency at balance date are translated to Australian dollars at exchange rates ruling at that date. Exchange differences arising on the settlement of or on translating amounts payable or receivable in foreign currency at rates different from those at which they were translated on initial recognition, are recognised in the statement of comprehensive income in the period in which they arise, except where hedge accounting is applied.

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

Note 11 Interest income and financing costs

	Note	31 Dec 20 \$million	31 Dec 19 \$million
(a) Interest income			
Interest income		4.6	1.6
Interest income from related entities	31(a)	6.0	5.2
		10.6	6.8
(b) Financing costs			
Gross financing costs (excluding coupon on subordinated notes and net fair value loss on interest rate hedges that do not qualify for hedge accounting)			
– External		(166.9)	(153.3)
– Related entities	31(a)	(57.7)	(40.6)
Financing costs capitalised to qualifying development projects and construction in progress		10.5	4.2
Lease liabilities interest expense		(0.4)	(0.4)
		(214.5)	(190.1)
Net fair value loss on interest rate hedges that do not qualify for hedge accounting		(289.9)	(110.1)
Net modification gain/(loss) on refinanced borrowing facilities		(4.6)	1.4
Total financing costs (excluding coupon on subordinated notes)		(509.0)	(298.8)
Coupon on subordinated notes		(55.5)	–
		(564.5)	(298.8)

Accounting Policies

Interest income and financing costs

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

Financing costs include interest, amortisation of discounts or premiums relating to borrowings and other costs incurred in connection with the arrangement of borrowings. Financing costs are expensed as incurred unless they relate to a qualifying asset. A qualifying asset is an asset which generally takes more than 12 months to get ready for its intended use or sale. In these circumstances, the financing costs are capitalised to the cost of the asset. Where funds are borrowed by the Trust for the acquisition or construction of a qualifying asset, the financing costs are capitalised.

Refer to Note 16 for other items included in financing costs.

Note 12 Gain in respect of capital transactions

	31 Dec 20 \$million	31 Dec 19 \$million
Asset sales and capital costs		
– proceeds from asset sales	–	761.5
– less: carrying value of assets sold and other capital costs	–	(684.8)
Gain in respect of capital transactions	–	76.7



Note 13 Cash and cash equivalents and short term deposits at bank

	31 Dec 20 \$million	31 Dec 19 \$million
(a) Components of cash and cash equivalents and short term deposits at bank		
Cash	127.8	42.3
Bank overdrafts	–	–
Total cash and cash equivalents	127.8	42.3
Short term deposits at bank	2,212.8	–
Total cash and short term deposits at bank	2,340.6	42.3
(b) Reconciliation of profit/(loss) after tax to net cash flows from operating activities		
Profit/(loss) after tax	(2,072.1)	498.1
Property revaluations	1,044.3	72.1
Share of equity accounted profit/(loss) in excess of dividends/distributions received	1,103.4	8.9
Net fair value gain and associated credit risk on currency derivatives	(34.2)	(6.6)
Net fair value loss on interest rate hedges that do not qualify for hedge accounting	289.9	110.1
Net modification loss/(gain) on refinanced borrowing facilities	4.6	(1.4)
Gain in respect of capital transactions	–	(76.7)
Decrease in working capital attributable to operating activities	16.6	14.3
Net cash flows from operating activities	352.5	618.8
(c) Changes in net debt and subordinated notes arising from financing activities		
Net debt and subordinated notes at the beginning of the year	5,173.8	5,079.3
Proceeds from the issuance of subordinated notes	4,109.6	–
Short term deposits at bank	(2,208.0)	–
Net repayment of senior borrowings and lease liabilities	(295.7)	(0.9)
Net funds received from/(paid to) related entities	(1,195.3)	105.5
Effects of exchange rate changes and fair value movements on currency derivatives	(68.5)	(10.1)
Net debt and subordinated notes at the end of the year ⁽ⁱ⁾	5,515.9	5,173.8
Less: Subordinated notes at the hedged rate	(4,109.6)	–
Net debt	1,406.3	5,173.8

⁽ⁱ⁾ Net debt and subordinated notes comprises interest bearing liabilities of \$8,656.3 million (31 December 2019: \$5,327.9 million), non interest bearing loans payable of \$13.8 million (31 December 2019: \$12.7 million), lease liabilities of \$7.7 million (31 December 2019: \$7.8 million) and net payables on currency derivatives hedging senior borrowings and subordinated notes in foreign currency of \$281.6 million (31 December 2019: net receivable of \$140.3 million), less interest bearing loans receivable of \$1,230.7 million (31 December 2019: \$34.3 million) and short term deposits at bank of \$2,212.8 million (31 December 2019: nil).

Accounting Policies

Cash and cash equivalents and short term deposits at bank

Cash and cash equivalents on the balance sheet comprises cash at bank and on hand and short term deposits on demand with an original maturity of 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Short term deposits at bank are deposits with an original maturity of 180 days or less and may be subject to certain conditions and penalties for early withdrawal.

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

For purposes of the cash flow statement, cash and cash equivalents includes cash on hand and at bank, short term deposits on demand and bank accepted bills of exchange readily converted to cash net of bank overdrafts. Bank overdrafts are carried at the principal amount.

Note 14 Payables and other creditors

	Note	31 Dec 20 \$million	31 Dec 19 \$million
Payables and other creditors		188.2	140.1
Interest payable to related entities	31(a)	60.8	16.4
Non interest bearing loans payable to related entities	31(a)	13.8	12.7
		262.8	169.2

Accounting Policies

Payables and other creditors

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Trust prior to the end of the financial year that are unpaid and arise when the Trust becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days. Loans payable to related entities are carried at amortised cost, are at call and classified as current.

Note 15 Interest bearing liabilities

	31 Dec 20 \$million	31 Dec 19 \$million
Current		
Unsecured		
Commercial paper and uncommitted facilities		
– A\$ denominated	405.9	732.9
	405.9	732.9
Non current		
Unsecured		
Bank loans		
– A\$ denominated	310.0	1,455.0
Notes payable		
– € denominated	2,393.1	2,397.3
– US\$ denominated	1,622.7	712.7
– A\$ denominated	30.0	30.0
	4,355.8	4,595.0
Total senior borrowings	4,761.7	5,327.9
Less: Cash and short term deposits at bank	(2,340.6)	(42.3)
Total senior borrowings net of cash and short term deposits at bank	2,421.1	5,285.6
Non current		
Unsecured		
Subordinated notes		
– US\$ denominated	3,894.6	–
Total subordinated notes	3,894.6	–
Interest bearing liabilities		
– Senior borrowings	4,761.7	5,327.9
– Subordinated notes	3,894.6	–
Total interest bearing liabilities	8,656.3	5,327.9

The Trust maintains a range of interest bearing liabilities. The sources of funding are spread over various counterparties to minimise credit risk and the terms of the instruments are negotiated to achieve a balance between capital availability and the cost of debt.

Note 15 Interest bearing liabilities (continued)

	31 Dec 20 \$million	31 Dec 19 \$million
(a) Summary of financing facilities		
Committed financing facilities available to the Trust:		
Financing facilities	12,922.2	6,856.6
Senior borrowings	(4,761.7)	(5,327.9)
Subordinated notes	(3,894.6)	–
Bank guarantees	(8.3)	(10.3)
Available financing facilities	4,257.6	1,518.4
Cash and short term deposits at bank	2,340.6	42.3
Financing resources available	6,598.2	1,560.7

These facilities comprise fixed rate notes and unsecured interest only floating rate facilities. Certain facilities are also subject to negative pledge arrangements which require Scentre Group to comply with specific minimum financial and non financial requirements. The available financing facilities above totalling \$4,257.6 million (31 December 2019: \$1,518.4 million) are available to the Trust and other members of Scentre Group at year end. The Trust is able to draw on these financing facilities, provided they are unutilised by other members of Scentre Group. Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

	Maturity Date	Committed financing facilities 31 Dec 20 \$million	Interest bearing liabilities 31 Dec 20 \$million	Committed financing facilities 31 Dec 19 \$million	Interest bearing liabilities 31 Dec 19 \$million
(b) Financing facilities and interest bearing liabilities, comprise:					
Unsecured senior notes payable					
– € ⁽ⁱ⁾	Sep 23 to Mar 29	2,393.1	2,393.1	2,397.3	2,397.3
– US\$ ⁽ⁱⁱ⁾	Jan 26 to Mar 27	1,622.7	1,622.7	712.7	712.7
– A\$	Jul 22	30.0	30.0	30.0	30.0
Total unsecured senior notes payable		4,045.8	4,045.8	3,140.0	3,140.0
Unsecured bank loan facilities available to the Trust	Jan 22 to Sep 25	4,981.8	310.0	3,716.6	1,455.0
Unsecured commercial paper and uncommitted facilities ⁽ⁱⁱⁱ⁾		–	405.9	–	732.9
		9,027.6	4,761.7	6,856.6	5,327.9
Unsecured subordinated notes – US\$ ⁽ⁱⁱⁱ⁾	Sep 80	3,894.6	3,894.6	–	–
		12,922.2	8,656.3	6,856.6	5,327.9

⁽ⁱ⁾ The € and US\$ denominated unsecured senior notes payables are economically hedged using cross currency swaps with the same principal values to convert into A\$ payables.

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

⁽ⁱⁱⁱ⁾ The US\$ subordinated notes comprise US\$1.5 billion with a non-call period of 6 years and US\$1.5 billion with a non-call period of 10 years. The notes may be redeemed by the Trust at par at the end of their respective non-call periods or any coupon date thereafter. The unsecured subordinated notes are economically hedged up to the end of their respective non-call periods using cross currency swaps with the same principal values to convert into A\$ payables.

Note 15 Interest bearing liabilities (continued)

Accounting Policies

Interest bearing liabilities

Interest bearing liabilities are recognised initially at the fair value of the consideration received less any directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are recorded at amortised cost using the effective interest rate method.

Interest bearing liabilities are classified as current liabilities where the liability has been drawn under a financing facility which expires within one year. Amounts drawn under financing facilities which expire after one year are classified as non current, where the Trust has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

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

The fair values of the Trust's interest bearing liabilities as disclosed in Note 23 are determined as follows:

- Fair values of quoted notes and bonds are based on price quotations at the reporting date.
- The fair values of unquoted instruments, loans from banks and other non current financial liabilities are estimated by discounting future cash flows using rates that approximate the Trust's borrowing rate at the balance date, for debt with similar maturity, credit risk and terms.

Note 16 Derivative assets and liabilities

	31 Dec 20 \$million	31 Dec 19 \$million
(a) Derivative assets		
Current		
Receivables on currency derivatives hedging NZ\$ net assets	7.5	–
	7.5	–
Non current		
Receivables on currency derivatives hedging senior borrowings in foreign currency	79.3	140.3
Receivables on interest rate derivatives	185.0	136.6
	264.3	276.9
(b) Derivative liabilities		
Current		
Payables on currency derivatives hedging NZ\$ net assets	5.9	–
Payables on interest rate derivatives	15.6	0.3
	21.5	0.3
Non current		
Payables on currency derivatives hedging senior borrowings in foreign currency	145.9	–
Payables on currency derivatives hedging subordinated notes in foreign currency	215.0	–
Payables on interest rate derivatives	450.5	293.0
	811.4	293.0

The Trust's derivatives above do not meet the accounting requirements to qualify for hedge accounting treatment. Changes in fair value have been reflected in the statement of comprehensive income. As at 31 December 2020, the aggregate fair value is a net payable of \$561.1 million (31 December 2019: net payable \$16.4 million). The change in fair value for the year ended 31 December 2020 was a net loss of \$544.7 million (31 December 2019: net loss of \$125.3 million). During the year, the Trust cancelled derivatives following the issuance of subordinated notes resulting in a payment of \$189.5 million (31 December 2019: nil).

The Trust presents the fair value mark to market of its derivative assets and derivative liabilities on a gross basis. Certain derivative assets and liabilities are subject to legally enforceable master netting arrangements, however do not meet the criteria for offsetting in the balance sheet. As at 31 December 2020, if these netting arrangements were applied to the derivative portfolio, derivative assets of \$271.8 million would be reduced by \$154.0 million to the net amount of \$117.8 million and derivative liabilities of \$832.9 million would be reduced by \$154.0 million to the net amount of \$678.9 million. As at 31 December 2019, derivative assets of \$276.9 million would be reduced by \$150.8 million to the net amount of \$126.1 million and derivative liabilities of \$293.3 million would be reduced by \$150.8 million to the net amount of \$142.5 million.

Note 16 Derivative assets and liabilities (continued)

Accounting Policies

Derivative financial instruments

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

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

Gains or losses arising on the movements in the fair value of currency derivatives which hedge net investments in foreign operations are recognised in the foreign currency translation reserve where hedge accounting requirements have been met. Where a currency derivative, or portion thereof, is deemed an ineffective hedge for accounting purposes, gains or losses thereon are recognised in the statement of comprehensive income. On disposal of a net investment in foreign operations, the cumulative gains or losses recognised previously in the foreign currency translation reserve are transferred to the statement of comprehensive income.

The fair value of derivatives has been determined with reference to market observable inputs for contracts with similar maturity profiles. The valuation is a present value calculation which incorporates interest rate curves, foreign exchange spot and forward rates, option volatilities and the credit quality of counterparties.

Note 17 Contributed equity

	31 Dec 20 Number of units	31 Dec 19 Number of units
(a) Number of units on issue		
Balance at the beginning of the year	5,238,757,932	5,316,997,206
Buy-back and cancellation of units	(48,379,593)	(78,239,274)
Balance at the end of the year	5,190,378,339	5,238,757,932

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

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

	31 Dec 20 \$million	31 Dec 19 \$million
(b) Amount of contributed equity		
Balance at the beginning of the year	7,968.2	8,142.3
Buy-back and cancellation of units and associated costs	(99.8)	(174.1)
Balance at the end of the year	7,868.4	7,968.2

Accounting Policies

Contributed equity

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

Note 18 Reserves

	31 Dec 20 \$million	31 Dec 19 \$million
Foreign currency translation reserve	15.9	21.9
	15.9	21.9
Movement in foreign currency translation reserve		
Balance at the beginning of the year	21.9	20.5
Foreign exchange movement		
– realised and unrealised differences on the translation of investment in foreign operations	(6.0)	1.4
Balance at the end of the year	15.9	21.9

The foreign currency translation reserve is used to record net exchange differences arising from the translation of the net investments, including qualifying hedges, in foreign controlled and equity accounted entities.

Accounting Policies

Translation of accounts of foreign operations

The functional and presentation currency of the Trust and its Australian subsidiaries is Australian dollars. The functional currency of the New Zealand entities is New Zealand dollars. The presentation currency of the overseas entities is Australian dollars to enable the consolidated financial statements of the Trust to be reported in a common currency.

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

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

Note 19 Retained profits

	Note	31 Dec 20 \$million	31 Dec 19 \$million
Movement in retained profits			
Balance at the beginning of the year		5,374.6	5,418.9
Profit/(loss) after tax for the period		(2,072.1)	498.1
Distributions paid	8(b)	(233.1)	(542.4)
Balance at the end of the year		3,069.4	5,374.6

Note 20 Capital and financial risk management

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

Refer to Note 22: Capital risk management, Note 23: Financial risk management, Note 24: Interest rate risk management, Note 25: Exchange rate risk management, Note 26: Credit risk management and Note 27: Liquidity risk management of Scentre Group's 2020 Annual Financial Report for details of Scentre Group's policies in identifying, assessing and managing the capital and financial risks of the stapled group.

Note 21 Financial covenants

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

Refer to Note 28: Financial covenants of Scentre Group's 2020 Annual Financial Report for details of Scentre Group's financial covenants.

Note 22 Interest bearing liabilities, interest and derivatives cash flow maturity profile

Refer to Note 15 for details of interest bearing liabilities and financing facilities. The maturity profiles of the principal amounts of interest bearing liabilities including aggregate future estimated nominal interest and the future estimated nominal cash flows of derivative financial instruments are set out below:

	31 Dec 20 \$million	31 Dec 19 \$million
Senior borrowings and interest		
Due within one year	(537.4)	(860.1)
Due between one year and five years	(1,565.3)	(2,455.7)
Due after five years	(3,319.8)	(2,686.4)
	(5,422.5)	(6,002.2)
Subordinated notes and interest		
Due within one year	(192.3)	–
Due between one year and five years	(769.2)	–
Due between five years and ten years	(961.5)	–
Due after ten years	(13,465.0)	–
	(15,388.0)	–
Comprising:		
– principal amounts of current and non current senior borrowings	(4,761.7)	(5,327.9)
– aggregate future estimated nominal interest of senior borrowings	(660.8)	(674.3)
– principal amounts of non current subordinated notes	(3,894.6)	–
– aggregate future estimated nominal interest of subordinated notes	(11,493.4)	–
	(20,810.5)	(6,002.2)
Derivatives inflows/(outflows)		
Due within one year	(49.5)	(59.4)
Due between one year and five years	(93.1)	(185.0)
Due after five years	(416.3)	(31.6)
	(558.9)	(276.0)

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

Note 23 Fair value of financial assets and liabilities

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

		Fair value		Carrying amount	
	Fair value hierarchy	31 Dec 20 \$million	31 Dec 19 \$million	31 Dec 20 \$million	31 Dec 19 \$million
Consolidated assets					
Cash and cash equivalents		127.8	42.3	127.8	42.3
Short term deposits at bank		2,212.8	–	2,212.8	–
Trade and other receivables					
– Trade and other receivables ⁽ⁱ⁾		155.7	60.7	155.7	60.7
– Interest bearing loan receivables ⁽ⁱⁱ⁾	Level 2	1,230.7	34.3	1,230.7	34.3
Derivative assets ⁽ⁱⁱ⁾	Level 2	271.8	276.9	271.8	276.9
Consolidated liabilities					
Trade and other payables ⁽ⁱ⁾		334.0	247.1	334.0	247.1
Interest bearing liabilities ⁽ⁱⁱ⁾					
– Fixed rate debt	Level 2	4,399.7	3,360.2	4,045.8	3,140.0
– Fixed rate subordinated notes	Level 2	4,089.3	–	3,894.6	–
– Floating rate debt	Level 2	716.0	2,187.8	715.9	2,187.9
Derivative liabilities ⁽ⁱⁱ⁾	Level 2	832.9	293.3	832.9	293.3

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

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

Note 23 Fair value of financial assets and liabilities (continued)

Determination of fair value

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

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

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

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

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

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

Investment properties are considered Level 3, refer to Note 4: Investment properties and Note 5: Details of shopping centre investments for relevant fair value disclosures.

Note 24 Other significant accounting policies

(a) Consolidation and classification

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

In preparing the consolidated financial statements all inter-entity transactions and balances, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

i) Joint arrangements

Joint operations

The Trust has significant co-ownership interests in a number of properties through unincorporated joint ventures. These interests are held directly and jointly as tenants in common. The Trust has the rights to the individual assets and obligations arising from these interests and recognises its share of the assets, liabilities, revenues and expenses of the operation.

Joint ventures

The Trust has significant co-ownership interests in a number of properties through property partnerships or trusts. These joint ventures are accounted for using the equity method of accounting.

The Trust and its joint ventures use consistent accounting policies. Investments in joint ventures are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Trust's share of net assets of the joint ventures. The consolidated statement of comprehensive income reflects the Trust's share of the results of operations of the joint ventures.

ii) Controlled entities

Where an entity either began or ceased to be a controlled entity during the reporting period, the results are included only from the date control commenced or up to the date control ceased. Non controlling interests are shown as a separate item in the consolidated financial statements.

(b) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on purchase of goods and services is not recoverable from the tax authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amounts of GST included.

The net amount of GST payable or receivable to government authorities is included as part of receivables or payables on the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flow.

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

(c) Recoverable amount of assets

At each reporting date, the Trust assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Trust makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Note 25 Share based payments

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

As at 31 December 2020, there were 13,599,235 (31 December 2019: 10,993,066) performance rights held by participants in Scentre Group's STAR/LTAR Plans and Retention Awards equating to 13,599,235 (31 December 2019: 10,993,066) Scentre Group stapled securities. A performance right is the right, for no payment, to receive Scentre Group stapled securities on vesting. Descriptions of the STAR/LTAR Plans and Retention Awards are in the Remuneration Report in Scentre Group's 2020 Annual Financial Report.

	31 Dec 20 Number of rights	31 Dec 19 Number of rights
Vesting profile – Performance Rights – STAR, LTAR and Retention Awards		
2020	–	4,415,185
2021	3,294,439	4,873,194
2022	3,607,566	1,704,687
2023	3,348,622	–
2024	3,348,608	–
	13,599,235	10,993,066

Note 26 Lease commitments

Operating lease receivables

Substantially all of the property owned and leased by the Trust is leased to third party retailers. Lease terms vary between retailers and some leases include percentage rental payments based on sales revenue.

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

	31 Dec 20 \$million	31 Dec 19 \$million
Future minimum rental revenues under non cancellable operating property leases:		
Due within one year	793.0	814.3
Due between one and two years	661.1	676.3
Due between two and three years	530.1	555.1
Due between three and four years	412.6	438.2
Due between four and five years	304.9	319.1
Due after five years	1,101.6	1,111.1
	3,803.3	3,914.1

These amounts do not include percentage rentals which may become receivable under certain leases on the basis of retailer sales in excess of stipulated minimums and do not include recovery of outgoings.

These amounts include undiscounted future lease payments to be received under non cancellable operating leases calculated based on contracted lease terms as at the end of the year, and have not been adjusted for any further impact that the ongoing COVID-19 pandemic may have on existing lease arrangements.

Note 27 Capital expenditure commitments

The following is prepared on a proportionate basis which includes both consolidated and equity accounted capital expenditure commitments.

	31 Dec 20 \$million	31 Dec 19 \$million
Estimated capital expenditure committed at balance date but not provided for in relation to development projects:		
Due within one year	79.0	32.7
Due between one and five years	452.7	6.3
	531.7	39.0

Note 28 Contingent liabilities

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

	31 Dec 20 \$million	31 Dec 19 \$million
Performance guarantees	8.3	10.3
Guaranteed borrowings of associates of the Responsible Entity	7,300.4	8,865.0
	7,308.7	8,875.3

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

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

From time to time, in the normal course of business, the Trust is involved in lawsuits. The Directors believe that the ultimate outcome of such pending litigation will not materially affect the results of operations or the financial position of the Trust.



Note 29 Parent entity

The Parent Entity financial information is presented in accordance with the amendments to the Corporations Regulations 2001 and the Corporations Amendment Regulations 2010 (No. 6). Summary data of the Parent Entity is disclosed as follows:

	31 Dec 20 \$million	31 Dec 19 \$million
(a) Assets		
Current assets	3,754.4	149.3
Non current assets	17,484.1	19,537.7
Total assets	21,238.5	19,687.0
(b) Liabilities		
Current liabilities	1,221.4	1,432.9
Non current liabilities	9,063.4	4,889.4
Total liabilities	10,284.8	6,322.3
(c) Equity		
Contributed equity	7,868.4	7,968.2
Reserves	1,890.1	3,323.0
Retained profits	1,195.2	2,073.5
Total equity	10,953.7	13,364.7
(d) Comprehensive income/(loss)		
Profit/(loss) after tax for the period	(645.2)	436.5
Other comprehensive income/(loss)	(1,432.9)	63.0
Total comprehensive income/(loss) for the period	(2,078.1)	499.5
(e) Contingent liabilities		
Performance guarantees	8.3	10.3
Guaranteed borrowings of associates of the Responsible Entity	7,300.4	8,865.0
Total contingent liabilities	7,308.7	8,875.3

Note 30 Auditor's remuneration

	31 Dec 20 \$000	31 Dec 19 \$000
Amounts received or due and receivable by the auditor of the Parent Entity and any other entity in the Trust for:		
– Auditing the statutory financial report of the Parent Entity covering the Trust	539	686
– Auditing the statutory financial reports of any controlled entities	–	–
– Fees for assurance services that are required by legislation to be provided by the auditor ⁽ⁱ⁾	93	–
– Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements ⁽ⁱⁱ⁾	275	348
– Fees for other services	–	–
	907	1,034
Amounts received or due and receivable by affiliates of the auditor of the Parent Entity for:		
– Auditing the statutory financial report of the Parent Entity covering the Trust	23	28
– Auditing the statutory financial reports of any controlled entities	95	85
– Fees for assurance services that are required by legislation to be provided by the auditor	–	–
– Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements ⁽ⁱⁱ⁾	17	21
– Fees for other services	–	–
	135	134
	1,042	1,168

⁽ⁱ⁾ Includes Compliance Plan and Comfort Letters issued in respect of corporate note issuances.

⁽ⁱⁱ⁾ Includes assurance services such as real estate trust audits, outgoings audits and other assurance engagements.

Note 31 Related party disclosures

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

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

Nature of relationship with related parties

Key Management Personnel of the Trust

Refer to Note 32 for details and remuneration of Key Management Personnel (KMP).

Other Related Parties

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

LFG Services Pty Limited and The Lowy Institute for International Policy (LFG), their related entities and other entities controlled by members of the Lowy family were considered to be related parties of Scentre Group. This was due to LFG being under the control or significant influence of Mr Steven Lowy who was a non-executive Director of Scentre Group. Mr Lowy retired from the Board on 4 April 2019, and all disclosures relate to 1 January 2019 to 4 April 2019.

Transactions with related parties and their terms and conditions

Transactions with KMP of the Trust

Refer to Note 32 for details and remuneration of KMP.

Transactions with Other Related Parties

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

During the year, charges by SGL to the Trust were as follows:

- Property management fees of \$50.7 million (31 December 2019: \$56.9 million);
- Manager's service charge of \$3.3 million (31 December 2019: \$4.5 million);
- Reimbursement of expenses of \$21.4 million (31 December 2019: \$20.4 million);
- Tenancy coordination fees of \$4.6 million (31 December 2019: \$4.2 million); and
- Development and construction billings of \$102.5 million (31 December 2019: \$199.6 million).

As at 31 December 2020, amounts payable by the Trust to SGL amounted to \$11.8 million (31 December 2019: \$16.4 million).

Loans

As at 31 December 2020, loans transacted with related entities were as follows:

- i) Interest bearing loan receivable outstanding from SGT1 of \$42.4 million (31 December 2019: \$34.3 million). The interest income for the year in respect of this loan was \$1.7 million (31 December 2019: \$2.8 million), of which \$22,997 (31 December 2019: \$2,020) was unpaid.
- ii) Interest bearing loan receivable outstanding from SGL of \$201.1 million (31 December 2019: nil). The interest income for the year in respect of this loan was \$1.2 million (31 December 2019: \$2.4 million), of which \$15,534 (31 December 2019: nil) was unpaid.
- iii) Interest bearing loan receivable outstanding from SGT3 of \$987.2 million (31 December 2019: nil). The interest income for the year in respect of this loan was \$3.1 million (31 December 2019: nil), of which \$0.8 million (31 December 2019: nil) was unpaid. Subsequent to 31 December 2020, this interest bearing loan receivable was settled.
- iv) Non interest bearing loan payable outstanding to SGT3 of \$13.8 million (31 December 2019: \$12.7 million).

During the year, an interest bearing loan from SGT1 was provided and repaid. The interest expense for the year in respect of this loan was \$1.9 million (31 December 2019: \$8.2 million).

Facility Fees

During the year, the Trust was reimbursed by SGL, SGT1 and SGT3 for the external facility related costs incurred on their behalf totalling \$16.0 million (31 December 2019: \$10.9 million). In addition, the Trust reimbursed SGL for external facility related costs incurred on its behalf totalling \$2.1 million (31 December 2019: \$1.3 million).

Financial derivatives

As at 31 December 2020 the following financial derivatives were transacted with SGL:

- i) Notional principals of interest rate swaps outstanding were A\$2,950.0 million and NZ\$400.0 million (31 December 2019: A\$3,450.0 million and NZ\$450.0 million). The net interest expense for the year in respect of these derivatives was the A\$ equivalent of \$58.1 million (31 December 2019: \$24.0 million), of which \$11.8 million (31 December 2019: \$7.1 million) was unpaid.



Note 31 Related party disclosures (continued)

Transactions with related parties and their terms and conditions (continued)

- ii) Notional principals of cross currency swaps outstanding were US\$4,250.0 million receivable, €1,000.0 million receivable and aggregate A\$7,503.7 million payable (31 December 2019: US\$500.0 million receivable, €1,000.0 million receivable and aggregate A\$2,246.9 million payable). The net interest income for the year in respect of these derivatives was the A\$ equivalent of \$2.3 million (31 December 2019: \$8.3 million interest expense), of which \$42.6 million net interest income (31 December 2019: \$16.8 million net interest income) was unpaid. The foreign currency receivable exposures above are matched to the foreign currency borrowings disclosed in Note 15, therefore the statement of comprehensive income is not affected by any movements in exchange rates in relation to these net positions.
- iii) Forward exchange contracts to sell NZ\$1,474.6 million and to receive A\$1,384.1 million (31 December 2019: nil) were outstanding. Subsequent to 31 December 2020, these contracts were settled.

During the year, the Trust received net NZ\$1,464.3 million from SGL (31 December 2019: net NZ\$140.0 million) in exchange for the Trust paying net A\$1,374.7 million to SGL (31 December 2019: net A\$132.8 million). The foreign currency contracts matured during the year and the net realised loss was \$15.1 million (31 December 2019: gain of \$0.9 million).

(b) LFG

During the period Mr Lowy was a KMP (from 1 January to 4 April 2019), Scentre Group had an agreement with LFG to provide office space and other services and charged LFG \$683,410 which were on commercial arm's length terms.

There were no amounts payable to or receivable from LFG as at 31 December 2019.

No credit loss has been recognised with respect to amounts payable or receivable from LFG for the year ended 31 December 2019.

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

Note 32 Details and remuneration of KMP

KMP are those individuals having the authority and responsibility for planning, directing and controlling the activities of the Trust, either directly or indirectly. The non-executive Directors, Chief Executive Officer (CEO) and other senior executives are considered KMP.

(a) Key Management Personnel

The Trust forms part of Scentre Group. Scentre Group's remuneration framework and philosophy and remuneration outcomes for the KMP are detailed in the Remuneration Report in Scentre Group's 2020 Annual Financial Report.

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

As at 31 December 2020, the Board comprised the following Directors:

Brian Schwartz	Non-executive Chairman
Peter Allen	Managing Director and CEO
Andrew Harmos	Non-executive Director
Michael Ihlein	Non-executive Director
Carolyn Kay	Non-executive Director
Steven Leigh	Non-executive Director
Guy Russo	Non-executive Director
Margaret Seale	Non-executive Director
Michael Wilkins	Non-executive Director

Aliza Knox retired from the Board on 8 April 2020. Michael Wilkins was appointed as a non-executive Director on 8 April 2020 and Guy Russo on 1 September 2020.

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

During the year, Elliott Rusanow, Chief Financial Officer, was also a KMP.

(b) Remuneration of KMP

The Directors of the Responsible Entity receive remuneration in their capacity as Directors of the Responsible Entity. These amounts are paid directly by SGL. Other KMP are paid by Scentre Limited, a wholly owned subsidiary of SGL.

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

Note 33 Details of material and significant entities

Name of entity	31 Dec 20 – Interest			31 Dec 19 – Interest		
	Beneficial ⁽ⁱ⁾		Consolidated or Equity accounted	Beneficial ⁽ⁱ⁾		Consolidated or Equity accounted
	Parent Entity %	Scentre Group Trust 2 %		Parent Entity %	Scentre Group Trust 2 %	
ENTITIES INCORPORATED IN AUSTRALIA						
Parent Entity						
Scentre Group Trust 2	100.0	100.0	100.0	100.0	100.0	100.0
Consolidated Controlled Entities						
Sydney Investment Trust	100.0	100.0	100.0	100.0	100.0	100.0
Equity Accounted Entities						
Bondi Junction Trust	50.0	50.0	50.0	50.0	50.0	50.0
WestArt Trust	–	50.0	50.0	–	50.0	50.0
ENTITIES INCORPORATED IN NEW ZEALAND						
Equity Accounted Entities						
Scentre NZ Holdings Limited	–	50.0	50.0	–	50.0	50.0

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



Directors' Declaration

For the year ended 31 December 2020

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

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) complying with accounting standards and regulations in accordance with section 296 of the Corporations Act 2001;
 - (ii) giving a true and fair view of the financial position as at 31 December 2020 and the performance of the consolidated entity for the year ended on that date in accordance with section 297 of the Corporations Act 2001;
 - (iii) the International Financial Reporting Standards issued by the International Accounting Standards Board; and
- (c) they have been provided with the declarations required by section 295A of the Corporations Act 2001.

Made on 12 March 2021 in accordance with a resolution of the Board of Directors.

Brian Schwartz AM
Chairman
12 March 2021

Michael Ihlein
Director



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Independent Auditor's Report

To the Members of Scentre Group Trust 2

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Scentre Group Trust 2 and its controlled entities (the Trust), which comprises the consolidated balance sheet as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

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

- a. Giving a true and fair view of the consolidated balance sheet of the Trust as at 31 December 2020 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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

1. Shopping Centre Investment Property Portfolio – Carrying Values and Revaluations

Why significant	How our audit addressed the key audit matter
<p>The Trust holds economic interests in shopping centre investment properties which are carried at a fair value of \$17.4 billion at 31 December 2020. These include shopping centres recorded directly in the consolidated balance sheet as investment properties and indirectly through equity accounted investments as disclosed in Note 2 of the financial report. Collectively they represent 81% of total assets.</p> <p>Fair values were determined by the Trust at the end of the reporting period with reference to external independent property valuations and market conditions existing at the reporting date. Changes in fair value are recognised in the statement of comprehensive income.</p> <p>We considered this to be a key audit matter as property valuations are based on certain assumptions, such as capitalisation rates, market rent, occupancy levels, re-leasing and capital expenditure, which are judgemental in nature. Minor changes in certain assumptions can lead to significant changes in the valuation.</p> <p>Impact of COVID-19 on investment property values</p> <p>Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case.</p> <p>The disclosures in the financial report provide particularly important information about the assumptions made in the investment property valuations and market conditions at 31 December 2020.</p> <p>The financial report describes the material valuation uncertainty and the impact of the COVID-19 pandemic on the determination of fair value of investment properties and how this has been considered by the directors in the preparation of the financial report at 31 December 2020. Due to the material valuation uncertainty arising from the COVID-19 pandemic, investment property values may change significantly and unexpectedly over a relatively short period of time.</p> <p>We draw attention to Notes 4 and 5 of the financial report which discloses the accounting policy for these assets, the material uncertainty and impact of the COVID-19 pandemic as well as the sensitivity of these valuations to changes in key assumptions.</p>	<p>Our audit procedures included the following for both properties held directly and through equity accounted investments:</p> <ul style="list-style-type: none"> – We discussed the following matters with management: <ul style="list-style-type: none"> – Movements in the Trust's investment property portfolio; – Changes in the condition of each property, including an understanding of key developments and changes to development activities; – The impact that COVID-19 has had on the Trust's investment property portfolio including rental waivers and deferrals offered to tenants and tenant occupancy risk from changes in the estimated lease renewals. – We assessed the effectiveness of the Trust's controls over the leasing process and associated schedule of tenancy reports which are used as source data in the property valuations by testing a sample of the relevant controls. – On a sample basis, we performed the following procedures: <ul style="list-style-type: none"> – We assessed net income, lease expiry and vacancy assumptions adopted in the valuation to the schedule of tenancy reports, lease expiry profile and vacancy levels of the underlying asset in considering the reasonableness of the assumptions adopted in the valuation, including re-leasing and capital expenditure requirement assumptions. Where available we corroborated these assumptions to supporting lease documentation or external market data. – Assessed whether changes to lease arrangements as a result of COVID-19 had been factored into the valuations and that changes in tenant occupancy risk were also considered. – Tested the mathematical accuracy of valuations. – We involved our real estate valuation specialists to assist with: <ul style="list-style-type: none"> – the assessment of capitalisation rates adopted across the portfolio; and – the review and assessment of the property valuations for a sample of properties based on size, geographical location and other property valuation specific risk factors. – We evaluated the suitability of the valuation methodology used across the portfolio. We considered the reports of independent valuers and held discussions with them, where appropriate, to gain an understanding of the assumptions and estimates used and the valuation methodology applied. This included the impact that COVID-19 has had on key assumptions such as the capitalisation, discount or growth rates and future forecast rentals. We have also considered the 'material valuation uncertainty' disclosure included in independent valuation reports and any other restrictions imposed on the valuation process (if any) and the market conditions at balance date. – Where relevant we assessed the reasonableness of comparable transactions utilised by the Trust in the valuation process. – We assessed the qualifications, competence and objectivity of the external valuers used by the Trust. – We considered whether there have been any indicators of material changes in property valuations from 31 December 2020 up to the date of our opinion or any matters emerging since 31 December 2020 which provide evidence of a material change in valuation at that date. We involved our real estate valuation specialists to assist in making this assessment. – We assessed the appropriateness of disclosures included in Note 5 of the financial report, in particular those relating to the material valuation uncertainty of the investment property portfolio.

2. Carrying value of Trade and other receivables

Why significant	How our audit addressed the key audit matter
<p>As at 31 December 2020, the Trust held \$1.6 billion in trade and other receivables, and \$143.6 million allowance for expected credit losses. Trade and other receivables primarily comprise amounts due from tenants of the Trust's investment properties under lease agreements and receivables from related entities, less an allowance for expected credit losses.</p> <p>The Trust applies Australian Accounting Standard – AASB 9 <i>Financial Instruments</i> in calculating the allowance for expected credit losses, applying a forward-looking expected loss impairment model. This involves significant judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions.</p> <p>The recoverability of trade and other receivables is considered a key audit matter due to the value of uncollected rental income at 31 December 2020 and the significant judgement required in determining the allowance for expected credit losses.</p> <p>The continued uncertainty in the economic environment and the uncertain outcome of rental assistance negotiations with tenants have contributed to significant estimation uncertainty in determining the allowance for expected credit losses at 31 December 2020.</p> <p>We draw attention to Note 3 of the financial report which describes the impact of the COVID-19 pandemic on trade and other receivables and the related allowance for expected credit losses and how this has been considered by the directors in the preparation of the financial report at 31 December 2020. In the event the impact of COVID-19 varies from conditions anticipated at balance date, this may result in a change in the expected credit loss provision in future periods.</p>	<ul style="list-style-type: none"> – Our audit procedures included the following: – Assessed the effectiveness of relevant controls in relation to tenant lease arrangements. – Tested the existence of trade and other receivables for a sample of tenant balances. – We assessed management's risk assessment of tenants across the portfolio and their expectation around future collections with reference to rental assistance arrangements agreed with tenants. We assessed the impact of such arrangements against broader debtor groups and reviewed cash collections after year end in assessing future collectability of trade and other receivables balances. – Evaluated the key assumptions applied in calculating expected credit losses for a sample of tenants. – We assessed whether forward-looking information as well as tenant related risk profiles were considered in the expected credit loss model. – We assessed whether the methodology used in the determination of expected credit losses was consistent with the principles of AASB 9 and tested the accuracy of data and mathematical calculations within the model. – Assessed the adequacy of the Trust's disclosures in relation to the valuation uncertainty of trade and other receivables included in the financial report, including the assumptions, estimations and judgements made in calculating the allowance for expected credit losses.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors of RE1 Limited, the Responsible Entity of the Trust, are responsible for the other information. The other information comprises the information in the Trust's Annual Report for the year ended 31 December 2020, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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



Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of RE1 Limited, the Responsible Entity of the Trust.
- Conclude on the appropriateness of the Directors' of RE1 Limited, the Responsible Entity of the Trust, use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit of the Trust. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young

Megan Wilson
Partner

Sydney, 12 March 2021

Liability limited by a scheme approved under Professional Standards Legislation.

Directors' Report

The Directors of RE1 Limited (Responsible Entity), the responsible entity of Scentre Group Trust 2 (the Trust or SGT2) submit the following report for the year ended 31 December 2020 (Financial Year).

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

1. Operating and Financial Review

1.1 Operating overview

Scentre Group owns and operates an extraordinary platform of 42 Westfield Living Centres with 37 located in Australia and five in New Zealand. Westfield Living Centres are strategically located in close proximity to where the majority of the population lives. The Trust has a joint interest in 40 Westfield Living Centres.

Scentre Group has remained agile and focused on delivering for our customers throughout the disruption presented by the global COVID-19 pandemic. We elevated our health and hygiene standards across our centres, increasing the frequency of cleaning for high touch point areas and introduced COVID-Safe protocols to ensure our customers could continue to feel safe and assured when they visited us.

Every Westfield Living Centre has remained open every day, providing our retail and brand partners the opportunity to connect with the customer. During 2020, we had more than 450 million customer visits, including an average of 46 million per month during the fourth quarter. Customers spent approximately one and a half hours of their time on each visit.

Demand for space across Westfield Living Centres remains strong with the portfolio 98.5% leased at 31 December 2020 compared to 99.3% at 31 December 2019. During the year Scentre Group completed 2,625 leasing deals with total spreads reducing by 13.1%. In the previous corresponding period Scentre Group completed 2,566 leasing deals with a reduction in spreads of 6.4%. The average specialty lease incentives reduced from 7.2% to 5.2% in December 2020.

Scentre Group continues to make progress on COVID-related deal negotiations and have reached commercial arrangements with 3,398 of our 3,600 retail partners, including 2,456 SME retailers in relation to the Code of Conduct.

1.2 Investors

Financial performance and position

For the Financial Year, the Trust's financial result was a loss of \$2,072.1 million, including an unrealised non-cash reduction in property valuations of \$2,182.4 million. This compares to a net profit of \$498.1 million including an unrealised non-cash reduction in property valuations of \$118.9 million in the comparative period.

An expected credit charge of \$153.0 million related to the financial impact of the COVID-19 pandemic during the Financial Year is included in the financial result.

The aggregate distribution attributable to members of SGT2 for the Financial Year is \$133.4 million (being 2.57 cents per unit). Basic earnings per unit for the Financial year was a loss of 39.87 cents.

Net assets have decreased from \$13,364.7 million at 31 December 2019 to \$10,953.7 million at 31 December 2020. The result includes a decrease in property revaluation of \$2,182.4 and a buy-back of securities of \$99.8 million during the Financial Year.

Capital management

Very early into the pandemic, Scentre Group focused on obtaining additional funding to ensure it would be in a strong financial position to see us through and beyond the volatile period. Scentre Group paused its security buyback program and announced it would not be paying an interim distribution at the half year.

During the Financial Year, Scentre Group executed \$10.1 billion of new and extended funding, including \$3.6 billion of bank facilities, \$2.4 billion of long-term bonds and \$4.1 billion of subordinated notes, further diversifying Scentre Group's sources of capital, strengthening credit metrics and protecting securityholder value.

As at 31 December 2020, the Trust had available financing facilities of \$4.3 billion (31 December 2019: \$1.5 billion), after deducting facilities utilised by its borrowings.

Scentre Group's interest cover for the Financial Year was 3.1 times and balance sheet gearing at 31 December 2020 was 27.7%.

Scentre Group maintains "A" grade credit ratings by S&P, Fitch and Moody's.

1. Operating and Financial Review (continued)

1.2 Investors (continued)

Development activity

During the Financial Year, Scentre Group completed projects that were already underway, including:

- the \$30 million rooftop dining precinct at Westfield Doncaster. The new modern-village style indoor/outdoor precinct features 14 restaurants and is fast becoming a convenient social destination in Melbourne's East;
- the development of the Harvey Norman tenancy at Westfield Hornsby; and
- the development of the new format, two-level Myer store at Westfield Belconnen.

The Trust has a joint interest in Westfield Doncaster (25%), Westfield Hornsby (50%) and Westfield Belconnen (50%).

Strategic developments will continue to be a driver of growth for Scentre Group. Pre-development work on future developments remains underway.

A detailed operating and financial review for Scentre Group is contained in the Directors' Report in Scentre Group's 2020 Annual Financial Report which is available at www.scentregroup.com.

1.3 Outlook

Whilst uncertainty remains in 2021, subject to no material change in conditions, Scentre Group expects to distribute, at least, 14.00 cents per security for 2021. The distribution is expected to continue to grow in future years.

Scentre Group plans to retain earnings to cover operating and leasing capital expenditure, fund strategic initiatives and reduce net debt.

1.4 Matters subsequent to the end of the Financial Year

No event has occurred since the end of the year which would significantly affect the operations of the Trust.

1.5 Principal Activity

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

1.6 Future Developments

At the date of this report there is no proposed change to the principal activities of the Trust. The strategy, key drivers and outlook of Scentre Group are described in the Directors' Report in Scentre Group's 2020 Annual Financial Report.

1.7 Risks

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

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

A number of important strategic risks and how such risks are managed and monitored are outlined in Scentre Group's 2020 Annual Financial Report which can be found at www.scentregroup.com.

1.8 Sustainability

Environmental laws and regulations in force in the various jurisdictions in which Scentre Group operates are applicable to areas of Scentre Group's operations and in particular to its development, construction and shopping centre management activities. Scentre Group has in place procedures to identify and comply with such requirements including complying with the conditions of relevant authority consents and approvals and obtaining any necessary licences. These compliance procedures are regularly reviewed and audited and their application closely monitored.

Scentre Group's 2020 Responsible Business Report and Performance Data Pack will be published on 31 March 2021.

Previous Sustainability Reports, recent case studies and stories from across Scentre Group's business relating to responsible business initiatives are available on Scentre Group's website: scentregroup.com/about-us/sustainability.

2. Distributions

For the 6 months ended 31 December 2019, the Trust distribution of 4.45 cents per ordinary unit formed part of the distribution of 11.30 cents per Scentre Group stapled security, paid on 28 February 2020. This distribution was an aggregate of a distribution from the Trust and a distribution from SGT1. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

No interim distribution was paid for the half-year ended 30 June 2020.

For the 6 months ended 31 December 2020, the Trust distribution of 2.57 cents per ordinary unit formed part of the distribution of 7.00 cents per Scentre Group stapled security, paid on 26 February 2021. This distribution was an aggregate of a distribution from the Trust and a distribution from SGT1. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

3. The Directors

The Board comprises eight independent non-executive Directors and one executive Director (being the Managing Director/ Chief Executive Officer (CEO)). The period of office⁽¹⁾ held by each Director and the significant directorships held in other companies are set out below.

Name	Position Held	Appointed or last elected / re-elected at an AGM
Brian Schwartz	Non-executive Chairman	4 April 2019
Peter Allen	Managing Director and CEO	25 May 2011 (not required to stand for re-election)
Andrew Harnos	Non-executive Director	8 April 2020
Michael Ihlein	Non-executive Director	4 April 2019
Carolyn Kay	Non-executive Director	5 April 2018
Steven Leigh	Non-executive Director	4 April 2019
Guy Russo	Non-executive Director	1 September 2020
Margaret Seale	Non-executive Director	5 April 2018
Michael Wilkins	Non-executive Director	8 April 2020

⁽¹⁾ Scentre Group was established on 30 June 2014. Prior to that date, Scentre Group Limited and Scentre Management Limited formed part of the prior Westfield Group and the appointment dates of Mr Schwartz (6 May 2009) and Mr Allen (25 May 2011) pre-date the establishment of Scentre Group. Mr Schwartz was appointed to the Boards of RE1 Limited and RE2 Limited on 30 June 2014. Mr Allen was appointed to the Boards of RE1 Limited and RE2 Limited on 12 August 2010. Mr Harnos and Mr Ihlein were both appointed to Scentre Group Limited and Scentre Management Limited on 30 June 2014 (the appointment date to RE1 Limited and RE2 Limited, which formed part of the prior Westfield Retail Trust, was 21 December 2010). Ms Kay and Ms Seale were appointed on 24 February 2016. Mr Leigh was appointed to each board on 4 April 2019. Mr Wilkins was appointed to each board on 8 April 2020 and Mr Russo was appointed to each board on 1 September 2020. Ms Knox who had been appointed on 7 May 2015, retired from each board on 8 April 2020.

Biographies of the current Board and their independence status, qualifications, skills and experience and details of their attendance at Board and Committee meetings during the year can be found in Scentre Group's 2020 Annual Financial Report and on Scentre Group's website.

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

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

Director	Number of Stapled Securities
Brian Schwartz	165,861
Peter Allen	6,077,607
Andrew Harnos	147,897
Michael Ihlein	48,048
Carolyn Kay	57,000
Steven Leigh	96,316
Guy Russo	145,000
Margaret Seale	56,750
Michael Wilkins	100,000

No Director holds options over any issued or unissued Scentre Group securities. No options over any issued or unissued stapled securities have been issued to the Directors. None of the Directors hold debentures of Scentre Group.

None of the non-executive Directors are party to or entitled to a benefit under a contract which confers a right to call for, or be delivered, interests or securities in Scentre Group.

Aliza Knox retired on 8 April 2020. She held 60,400 securities at that date.

Details of the performance rights held by the executive KMP are set out in the Remuneration Report in Scentre Group's 2020 Annual Financial Report.

4. Directors' directorships of other listed companies

Details of all directorships of other listed entities held by each Director at any time in the 3 years immediately before 31 December 2020 are set out below.

Scentre Group comprises SGL, SGT1, SGT2 and SGT3. The responsible entity of SGT1 is Scentre Management Limited. The responsible entity of SGT2 is RE1 Limited and the responsible entity of SGT3 is RE2 Limited. Scentre Management Limited is also the responsible entity of Carindale Property Trust, a listed managed investment scheme (ASX:CDP). Each Directors' appointment to these companies is continuing. The date of appointment is set out at section 3.

Director	Company	Date appointed	Date resigned
Brian Schwartz	Westfield America Management Limited [^]	6 May 2009	7 June 2018
	Westfield Corporation Limited [^]	8 April 2014	7 June 2018
Peter Allen			
Andrew Harmos	AMP Limited	1 June 2017	8 May 2020
Michael Ihlein	CSR Limited	7 July 2011	Continuing
	Inghams Group Limited	16 April 2020	Continuing
	Ampol Limited	1 June 2020	Continuing
Carolyn Kay	Brambles Limited	21 August 2006	23 October 2018
Steven Leigh	National Storage Holdings Limited	21 November 2014	Continuing
Guy Russo	SomnoMed Limited	24 August 2020	Continuing
Margaret Seale	Telstra Corporation Limited	7 May 2012	Continuing
	Westpac Banking Corporation	1 March 2019	Continuing
	Bank of Queensland Limited	21 January 2014	28 June 2018
	Ramsay Health Care Limited	28 April 2015	31 October 2018
Michael Wilkins	QBE Insurance Group Limited	1 November 2016	Continuing
	Medibank Private Limited	25 May 2017	Continuing
	AMP Limited	12 September 2016	14 February 2020

Notes:

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

[#] Former Director Aliza Knox retired on 8 April 2020.

5. Options and unissued interests

No options were issued by the Trust during or since the end of the Financial Year and no Director or officer holds options over issued or unissued Scentre Group stapled securities or units in the Trust.

Details of the performance rights held by the executive Key Management Personnel are set out in the Remuneration Report in Scentre Group's 2020 Annual Financial Report.

6. Indemnities and insurance premiums

Subject to the following, no indemnity was given or insurance premium paid during or since the end of the Financial Year out of the assets of the Trust in regards to a person who is or has been an officer or auditor of the Responsible Entity. So long as the Responsible Entity acts in accordance with the Constitution and the Corporations Act 2001, it remains indemnified out of the assets of the Trust against any losses incurred while acting as the Responsible Entity.

The Responsible Entity's Constitution provides that a person who is or has been a Director or Secretary of the Responsible Entity may be indemnified by the Responsible Entity against liabilities incurred by the person in that capacity and for all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings in which the person becomes involved because of that capacity. The indemnity does not apply to the extent that the Responsible Entity is forbidden by statute to indemnify the person or the indemnity would, if given, be made void by statute.

A related corporation of the Responsible Entity has paid premiums for directors' and officers' liability insurance in respect of Directors, Secretaries and Executive Officers of the Responsible Entity as permitted by the Corporations Act 2001. The terms of the insurance policy prohibit disclosure of details of the nature of the liabilities covered by, and the amounts of the premiums payable under, that insurance policy.

In addition, each Director has entered into a Deed of Indemnity and Access which provides for indemnity against liability as a Director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The Deed also entitles the Director to access the Responsible Entity's documents and records, subject to undertakings as to confidentiality.

To the extent permitted by law, the Responsible Entity has agreed to indemnify its auditor, Ernst & Young, as part of its standard terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment with respect to such indemnity has been made to Ernst & Young during or since the Financial Year.

7. Special rules for registered schemes

- \$58.6 million in fees were paid and payable to the Responsible Entity and its associates out of the assets of the Trust during the Financial Year.
- \$102.5 million of development and construction billings were paid or payable to associates of the Responsible Entity out of the assets of the Trust during the Financial Year.
- No units in the Trust were held by the Responsible Entity at the end of the Financial Year. Associates of the Responsible Entity held 13,578,323 units as at the end of the Financial Year.
- Details of units issued in the Trust during the Financial Year are set out in Note 17 to the Financial Report.
- No withdrawals were made from the scheme during the Financial Year.
- Details of the value of the Trust's assets as at the end of the Financial Year and the basis for the valuation are set out in Notes 4, 5 and 6 to the Financial Report.
- Details of the number of units in the Trust as at the end of the Financial Year are set out in Note 17 to the Financial Report.

8. Audit

8.1 Audit and Risk Committee

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

Details of the activities of the Committee are outlined in Scentre Group's Corporate Governance Statement.

8.2 Non-Audit Services and Audit Independence

Details of the amount paid to the auditor, which includes amounts paid for non-audit services, are set out in Note 30 to the Financial Report. The Board is satisfied that the provision of non-audit services by the auditor during the Financial Year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Furthermore, the provision of non-audit services by the auditor during the Financial Year did not compromise the independence requirements under the Corporations Act 2001 because:

- Scentre Group's Charter of Non-Audit Services sets out the categories of non-audit services that the auditor may or may not undertake. Those categories of permitted services remain subject to the overriding principle that a non-audit service may not be provided in circumstances where it would be detrimental to the actual or perceived independence of the statutory auditor.
- The Charter of Non-Audit Services provides a mechanism by which approval for non-audit services proposed to be performed by the auditor is required to be given prior to the provision of such non-audit services, providing an appropriate review point for independence issues prior to engagement.
- Under the Charter of Non-Audit Services, the auditor is required to report as to its compliance with the terms of the Charter and, in all instances, confirm the position that the independence of EY as statutory auditor has been maintained.
- The auditor has provided an Auditor's Independence Declaration to the Board declaring that there has been no contravention of the auditor independence requirements of the Corporations Act 2001 or of any applicable code of professional conduct.

8.3 Auditor's Independence Declaration to the Directors of RE1 Limited



Auditor's Independence Declaration to the Directors of RE1 Limited

As lead auditor for the audit of the financial report of Scentre Group Trust 2 for the financial year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Megan Wilson
Partner

Sydney, 12 March 2021

Liability limited by a scheme approved under Professional Standards Legislation.

9. ASIC disclosures

The Trust is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly, amounts in the Directors' Report, the Financial Statements and the Notes to the Financial Statements have been rounded to the nearest tenth of a million dollars unless otherwise indicated. Amounts shown as 0.0 represent amounts less than \$50,000 that have been rounded down.

10. ASX listing

ASX reserves the right (but without limiting its absolute discretion) to remove SGL, SGT1, SGT2 and SGT3 from the official list of ASX if any of the shares or units comprising those stapled securities cease to be stapled together, or any equity securities are issued by a Scentre Group entity which are not stapled to the equivalent securities in the other entities.

11. Corporate Governance Statement

Scentre Group is committed to ensuring that its policies and practices reflect a high standard of corporate governance. Ethical business practices and high standards of personal conduct are fundamental to the way we work as a responsible, sustainable business.

Scentre Group's 2020 Corporate Governance Statement is available in the corporate governance section on Scentre Group's website: scentregroup.com/about-us/corporategovernance.

During 2020, Scentre Group's corporate governance framework was consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition published in February 2019).

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

Brian Schwartz AM
Chairman

12 March 2021

Michael Ihlein
Director

Members' Information

As at 2 February 2021

Twenty Largest Holders of Stapled Securities in Scentre Group*		Number of Securities
1	HSBC Custody Nominees (Australia) Limited	1,792,113,146
2	J P Morgan Nominees Australia Pty Limited	1,131,187,289
3	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	623,459,374
4	Citicorp Nominees Pty Limited	605,404,672
5	National Nominees Limited	233,787,568
6	BNP Paribas Noms Pty Ltd <DRP>	95,871,876
7	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	61,334,501
8	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	28,876,183
9	HSBC Custody Nominees (Australia) Limited-GSCO ECA	10,011,460
10	Merrill Lynch (Australia) Nominees Pty Limited	9,070,911
11	AMP Life Limited	8,441,014
12	Argo Investments Limited	7,526,662
13	The Trust Company (Australia) Limited <A/C 4>	7,156,000
14	CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	6,260,136
15	BNP Paribas Noms (NZ) Ltd <DRP>	6,085,272
16	HSBC Custody Nominees (Australia) Limited	5,987,017
17	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	5,908,972
18	Milton Corporation Limited	5,589,474
19	Amondi Pty Ltd <W E O P T A/C>	5,388,133
20	Netwealth Investments Limited <Wrap Services A/C>	5,312,978
		4,654,772,638

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

Voting rights

Scentre Group Limited – At a meeting of members, on a show of hands, every person present who is a member or representative of a member has one vote, and on a poll every member present in person or by proxy or attorney and every person who is a representative of a member has one vote for each share they hold or represent.

Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 – At a meeting of members, on a show of hands, every person present who is a member or representative of a member has one vote, and on a poll every member present in person or by proxy or attorney and every person who is a representative of a member has one vote for each dollar value of the total interest they have in the respective trusts.



Distribution schedule

(as at 2 February 2021)

Category	Number of stapled securities*	Number of securityholders	% of securities in each category
1 – 1,000	14,908,948	33,751	0.29
1,001 – 5,000	95,498,970	38,069	1.84
5,001 – 10,000	76,452,873	10,580	1.47
10,001 – 100,000	189,860,669	8,354	3.66
100,001 and over	4,813,656,879	412	92.74
Total	5,190,378,339	91,166	100.00

8,066 securityholders hold less than a marketable parcel (being 182 securities at the closing price of \$2.76) of quoted securities in Scentre Group.

* There are 13,599,235 performance rights on issue under Scentre Group's performance rights plan to 93 participants. These rights may be satisfied by either the transfer of Scentre Group securities to employees or settled by way of cash payout which amount is calculated by reference to the market price of Scentre Group securities at the time of vesting. Under the stapling arrangement, in the case of the issue of securities, each of Scentre Group Limited, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 is required to issue securities on the vesting of a performance right.

** During FY20, Scentre Group securities held by Scentre Executive Option Plan Trust were transferred to executives to satisfy entitlements on the vesting of rights under Scentre Group's equity-linked plans.

Buy-back

On 25 August 2020, Scentre Group released its final share buy-back notice announcing it had bought back and cancelled 126,618,867 securities (2.38%) from \$800 million security buy-back program announced on 27 June 2019.

Substantial securityholders

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

The Vanguard Group	585,400,810
UniSuper Limited as trustee for UniSuper and UniSuper Management Pty Limited	507,458,956
BlackRock Group	496,793,754
State Street	344,111,816



Scentre Group Trust 3

31 December 2020

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Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	31 Dec 20 \$000	31 Dec 19 \$000
Revenue and other income			
Property and property related revenue		2,688	4,845
		2,688	4,845
Expenses			
Property and property related expenses		(1,078)	(1,823)
Overheads		(223)	(290)
		(1,301)	(2,113)
Interest income	5(a)	21,368	25,228
Financing costs	5(b)	(18,657)	(24,845)
Net modification gain/(loss) on refinanced borrowing facilities		(2,040)	817
Profit before tax		2,058	3,932
Tax expense	2	(594)	(1,187)
Profit after tax for the period		1,464	2,745
Other comprehensive income			
<i>Movement in foreign currency translation reserve ⁽ⁱ⁾</i>			
– Net exchange difference on translation of foreign operations		(74)	21
Total comprehensive income for the period		1,390	2,766

⁽ⁱ⁾ This item may be subsequently transferred to the profit and loss.

		cents	cents
Basic and diluted earning per unit	4(a)	0.03	0.05

Balance Sheet

As at 31 December 2020

	Note	31 Dec 20 \$000	31 Dec 19 \$000
Current assets			
Cash and cash equivalents	6(a)	976	817
Receivables	7	1,025,019	17,471
Other current assets		–	1,165
Total current assets		1,025,995	19,453
Non current assets			
Plant and equipment		6	12
Receivables	7	–	986,129
Other non current assets		–	2,795
Total non current assets		6	988,936
Total assets		1,026,001	1,008,389
Current liabilities			
Payables and other creditors	8	1,990	4,839
Interest bearing liabilities	9	1,006,000	–
Total current liabilities		1,007,990	4,839
Non current liabilities			
Deferred tax liabilities		–	527
Interest bearing liabilities	9	–	986,280
Total non current liabilities		–	986,807
Total liabilities		1,007,990	991,646
Net assets		18,011	16,743
Equity			
Contributed equity	10(b)	11,133	11,255
Reserves	11	34	108
Retained profits	12	6,844	5,380
Total equity		18,011	16,743

Statement of Changes in Equity

For the year ended 31 December 2020

	Contributed Equity \$000	Reserves \$000	Retained Profits \$000	31 Dec 20 Total \$000	Contributed Equity \$000	Reserves \$000	Retained Profits \$000	31 Dec 19 Total \$000
Changes in equity								
Balance at the beginning of the period	11,255	108	5,380	16,743	11,437	87	9,015	20,539
– Profit after tax for the period	–	–	1,464	1,464	–	–	2,745	2,745
– Other comprehensive income	–	(74)	–	(74)	–	21	–	21
Transactions with owners in their capacity as owners:								
– Buy-back and cancellation of units and associated costs	(122)	–	–	(122)	(182)	–	–	(182)
– Distributions paid or provided for	–	–	–	–	–	–	(6,380)	(6,380)
Total equity	11,133	34	6,844	18,011	11,255	108	5,380	16,743

Cash Flow Statement

For the year ended 31 December 2020

	Note	31 Dec 20 \$000	31 Dec 19 \$000
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		2,982	5,346
Payments in the course of operations (including GST)		(1,368)	(1,988)
Income and withholding taxes paid		(667)	(1,061)
GST paid		(216)	(426)
Payments of financing costs		(17,991)	(25,459)
Interest received		21,680	26,539
Net cash inflow from operating activities	6(b)	4,420	2,951
Cash flows from financing activities			
Net proceeds from/(repayment of) interest bearing liabilities	6(c)	(963,810)	211,570
Net funds received from/(paid to) related entities	6(c)	959,688	(207,727)
Buy-back of units and associated costs		(122)	(182)
Distributions paid		–	(6,380)
Net cash outflow from financing activities		(4,244)	(2,719)
Net increase in cash and cash equivalents held		176	232
Add opening cash and cash equivalents brought forward		817	583
Effects of exchange rate changes on opening cash and cash equivalents brought forward		(17)	2
Cash and cash equivalents at the end of the period ⁽ⁱ⁾	6(a)	976	817

⁽ⁱ⁾ Cash and cash equivalents comprises cash of \$976,000 (31 December 2019: \$817,000) net of bank overdraft of nil (31 December 2019: nil).

Index of Notes to the Financial Statements

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Notes to the Financial Statements

For the year ended 31 December 2020

Note 1 Basis of preparation of the Financial Report

(a) Corporate information

This financial report of Scentre Group Trust 3 (SGT3) and its controlled entities (collectively the Trust), for the year ended 31 December 2020, was approved in accordance with a resolution of the Board of Directors of RE2 Limited as Responsible Entity of SGT3.

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

(b) Accounting for the Trust

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

(c) Impact of the COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the outbreak of the COVID-19 virus a pandemic. Both Australia and New Zealand experienced an outbreak of the virus, and the governments of both countries implemented a number of measures, including significant restrictions on people movement and activity. This impacted the Trust's operations and financial results for the year ended 31 December 2020.

Additional disclosures relating to the impact of the COVID-19 pandemic have been included in Note 20: Segment Reporting to the Financial Report and the Operating and Financial Review of Scentre Group's Directors' Report.

(d) Going concern

This financial report has been prepared on a going concern basis. The Directors' assessment of Scentre Group's ability to continue as a going concern also applies to the Trust, as the Trust forms part of the stapled group and is a member of Scentre Group's cross-guarantee arrangements. In making the going concern assessment for the Trust, the Directors have considered:

- Scentre Group's ability to meet its financial obligations over the next twelve months, using cash flow sensitivity analysis and having regard to debt maturities, funding requirements, operating cash earnings and available financing facilities; and
- Scentre Group's ability to meet its financial covenants over the next twelve months, assuming various scenarios for the potential impact of the COVID-19 pandemic.

(e) Basis of accounting

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

This financial report has been prepared on a historical cost basis and is presented in Australian dollars.

(f) Statement of Compliance

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board. The accounting policies adopted are consistent with those of the previous financial year except that the Trust has adopted the following new or amended standards which became applicable on 1 January 2020:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase 1
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

For the financial period, the adoption of these amended standards and interpretations had no impact on the financial statements of the Trust.

Note 1 Basis of preparation of the Financial Report (continued)

(f) Statement of Compliance (continued)

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Trust for the year ended 31 December 2020. The impact of these new standards (to the extent relevant to the Trust) and interpretations is as follows:

- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase 2 (effective from 1 January 2021)

This amends AASB 9 Financial Instruments, AASB 139 Financial Instruments: Recognition and Measurement, AASB 7 Financial Instruments: Disclosures, AASB 4 Insurance Contracts and AASB 16 Leases to address issues that arise during the reform of an interest rate benchmark (IBOR), including the replacement of one benchmark with an alternative one. This amendment is not expected to have a significant impact on the financial statements on application.

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments (effective from 1 January 2022)

This amends (to the extent relevant to the Trust):

- (i) AASB 9 Financial Instruments to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
- (ii) AASB 3 Business Combinations to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; and
- (iii) AASB 137 Provisions, Contingent Liabilities and Contingent Assets to specify the costs that an entity includes when assessing whether a contract will be loss-making.

These amendments are not expected to have a significant impact on the financial statements on application.

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Noncurrent (effective from 1 January 2023)

This amends AASB 101 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non current. This amendment is not expected to have a significant impact on the financial statements on application.

(g) Significant accounting judgements, estimates and assumptions

The preparation of the financial report requires management to make judgements, estimates and assumptions.

Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements, in particular, Note 16: Fair value of financial assets and liabilities and Note 17: Other significant accounting policies. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the Trust's financial results or its financial position in future periods.

At 31 December 2020, uncertainties remain over the potential economic impact of the ongoing COVID-19 pandemic. Accordingly, actual results may differ from these estimates under different assumptions and conditions and may materially affect the Trust's financial results or its financial position in future periods.

(h) Comparative information

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

(i) Rounding

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

Note 2 Taxation

	31 Dec 20 \$000	31 Dec 19 \$000
Tax expense		
Current – underlying operations	(594)	(1,187)
The prima facie tax on profit before tax is reconciled to the income tax expense provided in the financial statements as follows:		
Profit before income tax	2,058	3,932
Prima facie tax expense at 30%	(617)	(1,180)
Other items	23	(7)
	(594)	(1,187)

Accounting Policies

Taxation

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

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

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

Note 3 Distributions

	31 Dec 20 \$000	31 Dec 19 \$000
(a) Final distribution for the year		
Nil cents per unit (31 December 2019: nil)	–	–
	–	–
(b) Distributions paid during the year		
Distribution in respect of the 6 months to 30 June 2020	–	–
Distribution in respect of the 6 months to 31 December 2019	–	–
Distribution in respect of the 6 months to 30 June 2019	–	–
Distribution in respect of the 6 months to 31 December 2018	–	6,380
	–	6,380

Note 4 Statutory earnings per unit

	31 Dec 20 cents	31 Dec 19 cents
(a) Summary of earnings per unit		
Basic and diluted earnings per unit	0.03	0.05

There are no potential ordinary units which are considered dilutive.

Earnings used in calculating basic and dilutive earnings per unit was \$1,463,650 (31 December 2019: \$2,745,099).

Weighted average number of units used in calculating basic and dilutive earnings per unit was 5,197,532,568 (31 December 2019: 5,301,587,161).

(b) Conversions, calls, subscription, issues or buy-back after 31 December 2020

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

Accounting Policies

Earnings per unit

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

Note 5 Interest income and financing costs

	Note	31 Dec 20 \$000	31 Dec 19 \$000
(a) Interest income			
Interest income		3	176
Interest income from related entities	23(a)	21,365	25,052
		21,368	25,228
(b) Financing costs			
Gross financing costs			
– External		15,524	23,707
– Related entities	23(a)	3,133	1,138
		18,657	24,845

Accounting Policies

Interest income and financing costs

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

Financing costs include interest, amortisation of discounts or premiums relating to borrowings and other costs incurred in connection with the arrangement of borrowings. Financing costs are expensed as incurred.

Note 6 Cash and cash equivalents

	31 Dec 20 \$000	31 Dec 19 \$000
(a) Components of cash and cash equivalents		
Cash	976	817
Bank overdrafts	—	—
Total cash and cash equivalents	976	817
(b) Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	1,464	2,745
Depreciation	6	197
Decrease in working capital attributable to operating activities	2,950	9
Net cash flows from operating activities	4,420	2,951
(c) Movements in loans receivable and interest bearing liabilities arising from financing activities		
Balance at the beginning of the year	14,019	17,854
Net funds paid to/(received from) related entities	(959,688)	207,727
Net repayment of/(proceeds from) interest bearing liabilities	963,810	(211,570)
Effects of exchange rate changes	4	8
Balance at the end of the year ⁽ⁱ⁾	18,145	14,019

⁽ⁱ⁾ Comprises interest bearing loan receivables of \$1,009.3 million (31 December 2019: \$986.1 million) and non interest bearing loans receivable of \$14.8 million (31 December 2019: \$14.2 million) less interest bearing liabilities of \$1,006.0 million (31 December 2019: \$986.3 million).

Accounting Policies

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short term deposits on demand with an original maturity of 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses (if any) are recognised in the statement of comprehensive income.

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and at bank, short term deposits on demand and bank accepted bills of exchange readily converted to cash net of bank overdrafts. Bank overdrafts are carried at principal amount.

Note 7 Receivables

	Note	31 Dec 20 \$000	31 Dec 19 \$000
Current			
Interest bearing loans receivable from related entities	23(a)	1,009,313	–
Non interest bearing loans receivable from related entities	23(a)	14,832	14,170
Other receivable from related entities	23(a)	874	3,301
		1,025,019	17,471
Non current			
Interest bearing loans receivable from related entities	23(a)	–	986,129
		–	986,129

Accounting Policies

Receivables

Loans receivable from related entities are at call and generally classified as current. Loans receivable that are not expected to be realised within 12 months after the reporting period are classified as non current.

Receivables are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. At initial recognition, the Trust measures these financial assets at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. These financial assets are subsequently measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses are recognised in the statement of comprehensive income.

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

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

Note 8 Payables and other creditors

	31 Dec 20 \$000	31 Dec 19 \$000
Payables and other creditors	1,047	4,336
Tax payable	943	503
	1,990	4,839

Accounting Policies

Payables and other creditors

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Trust prior to the end of the financial year that are unpaid and arise when the Trust becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days.

Note 9 Interest bearing liabilities

	Note	31 Dec 20 \$000	31 Dec 19 \$000
Current			
Unsecured			
Loans payable to related entities ⁽ⁱ⁾	23(a)	1,006,000	–
		1,006,000	–
Non current			
Unsecured			
Bank loans			
– NZ\$ denominated		–	986,280
		–	986,280
Total interest bearing liabilities		1,006,000	986,280

⁽ⁱ⁾ Subsequent to 31 December 2020, the current loans payable was repaid with the funds from the settlement of the interest bearing loans receivable (refer to Note 7).

The Trust maintains a range of interest bearing liabilities. The sources of funding are spread over various counterparties to minimise credit risk and the terms of the instruments are negotiated to achieve a balance between capital availability and the cost of debt.

	31 Dec 20 \$000	31 Dec 19 \$000
(a) Summary of financing facilities		
Committed financing facilities available to the Trust:		
Financing facilities	5,271,846	1,754,771
Interest bearing liabilities	(1,006,000)	(986,280)
Bank guarantees	(8,310)	(15,026)
Available financing facilities	4,257,536	753,465
Cash and cash equivalents	976	817
Financing resources available	4,258,512	754,282

These facilities comprise unsecured interest only floating rate facilities which are subject to negative pledge arrangements which require Scentre Group to comply with specific minimum financial and non-financial requirements. Intragroup facilities within Scentre Group are on commercial arm's length terms. The available financing facilities above totalling \$4,257.5 million (31 December 2019: \$753.5 million) are available to the Trust and other members of Scentre Group at year end. The Trust is able to draw on these financing facilities, provided they are unutilised by other members of Scentre Group. Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

Note 9 Interest bearing liabilities (continued)

		Committed financing facilities 31 Dec 20 \$000	Interest bearing liabilities 31 Dec 20 \$000	Committed financing facilities 31 Dec 19 \$000	Interest bearing liabilities 31 Dec 19 \$000
	Maturity date				
(b) Financing facilities and interest bearing liabilities, comprise:					
Loans payable to related entities		1,006,000	1,006,000	–	–
Unsecured bank loan facilities available to the Trust	Jan 22 to Sep 25	4,265,846	–	1,754,771	986,280
		5,271,846	1,006,000	1,754,771	986,280

Accounting Policies

Interest bearing liabilities

Interest bearing liabilities are recognised initially at the fair value of the consideration received less any directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are recorded at amortised cost using the effective interest rate method.

Interest bearing liabilities are classified as current liabilities where the liability has been drawn under a financing facility which expires within one year. Amounts drawn under financing facilities which expire after one year are classified as non current, where the Trust has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. Loans payable to related entities are at call and therefore classified as a current liability.

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

The fair values of the Trust's interest bearing borrowings as disclosed in Note 16 are estimated by discounting future cash flows using rates that approximate the Trust's borrowing rate at the balance date, for debt with similar maturity, credit risk and terms.

Note 10 Contributed equity

	31 Dec 20 No. of units	31 Dec 19 No. of units
(a) Number of units on issue		
Balance at the beginning of the year	5,238,757,932	5,316,997,206
Buy-back and cancellation of units	(48,379,593)	(78,239,274)
Balance at the end of the year	5,190,378,339	5,238,757,932

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

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

	31 Dec 20 \$000	31 Dec 19 \$000
(b) Amount of contributed equity		
Balance at the beginning of the year	11,255	11,437
Buy-back and cancellation of units and associated costs	(122)	(182)
Balance at the end of the year	11,133	11,255

Accounting Policies

Contributed equity

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

Note 11 Reserves

	31 Dec 20 \$000	31 Dec 19 \$000
Foreign currency translation reserve	34	108
Balance at the end of the year	34	108
Movement in foreign currency translation reserve		
The foreign currency translation reserve is to record net exchange differences arising from the translation of financial statements of foreign controlled entities and the net investments hedged in these entities.		
Balance at the beginning of the year	108	87
Foreign exchange movement		
– Translation of investment in foreign entities	(74)	21
Balance at the end of the year	34	108

Accounting Policies

Translation of accounts of foreign operations

The functional and presentation currency of the Trust and its Australian subsidiaries is Australian dollars. The functional currency of the New Zealand entities is New Zealand dollars. The presentation currency of the overseas entities is Australian dollars to enable the consolidated financial statements of the Trust to be reported in a common currency.

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

Note 12 Retained profits

	31 Dec 20 \$000	31 Dec 19 \$000
Movement in retained profits		
Balance at the beginning of the year	5,380	9,015
Profit after tax for the period	1,464	2,745
Distributions paid	–	(6,380)
Balance at the end of the year	6,844	5,380

Note 13 Capital and financial risk management

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

Refer to Note 22: Capital risk management, Note 23: Financial risk management, Note 24: Interest rate risk management, Note 25: Exchange rate risk management, Note 26: Credit risk management and Note 27: Liquidity risk management of Scentre Group's 2020 Annual Financial Report for details of Scentre Group's policies in identifying, assessing and managing the capital and financial risks of the stapled group.

Note 14 Financial covenants

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

Refer to Note 28: Financial covenants of Scentre Group's 2020 Annual Financial Report for details of Scentre Group's financial covenants.

Note 15 Interest bearing liabilities, interest and cash flow maturity profile

Refer to Note 9 for details of interest bearing liabilities and financing facilities. The maturity profile of the principal amounts of interest bearing liabilities including aggregate future estimated nominal interest is set out below:

	31 Dec 20 \$000	31 Dec 19 \$000
Interest bearing liabilities and interest		
Due within one year	(1,006,600)	(22,067)
Due between one year and five years	–	(1,022,879)
	(1,006,600)	(1,044,946)
Comprising:		
– principal amounts of current and non current interest bearing liabilities	(1,006,000)	(986,280)
– aggregate future estimated nominal interest	(600)	(58,666)
	(1,006,600)	(1,044,946)

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

Note 16 Fair value of financial assets and liabilities

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

		Fair value		Carrying amount	
	Fair value Hierarchy	31 Dec 20 \$000	31 Dec 19 \$000	31 Dec 20 \$000	31 Dec 19 \$000
Consolidated assets					
Cash and cash equivalents		976	817	976	817
Receivables					
– Interest bearing loans receivable ⁽ⁱ⁾	Level 2	1,009,313	986,129	1,009,313	986,129
– Other receivables ⁽ⁱⁱ⁾		15,706	17,471	15,706	17,471
Consolidated liabilities					
Payables and other creditors ⁽ⁱⁱ⁾		1,047	4,336	1,047	4,336
Interest bearing liabilities ⁽ⁱ⁾					
– Floating rate debt	Level 2	1,006,000	986,280	1,006,000	986,280

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

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

Determination of fair value

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

- Level 1: the fair value is calculated using quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: the fair value is estimated using inputs other than quoted prices that are observable, either directly (as prices) or indirectly (derived from prices).
- Level 3: the fair value is estimated using inputs that are not based on observable market data.

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

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

Note 17 Other significant accounting policies

(a) Consolidation and classification

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

In preparing the consolidated financial statements all intra-group transactions and balances, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(b) Foreign currencies

Foreign currency transactions are converted to Australian dollars at exchange rates ruling at the date of those transactions. Amounts payable and receivable in foreign currency at balance date are translated to Australian dollars at exchange rates ruling at that date. Exchange differences arising from amounts payable and receivable are treated as operating revenue or expense in the period in which they arise.

(c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and can be reliably measured.

(d) Expenses

Expenses are brought to account on an accruals basis.

(e) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except where the GST incurred on purchase of goods and services is not recoverable from the tax authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amounts of GST included.

The net amount of GST payable or receivable to government authorities is included as part of receivables or payables on the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

(f) Derivative and other financial instruments

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

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

Gains or losses arising on the movements in the fair value of currency derivatives which hedge net investments in foreign operations are recognised in the foreign currency translation reserve where hedge accounting requirements have been met. Where a currency derivative, or portion thereof, is deemed an ineffective hedge for accounting purposes, gains or losses thereon are recognised in the statement of comprehensive income. On disposal of a net investment in foreign operations, the cumulative gains or losses recognised previously in the foreign currency translation reserve are transferred to the statement of comprehensive income.

The fair value of derivatives has been determined with reference to market observable inputs for contracts with similar maturity profiles. The valuation is a present value calculation which incorporates interest rate curves, foreign exchange spot and forward rates, option volatilities and the credit quality of counterparties.

(g) Recoverable amount of assets

At each reporting date, the Trust assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Trust makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(h) Depreciation

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

Note 18 Share based payments

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

As at 31 December 2020, there were 13,599,235 (31 December 2019: 10,993,066) performance rights held by participants in Scentre Group's STAR/LTAR Plans and Retention Awards equating to 13,599,235 (31 December 2019: 10,993,066) Scentre Group stapled securities. A performance right is the right, for no payment, to receive Scentre Group stapled securities on vesting. Descriptions of the STAR/LTAR Plans and Retention Awards are in the Remuneration Report in Scentre Group's 2020 Annual Financial Report.

	31 Dec 20 Number of rights	31 Dec 19 Number of rights
Vesting profile – Performance Rights – STAR, LTAR and Retention Awards		
2020	–	4,415,185
2021	3,294,439	4,873,194
2022	3,607,566	1,704,687
2023	3,348,622	–
2024	3,348,608	–
	13,599,235	10,993,066

Note 19 Contingent liabilities

	31 Dec 20 \$000	31 Dec 19 \$000
Performance guarantees	8,310	15,026
Guaranteed borrowings of associates of the Responsible Entity	15,343,956	12,517,609
	15,352,266	12,532,635

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

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

From time to time, in the normal course of business, the Trust is involved in lawsuits. The Directors believe that the ultimate outcome of such pending litigation will not materially affect the results of operations or the financial position of the Trust.

Note 20 Segment reporting

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

The Trust's property advertising and promotional income has been reduced as a result of COVID-19 pandemic.

Note 21 Parent entity

	31 Dec 20 \$000	31 Dec 19 \$000
The Parent Entity financial information is presented in accordance with the amendments to the Corporations Regulations 2001 and the Corporations Amendment Regulations 2010 (No. 6). Summary data of the Parent Entity is disclosed as follows:		
(a) Assets		
Current assets	14,916	14,262
Non current assets	6	12
Total assets	14,922	14,274
(b) Liabilities		
Current liabilities	417	628
Total liabilities	417	628
(c) Equity		
Contributed equity	11,133	11,255
Retained profits	3,372	2,391
Total equity	14,505	13,646
(d) Comprehensive income		
Profit after tax for the period	982	1,892
Total comprehensive income for the period	982	1,892
(e) Contingent liabilities		
Guaranteed borrowings of associates of the Responsible Entity	15,343,956	12,517,609
Guaranteed borrowings of subsidiaries	–	986,280
Total contingent liabilities	15,343,956	13,503,889

Note 22 Auditor's remuneration

	31 Dec 20 \$000	31 Dec 19 \$000
Amounts received or due and receivable by the auditor of the Parent Entity and any other entity in the Trust for:		
– Auditing the statutory financial report of the parent covering the Trust	14	13
– Auditing the statutory financial reports of any controlled entities	–	–
– Fees for assurance services that are required by legislation to be provided by the auditor ⁽ⁱ⁾	–	–
– Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements ⁽ⁱⁱ⁾	–	–
– Fees for other services	–	–
	14	13
Amounts received or due and receivable by affiliates of the auditor of the Parent Entity for:		
– Auditing the statutory financial report of the Parent Entity covering the Trust	–	–
– Auditing the statutory financial reports of any controlled entities	–	–
– Fees for assurance services that are required by legislation to be provided by the auditor	–	–
– Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements ⁽ⁱⁱ⁾	–	–
– Fees for other services	–	–
	–	–
	14	13

⁽ⁱ⁾ Includes Compliance Plan and Comfort Letters issued in respect of corporate note issuances.

⁽ⁱⁱ⁾ Includes assurance services such as real estate trust audits, outgoing audits and other assurance engagements.

Note 23 Related party disclosures

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

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

Nature of relationship with related parties

Key Management Personnel of the Trust

Refer to Note 24 for the details and remuneration of Key Management Personnel (KMP).

Other Related Parties

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

LFG Services Pty Limited and The Lowy Institute for International Policy (LFG), their related entities and other entities controlled by members of the Lowy family were considered to be related parties of Scentre Group. This was due to LFG being under the control or significant influence of Mr Steven Lowy, who was a non-executive Director of Scentre Group. Mr Lowy retired from the Board on 4 April 2019, and all disclosures relate to 1 January 2019 to 4 April 2019.

Transactions with related parties and their terms and conditions

Transactions with KMP of the Trust

Refer to Note 24 for the details and remuneration of KMP.

Transactions with Other Related Parties

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

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

Corporate Services Agreement

The corporate services costs included in overheads in the statement of comprehensive income for the year ended 31 December 2020 were \$171,243 (31 December 2019: \$235,868). The amount payable as at 31 December 2020 was nil (31 December 2019: \$26,529).

Other

Net property related advertising and promotional income collected by Scentre Group for SGT3 for the year ended 31 December 2020 was \$1,617,214 (31 December 2019: \$3,218,915). The amount receivable for net property related advertising and promotional income as at 31 December 2020 was \$1,076,963 (31 December 2019: \$1,518,914).

Loans

As at 31 December 2020, loans transacted with related entities were as follows:

- i) Interest bearing loans receivable outstanding from a SGT1 entity of NZ\$537,955,045 (A\$504,364,377) (31 December 2019: NZ\$513,609,645 (A\$492,765,657)). The interest income for the year in respect of these loans was \$10,676,856 (31 December 2019: \$12,517,426), of which \$436,573 (31 December 2019: \$1,649,350) was unpaid.
- ii) Interest bearing loans receivable outstanding from an equity accounted entity of both SGT1 and SGT2 of NZ\$538,578,221 (A\$504,948,641) (31 December 2019: NZ\$514,232,821 (A\$493,363,543)). The interest income for the year in respect of these loans was \$10,688,397 (31 December 2019: \$12,534,960), of which \$437,117 (31 December 2019: \$1,651,408) was unpaid.
- iii) Interest bearing loans payable outstanding to a SGT2 entity of NZ\$1,053,000,000 (A\$987,249,203) (31 December 2019: nil). The interest expense for the year in respect of these loans was \$3,057,745 (31 December 2019: nil), of which \$776,539 (31 December 2019: nil) was unpaid.
- iv) Interest bearing loan payable outstanding to a SGL entity of NZ\$20,000,000 (A\$18,751,172) (31 December 2019: nil). The interest expense for the year in respect of this loan was \$75,660 (31 December 2019: nil), of which \$75,272 (31 December 2019: nil) was unpaid.
- v) Non interest bearing loans receivable outstanding from SGT2 of \$13,753,827 (31 December 2019: \$12,676,283).

Subsequent to 31 December 2020, all NZ\$ interest bearing loans receivable and payable were settled.

Facility Fees

During the year, an entity of SGT3 reimbursed SGT2 for external facility related costs incurred on its behalf totalling \$2,466,745 (31 December 2019: \$3,995,474).

(b) LFG

During the period Mr Lowy was a KMP (from 1 January to 4 April 2019), Scentre Group had an agreement with LFG to provide office space and other services and charged LFG \$683,410 which were on commercial arm's length terms.

There were no amounts payable to or receivable from LFG as at 31 December 2019.

No credit loss has been recognised with respect to amounts payable or receivable from LFG for the year ended 31 December 2019.

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

Note 24 Details and remuneration of KMP

KMP are those individuals having the authority and responsibility for planning, directing and controlling the activities of the Trust, either directly or indirectly. The non-executive Directors, Chief Executive Officer (CEO) and other senior executives are considered KMP.

(a) Key Management Personnel

The Trust forms part of Scentre Group. Scentre Group's remuneration framework and philosophy and remuneration outcomes for the KMP are detailed in the Remuneration Report in Scentre Group's 2020 Annual Financial Report.

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

As at 31 December 2020, the Board comprised the following Directors:

Brian Schwartz	Non-executive Chairman
Peter Allen	Managing Director and CEO
Andrew Harnos	Non-executive Director
Michael Ihlein	Non-executive Director
Carolyn Kay	Non-executive Director
Steven Leigh	Non-executive Director
Guy Russo	Non-executive Director
Margaret Seale	Non-executive Director
Michael Wilkins	Non-executive Director

Aliza Knox retired from the Board on 8 April 2020.

Michael Wilkins was appointed as a non-executive Director on 8 April 2020 and Guy Russo on 1 September 2020.

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

During the year, Elliott Rusanow, Chief Financial Officer, was also a KMP.

(b) Remuneration of KMP

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

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

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

Note 25 Details of material and significant entities

Name of entity	31 Dec 20 – Interest Beneficial ⁽ⁱ⁾		31 Dec 19 – Interest Beneficial ⁽ⁱ⁾	
	Parent Entity %	Trust %	Parent entity %	Trust %
ENTITIES INCORPORATED IN AUSTRALIA				
Parent entity				
Scentre Group Trust 3	100.0	100.0	100.0	100.0
Consolidated Controlled Entities				
RE Holding Company Pty Limited	100.0	100.0	100.0	100.0
ENTITIES INCORPORATED IN NEW ZEALAND				
Consolidated Controlled Entities				
RE (NZ) Finance Limited	100.0	100.0	100.0	100.0
RE (NZ) Finance No.2 Limited	100.0	100.0	100.0	100.0

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

Directors' Declaration

For the year ended 31 December 2020

The Directors of RE2 Limited, the Responsible Entity of Scentre Group Trust 3 (Trust), declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) complying with accounting standards and regulations in accordance with section 296 of the Corporations Act 2001;
 - (ii) giving a true and fair view of the financial position as at 31 December 2020 and the performance of the consolidated entity for the year ended on that date in accordance with section 297 of the Corporations Act 2001;
 - (iii) the International Financial Reporting Standards issued by the International Accounting Standards Board; and
- (c) they have been provided with the declarations required by section 295A of the Corporations Act 2001.

Made on 12 March 2021 in accordance with a resolution of the Board of Directors.



Brian Schwartz AM
Chairman
12 March 2021



Michael Ihlein
Director



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Independent Auditor's Report

To the Members of Scentre Group Trust 3

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Scentre Group Trust 3 and its controlled entities (the Trust), which comprises the consolidated balance sheet as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

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

- Giving a true and fair view of the consolidated balance sheet of the Trust as at 31 December 2020 and of its consolidated financial performance for the year ended on that date; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

Information Other than the Financial Report and Auditor's Report Thereon

The Directors of RE2 Limited, the Responsible Entity of the Trust, are responsible for the other information. The other information comprises the information in the Trust's Annual Report for the year ended 31 December 2020 but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of RE2 Limited, the Responsible Entity of the Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors of RE2 Limited, the Responsible Entity of the Trust, determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

From the matters communicated to the Directors of RE2 Limited, the Responsible Entity of the Trust, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Ernst & Young

Megan Wilson
Partner

Sydney, 12 March 2021

Liability limited by a scheme approved under
Professional Standards Legislation.



Directors' Report

The Directors of RE2 Limited (Responsible Entity), the responsible entity of Scentre Group Trust 3 (the Trust or SGT3) submit the following report for the year ended 31 December 2020 (Financial Year).

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited (SGL), Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2), the Trust and their respective controlled entities. Scentre Group operates as a single coordinated economic entity, with a common Board of Directors and management team.

1. Operations and activities

1.1 Review and Results of Operations

The Trust reported a net profit after tax (attributable to members of SGT3) of \$1.5 million (31 December 2019: \$2.7 million) or 0.03 cents per unit (31 December 2019: 0.05 cents per unit). The movement in profit after tax was impacted by the COVID-19 pandemic resulting in a reduction in property and property related revenue and expenses.

As at 31 December 2020, SGT3 had net assets of \$18.0 million (31 December 2019: \$16.7 million) comprising total assets of \$1,026.0 million (31 December 2019: \$1,008.4 million) and total liabilities of \$1,008.0 million (31 December 2019: \$991.6 million).

During the Financial Year, the Trust repaid all of its bank facilities by borrowing from SGT2 and SGL on commercial arm's length terms.

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

A detailed operating and financial review for Scentre Group is contained in the Directors' Report in Scentre Group's 2020 Annual Financial Report which is available at www.scentregroup.com.

1.2 Principal Activities

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

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

1.3 Matters subsequent to the end of the Financial Year

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

1.4 Future Events

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

The strategy, key drivers and outlook of Scentre Group are described in the Directors' Report in Scentre Group's 2020 Annual Financial Report.

1.5 Risks

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

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

A number of important strategic risks and how such risks are managed and monitored are outlined in Scentre Group's 2020 Annual Financial Report which can be found at www.scentregroup.com.

1.6 Sustainability

Environmental laws and regulations in force in the various jurisdictions in which Scentre Group operates are applicable to areas of Scentre Group's operations and in particular to its development, construction and shopping centre management activities. Scentre Group has in place procedures to identify and comply with such requirements including complying with the conditions of relevant authority consents and obtaining any necessary licences. These compliance procedures are regularly reviewed and audited and their application closely monitored.

Scentre Group's 2020 Responsible Business Report and Performance Data Pack will be published on 31 March 2021.

Previous Sustainability Reports, recent case studies and stories from across Scentre Group's business relating to responsible business initiatives are available on Scentre Group's website: scentregroup.com/about-us/sustainability.

2. Distributions

The Directors have not recommended or declared a distribution for the 12 months ended 31 December 2020.

3. The Directors

The Board comprises eight independent non-executive Directors and one executive Director (being the Managing Director/Chief Executive Officer (CEO)). The period of office⁽¹⁾ held by each Director and their significant directorships held in other companies are set out below.

Name	Position Held	Appointed or last elected / re-elected at an AGM
Brian Schwartz	Non-executive Chairman	4 April 2019
Peter Allen	Managing Director and CEO	25 May 2011 (not required to stand for re-election)
Andrew Harmos	Non-executive Director	8 April 2020
Michael Ihlein	Non-executive Director	4 April 2019
Carolyn Kay	Non-executive Director	5 April 2018
Steven Leigh	Non-executive Director	4 April 2019
Guy Russo	Non-executive Director	1 September 2020
Margaret Seale	Non-executive Director	5 April 2018
Michael Wilkins	Non-executive Director	8 April 2020

⁽¹⁾ Scentre Group was established on 30 June 2014. Prior to that date, Scentre Group Limited and Scentre Management Limited formed part of the prior Westfield Group and the appointment dates of Mr Schwartz (6 May 2009) and Mr Allen (25 May 2011) pre-date the establishment of Scentre Group. Mr Schwartz was appointed to the Boards of RE1 Limited and RE2 Limited on 30 June 2014. Mr Allen was appointed to the Boards of RE1 Limited and RE2 Limited on 12 August 2010. Mr Harmos and Mr Ihlein were both appointed to Scentre Group Limited and Scentre Management Limited on 30 June 2014 (the appointment date to RE1 Limited and RE2 Limited, which formed part of the prior Westfield Retail Trust, was 21 December 2010). Ms Kay and Ms Seale were appointed on 24 February 2016. Mr Leigh was appointed to each board on 4 April 2019. Mr Wilkins was appointed to each board on 8 April 2020 and Mr Russo was appointed to each board on 1 September 2020. Ms Knox who had been appointed on 7 May 2015, retired from each board on 8 April 2020.

Biographies of the current Board and their independence status, qualifications, skills and experience and details of their attendance at Board and Committee meetings during the year can be found in Scentre Group's 2020 Annual Financial Report and on Scentre Group's website.

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

The names of the Directors in office and the relevant interests of each Director in stapled securities in Scentre Group as at the date of this report are shown below. Units in the Trust are stapled to shares in SGL and units in SGT1 and SGT2. The stapled securities trade on the ASX under the code SCG.

Director	Number of Stapled Securities
Brian Schwartz	165,861
Peter Allen	6,077,607
Andrew Harmos	147,897
Michael Ihlein	48,048
Carolyn Kay	57,000
Steven Leigh	96,316
Guy Russo	145,000
Margaret Seale	56,750
Michael Wilkins	100,000

No Director holds options over any issued or unissued Scentre Group stapled securities. No options over any issued stapled securities have been issued to the Directors. None of the Directors hold debentures of Scentre Group.

None of the non-executive Directors are party to or entitled to a benefit under a contract which confers a right to call for, or be delivered, interests or securities in Scentre Group.

Aliza Knox retired on 8 April 2020. She held 60,400 securities at that date.

Details of the performance rights held by the executive KMP are set out in the Remuneration Report in Scentre Group's 2020 Annual Financial Report.

4. Directors' directorships of other listed companies

Details of all directorships of other listed entities held by each Director at any time in the 3 years immediately before 31 December 2020 are set out below.

Scentre Group comprises SGL, SGT1, SGT2 and SGT3. The responsible entity of SGT1 is Scentre Management Limited. The responsible entity of SGT2 is RE1 Limited and the responsible entity of SGT3 is RE2 Limited. Scentre Management Limited is also the responsible entity of Carindale Property Trust, a listed managed investment scheme (ASX:CDP). Each Directors' appointment to these companies is continuing. The date of appointment is set out at section 3.

Director	Company	Date appointed	Date resigned
Brian Schwartz	Westfield America Management Limited [^]	6 May 2009	7 June 2018
	Westfield Corporation Limited [^]	8 April 2014	7 June 2018
Peter Allen			
Andrew Harmos	AMP Limited	1 June 2017	8 May 2020
Michael Ihlein	CSR Limited	7 July 2011	Continuing
	Inghams Group Limited	16 April 2020	Continuing
	Ampol Limited	1 June 2020	Continuing
Carolyn Kay	Brambles Limited	21 August 2006	23 October 2018
Steven Leigh	National Storage Holdings Limited	21 November 2014	Continuing
Guy Russo	SomnoMed Limited	24 August 2020	Continuing
Margaret Seale	Telstra Corporation Limited	7 May 2012	Continuing
	Westpac Banking Corporation	1 March 2019	Continuing
	Bank of Queensland Limited	21 January 2014	28 June 2018
	Ramsay Health Care Limited	28 April 2015	31 October 2018
Michael Wilkins	QBE Insurance Group Limited	1 November 2016	Continuing
	Medibank Private Limited	25 May 2017	Continuing
	AMP Limited	12 September 2016	14 February 2020

Notes:

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

[#] Former Director Aliza Knox retired on 8 April 2020.

5. Options and Unissued Interests

No options were issued by the Trust during or since the end of the Financial Year and no Director or officer holds options over issued or unissued Scentre Group stapled securities or units in the Trust.

Details of the performance rights held by the executive Key Management Personnel are set out in the Remuneration Report in Scentre Group's 2020 Annual Financial Report.

6. Indemnities and Insurance Premiums

Subject to the following, no indemnity was given or insurance premium paid during or since the end of the Financial Year for a person who is or has been an officer or auditor of the Responsible Entity. So long as the Responsible Entity acts in accordance with the Constitution and the Corporations Act 2001, it remains indemnified out of the assets of the Trust against any losses incurred while acting as the Responsible Entity.

The Responsible Entity's Constitution provides that a person who is or has been a Director or Secretary of the Responsible Entity may be indemnified by the Responsible Entity against liabilities incurred by the person in that capacity and for all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings in which the person becomes involved because of that capacity. The indemnity does not apply to the extent that the Responsible Entity is forbidden by statute to indemnify the person or the indemnity would, if given, be made void by statute.

A related corporation of the Responsible Entity has paid premiums for directors' and officers' liability insurance in respect of Directors, Secretaries and Executive Officers of the Responsible Entity as permitted by the Corporations Act 2001. The terms of the insurance policy prohibit disclosure of details of the nature of the liabilities covered by, and the amounts of the premiums payable under, that insurance policy.

In addition, each Director has entered into a Deed of Indemnity and Access which provides for indemnity against liability as a Director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The Deed also entitles the Director to access Responsible Entity documents and records, subject to undertakings as to confidentiality.

To the extent permitted by law, the Responsible Entity has agreed to indemnify its auditor, Ernst & Young, as part of its standard terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment with respect to such indemnity has been made to Ernst & Young during or since the Financial Year.

7. Special Rules for Registered Schemes

- \$171,243 in fees were paid to the Responsible Entity and its associates out of the assets of the Trust during the Financial Year.
- No units in the Trust were held by the Responsible Entity at the end of the Financial Year. Associates of the Responsible Entity held 13,578,323 units as at the end of the Financial Year.
- Details of units issued in the Trust during the Financial Year are set out in Note 10 to the Financial Report.
- No withdrawals were made from the scheme during the Financial Year.
- Details of the value of the Trust's assets as at the end of the Financial Year are set out in Notes 6, and 17(b) to the Financial Report.
- Details of the number of units in the Trust as at the end of the Financial Year are set out in Note 10 to the Financial Report.

8. Audit

8.1 Audit and Risk Committee

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

Details of the activities of the Committee are outlined in Scentre Group's Corporate Governance Statement.

8.2 Audit Fees and Non-Audit Services

The amounts paid to the auditors are set out in Note 22 to the Financial Report. No non-audit services were undertaken by the auditor in relation to SGT3 during the Financial Year.

8.3 Auditor's Independence Declaration to the Directors of RE2 Limited



Auditor's Independence Declaration to the Directors of RE2 Limited

As lead auditor for the audit of the financial report of Scentre Group Trust 3 for the financial year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Scentre Group Trust 3 and the entities it controlled during the financial year.

Ernst & Young *Megan Wilson*

Ernst & Young

Megan Wilson
Partner

Sydney, 12 March 2021

Liability limited by a scheme approved under Professional Standards Legislation.

9. ASIC Disclosures

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

10. ASX listing

ASX reserves the right (but without limiting its absolute discretion) to remove SGL, SGT1, SGT2 and SGT3 from the official list of ASX if any of the shares or units comprising those stapled securities cease to be stapled together, or any equity securities are issued by a Scentre Group entity which are not stapled to the equivalent securities in the other entities

11. Corporate Governance Statement

Scentre Group is committed to ensuring that its policies and practices reflect a high standard of corporate governance. Ethical business practices and high standards of personal conduct are fundamental to the way we work as a responsible, sustainable business.

Scentre Group's 2020 Corporate Governance Statement is available in the corporate governance section on Scentre Group's website: scentregroup.com/about-us/corporategovernance.

During 2020, Scentre Group's corporate governance framework was consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition published in February 2019).

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



Brian Schwartz AM
Chairman

12 March 2021



Michael Ihlein
Director

Members' Information

As at 2 February 2021

Twenty Largest Holders of Stapled Securities in Scentre Group*		Number of Securities
1	HSBC Custody Nominees (Australia) Limited	1,792,113,146
2	J P Morgan Nominees Australia Pty Limited	1,131,187,289
3	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	623,459,374
4	Citicorp Nominees Pty Limited	605,404,672
5	National Nominees Limited	233,787,568
6	BNP Paribas Noms Pty Ltd <DRP>	95,871,876
7	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	61,334,501
8	HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	28,876,183
9	HSBC Custody Nominees (Australia) Limited-GSCO ECA	10,011,460
10	Merrill Lynch (Australia) Nominees Pty Limited	9,070,911
11	AMP Life Limited	8,441,014
12	Argo Investments Limited	7,526,662
13	The Trust Company (Australia) Limited <A/C 4>	7,156,000
14	CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	6,260,136
15	BNP Paribas Noms (NZ) Ltd <DRP>	6,085,272
16	HSBC Custody Nominees (Australia) Limited	5,987,017
17	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	5,908,972
18	Milton Corporation Limited	5,589,474
19	Amondi Pty Ltd <W E O P T A/C>	5,388,133
20	Netwealth Investments Limited <Wrap Services A/C>	5,312,978
		4,654,772,638

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

Voting rights

Scentre Group Limited – At a meeting of members, on a show of hands, every person present who is a member or representative of a member has one vote, and on a poll every member present in person or by proxy or attorney and every person who is a representative of a member has one vote for each share they hold or represent.

Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 – At a meeting of members, on a show of hands, every person present who is a member or representative of a member has one vote, and on a poll every member present in person or by proxy or attorney and every person who is a representative of a member has one vote for each dollar value of the total interest they have in the respective trusts.



Distribution schedule

(as at 2 February 2021)

Category	Number of stapled securities*	Number of securityholders	% of securities in each category
1 – 1,000	14,908,948	33,751	0.29
1,001 – 5,000	95,498,970	38,069	1.84
5,001 – 10,000	76,452,873	10,580	1.47
10,001 – 100,000	189,860,669	8,354	3.66
100,001 and over	4,813,656,879	412	92.74
Total	5,190,378,339	91,166	100.00

8,066 securityholders hold less than a marketable parcel (being 182 securities at the closing price of \$2.76) of quoted securities in Scentre Group.

* There are 13,599,235 performance rights on issue under Scentre Group's performance rights plan to 93 participants. These rights may be satisfied by either the transfer of Scentre Group securities to employees or settled by way of cash payout which amount is calculated by reference to the market price of Scentre Group securities at the time of vesting. Under the stapling arrangement, in the case of the issue of securities, each of the Company, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 is required to issue securities on the vesting of a performance right.

** During FY20, Scentre Group securities held by Scentre Executive Option Plan Trust were transferred to executives to satisfy entitlements on the vesting of rights under Scentre Group's equity-linked plans.

Buy-back

On 25 August 2020, Scentre Group released its final share buy-back notice announcing it had bought back and cancelled 126,618,867 securities (2.38%) from \$800 million security buy-back program announced on 27 June 2019.

Substantial securityholders

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

The Vanguard Group	585,400,810
UniSuper Limited as trustee for UniSuper and UniSuper Management Pty Limited	507,458,956
BlackRock Group	496,793,754
State Street	344,111,816

SCENTRE GROUP

