SCENTRE GROUP

ANNUAL FINANCIAL REPORT TRUSTS 2022

Creating the places more people choose to come, more often, for longer

14 March 2023

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

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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Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	31 Dec 22 $million	31 Dec 21 $million
Revenue			
Property revenue		**558.8**	535.8
		558.8	535.8
Expenses			
Property expenses, outgoings and other costs		**(159.1)**	(149.0)
Expected credit charge relating to COVID-19	3(b)	**(2.8)**	(28.8)
Overheads		**(13.4)**	(13.6)
		(175.3)	(191.4)
Share of after tax profits of equity accounted entities			
Property revenue		**550.5**	531.3
Property expenses, outgoings and other costs		**(152.2)**	(145.8)
Expected credit charge relating to COVID-19		**(4.3)**	(52.3)
Net interest expense		**(0.4)**	(0.7)
Gain in respect of capital transactions		**2.4**	–
Property revaluations		**(32.9)**	6.3
Tax expense		**(8.2)**	(4.7)
	6(a)	**354.9**	334.1
Interest income		**1.0**	0.4
Currency loss	10	**(7.2)**	(10.9)
Financing costs	11	**(425.6)**	(204.6)
Gain in respect of capital transactions		**9.2**	–
Property revaluations		**76.7**	45.2
Profit before tax		**392.5**	508.6
Tax expense	7	**(1.9)**	(0.9)
Profit after tax for the period		**390.6**	507.7
Other comprehensive income/(loss)			
Movement in foreign currency translation reserve [(i)]			
– Currency movement on the translation of investment in foreign operations		**(7.3)**	6.3
Total comprehensive income for the period		**383.3**	514.0
Profit after tax for the period attributable to:			
– Members of Scentre Group Trust 1		**369.0**	491.6
– External non controlling interests		**21.6**	16.1
Profit after tax for the period		**390.6**	507.7
Total comprehensive income attributable to:			
– Members of Scentre Group Trust 1		**361.7**	497.9
– External non controlling interests		**21.6**	16.1
Total comprehensive income for the period		**383.3**	514.0

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

	Note	31 Dec 22 cents	31 Dec 21 cents
Basic and diluted earnings per unit attributable to members of Scentre Group Trust 1	9(a)	**7.11**	9.47

Balance Sheet

As at 31 December 2022

	Note	31 Dec 22 $million	31 Dec 21 $million
Current assets			
Cash and cash equivalents	12(a)	**108.2**	265.3
Trade debtors	3	**14.4**	38.9
Receivables	3	**71.6**	75.3
Derivative assets	16(a)	**38.6**	2.8
Other current assets		**13.1**	11.4
Total current assets		**245.9**	393.7
Non current assets			
Trade debtors	3	**–**	0.6
Investment properties	4	**8,531.2**	8,358.4
Equity accounted investments	6(b)	**8,301.7**	8,269.7
Derivative assets	16(a)	**499.2**	450.6
Other non current assets		**23.5**	29.7
Total non current assets		**17,355.6**	17,109.0
Total assets		**17,601.5**	17,502.7
Current liabilities			
Trade creditors		**79.5**	71.9
Payables and other creditors	13	**1,173.2**	1,161.5
Interest bearing liabilities	14	**3,626.0**	2,723.0
Other financial liabilities	15	**162.3**	243.3
Lease liabilities		**0.1**	0.1
Derivative liabilities	16(b)	**0.2**	47.2
Total current liabilities		**5,041.3**	4,247.0
Non current liabilities			
Interest bearing liabilities	14	**4,690.8**	5,340.4
Other financial liabilities	15	**192.6**	368.7
Lease liabilities		**7.4**	7.4
Derivative liabilities	16(b)	**347.9**	287.9
Total non current liabilities		**5,238.7**	6,004.4
Total liabilities		**10,280.0**	10,251.4
Net assets		**7,321.5**	7,251.3
Equity attributable to members of Scentre Group Trust 1			
Contributed equity	17(b)	**1,459.0**	1,459.0
Reserves	18	**17.3**	24.6
Retained profits	19	**5,655.3**	5,592.0
Total equity attributable to members of Scentre Group Trust 1		**7,131.6**	7,075.6
Equity attributable to external non controlling interests			
Contributed equity		**72.7**	71.4
Retained profits		**117.2**	104.3
Total equity attributable to external non controlling interests		**189.9**	175.7
Total equity		**7,321.5**	7,251.3

Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Contributed Equity $million	Reserves $million	Retained Profits $million	31 Dec 22 Total $million	Contributed Equity $million	Reserves $million	Retained Profits $million	31 Dec 21 Total $million
Changes in equity attributable to members of Scentre Group Trust 1									
Balance at the beginning of the year		**1,459.0**	**24.6**	**5,592.0**	**7,075.6**	1,459.0	18.3	5,512.0	6,989.3
– Profit after tax for the period [(i)]		**–**	**–**	**369.0**	**369.0**	–	–	491.6	491.6
– Other comprehensive income/(loss) [(i)(ii)]	18	**–**	**(7.3)**	**–**	**(7.3)**	–	6.3	–	6.3
Transactions with owners in their capacity as owners									
– Distributions paid or provided for	8(b)	**–**	**–**	**(305.7)**	**(305.7)**	–	–	(411.6)	(411.6)
Closing balance of equity attributable to members of Scentre Group Trust 1		**1,459.0**	**17.3**	**5,655.3**	**7,131.6**	1,459.0	24.6	5,592.0	7,075.6
Changes in equity attributable to external non controlling interests									
Balance at the beginning of the year		**71.4**	**–**	**104.3**	**175.7**	70.3	–	95.7	166.0
– Profit after tax for the period attributable to external non controlling interests [(i)]		**–**	**–**	**21.6**	**21.6**	–	–	16.1	16.1
– Distributions paid or provided for		**–**	**–**	**(6.8)**	**(6.8)**	–	–	(6.3)	(6.3)
– Increase/(decrease) in external non controlling interest		**1.3**	**–**	**(1.9)**	**(0.6)**	1.1	–	(1.2)	(0.1)
Closing balance of equity attributable to external non controlling interests		**72.7**	**–**	**117.2**	**189.9**	71.4	–	104.3	175.7
Total equity		**1,531.7**	**17.3**	**5,772.5**	**7,321.5**	1,530.4	24.6	5,696.3	7,251.3

(i) Total comprehensive income for the period amounts to $383.3 million (31 December 2021: $514.0 million).

(ii) Movement in reserves attributable to members of Scentre Group Trust 1 comprises currency movement on the translation of investment in foreign operations of $7.3 million (31 December 2021: gain of $6.3 million).

Cash Flow Statement

For the year ended 31 December 2022

	Note	31 Dec 22 $million	31 Dec 21 $million
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		**649.6**	586.3
Payments in the course of operations (including GST)		**(185.9)**	(185.1)
Dividends/distributions received from equity accounted entities		**359.7**	289.8
Withholding taxes paid		**(1.9)**	(0.9)
GST paid		**(40.6)**	(39.5)
Payments of financing costs (excluding financing costs capitalised)		**(315.9)**	(317.6)
Interest received		**1.0**	0.4
Net cash inflow from operating activities	12(b)	**466.0**	333.4
Cash flows from investing activities			
Capital expenditure		**(72.4)**	(58.1)
Payments relating to the sale of assets		**(0.3)**	(3.0)
Net outflows for investments in equity accounted entities		**(60.5)**	(32.8)
Financing costs capitalised to qualifying development projects and construction in progress		**(3.6)**	(3.4)
Net cash outflow from investing activities		**(136.8)**	(97.3)
Cash flows from financing activities			
Repayment of borrowings and lease liabilities	12(c)	**(799.1)**	(1,055.1)
Proceeds from borrowings	12(c)	**6.0**	–
Funds paid to related entities	12(c)	**–**	(505.2)
Funds received from related entities	12(c)	**861.1**	1,936.9
Repayment of other financial liabilities		**(243.3)**	–
Distributions paid		**(305.7)**	(411.6)
Distributions paid by controlled entities to external non controlling interests		**(5.3)**	(5.5)
Termination of derivatives		**–**	(11.7)
Net cash outflow from financing activities		**(486.3)**	(52.2)
Net increase/(decrease) in cash and cash equivalents held		**(157.1)**	183.9
Add opening cash and cash equivalents brought forward		**265.3**	81.4
Cash and cash equivalents at the end of the period [(i)]	12(a)	**108.2**	265.3

(i) Cash and cash equivalents comprise cash of $108.2 million (31 December 2021: $265.3 million) net of bank overdraft of nil (31 December 2021: nil).

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Notes to the Financial Statements

For the year ended 31 December 2022

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 2022 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

Disclosures relating to the impact of the COVID-19 pandemic on the Trust's operations and financial performance are discussed in Note 3: Trade debtors and receivables.

(d) Going concern

This financial report has been prepared on a going concern basis. In making this assessment, the Directors have considered:

- The Trust forms part of Scentre Group and is party to Scentre Group's cross-guarantee arrangements in respect of Scentre Group's debt facilities and bonds; and
- 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. At 31 December 2022, $4.2 billion (31 December 2021: $4.9 billion) of external financing resources and intragroup facilities within Scentre Group were available to the Trust which are sufficient to cover short term liabilities.

(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 (AASB). 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 2022:

- AASB 2021-3 *Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions beyond 30 June 2021* (effective for annual reporting periods beginning on or after 1 April 2021)

  This amends AASB 16 *Leases* to extend the availability of the practical expedient for lessees to not account for COVID-19 related rent concessions as lease modifications by one year. This amendment did not 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 did not have a significant impact on the financial statements on application.

Notes to the Financial Statements continued

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 2022. The impact of these new standards or amendments to the standards and interpretations (to the extent relevant to the Trust) is as follows:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non current* (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.

- AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (effective from 1 January 2023)

  This amends AASB 112 Income Taxes to clarify the accounting for deferred tax on transactions that at the time of the transaction give rise to equal taxable and deductible temporary differences. This amendment is not expected to have a significant impact on the financial statements on application.

- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (effective from 1 January 2023)

  This amends:

  (i) AASB 7 *Financial Instruments: Disclosures*, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;

  (ii) AASB 101 *Presentation of Financial Statements*, to require entities to disclose their material accounting policy information rather than their significant accounting policies;

  (iii) AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;

  (iv) AASB 134 *Interim Financial Reporting*, to identify material accounting policy information as a component of a complete set of financial statements; and

  (v) AASB Practice Statement 2 *Making Materiality Judgements*, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  These amendments are not expected to have a significant financial 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 2025)

  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.

IFRS Sustainability Disclosure Standards exposure drafts

In March 2022, the International Sustainability Standards Board (ISSB) launched a consultation on its first two proposed IFRS Sustainability Disclosure Standards – IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. The proposed standards, when finalised, would form a comprehensive global baseline of sustainability-related disclosures designed to meet the information needs of investors in assessing enterprise value. The ISSB met in January 2023 to redeliberate and consider comments it received on the proposed standards.

The Trust continues to assess the impact of climate-related risks and opportunities on its operations and financial performance including its impact on the Trust's investment property valuations. Independent valuations are generally prepared annually to assess the fair value of each of the Trust's shopping centre assets. These valuations are conducted in accordance with the guidelines and valuation principles as set by the International Valuation Standards Council and the Royal Institution of Chartered Surveyors (RICS).

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

(f) Statement of Compliance (continued)

In assessing the implications of sustainability in property valuations under the RICS Valuation – Global Standards, consideration is given to matters such as (but is not limited to) environment, climate change and corporate responsibility that can or do impact on the valuation of an asset. This may include key environmental risks, such as flooding, energy efficiency, current and historic land use as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations.

Climate disclosure in the Directors' Report in Scentre Group's 2022 Annual Financial Report discusses how Scentre Group is managing the impact of climate change on its business including governance, strategy, risk management, metrics and targets adopted by Scentre Group.

(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 various other 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 debtors and receivables, Note 4: Investment properties, Note 5: Details of shopping centre investments and Note 23: Fair value of financial assets and liabilities.

(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.

Notes to the Financial Statements continued

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.

(a) Geographic segment information

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

	Australia $million	New Zealand $million	31 Dec 22 $million	Australia $million	New Zealand $million	31 Dec 21 $million
Revenue						
Shopping centre base rent and other property income (i)	**1,076.7**	**65.4**	**1,142.1**	1,035.4	61.1	1,096.5
Amortisation of tenant allowances	**(35.8)**	**(1.9)**	**(37.7)**	(31.8)	(1.7)	(33.5)
Straightlining of rent	**4.6**	**0.3**	**4.9**	3.4	0.7	4.1
	1,045.5	**63.8**	**1,109.3**	1,007.0	60.1	1,067.1
Expenses						
Property expenses, outgoings and other costs	**(291.9)**	**(19.4)**	**(311.3)**	(276.8)	(18.0)	(294.8)
Expected credit charge relating to COVID-19	**(6.5)**	**(0.6)**	**(7.1)**	(76.8)	(4.3)	(81.1)
	(298.4)	**(20.0)**	**(318.4)**	(353.6)	(22.3)	(375.9)
Segment income and expenses	**747.1**	**43.8**	**790.9**	653.4	37.8	691.2
Shopping centre investments	**16,138.1**	**689.7**	**16,827.8**	15,897.8	742.5	16,640.3
Development projects and construction in progress	**141.8**	**29.2**	**171.0**	81.5	31.2	112.7
Segment assets (ii)	**16,279.9**	**718.9**	**16,998.8**	15,979.3	773.7	16,753.0
Additions to segment non current assets during the year	**187.8**	**20.0**	**207.8**	80.5	19.6	100.1

(i) Includes recoveries of outgoings from lessees of $102.1 million (31 December 2021: $102.6 million).

(ii) Includes equity accounted segment assets of $8,467.6 million (31 December 2021: $8,394.6 million).

Note 2 – Segment reporting (continued)

(b) Reconciliation of segment information

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

	Consolidated $million	Equity Accounted $million	31 Dec 22 $million	Consolidated $million	Equity Accounted $million	31 Dec 21 $million
Property revenue	**558.8**	**550.5**	**1,109.3**	535.8	531.3	1,067.1
Property expenses, outgoings and other costs	**(159.1)**	**(152.2)**	**(311.3)**	(149.0)	(145.8)	(294.8)
Expected credit charge relating to COVID-19	**(2.8)**	**(4.3)**	**(7.1)**	(28.8)	(52.3)	(81.1)
Segment income and expenses	**396.9**	**394.0**	**790.9**	358.0	333.2	691.2
Overheads			**(13.4)**			(13.6)
Interest income			**1.4**			0.5
Currency loss			**(7.2)**			(10.9)
Financing costs			**(426.4)**			(205.4)
Gain in respect of capital transactions			**11.6**			–
Property revaluations			**43.8**			51.5
Tax expense			**(10.1)**			(5.6)
External non controlling interests			**(21.6)**			(16.1)
Net profit attributable to members of SGT1 (i)			**369.0**			491.6
Shopping centre investments	**8,476.9**	**8,350.9**	**16,827.8**	8,305.8	8,334.5	16,640.3
Development projects and construction in progress	**54.3**	**116.7**	**171.0**	52.6	60.1	112.7
Segment assets	**8,531.2**	**8,467.6**	**16,998.8**	8,358.4	8,394.6	16,753.0
Cash and cash equivalents	**108.2**	**19.5**	**127.7**	265.3	22.7	288.0
Trade debtors and receivables	**131.8**	**87.6**	**219.4**	176.9	137.2	314.1
Expected credit loss allowance	**(45.8)**	**(56.3)**	**(102.1)**	(62.1)	(87.2)	(149.3)
Other assets	**574.4**	**3.7**	**578.1**	494.5	2.6	497.1
Total assets	**9,299.8**	**8,522.1**	**17,821.9**	9,233.0	8,469.9	17,702.9
Interest bearing liabilities	**8,316.8**	**–**	**8,316.8**	8,063.4	–	8,063.4
Other financial liabilities	**354.9**	**–**	**354.9**	612.0	–	612.0
Deferred tax liabilities	**–**	**59.1**	**59.1**	–	55.3	55.3
Other liabilities	**1,608.3**	**161.3**	**1,769.6**	1,576.0	144.9	1,720.9
Total liabilities	**10,280.0**	**220.4**	**10,500.4**	10,251.4	200.2	10,451.6
Net assets	**(980.2)**	**8,301.7**	**7,321.5**	(1,018.4)	8,269.7	7,251.3

(i) Net profit attributable to members of SGT1 was $369.0 million (31 December 2021: $491.6 million). Net profit after tax for the year which includes profit attributable to external non controlling interests of $21.6 million (31 December 2021: $16.1 million) was $390.6 million (31 December 2021: $507.7 million).

Notes to the Financial Statements continued

Note 2 – Segment reporting (continued)

Accounting Policies

Revenue recognition

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.

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.

Impact of the COVID-19 pandemic

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 the end of the financial year. Refer to Note 3 for further details of judgements, estimates and assumptions used by management in assessing the expected credit loss allowance.

Recoveries of outgoings from lessees are recognised as services are provided.

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

All other revenues are recognised as services are provided.

Expenses

Expenses are brought to account on an accruals basis.

Note 3 – Trade debtors and receivables

	Note	31 Dec 22 $million	31 Dec 21 $million
Current			
Trade debtors		**14.4**	38.9
Receivables			
– Other receivables		**14.2**	10.0
– Interest receivable from related entities	31	**57.4**	65.3
		86.0	114.2
Non current			
Trade debtors		**–**	0.6
		–	0.6
Total trade debtors and receivables		**86.0**	114.8

(a) Components of trade debtors and receivables

Trade debtors and receivables		**131.8**	176.9
Expected credit loss allowance		**(45.8)**	(62.1)
Total trade debtors and receivables		**86.0**	114.8

(b) Movement in expected credit loss allowance

Balance at the beginning of the year		**(62.1)**	(64.5)
Expected credit charge relating to COVID-19		**(2.8)**	(28.8)
Amounts written-off relating to COVID-19		**18.9**	26.7
Other decreases in expected credit loss		**0.2**	4.5
Balance at the end of the year		**(45.8)**	(62.1)

Impact of the COVID-19 pandemic

The expected credit charge relating to COVID-19 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 performance in the comparative reporting period. 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. 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.

Notes to the Financial Statements continued

Note 3 – Trade debtors and receivables (continued)

For trade debtors and receivables outstanding at balance date 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. In addition to 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 age of trade debtor balances;
- the credit quality of tenants based on shared credit risk characteristics (e.g. size and industry);
- 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 where the debt is not collected and therefore the GST amount is excluded from the loss allowance.

Trade debtors and receivables written-off include rent abated resulting from rent relief arrangements applicable to the COVID-19 pandemic period. The decrease in the expected credit loss allowance is primarily as a result of abatements credited against outstanding receivables.

At 31 December 2022, approximately 79% of trade debtors are aged greater than 90 days and the expected credit loss allowance is 75% 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 $2.2 million respectively. At 31 December 2021, approximately 74% 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 $3.6 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 debtors and receivables

Trade debtors and 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 debtors and 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 debtors and 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 debtors and 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 22 $million	31 Dec 21 $million
Shopping centre investments	5	**8,476.9**	8,305.8
Development projects and construction in progress		**54.3**	52.6
Total investment properties		**8,531.2**	8,358.4
Movement in total investment properties			
Balance at the beginning of the year		**8,358.4**	8,269.1
Capital expenditure		**115.1**	60.4
Amortisation of tenant allowances		**(19.0)**	(16.3)
Net revaluation increment		**76.7**	45.2
Balance at the end of the year [(i)]		**8,531.2**	8,358.4

(i) The fair value of investment properties at the end of the year of $8,531.2 million (31 December 2021: $8,358.4 million) comprises investment properties at market value of $8,523.7 million (31 December 2021: $8,350.9 million) and ground lease assets of $7.5 million (31 December 2021: $7.5 million).

Accounting Policies

Investment properties

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

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.

Notes to the Financial Statements continued

Note 4 – Investment properties (continued)

Development projects and construction in progress

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

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

Independent valuations are conducted in accordance with guidelines 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 22 $million	31 Dec 21 $million
Consolidated Australian shopping centres	**8,476.9**	8,305.8
Total consolidated shopping centres	**8,476.9**	8,305.8
Equity accounted Australian shopping centres	**7,661.2**	7,592.0
Equity accounted New Zealand shopping centres	**689.7**	742.5
Total equity accounted shopping centres	**8,350.9**	8,334.5
	16,827.8	16,640.3

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.

Note 5 – Details of shopping centre investments (continued)

Valuation inputs

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 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;
- lease assumptions based on current and expected future market conditions after expiry of any current lease; and
- the capitalisation rate and discount rate derived from recent comparable market transactions.

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

	31 Dec 22	31 Dec 21
Australian portfolio		
Retail capitalisation rate	**4.25%–6.25%**	4.25%–6.25%
Weighted average retail capitalisation rate	**4.86%**	4.82%
Retail discount rate	**5.75%–7.25%**	5.75%–7.25%
New Zealand portfolio		
Retail capitalisation rate	**6.00%–7.38%**	5.50%–6.75%
Weighted average retail capitalisation rate	**6.61%**	6.09%
Retail discount rate	**7.50%–8.75%**	7.00%–8.50%

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 have broadly remained unchanged in Australia with some increases in New Zealand compared to 31 December 2021. The capitalisation rate sensitivity analysis is detailed below.

		31 Dec 22 $million	31 Dec 21 $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	**1,889.1**	1,891.2
	-25 bps	**894.4**	894.8
	+25 bps	**(808.4)**	(807.9)
	+50 bps	**(1,542.7)**	(1,541.0)

Notes to the Financial Statements continued

Note 6 – Details of equity accounted investments

	31 Dec 22 $million	31 Dec 21 $million
(a) Share of equity accounted entities' net profit and comprehensive income		
Share of after tax profit of equity accounted entities	**354.9**	334.1
Other comprehensive income/(loss) [(i)]	**(7.3)**	6.3
Share of total comprehensive income of equity accounted entities	**347.6**	340.4

(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 $8,301.7 million (31 December 2021: $8,269.7 million) comprise investments in joint ventures in Australia and New Zealand represented by equity of $7,882.9 million (31 December 2021: $7,758.3 million) and interest bearing loans of $418.8 million (31 December 2021: $511.4 million). Inter-entity interest charges on the loans amounted to $19.2 million (31 December 2021: $9.7 million).

	31 Dec 22 $million	31 Dec 21 $million
(c) Details of the Trust's share of equity accounted entities' tax expense		
Current tax expense – underlying operations	**(4.5)**	(5.8)
Deferred tax benefit	**(3.7)**	1.1
	(8.2)	(4.7)
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	**363.1**	338.8
Less: Net Trust income not taxable for the Trust – tax payable by members	**(335.2)**	(309.1)
	27.9	29.7
Prima facie tax expense at 30%	**(8.4)**	(8.9)
Tax rate differential on New Zealand foreign income	**0.6**	0.3
Deferred tax release from New Zealand centres	**–**	3.3
Other	**(0.4)**	0.6
Tax expense	**(8.2)**	(4.7)

Note 6 – Details of equity accounted investments (continued)

(d) Equity accounted entities economic interest

Name of investments	Type of equity	Balance Date	Economic interest 31 Dec 22	Economic interest 31 Dec 21
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.

Notes to the Financial Statements continued

Note 7 – Taxation

	31 Dec 22 $million	31 Dec 21 $million
Tax expense		
Current – underlying operations	**(1.9)**	(0.9)
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	**392.5**	508.6
Less: Trust income not taxable for the Trust – tax payable by members	**(392.5)**	(508.6)
	–	–
Prima facie tax expense at 30%	**–**	–
Non-resident withholding tax on inter-entity transactions	**(1.9)**	(0.9)
Tax expense	**(1.9)**	(0.9)

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 resident entities are subject to New Zealand tax.

(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 balance 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 22 $million	31 Dec 21 $million
(a) Final distribution paid		
2.00 cents per unit (31 December 2021: 2.14 cents per unit	**103.8**	111.1

Details of the full year components of distributions will be provided in the Annual Tax Statement which will be sent to members in March 2023.

Interim distribution of 3.75 cents per unit was paid on 31 August 2022. Final distribution was paid on 28 February 2023. The record date for the final distribution was 17 February 2023. Scentre Group does not operate a Distribution Reinvestment Plan.

	31 Dec 22 $million	31 Dec 21 $million
(b) Distributions paid during the year		
Distribution in respect of the six months to 30 June 2022	**194.6**	–
Distribution in respect of the six months to 31 December 2021	**111.1**	–
Distribution in respect of the six months to 30 June 2021	**–**	181.7
Distribution in respect of the six months to 31 December 2020	**–**	229.9
	305.7	411.6

Note 9 – Statutory earnings per unit

	31 Dec 22 cents	31 Dec 21 cents
(a) Summary of earnings per unit attributable to members of Scentre Group Trust 1		
Basic and diluted earnings per unit	**7.11**	9.47

There are no potential ordinary units which are dilutive.

In calculating basic and diluted earnings per unit attributable to Scentre Group Trust 1, net profit attributable to members of Scentre Group Trust 1 of $369.0 million (31 December 2021: $491.6 million) was divided by the weighted average number of ordinary units of 5,190,378,339 (31 December 2021: 5,190,378,339).

(b) Conversions, calls, subscriptions, issues or buy-back after 31 December 2022

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 loss

	31 Dec 22 $million	31 Dec 21 $million
Net fair value loss including associated credit risk on currency derivatives that do not qualify for hedge accounting	**(7.2)**	(10.9)

The translation of the Trust's foreign currency borrowings to Australian dollars has been economically hedged by currency derivatives 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 loss 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 profit and loss. 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 profit and loss.

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 profit and loss in the period in which they arise, except where hedge accounting is applied.

Refer to Notes 16 and 18 for other items that may be included in currency loss.

Notes to the Financial Statements continued

Note 11 – Financing costs

	Note	31 Dec 22 $million	31 Dec 21 $million
Gross financing costs (excluding net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting)			
– External		**(186.7)**	(216.4)
– Related entities	31	**(127.9)**	(80.6)
Financing costs capitalised to qualifying development projects and construction in progress		**3.6**	3.4
Interest expense on other financial liabilities		**(17.7)**	(23.1)
Lease liabilities interest expense		**(0.4)**	(0.4)
		(329.1)	(317.1)
Net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting		**(106.6)**	112.8
Net fair value gain on other financial liabilities		**13.8**	0.7
Net modification loss on refinanced borrowing facilities		**(3.7)**	(1.0)
Total financing costs		**(425.6)**	(204.6)

Accounting Policies

Financing costs

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

Refer to Notes 15 and 16 for other items included in financing costs.

Note 12 – Cash and cash equivalents

	31 Dec 22 $million	31 Dec 21 $million
(a) Components of cash and cash equivalents		
Cash	**108.2**	265.3
Bank overdrafts	**–**	–
Total cash and cash equivalents	**108.2**	265.3
(b) Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	**390.6**	507.7
Property revaluations	**(76.7)**	(45.2)
Difference between share of equity accounted profit and dividends/distributions received	**4.8**	(34.7)
Net fair value loss including associated credit risk on currency derivatives	**7.2**	10.9
Net fair value loss/(gain) on interest rate hedges that do not qualify for hedge accounting	**106.6**	(112.8)
Net fair value gain on other financial liabilities	**(13.8)**	(0.7)
Net modification loss on refinanced borrowing facilities	**3.7**	1.0
Gain in respect of capital transactions	**(9.2)**	–
Decrease in working capital attributable to operating activities	**52.8**	7.2
Net cash flows from operating activities	**466.0**	333.4
(c) Changes in net debt arising from financing activities		
Net debt at the beginning of the year	**8,895.1**	8,511.5
Repayment of borrowings and lease liabilities	**(799.1)**	(1,055.1)
Proceeds from borrowings	**6.0**	–
Funds paid to related entities	**–**	(505.2)
Funds received from related entities	**861.1**	1,936.9
Effects of exchange rate changes and fair value movement on currency derivatives	**8.0**	7.0
Net debt at the end of the year [(i)]	**8,971.1**	8,895.1

(i) Net debt comprises interest bearing liabilities of $8,316.8 million (31 December 2021: $8,063.4 million), non interest bearing loans payable of $960.8 million (31 December 2021: $960.8 million), lease liabilities of $7.5 million (31 December 2021: $7.5 million) and net receivable on currency derivatives hedging borrowings in foreign currency of $314.0 million (31 December 2021: $136.6 million).

Accounting Policies

Cash and cash equivalents

Cash and cash equivalents on the balance sheet comprise cash at bank and on hand and short term deposits 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 include 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.

Notes to the Financial Statements continued

Note 13 – Payables and other creditors

	Note	31 Dec 22 $million	31 Dec 21 $million
Payables and other creditors		**173.4**	160.3
Interest payable to related entities	31	**39.0**	40.4
Non interest bearing loans payable to related entities	31	**960.8**	960.8
		1,173.2	1,161.5

Accounting Policies

Payables and other creditors

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Trust prior to the end of the financial year that are unpaid and arise when the Trust becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are paid within 30 days. Loans payable to related entities are carried at amortised cost, are at call and classified as current.

Note 14 – Interest bearing liabilities

	Note	31 Dec 22 $million	31 Dec 21 $million
Current			
Unsecured			
Loans payable to related entities	31	**2,840.3**	1,979.2
Notes payable			
– € denominated		**785.7**	–
– £ denominated		**–**	743.8
		3,626.0	2,723.0
Non current			
Unsecured			
Notes payable			
– € denominated		**942.8**	1,714.2
– US$ denominated		**2,715.4**	2,549.2
– £ denominated		**709.3**	743.8
– HK$ denominated		**75.3**	70.7
Secured			
Bank loans and mortgages			
– A$ denominated		**248.0**	262.5
		4,690.8	5,340.4
Total interest bearing liabilities		**8,316.8**	8,063.4

The Trust maintains a range of interest bearing liabilities. The sources of funding are spread over various counterparties to minimise credit exposure 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). CDP has a $300.0 million (31 December 2021: $300.0 million) floating interest rate syndicated facility. Drawings under this facility are secured by a registered mortgage over CDP's interest in Westfield Carindale, and a fixed and floating charge over all assets and undertakings of CDP. The facility is subject to negative pledge arrangements. At 31 December 2022, the recorded fair value of Westfield Carindale is $785.1 million (31 December 2021: $750.1 million) compared to borrowings of $248.0 million (31 December 2021: $262.5 million).

Note 14 – Interest bearing liabilities (continued)

	31 Dec 22 $million	31 Dec 21 $million
(a) Summary of financing facilities		
Committed financing facilities available to the Trust:		
Financing facilities	**12,391.0**	12,683.5
Interest bearing liabilities	**(8,316.8)**	(8,063.4)
Available financing facilities	**4,074.2**	4,620.1
Cash and cash equivalents	**108.2**	265.3
Financing resources available	**4,182.4**	4,885.4

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 $354.9 million (31 December 2021: $612.0 million). The available financing facilities above totalling $4,074.2 million (31 December 2021: $4,620.1 million) are available to the Trust and other members of Scentre Group at year end. The Trust is able to draw on these financing facilities, provided they are unutilised by other members of Scentre Group. Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

	Maturity Date	Committed financing facilities 31 Dec 22 $million	Interest bearing liabilities 31 Dec 22 $million	Committed financing facilities 31 Dec 21 $million	Interest bearing liabilities 31 Dec 21 $million
(b) Financing facilities and interest bearing liabilities, comprise:					
Unsecured notes payable					
– US$ (i)	Feb 25 to May 30	**2,715.4**	**2,715.4**	2,549.2	2,549.2
– € (i)	Mar 23 to Jul 24	**1,728.5**	**1,728.5**	1,714.2	1,714.2
– £ (i)	Jul 26	**709.3**	**709.3**	1,487.6	1,487.6
– HK$ (i)	Apr 30	**75.3**	**75.3**	70.7	70.7
Total unsecured notes payable		**5,228.5**	**5,228.5**	5,821.7	5,821.7
Unsecured bank loan facilities available to the Trust	Apr 24 to Sep 29	**4,022.2**	**–**	4,582.6	–
Loans payable to related entities	At call	**2,840.3**	**2,840.3**	1,979.2	1,979.2
Secured bank loans and mortgages	May 27	**300.0**	**248.0**	300.0	262.5
		12,391.0	**8,316.8**	12,683.5	8,063.4

(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.

Notes to the Financial Statements continued

Note 14 – Interest bearing liabilities (continued)

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 balance 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 15 – Other financial liabilities

	31 Dec 22 $million	31 Dec 21 $million
Property linked notes		
Current	**162.3**	243.3
Non current	**192.6**	368.7
	354.9	612.0

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 Noteholder'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 Noteholder. 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.

As at the date of this report, $1,263.4 million of the Notes have been repaid and terminated since the Notes were originally issued, including $162.3 million of the Notes linked to Southland that were repaid and terminated on 4 January 2023. The review date for the remaining Note linked to Hornsby is 31 December 2023. As this date falls on a day that is not a business day, payment for the Note will be required on 2 January 2024. 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 16 – Derivative assets and liabilities

	Current $million	Non current $million	31 Dec 22 $million	Current $million	Non current $million	31 Dec 21 $million
(a) Derivative assets						
Currency derivatives [i]	35.8	223.0	258.8	2.8	400.6	403.4
Interest rate derivatives	2.8	276.2	279.0	–	50.0	50.0
	38.6	499.2	537.8	2.8	450.6	453.4
(b) Derivative liabilities						
Currency derivatives [i]	–	347.9	347.9	35.5	219.2	254.7
Interest rate derivatives	0.2	–	0.2	11.7	68.7	80.4
	0.2	347.9	348.1	47.2	287.9	335.1

(i) Currency derivatives comprise cross currency swaps and foreign currency swaps. The currency related and interest related components of currency derivatives are part of the same contract. The net position has been classified accordingly as a derivative asset or derivative liability on the balance sheet.

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 profit and loss. At 31 December 2022, the aggregate fair value is a net receivable of $189.7 million (31 December 2021: $118.3 million). The change in fair value for the year ended 31 December 2022 was a net gain of $71.4 million (31 December 2021: $296.0 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 2022, if these netting arrangements were applied to the derivative portfolio, derivative assets of $537.8 million would be reduced by $348.1 million to the net amount of $189.7 million and derivative liabilities of $348.1 million would be reduced by $348.1 million to nil. As at 31 December 2021, if these netting arrangements were applied to the derivative portfolio, derivative assets of $453.4 million would be reduced by $333.8 million to the net amount of $119.6 million and derivative liabilities of $335.1 million would be reduced by $333.8 million to the net amount of $1.3 million.

Accounting Policies

Derivative financial instruments

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

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

Gains or losses arising from 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 profit and loss. 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 profit and loss.

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.

Notes to the Financial Statements continued

Note 17 – Contributed equity

	31 Dec 22 Number of units	31 Dec 21 Number of units
(a) Units on issue		
Number of units on issue	**5,190,378,339**	5,190,378,339

There were no changes to the number of units on issue during the years ended 31 December 2022 and 2021.

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 22 $million	31 Dec 21 $million
(b) Amount of contributed equity attributable to members of SGT1		
Contributed equity	**1,459.0**	1,459.0

There were no changes to the amount of contributed equity attributable to members of SGT1 during the years ended 31 December 2022 and 2021.

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 22 $million	31 Dec 21 $million
Foreign currency translation reserve	**17.3**	24.6
Movement in foreign currency translation reserve		
Balance at the beginning of the year	**24.6**	18.3
Foreign exchange movement		
– Currency movement on the translation of investment in foreign operations	**(7.3)**	6.3
Balance at the end of the year	**17.3**	24.6

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 that may be included in foreign currency translation reserve.

Note 19 – Retained profits

	Note	31 Dec 22 $million	31 Dec 21 $million
Movement in retained profits attributable to members of Scentre Group Trust 1			
Balance at the beginning of the year		**5,592.0**	5,512.0
Profit after tax for the period		**369.0**	491.6
Distributions paid	8(b)	**(305.7)**	(411.6)
Balance at the end of the year		**5,655.3**	5,592.0

Note 20 – Capital and financial risk management

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

Refer to Note 21: Capital risk management, Note 22: Financial risk management, Note 23: Interest rate risk management, Note 24: Exchange rate risk management, Note 25: Credit risk management and Note 26: Liquidity risk management of Scentre Group's 2022 Annual Financial Report for details of Scentre Group's policies in identifying, assessing and managing the capital and financial risks of the stapled group.

Note 21 – Financial covenants

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

Refer to Note 27: Financial covenants of Scentre Group's 2022 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 14 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 22 $million	31 Dec 21 $million
Interest bearing liabilities and interest		
Due within one year	**(3,930.4)**	(2,925.2)
Due between one year and five years	**(3,940.2)**	(4,714.3)
Due after five years	**(1,297.5)**	(1,265.5)
	(9,168.1)	(8,905.0)
Comprising:		
– principal amounts of current and non current interest bearing liabilities	**(8,316.8)**	(8,063.4)
– aggregate future estimated nominal interest	**(851.3)**	(841.6)
	(9,168.1)	(8,905.0)
Derivatives inflows/(outflows)		
Due within one year	**(0.7)**	(85.4)
Due between one year and five years	**221.9**	270.6
Due after five years	**(146.7)**	(139.1)
	74.5	46.1

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

Notes to the Financial Statements continued

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 22 $million	31 Dec 21 $million	31 Dec 22 $million	31 Dec 21 $million
Consolidated assets					
Cash and cash equivalents		**108.2**	265.3	**108.2**	265.3
Trade debtors and receivables (i)		**86.0**	114.8	**86.0**	114.8
Derivative assets (ii)	Level 2	**537.8**	453.4	**537.8**	453.4
Consolidated liabilities					
Trade and other payables (i)		**1,252.7**	1,233.4	**1,252.7**	1,233.4
Interest bearing liabilities (ii)					
– Fixed rate debt	Level 2	**4,941.7**	6,190.6	**5,228.5**	5,821.7
– Floating rate debt	Level 2	**3,088.3**	2,241.8	**3,088.3**	2,241.7
Other financial liabilities (ii)	Level 3	**354.9**	612.0	**354.9**	612.0
Derivative liabilities (ii)	Level 2	**348.1**	335.1	**348.1**	335.1

(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.

	31 Dec 22 $million	31 Dec 21 $million
Level 3 fair value movement – Property linked notes (i)		
Balance at the beginning of the year	**612.0**	612.7
Repayment of other financial liabilities	**(243.3)**	–
Net fair value gain included in financing costs in the statement of comprehensive income	**(13.8)**	(0.7)
Balance at the end of the year	**354.9**	612.0

(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 15).

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 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, trusts or companies. 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.

Notes to the Financial Statements continued

Note 25 – Share based payments

Performance Rights – Short Term Variable Remuneration (STVR), Long Term Variable Remuneration (LTVR) and Retention Awards issued to employees of related entities

As at 31 December 2022, there were 17,499,774 (31 December 2021: 13,798,867) performance rights held by participants in Scentre Group's STVR/LTVR plans and Retention Awards equating to 17,499,774 (31 December 2021: 13,798,867) Scentre Group stapled securities. A performance right is the right, for no payment, to receive Scentre Group stapled securities on vesting. Descriptions of the STVR/LTVR plans and Retention Awards are in the Remuneration Report in Scentre Group's 2022 Annual Financial Report.

	31 Dec 22 Number of rights	31 Dec 21 Number of rights
Vesting profile – Performance Rights – STVR, LTVR and Retention Awards		
2022	–	1,798,735
2023	**6,702,325**	6,794,587
2024	**8,433,366**	5,205,545
2025	**2,364,083**	–
	17,499,774	13,798,867

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 receivables.

	31 Dec 22 $million	31 Dec 21 $million
Future minimum rental revenues under non cancellable operating property leases:		
Due within one year	**834.7**	800.7
Due between one and two years	**684.7**	654.2
Due between two and three years	**550.0**	522.5
Due between three and four years	**435.4**	411.2
Due between four and five years	**331.7**	308.5
Due after five years	**1,015.8**	1,054.7
	3,852.3	3,751.8

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.

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 22 $million	31 Dec 21 $million
Estimated capital expenditure committed at balance date but not provided for in relation to development projects:		
Due within one year	**55.8**	73.4
Due between one year and five years	**32.3**	38.8
	88.1	112.2

Note 28 – Contingent liabilities

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

	31 Dec 22 $million	31 Dec 21 $million
Performance guarantees	**0.0**	0.0
Guaranteed borrowings of associates of the Responsible Entity	**9,930.3**	8,645.0
	9,930.3	8,645.0

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.

Notes to the Financial Statements continued

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 presented below:

	31 Dec 22 $million	31 Dec 21 $million
(a) Assets		
Current assets	**234.0**	406.2
Non current assets	**17,249.2**	16,964.9
Total assets	**17,483.2**	17,371.1
(b) Liabilities		
Current liabilities	**5,367.0**	4,561.4
Non current liabilities	**4,984.6**	5,734.1
Total liabilities	**10,351.6**	10,295.5
(c) Equity		
Contributed equity	**1,459.0**	1,459.0
Reserves	**6,495.0**	6,464.6
Accumulated losses	**(822.4)**	(848.0)
Total equity	**7,131.6**	7,075.6
(d) Comprehensive income		
Profit after tax for the period	**331.3**	470.6
Other comprehensive income	**30.4**	27.3
Total comprehensive income for the period	**361.7**	497.9
(e) Contingent liabilities		
Performance guarantees	**0.0**	0.0
Guaranteed borrowings of associates of the Responsible Entity	**9,930.3**	8,645.0
Total contingent liabilities	**9,930.3**	8,645.0

Note 30 – Auditor's remuneration

	31 Dec 22 $000	31 Dec 21 $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	**630**	715
– Auditing the statutory financial reports of any controlled entities	**87**	83
– 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 (i)	**386**	365
– Fees for other services	**–**	–
	1,103	1,163
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	**26**	24
– Auditing the statutory financial reports of any controlled entities	**105**	97
– 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 (i)	**17**	17
– Fees for other services	**–**	–
	148	138
	1,251	1,301

(i) 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.

Nature of relationship with related parties

Key Management Personnel

Refer to Note 32 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.

Transactions with related parties and their terms and conditions

Transactions with KMP

Refer to Note 32 for details and remuneration of KMP.

Transactions with Other Related Parties

(a) Charges by SGL to the Trust

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

- Property management fees of $55.0 million (31 December 2021: $50.3 million);
- Manager's service charge of $10.6 million (31 December 2021: $9.4 million);
- Reimbursement of expenses of $24.9 million (31 December 2021: $23.3 million);
- Tenancy coordination fees of $4.0 million (31 December 2021: $3.7 million); and
- Development and construction billings of $154.9 million (31 December 2021: $81.7 million).

As at 31 December 2022, amounts payable by the Trust to SGL amounted to $39.4 million (31 December 2021: $17.2 million).

Notes to the Financial Statements continued

Note 31 – Related party disclosures (continued)

Transactions with Other Related Parties (continued)

(b) Loans

As at 31 December 2022, loans transacted with related entities were as follows:

(i) Interest bearing loan payable outstanding to SGT2 of $2,840.3 million (31 December 2021: $1,979.2 million). The interest expense for the year in respect of this loan was $73.1 million (31 December 2021: $20.5 million), of which $0.7 million (31 December 2021: $0.9 million) was unpaid.

(ii) Non interest bearing loan payable outstanding to SGL of $960.8 million (31 December 2021: $960.8 million).

During 2021, interest bearing loans payable to SGT3 were repaid. The interest expense for that year in respect of these loans was $0.5 million.

(c) Facility fees

During the year, the Trust reimbursed SGL and SGT2 for external facility related costs incurred on its behalf totalling $13.9 million (31 December 2021: $17.7 million).

(d) Financial derivatives

As at 31 December 2022, financial derivatives transacted with SGL were as follows:

(i) Notional principals of interest rate swaps outstanding were A$7,050.0 million (31 December 2021: A$4,300.0 million). The net interest expense for the year in respect of these derivatives was $39.9 million (31 December 2021: $106.9 million), of which $4.6 million net interest income (31 December 2021: $20.8 million net interest expense) was unpaid.

(ii) Notional principals of cross currency swaps outstanding were US$1,850.0 million, €1,100.0 million, £400.0 million and HK$400.0 million receivables and aggregate A$4,917.3 million payable (31 December 2021: US$1,850.0 million, €1,100.0 million, £800.0 million and HK$400.0 million receivables and aggregate A$5,821.7 million payable). The net interest expense for the year in respect of these derivatives was the A$ equivalent of $13.9 million (31 December 2021: $50.3 million net interest income), of which $14.4 million net interest income (31 December 2021: $46.6 million) was unpaid. The foreign currency receivable exposures above are matched to the foreign currency borrowings disclosed in Note 14, therefore the statement of comprehensive income is not affected by any movements in exchange rates in relation to these net positions.

(iii) Callable interest rate swaps were called at no cost during the year (31 December 2021: notional principals of A$1,000.0 million). The net interest expense for the year in respect of these derivatives was $1.0 million (31 December 2021: $3.1 million).

During the year, the Trust contracted foreign currency derivatives to pay £153.6 million (31 December 2021: A$494.7 million) to SGL in exchange for the Trust receiving A$287.1 million (31 December 2021: NZ$532.1 million) from SGL. The foreign currency contracts matured during the year with a net realised gain of $22.2 million being recognised in the statement of comprehensive income (31 December 2021: a net realised loss of $1.5 million).

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. KMP for the financial year were the non-executive Directors, Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

(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 2022 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 2022, the Board comprised the following directors:

Brian Schwartz AM	Non-executive Chair
Elliott Rusanow	Managing Director and CEO
Ilana Atlas AO	Non-executive Director
Catherine Brenner	Non-executive Director
Andrew Harmos	Non-executive Director
Michael Ihlein	Non-executive Director
Carolyn Kay	Non-executive Director
Stephen McCann	Non-executive Director
Guy Russo	Non-executive Director
Margaret Seale	Non-executive Director
Michael Wilkins AO	Non-executive Director

Catherine Brenner was appointed to the Board effective 1 March 2022. Steven Leigh retired from the Board on 7 April 2022. Stephen McCann was appointed to the Board effective 1 November 2022.

Peter Allen stepped down as Managing Director and CEO of Scentre Group on 30 September 2022 and will retire from Scentre Group on 30 September 2023. Elliott Rusanow was appointed Managing Director and CEO of Scentre Group effective 1 October 2022. Elliott Rusanow was CFO from 1 January 2022 to 30 September 2022, and executive KMP for the whole year. Andrew Clarke was appointed CFO of Scentre Group effective 1 October 2022, and is also a KMP from that date.

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.

(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.

Notes to the Financial Statements continued

Note 33 – Details of material and significant entities

Name of entity	31 Dec 22 – Interest Beneficial [i] Parent Entity %	31 Dec 22 – Interest Beneficial [i] Trust %	31 Dec 22 – Interest Consolidated or Equity accounted %	31 Dec 21 – Interest Beneficial [i] Parent Entity %	31 Dec 21 – Interest Beneficial [i] Trust %	31 Dec 21 – Interest 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	**64.10**	**64.10**	**100.0**	63.09	63.09	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						
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 2022

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 2022 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 14 March 2023 in accordance with a resolution of the Board of Directors.

Brian Schwartz AM
Chair

14 March 2023

Michael Ihlein
Director

Independent Auditor's Report

To the Members of Scentre Group Trust 1

Building a better working world

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GPO Box 2646 Sydney NSW 2001

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www.ey.com/au

Report on the audit of the financial report

Opinion

We have audited the financial report of Scentre Group Trust 1 and its controlled entities (the Trust), which comprises the consolidated balance sheet as at 31 December 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Trust as at 31 December 2022 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
The Trust holds economic interests in shopping centre investment properties which are carried at a fair value of $17.0 billion at 31 December 2022. 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 the latest 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 judgmental in nature. Minor changes in certain assumptions can lead to significant changes in the valuation. We draw attention to Notes 4 and 5 of the financial report which discloses the accounting policy for these assets and sensitivities to changes in the key assumptions that may impact these valuations.	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; and – Changes in the Trust's investment property portfolio including understanding leasing activity and tenant occupancy risk. • 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 on the assumptions adopted in the valuation: – We assessed net income, lease expiry and vacancy assumptions adopted against the schedule of tenancy reports, lease expiry profile and vacancy levels of the underlying asset; – We assessed the re-leasing and capital expenditure requirement assumptions in light of the current leasing status of the property; – Where available, we corroborated these assumptions to supporting lease documentation or external market data; and – 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 to gain an understanding of the assumptions and estimates used and the valuation methodology applied. • 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 and internal valuers used by the Trust. • We assessed the appropriateness of disclosures included in Notes 4 and 5 of the financial report.

Independent Auditor's Report continued

2. Carrying value of trade debtors

Why significant	How our audit addressed the key audit matter
As at 31 December 2022, the Trust held $132.1 million in trade debtors and $98.1 million allowance for expected credit losses. Trade debtors primarily comprise amounts due from tenants of the Trust's investment properties under lease agreements, less an allowance for expected credit losses. The Trust applies Australian Accounting Standard – AASB 9 *Financial Instruments* 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. The recoverability of trade debtors is considered a key audit matter due to the value of uncollected rental income at 31 December 2022 and the significant judgement required in determining the allowance for expected credit losses. Note 3 of the financial report describes the accounting policy for the asset and the related expected credit loss allowance. The note also describes the key judgements exercised by the directors in determining the expected credit loss allowance as well as sensitivities to changes in the key assumptions that may impact the loss allowance in future periods.	Our audit procedures included the following: • We assessed the effectiveness of relevant controls in relation to tenant lease arrangements. • We tested the existence of trade debtors 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 or under negotiation 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 debtors. • We assessed whether the methodology used in the determination of expected credit losses was consistent with the principles of AASB 9. • We involved our valuation specialists in testing the mathematical accuracy of the expected credit loss model. • We evaluated the key assumptions applied in calculating expected credit losses which included assessing forward-looking information as well as tenant related risk profiles were considered in the expected credit loss model. • We assessed the adequacy of the Trust's disclosures in relation to the valuation uncertainty of trade debtors 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 included in the Trust's annual report for the year ended 31 December 2022, but does not include the financial report and our 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 the Responsible Entity 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 the Responsible Entity 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 the Responsible Entity 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 the Responsible Entity 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 the Responsible Entity.
- 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 Trust audit. We remain solely responsible for our audit opinion.

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

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner

Sydney, 14 March 2023

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 2022 (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 42 Westfield destinations with 37 located in Australia and five in New Zealand. Our destinations are in close proximity to 20 million people.

Our Westfield destinations are strategically located in the heart of the local communities we serve. Our centres are considered community hubs that connect people with services and experiences that enrich their daily lives. We enhance the connection we have with people, so more people experience Westfield, more often and for longer.

The Trust has a joint interest in 39 Westfield destinations.

In 2022, customers continued to return to Scentre Group's destinations at an increasing rate. Scentre Group welcomed 480 million customer visits to our centres, an increase of 67 million on 2021. The Christmas 2022 period was the first in three years to be free of restrictions and our customers responded positively to our activations and campaign to make their experience festive and easy.

During the year Scentre Group hosted more than 15,400 centre events across our portfolio compared to 13,500 in 2021. This included 3,500 cultural, community and sustainability engagement initiatives, charity donation appeals, Westfield Local Hero events and youth programs.

Scentre Group's close connection to our customers and communities, underpins our customer strategy and our commitment to deliver extraordinary experiences every day.

1.2 Economic performance

Financial performance

The Trust's financial result for the Financial Year was a profit of $390.6 million which includes property revaluation gains of $43.8 million. This compares to a profit of $507.7 million in the comparative period which includes property revaluation gains of $51.5 million.

The aggregate distribution attributable to members of SGT1 for the Financial Year is $298.4 million (being 5.75 cents per unit). Basic earnings per unit for the Financial Year is 7.11 cents.

Net assets have increased from $7,251.3 million at 31 December 2021 to $7,321.5 million at 31 December 2022. The result includes an increase in property revaluation of $43.8 million during the Financial Year.

Capital management

As at 31 December 2022, the Trust had available financing resources of $4.2 billion (31 December 2021: $4.9 billion), after deducting facilities utilised by its borrowings.

Scentre Group's interest cover for the Financial Year was 4.0 times and balance sheet gearing at 31 December 2022 was 27.3%.

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

Development activity

Listening to customers is integral to meeting the future needs of our customers and communities. We continue to invest in our Westfield destinations to enhance the customer offer and experience.

The $355 million investment at Westfield Knox progressed well during the year. We listened to community feedback as part of a comprehensive community consultation and have reflected their long-term needs in the centre's transformation. The new gourmet food marketplace located on Level 1 of the centre opened in December 2022 and features new Woolworths and ALDI supermarkets. The remainder of the centre including new retail experiences, a swim school, full sized basketball court, Knox public library, co-working facilities and a multi-purpose community space, will open in stages throughout 2023.

The $55 million investment at Westfield Mt Druitt opened in March 2022, including a new rooftop dining, entertainment and leisure precinct, featuring 15 restaurants and indoor-outdoor spaces for the community, driving improvements to visitation and dwell time.

In November 2022 we completed the $33 million investment at Westfield Penrith, including the introduction of new casual dining experiences, a Coles supermarket and an entertainment precinct.

The $33 million investment in Westfield Parramatta opened in November 2022. The new fresh food precinct features Coles, ALDI, and a Tong Li supermarket, among other speciality retailers.

The Trust has a joint interest in Westfield Knox (25%), Westfield Mt Druitt (25%), Westfield Penrith (25%) and Westfield Parramatta (25%).

Future planning

Scentre Group's focus on listening and engaging with customers is integral to our Strategic Asset Planning (SAP) process.

In 2022, Scentre Group developed and implemented a new SAP process, leveraging a research project undertaken to better understand how community needs are changing. The new SAP process was completed by all 42 Westfield centre teams. It explored a set of core centre principles that focused on growth of our destinations and the potential Westfield customer audience.

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 2022 Annual Financial Report which is available at www.scentregroup.com.

1.3 2023 guidance and outlook

Scentre Group is well positioned to deliver long-term growth for securityholders.

Subject to no material change in conditions, Scentre Group expects FFO to be in the range of 20.75 to 21.25 cents per security in 2023, representing 3.4% to 5.9% growth for the year.

Scentre Group distributions are expected to be at least 16.50 cents per security in 2023, representing at least 4.8% growth for the year.

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 2022 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 2022 Annual Financial Report which can be found at www.scentregroup.com.

1.8 Environment

Environmental laws and regulations in force in the various jurisdictions in which we operate are applicable to areas of our operations and in particular to our 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. Scentre Group's compliance procedures are regularly reviewed and audited and their application closely monitored and Scentre Group's approach to sustainability risks is outlined in Scentre Group's 2022 Annual Financial Report which can be found at www.scentregroup.com.

2. Distributions

For the six months ended 31 December 2021, the Trust distribution of 2.14 cents per ordinary unit formed part of the distribution of 7.25 cents per Scentre Group stapled security, paid on 28 February 2022. This distribution was an aggregate of a distribution from the Trust, SGT2, SGT3 and a dividend from SGL. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

For the six months ended 30 June 2022, the Trust distribution of 3.75 cents per ordinary unit formed part of the distribution of 7.50 cents per Scentre Group stapled security, paid on 31 August 2022. This distribution was an aggregate of a distribution from the Trust and a distribution from SGT2. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

For the six months ended 31 December 2022, the Trust distribution of 2.00 cents per ordinary unit formed part of the distribution of 8.25 cents per Scentre Group stapled security, paid on 28 February 2023. This distribution was an aggregate of a distribution from the Trust and SGT2 and a dividend from SGL. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

Directors' Report continued

3. The Directors

The Board comprises ten independent non-executive Directors and one executive Director (being the Managing Director/Chief Executive Officer (CEO)). The period of office held by each Director is set out below and their significant directorships held in other companies is set out at Section 4.

Name	Position held	Appointed	Last elected/re-elected at an AGM
Brian Schwartz (i)	Non-executive Chair	30 June 2014	7 April 2022
Elliott Rusanow	Managing Director and CEO	1 October 2022	Not required to stand for re-election
Ilana Atlas	Non-executive Director	28 May 2021	7 April 2022
Catherine Brenner	Non-executive Director	1 March 2022	7 April 2022
Andrew Harmos (i)(ii)	Non-executive Director	30 June 2014	8 April 2020
Michael Ihlein (i)	Non-executive Director	30 June 2014	7 April 2022
Carolyn Kay	Non-executive Director	24 February 2016	8 April 2021
Stephen McCann	Non-executive Director	1 November 2022	Will stand for election at 2023 AGM
Guy Russo	Non-executive Director	1 September 2020	8 April 2021
Margaret Seale	Non-executive Director	24 February 2016	8 April 2021
Michael Wilkins	Non-executive Director	8 April 2020	8 April 2020

Prior Directors	Position held	Appointed	Ceased to be a Director
Peter Allen	Managing Director and CEO	25 May 2011	30 September 2022
Steven Leigh	Non-executive Director	4 April 2019	7 April 2022

(i) Scentre Group was established on 30 June 2014. Prior to that date, Scentre Group Limited formed part of the prior Westfield Group and the appointment date of Mr Schwartz (6 May 2009) to the Responsible Entity (previously Westfield Management Limited) pre-dates the establishment of Scentre Group. Mr Harmos and Mr Ihlein were both appointed to the Responsible Entity on 30 June 2014.

(ii) On 17 October 2022, Scentre Group announced that Andrew Harmos will not stand for re-election at Scentre Group's 2023 AGM and will retire from the Board at the end of the meeting.

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 2022 Annual Financial Report and on Scentre Group's website www.scentregroup.com.

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 Scentre Group stapled securities 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.

	Number of Stapled Securities	
	31 Dec 2021	**31 Dec 2022**
Director		
Brian Schwartz	165,861	**165,861**
Elliott Rusanow [(i)]	370,918	**562,183**
Ilana Atlas	80,856	**80,856**
Catherine Brenner	–	**100,000**
Andrew Harmos	147,897	**127,897**
Michael Ihlein	48,048	**48,048**
Carolyn Kay	57,000	**57,000**
Stephen McCann	–	**0**
Guy Russo	145,000	**145,000**
Margaret Seale	56,750	**56,750**
Michael Wilkins	100,000	**100,000**
Prior Directors		
Peter Allen (stepped down as Managing Director/CEO 30 September 2022)	6,288,144	**–**
Steven Leigh (retired 7 April 2022)	96,316	**–**

(i) On 15 February 2023, Elliott Rusanow received 463,049 securities on vesting of tranche 1 of his 2020 retention awards.

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 KMP are set out in the Remuneration Report in Scentre Group's 2022 Annual Financial Report. 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.

Directors' Report continued

4. Directors' directorships of other listed companies

Details of all directorships of other listed entities held by each Director at any time in the three years immediately before 31 December 2022 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 Director's appointment to these companies is continuing. The date of appointment is set out at section 3.

Director	Company	Date appointed	Date resigned
Brian Schwartz*			
Elliott Rusanow*			
Ilana Atlas	Australia and New Zealand Banking Group Limited	24 September 2014	Continuing
	Origin Energy Limited	19 February 2021	Continuing
	Coca-Cola Amatil Limited	23 February 2011	10 May 2021
Catherine Brenner*			
Andrew Harmos	AMP Limited	1 June 2017	8 May 2020
Michael Ihlein	Inghams Group Limited	16 April 2020	Continuing
	Ampol Limited	1 June 2020	Continuing
	CSR Limited	7 July 2011	25 June 2021
Carolyn Kay*			
Stephen McCann	Lendlease Corporation Limited	4 March 2019	31 May 2021
	Crown Resorts Limited	20 October 2021	24 June 2022
Guy Russo	SomnoMed Limited	24 August 2020	Continuing
Margaret Seale	Westpac Banking Corporation	1 March 2019	Continuing
	Telstra Corporation Limited	7 May 2012	12 October 2021
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

* No relevant directorships held in the prior three years.

5. 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 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 the 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.

6. Special rules for registered schemes

- $69.6 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.
- $154.9 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 8,758,782 units as at 20 February 2023.
- No withdrawals were made from the scheme during the Financial Year.
- Details of the value of the Trust's investment property assets as at the end of the Financial Year and the basis for the valuation are set out in Notes 4 and 5 to the Financial Report.
- Details of the number of units issued in the Trust during and as at the end of the Financial Year are set out in Note 17 to the Financial Report.

7. Audit

7.1 Audit and Risk Committee

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

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

7.2 Non-Audit Services and Audit Independence

During the Financial Year Ernst & Young, the Trust's auditor, did not provide any non-audit services to the Trust.

Details of the amount paid to the auditor are set out in Note 30 to the Financial Report. As no non-audit services were provided by the auditor during the Financial Year, the Board is satisfied that the auditor complies with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Directors' Report continued

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

EY
Building a better working world

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 2022, 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;

(b) no contraventions of any applicable code of professional conduct in relation to the audit; and

(c) no non-audit services provided that contravene 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

Ernst & Young

Megan Wilson

Megan Wilson
Partner

Sydney, 14 March 2023

Liability limited by a scheme approved under Professional Standards Legislation.

8. ASIC Disclosures

8.1 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.

8.2 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.

9. 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.

10. 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 2022 Corporate Governance Statement is available in the corporate governance section on Scentre Group's website: scentregroup.com/about-us/corporate-governance. During 2022, 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
Chair

Michael Ihlein
Director

14 March 2023

Members' Information

As at 15 February 2023

Twenty largest holders of stapled securities in Scentre Group (i)		Number of stapled securities
1	HSBC Custody Nominees (Australia) Limited	1,805,946,888
2	J P Morgan Nominees Australia Pty Limited	1,126,457,557
3	Citicorp Nominees Pty Limited	625,269,425
4	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	604,821,420
5	National Nominees Limited	195,013,495
6	BNP Paribas Noms Pty Ltd <DRP>	188,331,328
7	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	56,432,041
8	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	29,272,670
9	Netwealth Investments Limited <Wrap Services A/C>	9,406,725
10	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	9,199,141
11	BNP Paribas Noms (NZ) Ltd <DRP>	8,404,239
12	HSBC Custody Nominees (Australia) Limited	7,889,764
13	Argo Investments Limited	7,526,662
14	HSBC Custody Nominees (Australia) Limited – A/C 2	6,796,911
15	BNP Paribas Noms Pty Ltd <Global Markets DRP>	6,524,210
16	HSBC Custody Nominees (Australia) Limited <GSCO Customers A/C>	5,636,758
17	Amondi Pty Ltd <WEOPT>	5,388,133
18	Woodross Nominees Pty Ltd	5,379,113
19	Mutual Trust Pty Ltd	5,272,063
20	Neweconomy Com AU Nominees Pty Limited <900 Account>	4,594,407
		4,713,562,950

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

Voting rights

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

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

Distribution schedule

Category	Number of stapled securities*	Number of securityholders	% of securities in each category
1 – 1,000	12,112,927	28,741	0.23
1,001 – 5,000	79,242,069	31,447	1.53
5,001 – 10,000	68,171,957	9,426	1.31
10,001 – 100,000	180,661,185	7,787	3.48
100,001 and over	4,850,190,201	386	93.45
Total	**5,190,378,339**	**77,787**	**100.00**

As at 15 February 2023, 7,276 securityholders hold less than a marketable parcel (being 168 securities at the closing price of $2.98) of quoted securities in Scentre Group.

* There are 14,232,186 performance rights on issue under Scentre Group's performance rights plan to a total of 72 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 FY22, 4,706,952 securities (at an average price of $2.7363) were acquired on-market by the Scentre Group Performance Rights Plan Trust to satisfy executive entitlements on the vesting of rights under Scentre Group's equity-linked plans.

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:

Substantial securityholders	Number of stapled securities
UniSuper Limited as trustee for UniSuper and UniSuper Management Pty Limited	584,575,781
The Vanguard Group	524,857,282
BlackRock Group	496,793,754
State Street	445,042,771

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Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	31 Dec 22 $million	31 Dec 21 $million
Revenue			
Property revenue		**591.9**	566.4
		591.9	566.4
Expenses			
Property expenses, outgoings and other costs		**(167.7)**	(155.1)
Expected credit charge relating to COVID-19	3(b)	**(2.6)**	(35.2)
Overheads		**(8.1)**	(8.4)
		(178.4)	(198.7)
Share of after tax profits of equity accounted entities			
Property revenue		**542.4**	523.2
Property expenses, outgoings and other costs		**(149.2)**	(143.0)
Expected credit charge relating to COVID-19		**(4.3)**	(52.4)
Net interest expense		**(0.4)**	(1.0)
Gain in respect of capital transactions		**2.4**	–
Property revaluations		**(30.9)**	5.8
Tax expense		**(8.2)**	(4.7)
	6(a)	**351.8**	327.9
Interest income	11(a)	**76.7**	28.9
Currency loss	10	**(24.6)**	(26.3)
Financing costs	11(b)	**(999.0)**	(392.7)
Property revaluations		**74.3**	18.6
Profit/(loss) before tax		**(107.3)**	324.1
Tax expense	7	**(1.9)**	(1.2)
Profit/(loss) after tax for the period		**(109.2)**	322.9
Other comprehensive income/(loss)			
Movement in foreign currency translation reserve (i)			
– Currency movement on the translation of investment in foreign operations		**(7.4)**	6.3
Total comprehensive income/(loss) for the period		**(116.6)**	329.2

(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	31 Dec 22 cents	31 Dec 21 cents
Basic and diluted earnings/(loss) per unit	9(a)	(2.10)	6.22

Balance Sheet

As at 31 December 2022

	Note	31 Dec 22 $million	31 Dec 21 $million
Current assets			
Cash and cash equivalents	12(a)	**360.9**	342.4
Trade debtors	3	**16.2**	40.1
Receivables	3	**2,967.0**	2,375.4
Derivative assets	15(a)	**60.9**	–
Other current assets		**16.6**	14.8
Total current assets		**3,421.6**	2,772.7
Non current assets			
Trade debtors	3	**–**	0.7
Investment properties	4	**9,492.2**	9,265.0
Equity accounted investments	6(b)	**8,215.0**	8,182.1
Derivative assets	15(a)	**262.5**	209.0
Other non current assets		**25.0**	30.6
Total non current assets		**17,994.7**	17,687.4
Total assets		**21,416.3**	20,460.1
Current liabilities			
Trade creditors		**85.3**	77.0
Payables and other creditors	13	**330.1**	245.9
Interest bearing liabilities			
– Senior borrowings	14	**1,388.6**	141.0
Lease liabilities		**0.1**	0.1
Total current liabilities		**1,804.1**	464.0
Non current liabilities			
Interest bearing liabilities			
– Senior borrowings	14	**3,849.1**	4,370.1
– Subordinated notes	14	**4,403.3**	4,133.9
Lease liabilities		**7.4**	7.5
Derivative liabilities	15(b)	**806.9**	516.8
Total non current liabilities		**9,066.7**	9,028.3
Total liabilities		**10,870.8**	9,492.3
Net assets		**10,545.5**	10,967.8
Equity			
Contributed equity	16(b)	**7,868.4**	7,868.4
Reserves	17	**14.8**	22.2
Retained profits	18	**2,662.3**	3,077.2
Total equity		**10,545.5**	10,967.8

Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Contributed Equity $million	Reserves $million	Retained Profits $million	31 Dec 22 Total $million	Contributed Equity $million	Reserves $million	Retained Profits $million	31 Dec 21 Total $million
Changes in equity									
Balance at the beginning of the year		**7,868.4**	**22.2**	**3,077.2**	**10,967.8**	7,868.4	15.9	3,069.4	10,953.7
– Profit/(loss) after tax for the period (i)		**–**	**–**	**(109.2)**	**(109.2)**	–	–	322.9	322.9
– Other comprehensive income/(loss) (i) (ii)	17	**–**	**(7.4)**	**–**	**(7.4)**	–	6.3	–	6.3
Transactions with owners in their capacity as owners									
– Distributions paid or provided for	8(b)	**–**	**–**	**(305.7)**	**(305.7)**	–	–	(315.1)	(315.1)
Total equity		**7,868.4**	**14.8**	**2,662.3**	**10,545.5**	7,868.4	22.2	3,077.2	10,967.8

(i) Total comprehensive loss for the period amounts to $116.6 million (31 December 2021: income of $329.2 million).

(ii) Movement in reserves comprises currency movement on the translation of investment in foreign operations of $7.4 million (31 December 2021: gain $6.3 million).

Cash Flow Statement

For the year ended 31 December 2022

	Note	31 Dec 22 $million	31 Dec 21 $million
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		**687.3**	612.3
Payments in the course of operations (including GST)		**(186.0)**	(188.0)
Dividends/distributions received from equity accounted entities		**355.4**	285.2
Withholding taxes paid		**(1.9)**	(1.2)
GST paid		**(41.3)**	(43.3)
Payments of financing costs (excluding financing costs capitalised)		**(371.3)**	(334.0)
Interest received		**76.7**	28.9
Net cash inflow from operating activities	12(b)	**518.9**	359.9
Cash flows from investing activities			
Capital expenditure		**(119.6)**	(140.0)
Payments relating to the sale of assets		**(0.3)**	(3.0)
Net outflows for investments in equity accounted entities		**(60.1)**	(534.2)
Financing costs capitalised to qualifying development projects and construction in progress		**(18.2)**	(15.2)
Net cash outflow from investing activities		**(198.2)**	(692.4)
Cash flows from financing activities			
Repayment of borrowings and lease liabilities	12(c)	**(35.6)**	(293.3)
Proceeds from borrowings	12(c)	**614.2**	–
Funds paid to related entities	12(c)	**(863.0)**	(2,014.3)
Funds received from related entities	12(c)	**289.3**	988.2
Distributions paid		**(305.7)**	(315.1)
Cancellation of derivatives following the issuance of subordinated notes		**–**	(26.4)
Inflows from short term deposits at bank	12(c)	**–**	2,208.0
Net cash inflow/(outflow) from financing activities		**(300.8)**	547.1
Net increase in cash and cash equivalents held		**19.9**	214.6
Add opening cash and cash equivalents brought forward		**342.4**	127.8
Effects of exchange rate changes on cash and cash equivalents		**(1.4)**	–
Cash and cash equivalents at the end of the period [(i)]	12(a)	**360.9**	342.4

(i) Cash and cash equivalents comprise cash of $360.9 million (31 December 2021: $342.4 million) net of bank overdraft of nil (31 December 2021: nil).

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Notes to the Financial Statements

For the year ended 31 December 2022

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 2022 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

Disclosures relating to the impact of the COVID-19 pandemic on the Trust's operations and financial performance are discussed in Note 3: Trade debtors and receivables.

(d) Going concern

This financial report has been prepared on a going concern basis. In making this assessment, the Directors have considered:

- The Trust forms part of Scentre Group and is party to Scentre Group's cross guarantee arrangements in respect of Scentre Group's debt facilities and bonds; and
- Scentre Group's ability to meet its financial obligations over the next 12 months, using cash flow sensitivity analysis and having regard to debt maturities, funding requirements, operating cash earnings and available financing facilities.

(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 (AASB). 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 2022:

- AASB 2021-3 *Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions beyond 30 June 2021* (effective for annual reporting periods beginning on or after 1 April 2021)

  This amends AASB 16 *Leases* to extend the availability of the practical expedient for lessees to not account for COVID-19 related rent concessions as lease modifications by one year. This amendment did not 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 did not have a significant impact on the financial statements on application.

Notes to the Financial Statements continued

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 2022. The impact of these new standards or amendments to the standards and interpretations (to the extent relevant to the Trust) is as follows:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non current* (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.

- AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (effective from 1 January 2023)

  This amends AASB 112 *Income Taxes* to clarify the accounting for deferred tax on transactions that at the time of the transaction give rise to equal taxable and deductible temporary differences. This amendment is not expected to have a significant impact on the financial statements on application.

- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (effective from 1 January 2023)

  This amends:

  (i) AASB 7 *Financial Instruments: Disclosures*, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;

  (ii) AASB 101 *Presentation of Financial Statements*, to require entities to disclose their material accounting policy information rather than their significant accounting policies;

  (iii) AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;

  (iv) AASB 134 *Interim Financial Reporting*, to identify material accounting policy information as a component of a complete set of financial statements; and

  (v) AASB Practice Statement 2 *Making Materiality Judgements*, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  These amendments are not expected to have a significant financial 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 2025)

  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.

IFRS Sustainability Disclosure Standards exposure drafts

In March 2022, the International Sustainability Standards Board (ISSB) launched a consultation on its first two proposed IFRS Sustainability Disclosure Standards – IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. The proposed standards, when finalised, would form a comprehensive global baseline of sustainability-related disclosures designed to meet the information needs of investors in assessing enterprise value. The ISSB met in January 2023 to redeliberate and consider comments it received on the proposed standards.

The Trust continues to assess the impact of climate-related risks and opportunities on its operations and financial performance including its impact on the Trust's investment property valuations. Independent valuations are generally prepared annually to assess the fair value of each of the Trust's shopping centre assets. These valuations are conducted in accordance with the guidelines and valuation principles as set by the International Valuation Standards Council and the Royal Institution of Chartered Surveyors (RICS).

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

(f) Statement of Compliance (continued)

In assessing the implications of sustainability in property valuations under the RICS Valuation – Global Standards, consideration is given to matters such as (but is not limited to) environment, climate change and corporate responsibility that can or do impact on the valuation of an asset. This may include key environmental risks, such as flooding, energy efficiency, current and historic land use as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations.

Climate disclosure in the Directors' Report in Scentre Group's 2022 Annual Financial Report discusses how Scentre Group is managing the impact of climate change on its business including governance, strategy, risk management, metrics and targets adopted by Scentre Group.

(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 various other 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 debtors and receivables, Note 4: Investment properties, Note 5: Details of shopping centre investments and Note 22: Fair value of financial assets and liabilities.

(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.

Notes to the Financial Statements continued

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.

(a) Geographic segment information

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

	Australia $million	New Zealand $million	31 Dec 22 $million	Australia $million	New Zealand $million	31 Dec 21 $million
Revenue						
Shopping centre base rent and other property income (i)	**1,100.8**	**65.4**	**1,166.2**	1,057.3	61.1	1,118.4
Amortisation of tenant allowances	**(35.1)**	**(1.9)**	**(37.0)**	(31.3)	(1.7)	(33.0)
Straightlining of rent	**4.8**	**0.3**	**5.1**	3.5	0.7	4.2
	1,070.5	**63.8**	**1,134.3**	1,029.5	60.1	1,089.6
Expenses						
Property expenses, outgoings and other costs	**(297.5)**	**(19.4)**	**(316.9)**	(280.1)	(18.0)	(298.1)
Expected credit charge relating to COVID-19	**(6.3)**	**(0.6)**	**(6.9)**	(83.3)	(4.3)	(87.6)
	(303.8)	**(20.0)**	**(323.8)**	(363.4)	(22.3)	(385.7)
Segment income and expenses	**766.7**	**43.8**	**810.5**	666.1	37.8	703.9
Shopping centre investments	**16,681.1**	**689.7**	**17,370.8**	16,450.7	742.5	17,193.2
Development projects and construction in progress	**470.9**	**29.2**	**500.1**	347.9	31.2	379.1
Segment assets (ii)	**17,152.0**	**718.9**	**17,870.9**	16,798.6	773.7	17,572.3
Additions to segment non current assets during the year	**245.9**	**20.0**	**265.9**	169.6	19.6	189.2

(i) Includes recoveries of outgoings from lessees of $103.3 million (31 December 2021: $104.0 million).

(ii) Includes equity accounted segment assets of $8,378.7 million (31 December 2021: $8,307.3 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 22 $million	Consolidated $million	Equity accounted $million	31 Dec 21 $million
Property revenue	**591.9**	**542.4**	**1,134.3**	566.4	523.2	1,089.6
Property expenses, outgoings and other costs	**(167.7)**	**(149.2)**	**(316.9)**	(155.1)	(143.0)	(298.1)
Expected credit charge relating to COVID-19	**(2.6)**	**(4.3)**	**(6.9)**	(35.2)	(52.4)	(87.6)
Segment income and expenses	**421.6**	**388.9**	**810.5**	376.1	327.8	703.9
Overheads			**(8.1)**			(8.4)
Interest income			**76.7**			28.9
Currency loss			**(24.6)**			(26.3)
Financing costs						
– Net fair value movement and modification loss			**(572.8)**			(46.4)
– Lease liabilities			**(0.4)**			(0.4)
– Senior borrowings			**(193.0)**			(160.7)
– Subordinated notes coupons			**(251.0)**			(200.4)
– Interest capitalised			**18.2**			15.2
			(999.0)			(392.7)
Equity accounted net interest expense			**(0.4)**			(1.0)
Gain in respect of capital transactions			**2.4**			–
Property revaluations			**43.4**			24.4
Tax expense			**(10.1)**			(5.9)
Net profit/(loss)			**(109.2)**			322.9
Shopping centre investments	**9,106.9**	**8,263.9**	**17,370.8**	8,945.6	8,247.6	17,193.2
Development projects and construction in progress	**385.3**	**114.8**	**500.1**	319.4	59.7	379.1
Segment assets	**9,492.2**	**8,378.7**	**17,870.9**	9,265.0	8,307.3	17,572.3
Cash and cash equivalents	**360.9**	**19.4**	**380.3**	342.4	22.4	364.8
Trade debtors and receivables	**3,034.7**	**86.8**	**3,121.5**	2,486.9	136.3	2,623.2
Expected credit loss allowance	**(51.5)**	**(56.0)**	**(107.5)**	(70.7)	(86.6)	(157.3)
Other assets	**365.0**	**3.7**	**368.7**	254.4	4.4	258.8
Total assets	**13,201.3**	**8,432.6**	**21,633.9**	12,278.0	8,383.8	20,661.8
Interest bearing liabilities						
– Senior borrowings	**5,237.7**	**–**	**5,237.7**	4,511.1	–	4,511.1
– Subordinated notes (i)	**4,403.3**	**–**	**4,403.3**	4,133.9	–	4,133.9
Deferred tax liabilities	**–**	**59.1**	**59.1**	–	57.2	57.2
Other liabilities	**1,229.8**	**158.5**	**1,388.3**	847.3	144.5	991.8
Total liabilities	**10,870.8**	**217.6**	**11,088.4**	9,492.3	201.7	9,694.0
Net assets	**2,330.5**	**8,215.0**	**10,545.5**	2,785.7	8,182.1	10,967.8

(i) The economically hedged value of the US$ subordinated 60-year notes was $4,109.6 million (31 December 2021: $4,109.6 million) comprising notes of $4,403.3 million (31 December 2021: $4,133.9 million) translated at the period end rate of 0.6813 (31 December 2021: 0.7257) reduced by net currency gains on the hedging of subordinated notes of $293.7 million (31 December 2021: $24.3 million).

Notes to the Financial Statements continued

Note 2 – Segment reporting (continued)

Accounting policies

Revenue recognition

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.

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.

Impact of the COVID-19 pandemic

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 income statement 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 up to the end of the financial year. Refer to Note 3 for further details of judgements, estimates and assumptions used by management in assessing the expected credit loss allowance.

Recoveries of outgoings from lessees are recognised as services are provided.

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

All other revenues are recognised as services are provided.

Expenses

Expenses are brought to account on an accruals basis.

Note 3 – Trade debtors and receivables

	Note	31 Dec 22 $million	31 Dec 21 $million
Current			
Trade debtors		**16.2**	40.1
Receivables			
– Other receivables		**24.1**	20.2
– Interest receivable from related entities	30	**102.6**	97.3
– Interest bearing loans receivable from related entities	30	**2,840.3**	2,257.9
		2,983.2	2,415.5
Non current			
Trade debtors		**–**	0.7
		–	0.7
Total trade debtors and receivables		**2,983.2**	2,416.2

(a) Components of trade debtors and receivables

Trade debtors and receivables		**3,034.7**	2,486.9
Expected credit loss allowance		**(51.5)**	(70.7)
Total trade debtors and receivables		**2,983.2**	2,416.2

(b) Movement in expected credit loss allowance

Balance at the beginning of the year		**(70.7)**	(69.8)
Expected credit charge relating to COVID-19		**(2.6)**	(35.2)
Amounts written-off relating to COVID-19		**22.8**	28.6
Other decreases/(increases) in expected credit loss		**(1.0)**	5.7
Balance at the end of the year		**(51.5)**	(70.7)

Impact of the COVID-19 pandemic

The expected credit charge relating to COVID-19 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 performance in the comparative reporting period. 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. 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.

Notes to the Financial Statements continued

Note 3 – Trade debtors and receivables (continued)

For trade debtors and receivables outstanding at balance date 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. In addition to historic 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 age of trade debtor balances;
- the credit quality of tenants based on shared credit risk characteristics (e.g. size and industry);
- 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 where the debt is not collected and therefore the GST amount is excluded from the loss allowance.

Trade debtors and receivables written-off include rent abated resulting from rent relief arrangements applicable to the COVID-19 pandemic period. The decrease in the expected credit loss allowance is primarily as a result of abatements credited against outstanding receivables.

At 31 December 2022, approximately 79% of trade debtors are aged greater than 90 days and the expected credit loss allowance is 75% 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 $2.5 million respectively. At 31 December 2021, approximately 74% of trade debtors are aged greater than 90 days and the expected credit loss allowance is 63% 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 $4.0 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 debtors and 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.

Trade debtors and 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 debtors and 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 debtors and 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 debtors and 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 22 $million	31 Dec 21 $million
Shopping centre investments	5	**9,106.9**	8,945.6
Development projects and construction in progress		**385.3**	319.4
Total investment properties		**9,492.2**	9,265.0
Movement in total investment properties			
Balance at the beginning of the year		**9,265.0**	9,113.6
Capital expenditure		**171.4**	148.8
Amortisation of tenant allowances		**(18.5)**	(16.0)
Net revaluation increment		**74.3**	18.6
Balance at the end of the year (i)		**9,492.2**	9,265.0

(i) The fair value of investment properties at the end of the year of $9,492.2 million (31 December 2021: $9,265.0 million) comprises investment properties at market value of $9,484.7 million (31 December 2021: $9,257.4 million) and ground lease assets of $7.5 million (31 December 2021: $7.6 million).

Accounting Policies

Investment properties

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

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.

Notes to the Financial Statements continued

Note 4 – Investment properties (continued)

Accounting Policies (continued)

Development projects and construction in progress

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

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

Independent valuations are conducted in accordance with guidelines 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 22 $million	31 Dec 21 $million
Consolidated Australian shopping centres	**9,106.9**	8,945.6
Total consolidated shopping centres	**9,106.9**	8,945.6
Equity accounted Australian shopping centres	**7,574.2**	7,505.1
Equity accounted New Zealand shopping centres	**689.7**	742.5
Total equity accounted shopping centres	**8,263.9**	8,247.6
	17,370.8	17,193.2

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.

Note 5 – Details of shopping centre investments (continued)

Valuation inputs

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 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;
- lease assumptions based on current and expected future market conditions after expiry of any current lease; and
- the capitalisation rate and discount rate derived from recent comparable market transactions.

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

	31 Dec 22	31 Dec 21
Australian portfolio		
Retail capitalisation rate	**4.25% – 6.25%**	4.25% – 6.25%
Weighted average retail capitalisation rate	**4.83%**	4.79%
Retail discount rate	**5.75% – 7.25%**	5.75% – 7.25%
New Zealand portfolio		
Retail capitalisation rate	**6.00% – 7.38%**	5.50% – 6.75%
Weighted average retail capitalisation rate	**6.61%**	6.09%
Retail discount rate	**7.50% – 8.75%**	7.00% – 8.50%

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 have broadly remained unchanged in Australia with some increases in New Zealand compared to 31 December 2021. The capitalisation rate sensitivity analysis is detailed below.

		31 Dec 22 $million	31 Dec 21 $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	**1,964.1**	1,968.8
	-25 bps	**929.5**	931.1
	+25 bps	**(839.6)**	(840.1)
	+50 bps	**(1,601.8)**	(1,601.9)

Notes to the Financial Statements continued

Note 6 – Details of equity accounted investments

	31 Dec 22 $million	31 Dec 21 $million
(a) Share of equity accounted entities' net profit and comprehensive income		
Share of after tax profit of equity accounted entities	**351.8**	327.9
Other comprehensive income/(loss) (i)	**(7.4)**	6.3
Share of total comprehensive income of equity accounted entities	**344.4**	334.2

(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 $8,215.0 million (31 December 2021: $8,182.1 million) comprise investments in joint ventures in Australia and New Zealand represented by equity of $7,796.2 million (31 December 2021: $7,670.7 million) and interest bearing loans of $418.8 million (31 December 2021: $511.4 million). Inter-entity interest charges on the loans amounted to $19.2 million (31 December 2021: $9.2 million).

	31 Dec 22 $million	31 Dec 21 $million
(c) Details of the Trust's share of equity accounted entities' tax expense		
Current tax expense – underlying operations	**(4.5)**	(5.8)
Deferred tax benefit	**(3.7)**	1.1
	(8.2)	(4.7)
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	**360.0**	332.6
Less: Net Trust income not taxable for the Trust – tax payable by members	**(332.1)**	(302.8)
	27.9	29.8
Prima facie tax expense at 30%	**(8.4)**	(8.9)
Tax rate differential on New Zealand foreign income	**0.6**	0.3
Deferred tax release from New Zealand centres	**–**	3.3
Other	**(0.4)**	0.6
Tax expense	**(8.2)**	(4.7)

Note 6 – Details of equity accounted investments (continued)

(d) Equity accounted entities economic interest

Name of investment	Type of equity	Balance date	Economic interest 31 Dec 22	Economic interest 31 Dec 21
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.

Notes to the Financial Statements continued

Note 7 – Taxation

	31 Dec 22 $million	31 Dec 21 $million
Tax expense		
Current – underlying operations	**(1.9)**	(1.2)
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	**(107.3)**	324.1
Trust loss/(income) not taxable for the Trust – tax payable by members	**107.3**	(324.1)
	–	–
Prima facie tax expense at 30%	**–**	–
Non-resident withholding tax on inter-entity transactions	**(1.9)**	(1.2)
Tax expense	**(1.9)**	(1.2)

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 resident entities are subject to New Zealand tax.

(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 22 $million	31 Dec 21 $million
(a) Final distribution paid		
1.43 cents per unit (31 December 2021: 2.14 cents per unit)	**74.2**	111.1

Details of the full year components of distribution will be provided in the Annual Tax Statements which will be sent to members in March 2023.

Interim distribution of 3.75 cents per unit was paid on 31 August 2022. Final distribution was paid on 28 February 2023. The record date for the final distribution was 17 February 2023. Scentre Group does not operate a Distribution Reinvestment Plan.

	31 Dec 22 $million	31 Dec 21 $million
(b) Distributions paid during the year		
Distribution in respect of the six months to 30 June 2022	**194.6**	–
Distribution in respect of the six months to 31 December 2021	**111.1**	–
Distribution in respect of the six months to 30 June 2021	**–**	181.7
Distribution in respect of the six months to 31 December 2020	**–**	133.4
	305.7	315.1

Note 9 – Statutory earnings/(loss) per unit

	31 Dec 22 cents	31 Dec 21 cents
(a) Summary of earnings/(loss) per unit		
Basic and diluted earnings/(loss) per unit	**(2.10)**	6.22

There are no potential ordinary units which are dilutive.

In calculating basic and diluted earnings/(loss) per unit, net loss of $109.2 million (31 December 2021: profit of $322.9 million) was divided by the weighted average number of ordinary units of 5,190,378,339 (31 December 2021: 5,190,378,339).

(b) Conversions, calls, subscriptions, issues or buy-back after 31 December 2022

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/(loss) per unit

Basic earnings/(loss) per unit is calculated as net profit/(loss) attributable to members divided by the weighted average number of ordinary units. Diluted earnings/(loss) per unit is calculated as net profit/(loss) attributable to members adjusted for any profit/(loss) 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 loss

	31 Dec 22 $million	31 Dec 21 $million
Net fair value loss including associated credit risk on currency derivatives that do not qualify for hedge accounting	**(24.6)**	(26.3)

The translation of the Trust's foreign currency borrowings to Australian dollars has been economically hedged by currency derivatives 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 loss 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 profit and loss. 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 profit and loss.

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 profit and loss in the period in which they arise, except where hedge accounting is applied.

Refer to Notes 15 and 17 for other items that may be included in currency loss.

Notes to the Financial Statements continued

Note 11 – Interest income and financing costs

	Note	31 Dec 22 $million	31 Dec 21 $million
(a) Interest income			
Interest income		**2.8**	4.1
Interest income from related entities	30	**73.9**	24.8
		76.7	28.9
(b) Financing costs			
Gross financing costs on senior borrowings (excluding net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting)			
– External		**(149.6)**	(135.4)
– Related entities	30	**(43.4)**	(25.3)
Financing costs capitalised to qualifying development projects and construction in progress		**18.2**	15.2
Lease liabilities interest expense		**(0.4)**	(0.4)
		(175.2)	(145.9)
Net fair value loss on interest rate hedges that do not qualify for hedge accounting		**(569.6)**	(44.7)
Net modification loss on refinanced borrowing facilities		**(3.2)**	(1.7)
Total financing costs (excluding coupons on subordinated notes)		**(748.0)**	(192.3)
Subordinated notes coupons		**(251.0)**	(200.4)
Total financing costs		**(999.0)**	(392.7)

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 15 for other items included in financing costs.

Note 12 – Cash and cash equivalents

	31 Dec 22 $million	31 Dec 21 $million
(a) Components of cash and cash equivalents		
Cash	**360.9**	342.4
Bank overdrafts	**–**	–
Total cash and cash equivalents	**360.9**	342.4
(b) Reconciliation of profit/(loss) after tax to net cash flows from operating activities		
Profit/(loss) after tax	**(109.2)**	322.9
Property revaluations	**(74.3)**	(18.6)
Difference between share of equity accounted profit and dividends/distributions received	**3.6**	(42.7)
Net fair value loss including associated credit risk on currency derivatives	**24.6**	26.3
Net fair value loss on interest rate hedges that do not qualify for hedge accounting	**569.6**	44.7
Net modification loss on refinanced borrowing facilities	**3.2**	1.7
Decrease in working capital attributable to operating activities	**101.4**	25.6
Net cash flows from operating activities	**518.9**	359.9
(c) Changes in net debt and subordinated notes arising from financing activities		
Net debt and subordinated notes at the beginning of the year	**6,434.5**	5,515.9
Inflows from short term deposits at bank	**–**	2,208.0
Repayment of borrowings and lease liabilities	**(35.6)**	(293.3)
Proceeds from borrowings	**614.2**	–
Funds paid to related entities	**(863.0)**	(2,014.3)
Funds received from related entities	**289.3**	988.2
Effects of exchange rate changes and fair value movement on currency derivatives	**30.0**	30.0
Net debt and subordinated notes at the end of the year [(i)]	**6,469.4**	6,434.5
Less: Subordinated notes at the hedged rate	**(4,109.6)**	(4,109.6)
Net debt	**2,359.8**	2,324.9

(i) Net debt and subordinated notes comprises interest bearing liabilities of $9,641.0 million (31 December 2021: $8,645.0 million), non interest bearing loans payable of $12.9 million (31 December 2021: $14.8 million), lease liabilities of $7.5 million (31 December 2021: $7.6 million) less interest bearing loans receivable of $2,840.3 million (31 December 2021: $2,257.9 million) and net receivables on currency derivatives hedging senior borrowings and subordinated notes in foreign currency of $351.7 million (31 December 2021: net payable of $25.0 million).

Accounting Policies

Cash and cash equivalents

Cash and cash equivalents on the balance sheet comprise cash at bank and on hand and short term deposits 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 include 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.

Short term deposits at bank

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.

Notes to the Financial Statements continued

Note 13 – Payables and other creditors

	Note	31 Dec 22 $million	31 Dec 21 $million
Payables and other creditors		**229.6**	175.9
Interest payable to related entities	30	**87.6**	55.2
Non interest bearing loans payable to related entities	30	**12.9**	14.8
		330.1	245.9

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 paid within 30 days. Loans payable to related entities are carried at amortised cost, are at call and classified as current.

Note 14 – Interest bearing liabilities

	Note	31 Dec 22 $million	31 Dec 21 $million
Current			
Unsecured			
Loans payable to related entities	30	**10.7**	–
Commercial paper and uncommitted facilities			
– A$ denominated		**592.2**	111.0
Notes payable			
– € denominated		**785.7**	–
– A$ denominated		**–**	30.0
		1,388.6	141.0
Non current			
Unsecured			
Bank loans			
– A$ denominated		**443.0**	310.0
Notes payable			
– € denominated		**1,571.4**	2,337.6
– US$ denominated		**1,834.7**	1,722.5
		3,849.1	4,370.1
Total senior borrowings		**5,237.7**	4,511.1
Less: Cash and cash equivalents		**(360.9)**	(342.4)
Total senior borrowings net of cash and cash equivalents		**4,876.8**	4,168.7
Non current			
Unsecured			
Subordinated notes			
– US$ denominated		**4,403.3**	4,133.9
Total subordinated notes		**4,403.3**	4,133.9
Interest bearing liabilities			
– Senior borrowings		**5,237.7**	4,511.1
– Subordinated notes		**4,403.3**	4,133.9
Total interest bearing liabilities		**9,641.0**	8,645.0

Note 14 – Interest bearing liabilities (continued)

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

	31 Dec 22 $million	31 Dec 21 $million
(a) Summary of financing facilities		
Committed financing facilities available to the Trust:		
Financing facilities	**13,715.7**	13,272.1
Senior borrowings	**(5,237.7)**	(4,511.1)
Subordinated notes	**(4,403.3)**	(4,133.9)
Bank guarantees	**(52.5)**	(44.5)
Available financing facilities	**4,022.2**	4,582.6
Cash and cash equivalents	**360.9**	342.4
Financing resources available	**4,383.1**	4,925.0

These facilities comprise fixed rate notes and unsecured interest only floating rate facilities. Certain facilities are also subject to negative pledge arrangements which require Scentre Group to comply with specific minimum financial and non-financial requirements. Intragroup facilities within Scentre Group are on commercial arm's length terms. The available financing facilities above totalling $4,022.2 million (31 December 2021: $4,582.6 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 22 $million	Interest bearing liabilities 31 Dec 22 $million	Committed financing facilities 31 Dec 21 $million	Interest bearing liabilities 31 Dec 21 $million
(b) Financing facilities and interest bearing liabilities, comprise:					
Unsecured senior notes payable					
– € (i)	Sep 23 to Mar 29	**2,357.1**	**2,357.1**	2,337.6	2,337.6
– US$ (i)	Jan 26 to Mar 27	**1,834.7**	**1,834.7**	1,722.5	1,722.5
– A$	Jul 22	**–**	**–**	30.0	30.0
Total unsecured senior notes payable		**4,191.8**	**4,191.8**	4,090.1	4,090.1
Unsecured bank loan facilities available to the Trust	Apr 24 to Sep 29	**5,109.9**	**443.0**	5,048.1	310.0
Unsecured commercial paper and uncommitted facilities (ii)		**–**	**592.2**	–	111.0
Loans payable to related entities	At call	**10.7**	**10.7**	–	–
		9,312.4	**5,237.7**	9,138.2	4,511.1
Unsecured subordinated notes payable – US$ (iii)	Sep 80	**4,403.3**	**4,403.3**	4,133.9	4,133.9
		13,715.7	**9,641.0**	13,272.1	8,645.0

(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.

Notes to the Financial Statements continued

Note 14 – 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. 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 22 are determined as follows:

- Fair values of quoted notes and bonds are based on price quotations at balance 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 15 – Derivative assets and liabilities

	Current $million	Non current $million	31 Dec 22 $million	Current $million	Non current $million	31 Dec 21 $million
(a) Derivative assets						
Currency derivatives [i]						
– Subordinated notes related	–	–	–	–	24.3	24.3
– Senior borrowings related	60.6	33.1	93.7	–	181.9	181.9
Interest rate derivatives	0.3	229.4	229.7	–	2.8	2.8
	60.9	262.5	323.4	–	209.0	209.0
(b) Derivative liabilities						
Currency derivatives [i]						
– Subordinated notes related	–	371.8	371.8	–	–	–
– Senior borrowings related	–	435.1	435.1	–	447.1	447.1
Interest rate derivatives	–	–	–	–	69.7	69.7
	–	806.9	806.9	–	516.8	516.8

(i) Currency derivatives comprise cross currency swaps and foreign currency swaps. The currency related and interest related components of currency derivatives are part of the same contract. The net position has been classified accordingly as a derivative asset or derivative liability on the balance sheet.

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 profit and loss. At 31 December 2022, the aggregate fair value is a net payable of $483.5 million (31 December 2021: $307.8 million). The change in fair value for the year ended 31 December 2022 was a net loss of $175.7 million (31 December 2021: net gain of $253.3 million). In 2021, the Trust cancelled derivatives following the issuance of subordinated notes in 2020 resulting in a payment of $26.4 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 2022, if these netting arrangements were applied to the derivative portfolio, derivative assets of $323.4 million would be reduced by $263.8 million to the net amount of $59.6 million and derivative liabilities of $806.9 million would be reduced by $263.8 million to the net amount of $543.1 million. As at 31 December 2021, if these netting arrangements were applied to the derivative portfolio, derivative assets of $209.0 million would be reduced by $122.2 million to the net amount of $86.8 million and derivative liabilities of $516.8 million would be reduced by $122.2 million to the net amount of $394.6 million.

Note 15 – 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 profit and loss.

Gains or losses arising from 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 profit and loss. 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 profit and loss.

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 16 – Contributed equity

	31 Dec 22 Number of units	31 Dec 21 Number of units
(a) Units on issue		
Number of units	**5,190,378,339**	5,190,378,339

There were no changes to the number of units on issue during the years ended 31 December 2022 and 2021.

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 22 $million	31 Dec 21 $million
(b) Amount of contributed equity		
Contributed equity	**7,868.4**	7,868.4

There were no changes to the amount of contributed equity during the years ended 31 December 2022 and 2021.

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.

Notes to the Financial Statements continued

Note 17 – Reserves

	31 Dec 22 $million	31 Dec 21 $million
Foreign currency translation reserve	**14.8**	22.2
Movement in foreign currency translation reserve		
Balance at the beginning of the year	**22.2**	15.9
Foreign exchange movement		
– Currency movement on the translation of investment in foreign operations	**(7.4)**	6.3
Balance at the end of the year	**14.8**	22.2

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 15 for other items that may be included in foreign currency translation reserve.

Note 18 – Retained profits

	Note	31 Dec 22 $million	31 Dec 21 $million
Movement in retained profits			
Balance at the beginning of the year		**3,077.2**	3,069.4
Profit/(loss) after tax for the period		**(109.2)**	322.9
Distributions paid	8(b)	**(305.7)**	(315.1)
Balance at the end of the year		**2,662.3**	3,077.2

Note 19 – 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 21: Capital risk management, Note 22: Financial risk management, Note 23: Interest rate risk management, Note 24: Exchange rate risk management, Note 25: Credit risk management and Note 26: Liquidity risk management of Scentre Group's 2022 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 20 – Financial covenants

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

Refer to Note 27: Financial covenants of Scentre Group's 2022 Annual Financial Report for details of Scentre Group's financial covenants.

Note 21 – Interest bearing liabilities, interest and derivatives cash flow maturity profile

Refer to Note 14 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 cashflows of derivative financial instruments are set out below:

	31 Dec 22 $million	31 Dec 21 $million
Senior borrowings and interest		
Due within one year	**(1,552.1)**	(270.8)
Due between one year and five years	**(2,224.3)**	(2,495.3)
Due after five years	**(2,053.5)**	(2,296.4)
	(5,829.9)	(5,062.5)
Subordinated notes and interest		
Due within one year	**(217.4)**	(204.1)
Due between one year and five years	**(870.3)**	(817.0)
Due between five years and ten years	**(1,088.3)**	(1,021.1)
Due after ten years	**(14,788.1)**	(14,088.0)
	(16,964.1)	(16,130.2)
Comprising:		
– principal amounts of current and non current senior borrowings	**(5,237.7)**	(4,511.1)
– aggregate future estimated nominal interest of senior borrowings	**(592.2)**	(551.4)
– principal amounts of non current subordinated notes	**(4,403.3)**	(4,133.9)
– aggregate future estimated nominal interest of subordinated notes	**(12,560.8)**	(11,996.3)
	(22,794.0)	(21,192.7)
Derivatives outflows		
Due within one year	**(102.8)**	(24.8)
Due between one year and five years	**(490.0)**	(202.2)
Due after five years	**(71.0)**	(22.0)
	(663.8)	(249.0)

The non interest bearing loans payable to related entities disclosed in Note 13 and the contingent liabilities set out in Note 27 are not included in the amounts shown above.

Notes to the Financial Statements continued

Note 22 – 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 22 $million	31 Dec 21 $million	31 Dec 22 $million	31 Dec 21 $million
Consolidated assets					
Cash and cash equivalents		**360.9**	342.4	**360.9**	342.4
Trade debtors and receivables					
– Trade debtors and receivables (i)		**142.9**	158.3	**142.9**	158.3
– Interest bearing loan receivables (ii)	Level 2	**2,840.3**	2,257.9	**2,840.3**	2,257.9
Derivative assets (ii)	Level 2	**323.4**	209.0	**323.4**	209.0
Consolidated liabilities					
Trade and other payables (i)		**415.4**	322.9	**415.4**	322.9
Interest bearing liabilities (ii)					
– Fixed rate debt	Level 2	**3,792.7**	4,339.6	**4,191.8**	4,090.1
– Fixed rate subordinated notes	Level 2	**3,830.7**	4,382.0	**4,403.3**	4,133.9
– Floating rate debt	Level 2	**1,045.9**	421.0	**1,045.9**	421.0
Derivative liabilities (ii)	Level 2	**806.9**	516.8	**806.9**	516.8

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

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

Determination of fair value

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

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

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

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

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

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

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

Note 23 – 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 net assets, liabilities, revenues and expenses of the operation.

Joint ventures

The Trust has significant co-ownership interests in a number of properties through property partnerships, trusts or companies. 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.

Notes to the Financial Statements continued

Note 24 – Share based payments

Performance Rights – Short Term Variable Remuneration (STVR), Long Term Variable Remuneration (LTVR) and Retention Awards issued to employees of related entities

As at 31 December 2022, there were 17,499,774 (31 December 2021: 13,798,867) performance rights held by participants in Scentre Group's STVR/LTVR Plans and Retention Awards equating to 17,499,774 (31 December 2021: 13,798,867) Scentre Group stapled securities. A performance right is the right, for no payment, to receive Scentre Group stapled securities on vesting. Descriptions of the STVR/LTVR Plans and Retention Awards are in the Remuneration Report in Scentre Group's 2022 Annual Financial Report.

	31 Dec 22 Number of rights	31 Dec 21 Number of rights
Vesting profile – Performance Rights – STVR, LTVR and Retention Awards		
2022	–	1,798,735
2023	**6,702,325**	6,794,587
2024	**8,433,366**	5,205,545
2025	**2,364,083**	–
	17,499,774	13,798,867

Note 25 – 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 receivables.

	31 Dec 22 $million	31 Dec 21 $million
Future minimum rental revenues under non cancellable operating property leases:		
Due within one year	**845.6**	811.3
Due between one and two years	**691.7**	659.8
Due between two and three years	**554.1**	526.4
Due between three and four years	**435.2**	412.9
Due between four and five years	**328.0**	306.7
Due after five years	**1,015.4**	1,056.9
	3,870.0	3,774.0

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

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.

Note 26 – Capital expenditure commitments

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

	31 Dec 22 $million	31 Dec 21 $million
Estimated capital expenditure committed at balance date but not provided for in relation to development projects:		
Due within one year	**242.6**	115.7
Due between one and five years	**414.3**	464.5
	656.9	580.2

Note 27 – Contingent liabilities

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

	31 Dec 22 $million	31 Dec 21 $million
Performance guarantees	**52.5**	44.5
Guaranteed borrowings of associates of the Responsible Entity	**5,883.4**	6,433.7
	5,935.9	6,478.2

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.

Notes to the Financial Statements continued

Note 28 – 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 presented below:

	31 Dec 22 $million	31 Dec 21 $million
(a) Assets		
Current assets	**3,411.9**	2,786.3
Non current assets	**18,422.1**	18,124.2
Total assets	**21,834.0**	20,910.5
(b) Liabilities		
Current liabilities	**2,227.7**	920.6
Non current liabilities	**9,060.8**	9,022.1
Total liabilities	**11,288.5**	9,942.7
(c) Equity		
Contributed equity	**7,868.4**	7,868.4
Reserves	**1,901.4**	1,888.9
Retained profits	**775.7**	1,210.5
Total equity	**10,545.5**	10,967.8
(d) Comprehensive income/(loss)		
Profit/(loss) after tax for the period	**(129.1)**	330.4
Other comprehensive income/(loss)	**12.5**	(1.2)
Total comprehensive income/(loss) for the period	**(116.6)**	329.2
(e) Contingent liabilities		
Performance guarantees	**52.5**	44.5
Guaranteed borrowings of associates of the Responsible Entity	**5,883.4**	6,433.7
Total contingent liabilities	**5,935.9**	6,478.2

Note 29 – Auditor's remuneration

	31 Dec 22 $000	31 Dec 21 $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	**630**	719
– 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 (i)	**298**	280
– Fees for other services	**–**	–
	928	999
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	**26**	24
– Auditing the statutory financial reports of any controlled entities	**105**	98
– 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 (i)	**18**	17
– Fees for other services	**–**	–
	149	139
	1,077	1,138

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

Notes to the Financial Statements continued

Note 30 – 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.

Nature of relationship with related parties

Key Management Personnel

Refer to Note 31 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.

Transactions with related parties and their terms and conditions

Transactions with KMP

Refer to Note 31 for details and remuneration of KMP.

Transactions with Other Related Parties

(a) Charges by SGL to the Trust

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

- Property management fees of $56.1 million (31 December 2021: $51.2 million);
- Manager's service charge of $5.4 million (31 December 2021: $4.6 million);
- Reimbursement of expenses of $25.0 million (31 December 2021: $23.3 million);
- Tenancy coordination fees of $4.3 million (31 December 2021: $4.0 million);
- Development and construction billings of $187.3 million (31 December 2021: $98.3 million).

As at 31 December 2022, amounts payable by the Trust to SGL amounted to $43.3 million (31 December 2021: $1.0 million).

(b) Loans

As at 31 December 2022, loans transacted with related entities were as follows:

(i) Interest bearing loan receivable outstanding from SGT1 of $2,840.3 million (31 December 2021: $1,979.2 million). The interest income for the year in respect of this loan was $73.1 million (31 December 2021: $20.5 million), of which $0.7 million (31 December 2021: $0.9 million) was unpaid.

(ii) Non-interest bearing loan payable outstanding to SGT3 of $12.9 million (31 December 2021: $14.8 million).

(iii) Interest bearing loan payable outstanding to SGL of $10.7 million (31 December 2021: nil). The interest expense for the year in respect of this loan was $8,370 (31 December 2021: nil), of which $3,856 (31 December 2021: nil) was unpaid.

(iv) Interest bearing loan receivable from SGL was repaid during the year (31 December 2021: $278.7 million). The interest income for the year in respect of this loan was $0.8 million (31 December 2021: $3.4 million).

During 2021, interest bearing loans receivable from SGT3 were repaid. The interest income for the year in respect of these loans was $0.9 million.

(c) Facility Fees

During the year, the Trust was reimbursed by SGL and SGT1 for the external facility related costs incurred on their behalf totalling $15.0 million (31 December 2021: $17.0 million). In addition, the Trust reimbursed SGL for external facility related costs incurred on its behalf totalling $0.4 million (31 December 2021: $0.6 million).

Note 30 – Related party disclosures (continued)

Transactions with Other Related Parties (continued)

(d) Financial derivatives

As at 31 December 2022, financial derivatives transacted with SGL were as follows:

(i) Notional principals of interest rate swaps outstanding were A$3,300.0 million (31 December 2021: A$1,250.0 million). The net interest expense for the year in respect of these derivatives was $11.2 million (31 December 2021: $30.3 million), of which $0.3 million net interest income (31 December 2021: $5.8 million net interest expense) was unpaid.

(ii) Notional principals of cross currency swaps outstanding were US$4,250.0 million and €1,000.0 million receivables and aggregate A$7,503.7 million payable (31 December 2021: US$4,250.0 million and €1,000.0 million receivables and aggregate A$7,503.7 million payable). The net interest expense for the year in respect of these derivatives was the A$ equivalent of $66.7 million (31 December 2021: $5.0 million net interest income), of which $14.1 million net interest income (31 December 2021: $47.0 million) was unpaid. The foreign currency receivable exposures above are matched to the foreign currency borrowings disclosed in Note 14, therefore the statement of comprehensive income is not affected by any movements in exchange rates in relation to these net positions.

(iii) A forward exchange contract to sell NZ$110.4 million and to buy A$104.2 million (31 December 2021: nil) was outstanding. Subsequent to 31 December 2022, this contract was settled.

During the year, the Trust received net NZ$94.8 million from SGL (31 December 2021: net A$879.9 million) in exchange for the Trust paying net A$90.1 million to SGL (31 December 2021: net NZ$931.5 million). The foreign currency contracts matured during the year with net realised loss of $2.2 million being recognised in the statement of comprehensive income (31 December 2021: $0.9 million).

Note 31 – 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. KMP for the financial year were the non-executive Directors, Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

(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 2022 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 2022, the Board comprised the following directors:

Brian Schwartz AM	Non-executive Chair
Elliott Rusanow	Managing Director and CEO
Ilana Atlas AO	Non-executive Director
Catherine Brenner	Non-executive Director
Andrew Harmos	Non-executive Director
Michael Ihlein	Non-executive Director
Carolyn Kay	Non-executive Director
Stephen McCann	Non-executive Director
Guy Russo	Non-executive Director
Margaret Seale	Non-executive Director
Michael Wilkins AO	Non-executive Director

Notes to the Financial Statements continued

Note 31 – Details and remuneration of KMP (continued)

(a) Key Management Personnel (continued)

Catherine Brenner was appointed to the Board effective 1 March 2022. Steven Leigh retired from the Board on 7 April 2022. Stephen McCann was appointed to the Board effective 1 November 2022.

Peter Allen stepped down as Managing Director and CEO of Scentre Group on 30 September 2022 and will retire from Scentre Group on 30 September 2023. Elliott Rusanow was appointed Managing Director and CEO of Scentre Group effective 1 October 2022. Elliott Rusanow was CFO from 1 January 2022 to 30 September 2022, and executive KMP for the whole year. Andrew Clarke was appointed CFO of Scentre Group effective 1 October 2022, and is also a KMP from that date.

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.

(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 32 – Details of material and significant entities

	31 Dec 22 – Interest			31 Dec 21 – Interest		
	Beneficial (i)			Beneficial (i)		
Name of entity	Parent Entity %	Trust %	Consolidated or Equity accounted %	Parent Entity %	Trust %	Consolidated or Equity accounted %
ENTITIES INCORPORATED IN AUSTRALIA						
Parent Entity						
Scentre Group Trust 2	**100.0**	**100.0**	**100.0**	100.0	100.0	100.0
Consolidated Controlled Entities						
Sydney Investment Trust	**100.0**	**100.0**	**100.0**	100.0	100.0	100.0
Equity Accounted Entities						
Bondi Junction Trust	**50.0**	**50.0**	**50.0**	50.0	50.0	50.0
WestArt Trust	**–**	**50.0**	**50.0**	–	50.0	50.0
ENTITIES INCORPORATED IN NEW ZEALAND						
Equity Accounted Entities						
Scentre NZ Holdings Limited	**–**	**50.0**	**50.0**	–	50.0	50.0

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

Directors' Declaration

For the year ended 31 December 2022

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 2022 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 14 March 2023 in accordance with a resolution of the Board of Directors.

Brian Schwartz AM
Chair

14 March 2023

Michael Ihlein
Director

Independent Auditor's Report

To the Members of Scentre Group Trust 2

Building a better working world

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Report on the audit of the financial report

Opinion

We have audited the financial report of Scentre Group Trust 2 and its controlled entities (the Trust), which comprises the consolidated balance sheet as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Trust as at 31 December 2022 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
The Trust holds economic interests in shopping centre investment properties which are carried at a fair value of $17.9 billion at 31 December 2022. 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 83% of total assets. Fair values were determined by the Trust at the end of the reporting period with reference to the latest 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 judgmental in nature. Minor changes in certain assumptions can lead to significant changes in the valuation. We draw attention to Notes 4 and 5 of the financial report which discloses the accounting policy for these assets and sensitivities to changes in the key assumptions that may impact these valuations.	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; and – Changes in the Trust's investment property portfolio including understanding leasing activity and tenant occupancy risk. • 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 on the assumptions adopted in the valuation: – We assessed net income, lease expiry and vacancy assumptions adopted against the schedule of tenancy reports, lease expiry profile and vacancy levels of the underlying asset; – We assessed the re-leasing and capital expenditure requirement assumptions in light of the current leasing status of the property; – Where available, we corroborated these assumptions to supporting lease documentation or external market data; and – 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 to gain an understanding of the assumptions and estimates used and the valuation methodology applied. • 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 and internal valuers used by the Trust. • We assessed the appropriateness of disclosures included in Notes 4 and 5 of the financial report.

Independent Auditor's Report continued

2. Carrying value of trade debtors

Why significant	How our audit addressed the key audit matter
As at 31 December 2022, the Trust held $139.7 million in Trade Debtors, and $103.9 million allowance for expected credit losses. Trade Debtors primarily comprise amounts due from tenants of the Trust's investment properties under lease agreements, less an allowance for expected credit losses. The Trust applies Australian Accounting Standard – AASB 9 *Financial Instruments* 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. The recoverability of Trade Debtors is considered a key audit matter due to the value of uncollected rental income at 31 December 2022 and the significant judgement required in determining the allowance for expected credit losses. Note 3 of the financial report describes the accounting policy for the asset and the related expected credit loss allowance. The note also describes the key judgements exercised by the directors in determining the expected credit loss allowance as well as sensitivities to changes in the key assumptions that may impact the loss allowance in future periods.	Our audit procedures included the following: • We assessed the effectiveness of relevant controls in relation to tenant lease arrangements. • We tested the existence of Trade Debtors 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 or under negotiation 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 Debtors. • We assessed whether the methodology used in the determination of expected credit losses was consistent with the principles of AASB 9. • We involved our valuation specialists in testing the mathematical accuracy of the expected credit loss model. • We evaluated the key assumptions applied in calculating expected credit losses which included assessing forward-looking information as well as tenant related risk profiles were considered in the expected credit loss model. • We assessed the adequacy of the Trust's disclosures in relation to the valuation uncertainty of trade debtors 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 included in the Trust's annual report for the year ended 31 December 2022, but does not include the financial report and our 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 the Responsible Entity 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 the Responsible Entity 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 the Responsible Entity 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 the Responsible Entity 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 the Responsible Entity 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 Trust audit. We remain solely responsible for our audit opinion.

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

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner

Sydney, 14 March 2023

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 2022 (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 42 Westfield destinations with 37 located in Australia and five in New Zealand. Our destinations are in close proximity to 20 million people.

Our Westfield destinations are strategically located in the heart of the local communities we serve. Our centres are considered community hubs that connect people with services and experiences that enrich their daily lives. We enhance the connection we have with people, so more people experience Westfield, more often and for longer.

The Trust has a joint interest in 40 Westfield destinations.

In 2022, customers continued to return to Scentre Group's destinations at an increasing rate. Scentre Group welcomed 480 million customer visits to our centres, an increase of 67 million on 2021. The Christmas 2022 period was the first in three years to be free of restrictions and our customers responded positively to our activations and campaign to make their experience festive and easy.

During the year Scentre Group hosted more than 15,400 centre events across our portfolio compared to 13,500 in 2021. This included 3,500 cultural, community and sustainability engagement initiatives, charity donation appeals, Westfield Local Hero events and youth programs.

Scentre Group's close connection to our customers and communities, underpins our customer strategy and our commitment to deliver extraordinary experiences every day.

1.2 Economic performance

Financial performance and position

The Trust's financial result for the Financial Year was a loss of $109.2 million which includes an unrealised non-cash net fair value loss on interest rate hedges that do not qualify for hedge accounting of $569.6 million and property revaluation gains of $43.4 million. This compares to a profit of $322.9 million in the comparative period which includes an unrealised non-cash net fair value loss on interest rate hedges that do not qualify for hedge accounting of $44.7 million and property revaluation gains of $24.4 million.

The aggregate distribution attributable to members of SGT2 for the Financial Year is $268.8 million (being 5.18 cents per unit). Basic loss per unit for the Financial Year is 2.10 cents.

Net assets have decreased from $10,967.8 million at 31 December 2021 to $10,545.5 million at 31 December 2022. The result includes an unrealised non-cash net fair value loss on interest rate hedges that do not qualify for hedge accounting of $569.6 million and property revaluation gains of $43.4 million.

Capital management

As at 31 December 2022, the Trust had available financing resources of $4.4 billion (31 December 2021: $4.9 billion), after deducting facilities utilised by its borrowings.

Scentre Group's interest cover for the Financial Year was 4.0 times and balance sheet gearing at 31 December 2022 was 27.3%.

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

Development activities

Listening to customers is integral to meeting the future needs of our customers and communities.

We continue to invest in our Westfield destinations to enhance the customer offer and experience.

The $355 million investment at Westfield Knox progressed well during the year. We listened to community feedback as part of a comprehensive community consultation and have reflected their long-term needs in the centre's transformation. The new gourmet food marketplace located on Level 1 of the centre opened in December 2022 and features new Woolworths and ALDI supermarkets. The remainder of the centre including new retail experiences, a swim school, full sized basketball court, Knox public library, co-working facilities and a multi-purpose community space, will open in stages throughout 2023.

The $55 million investment at Westfield Mt Druitt opened in March 2022, including a new rooftop dining, entertainment and leisure precinct, featuring 15 restaurants and indoor-outdoor spaces for the community, driving improvements to visitation and dwell time.

In November 2022 we completed the $33 million investment at Westfield Penrith, including the introduction of new casual dining experiences, a Coles supermarket and an entertainment precinct.

The $33 million investment in Westfield Parramatta opened in November 2022. The new fresh food precinct features Coles, ALDI, and a Tong Li supermarket, among other speciality retailers.

The Trust has a joint interest in Westfield Knox (25%), Westfield Mt Druitt (25%), Westfield Penrith (25%) and Westfield Parramatta (25%).

Future planning

Scentre Group's focus on listening and engaging with customers is integral to our Strategic Asset Planning (SAP) process.

In 2022, Scentre Group developed and implemented a new SAP process, leveraging a research project undertaken to better understand how community needs are changing. The new SAP process was completed by all 42 Westfield centre teams. It explored a set of core centre principles that focused on growth of our destinations and the potential Westfield customer audience.

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 2022 Annual Financial Report which is available at www.scentregroup.com.

1.3 2023 guidance and outlook

Scentre Group is well positioned to deliver long-term growth for securityholders.

Subject to no material change in conditions, Scentre Group expects FFO to be in the range of 20.75 to 21.25 cents per security in 2023, representing 3.4% to 5.9% growth for the year.

Scentre Group distributions are expected to be at least 16.50 cents per security in 2023, representing at least 4.8% growth for the year.

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 2022 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 2022 Annual Financial Report which can be found at www.scentregroup.com.

1.8 Environment

Environmental laws and regulations in force in the various jurisdictions in which we operate are applicable to areas of our operations and in particular to our 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. Scentre Group's compliance procedures are regularly reviewed and audited and their application closely monitored and Scentre Group's approach to sustainability risks is outlined in Scentre Group's 2022 Annual Financial Report which can be found at www.scentregroup.com.

2. Distributions

For the six months ended 31 December 2021, the Trust distribution of 2.14 cents per ordinary unit formed part of the distribution of 7.25 cents per Scentre Group stapled security, paid on 28 February 2022. This distribution was an aggregate of a distribution from SGT1, the Trust and SGT3 and a dividend from SGL. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

For the six months ended 30 June 2022, the Trust distribution of 3.75 cents per ordinary unit formed part of the distribution of 7.50 cents per Scentre Group stapled security, paid on 31 August 2022. This distribution was an aggregate of a distribution from the Trust and a distribution from SGT1. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

For the six months ended 31 December 2022, the Trust distribution of 1.43 cents per ordinary unit formed part of the distribution of 8.25 cents per Scentre Group stapled security, paid on 28 February 2023. This distribution was an aggregate of a distribution from SGT1 and the Trust and a dividend from SGL. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

Directors' Report continued

3. The Directors

The Board comprises ten independent non-executive Directors and one executive Director (being the Managing Director/Chief Executive Officer (CEO)). The period of office held by each Director is set out below and their significant directorships held in other companies is set out at Section 4.

Name	Position held	Appointed	Last elected/re-elected at an AGM
Brian Schwartz (i)	Non-executive Chair	30 June 2014	7 April 2022
Elliott Rusanow	Managing Director and CEO	1 October 2022	Not required to stand for re-election
Ilana Atlas	Non-executive Director	28 May 2021	7 April 2022
Catherine Brenner	Non-executive Director	1 March 2022	7 April 2022
Andrew Harmos (i)(ii)	Non-executive Director	30 June 2014	8 April 2020
Michael Ihlein (i)	Non-executive Director	30 June 2014	7 April 2022
Carolyn Kay	Non-executive Director	24 February 2016	8 April 2021
Stephen McCann	Non-executive Director	1 November 2022	Will stand for election at 2023 AGM
Guy Russo	Non-executive Director	1 September 2020	8 April 2021
Margaret Seale	Non-executive Director	24 February 2016	8 April 2021
Michael Wilkins	Non-executive Director	8 April 2020	8 April 2020

Prior Directors	Position held	Appointed	Ceased to be a Director
Peter Allen	Managing Director and CEO	25 May 2011	30 September 2022
Steven Leigh	Non-executive Director	4 April 2019	7 April 2022

(i) Scentre Group was established on 30 June 2014. Mr Schwartz was appointed to the Boards of RE1 Limited and RE2 Limited on 30 June 2014. 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).

(ii) On 17 October 2022, Scentre Group announced that Andrew Harmos will not stand for re-election at Scentre Group's 2023 AGM and will retire from the Board at the end of the meeting.

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 2022 Annual Financial Report and on Scentre Group's website www.scentregroup.com.

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 Scentre Group stapled securities 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.

	Number of Stapled Securities	
	31 Dec 2021	**31 Dec 2022**
Director		
Brian Schwartz	165,861	**165,861**
Elliott Rusanow [(i)]	370,918	**562,183**
Ilana Atlas	80,856	**80,856**
Catherine Brenner	–	**100,000**
Andrew Harmos	147,897	**127,897**
Michael Ihlein	48,048	**48,048**
Carolyn Kay	57,000	**57,000**
Stephen McCann	–	**0**
Guy Russo	145,000	**145,000**
Margaret Seale	56,750	**56,750**
Michael Wilkins	100,000	**100,000**
Prior Directors		
Peter Allen (stepped down as Managing Director/CEO 30 September 2022)	6,288,144	**–**
Steven Leigh (retired 7 April 2022)	96,316	**–**

(i) On 15 February 2023, Elliott Rusanow received 463,049 securities on vesting of tranche 1 of his 2020 retention awards.

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 KMP are set out in the Remuneration Report in Scentre Group's 2022 Annual Financial Report. 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.

Directors' Report continued

4. Directors' directorships of other listed companies

Details of all directorships of other listed entities held by each Director at any time in the three years immediately before 31 December 2022 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*			
Elliott Rusanow*			
Ilana Atlas	Australia and New Zealand Banking Group Limited	24 September 2014	Continuing
	Origin Energy Limited	19 February 2021	Continuing
	Coca-Cola Amatil Limited	23 February 2011	10 May 2021
Catherine Brenner*			
Andrew Harmos	AMP Limited	1 June 2017	8 May 2020
Michael Ihlein	Inghams Group Limited	16 April 2020	Continuing
	Ampol Limited	1 June 2020	Continuing
	CSR Limited	7 July 2011	25 June 2021
Carolyn Kay*			
Stephen McCann	Lendlease Corporation Limited	4 March 2019	31 May 2021
	Crown Resorts Limited	20 October 2021	24 June 2022
Guy Russo	SomnoMed Limited	24 August 2020	Continuing
Margaret Seale	Westpac Banking Corporation	1 March 2019	Continuing
	Telstra Corporation Limited	7 May 2012	12 October 2021
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

* No relevant directorships held in the prior three years.

5. 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 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 the 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.

6. Special rules for registered schemes

- $65.8 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.
- $187.3 million of development and construction billings were paid or payable to associates of the Responsible Entity out of the assets of the Trust during the Financial Year.
- No units in the Trust were held by the Responsible Entity at the end of the Financial Year. Associates of the Responsible Entity held 8,758,782 units as at 20 February 2023.
- No withdrawals were made from the scheme during the Financial Year.
- Details of the value of the Trust's investment property assets as at the end of the Financial Year and the basis for the valuation are set out in Notes 4 and 5 to the Financial Report.
- Details of the number of units issued in the Trust during and as at the end of the Financial Year are set out in Note 16 to the Financial Report.

7. Audit

7.1 Audit and Risk Committee

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

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

7.2 Non-Audit Services and Audit Independence

During the Financial Year Ernst & Young, the Trust's auditor, did not provide any non-audit services to the Trust.

Details of the amount paid to the auditor are set out in Note 29 to the Financial Report. As no non-audit services were provided by the auditor during the Financial Year, the Board is satisfied that the auditor complies with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Directors' Report continued

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

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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 2022, 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;

(b) no contraventions of any applicable code of professional conduct in relation to the audit; and

(c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Megan Wilson

Ernst & Young

Megan Wilson
Partner

Sydney, 14 March 2023

Liability limited by a scheme approved under Professional Standards Legislation.

8. ASIC Disclosures

The Trust is of a kind referred to in 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. 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.

10. 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 2022 Corporate Governance Statement is available in the corporate governance section on Scentre Group's website: scentregroup.com/about-us/corporate-governance. During 2022, 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
Chair

Michael Ihlein
Director

14 March 2023

Members' Information

As at 15 February 2023

	Twenty largest holders of stapled securities in Scentre Group [i]	Number of stapled securities
1	HSBC Custody Nominees (Australia) Limited	1,805,946,888
2	J P Morgan Nominees Australia Pty Limited	1,126,457,557
3	Citicorp Nominees Pty Limited	625,269,425
4	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	604,821,420
5	National Nominees Limited	195,013,495
6	BNP Paribas Noms Pty Ltd <DRP>	188,331,328
7	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	56,432,041
8	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	29,272,670
9	Netwealth Investments Limited <Wrap Services A/C>	9,406,725
10	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	9,199,141
11	BNP Paribas Noms (NZ) Ltd <DRP>	8,404,239
12	HSBC Custody Nominees (Australia) Limited	7,889,764
13	Argo Investments Limited	7,526,662
14	HSBC Custody Nominees (Australia) Limited – A/C 2	6,796,911
15	BNP Paribas Noms Pty Ltd <Global Markets DRP>	6,524,210
16	HSBC Custody Nominees (Australia) Limited <GSCO Customers A/C>	5,636,758
17	Amondi Pty Ltd <WEOPT>	5,388,133
18	Woodross Nominees Pty Ltd	5,379,113
19	Mutual Trust Pty Ltd	5,272,063
20	Neweconomy Com AU Nominees Pty Limited <900 Account>	4,594,407
		4,713,562,950

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

Voting rights

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

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

Distribution schedule

Category	Number of stapled securities*	Number of securityholders	% of securities in each category
1 – 1,000	12,112,927	28,741	0.23
1,001 – 5,000	79,242,069	31,447	1.53
5,001 – 10,000	68,171,957	9,426	1.31
10,001 – 100,000	180,661,185	7,787	3.48
100,001 and over	4,850,190,201	386	93.45
Total	**5,190,378,339**	**77,787**	**100.00**

As at 15 February 2023, 7,276 securityholders hold less than a marketable parcel (being 168 securities at the closing price of $2.98) of quoted securities in Scentre Group.

* There are 14,232,186 performance rights on issue under Scentre Group's performance rights plan to a total of 72 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 FY22, 4,706,952 securities (at an average price of $2.7363) were acquired on-market by the Scentre Group Performance Rights Plan Trust to satisfy executive entitlements on the vesting of rights under Scentre Group's equity-linked plans.

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:

Substantial securityholders	Number of stapled securities
UniSuper Limited as trustee for UniSuper and UniSuper Management Pty Limited	584,575,781
The Vanguard Group	524,857,282
BlackRock Group	496,793,754
State Street	445,042,771

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Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	31 Dec 22 $000	31 Dec 21 $000
Revenue and other income			
Property and property related revenue		**4,233**	3,704
		4,233	3,704
Expenses			
Property and property related expenses		**(1,267)**	(1,385)
Overheads		**(324)**	(298)
		(1,591)	(1,683)
Interest income	5(a)	**53**	951
Financing costs	5(b)	**(1)**	(915)
Profit before tax		**2,694**	2,057
Tax expense	2	**(803)**	(609)
Profit after tax for the period		**1,891**	1,448
Other comprehensive income			
Movement in foreign currency translation reserve (i)			
– Currency movement on the translation of investment in foreign operations		**(35)**	4
Total comprehensive income for the period		**1,856**	1,452

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

	Note	cents	cents
Basic and diluted earnings per unit	4(a)	**0.04**	0.03

Balance Sheet

As at 31 December 2022

	Note	31 Dec 22 $000	31 Dec 21 $000
Current assets			
Cash and cash equivalents	6(a)	**3,600**	4,263
Receivables	7	**13,980**	16,276
Total current assets		**17,580**	20,539
Total assets		**17,580**	20,539
Current liabilities			
Payables and other creditors	8	**413**	1,076
Total current liabilities		**413**	1,076
Total liabilities		**413**	1,076
Net assets		**17,167**	19,463
Equity			
Contributed equity	9(b)	**11,133**	11,133
Reserves	10	**3**	38
Retained profits	11	**6,031**	8,292
Total equity		**17,167**	19,463

Statement of Changes in Equity

For the year ended 31 December 2022

	Contributed Equity $000	Reserves $000	Retained Profits $000	31 Dec 22 Total $000	Contributed Equity $000	Reserves $000	Retained Profits $000	31 Dec 21 Total $000
Changes in equity								
Balance at the beginning of the year	**11,133**	**38**	**8,292**	**19,463**	11,133	34	6,844	18,011
– Profit after tax for the period	**–**	**–**	**1,891**	**1,891**	–	–	1,448	1,448
– Other comprehensive income/(loss)	**–**	**(35)**	**–**	**(35)**	–	4	–	4
Transactions with owners in their capacity as owners:								
– Distributions paid or provided for	**–**	**–**	**(4,152)**	**(4,152)**	–	–	–	–
Total equity	**11,133**	**3**	**6,031**	**17,167**	11,133	38	8,292	19,463

Cash Flow Statement

For the year ended 31 December 2022

	Note	31 Dec 22 $000	31 Dec 21 $000
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		**4,679**	4,110
Payments in the course of operations (including GST)		**(1,837)**	(1,755)
Income and withholding taxes paid		**(1,343)**	(678)
GST paid		**(372)**	(326)
Payments of financing costs		**(1)**	(1,776)
Interest received		**53**	1,834
Net cash inflow from operating activities	6(b)	**1,179**	1,409
Cash flows from financing activities			
Net funds received from related entities		**2,338**	1,888
Distributions paid		**(4,152)**	–
Net cash inflow/(outflow) from financing activities		**(1,814)**	1,888
Net increase/(decrease) in cash and cash equivalents held		**(635)**	3,297
Add opening cash and cash equivalents brought forward		**4,263**	976
Effects of exchange rate changes on opening cash and cash equivalents brought forward		**(28)**	(10)
Cash and cash equivalents at the end of the period [(i)]	6(a)	**3,600**	4,263

(i) Cash and cash equivalents comprise cash of $3,600,000 (31 December 2021: $4,263,000) net of bank overdraft of nil (31 December 2021: nil).

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Notes to the Financial Statements

For the year ended 31 December 2022

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 2022, 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 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), 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) Going concern

This financial report has been prepared on a going concern basis. In making this assessment, the Directors have considered Scentre Group's ability to meet its financial obligations over the next 12 months, using cash flow sensitivity analysis and having regard to debt maturities, funding requirements, operating cash earnings and available financing facilities.

(d) Basis of Accounting

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

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

(e) 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 2022:

- 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

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

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 2022. The impact of these new standards or amendments to the standards (to the extent relevant to the Trust) and interpretations is as follows:

- AASB 2020-1 *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.

Notes to the Financial Statements continued

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

(e) Statement of Compliance (continued)

- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (effective from 1 January 2023)

  This amends:

  (i) AASB 7 *Financial Instruments: Disclosures*, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;

  (ii) AASB 101 *Presentation of Financial Statements*, to require entities to disclose their material accounting policy information rather than their significant accounting policies;

  (iii) AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;

  (iv) AASB 134 *Interim Financial Reporting*, to identify material accounting policy information as a component of a complete set of financial statements; and

  (v) AASB Practice Statement 2 *Making Materiality Judgements*, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  These amendments are not expected to have a significant financial 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 2025)

  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.

IFRS Sustainability Disclosure Standards exposure drafts

In March 2022, the International Sustainability Standards Board (ISSB) launched a consultation on its first two proposed IFRS Sustainability Disclosure Standards – IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. The proposed standards, when finalised, would form a comprehensive global baseline of sustainability-related disclosures designed to meet the information needs of investors in assessing enterprise value. The ISSB met in January 2023 to redeliberate and consider comments it received on the proposed standards.

(f) 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 various other 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 may be found in the relevant notes to the financial statements.

(g) Comparative information

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

(h) 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 22 $000	31 Dec 21 $000
Tax expense		
Current – underlying operations	**(803)**	(609)
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	**2,694**	2,057
Prima facie tax expense at 30%	**(808)**	(617)
Other items	**5**	8
	(803)	(609)

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 22 $000	31 Dec 21 $000
(a) Final distribution paid		
Nil cents per unit (31 December 2021: 0.08 cents per unit)	**–**	4,152
	–	4,152

Details of the full year components of distribution are provided in the Annual Tax Statements which will be sent to members in March 2023.

The Trust did not pay a distribution for the half year ended 31 December 2022. Final distribution was paid on 28 February 2023. The record date for the final distributions was 17 February 2023. Scentre Group does not operate a Distribution Reinvestment Plan.

	31 Dec 22 $000	31 Dec 21 $000
(b) Distributions paid during the year		
Distribution in respect of the six months to 30 June 2022	**–**	–
Distribution in respect of the six months to 31 December 2021	**4,152**	–
	4,152	–

Notes to the Financial Statements continued

Note 4 – Statutory earnings per unit

	31 Dec 22 cents	31 Dec 21 cents
(a) Summary of earnings per unit		
Basic and diluted earnings per unit	**0.04**	0.03

There are no potential ordinary units which are considered dilutive.

Earnings used in calculating basic and dilutive earnings per unit was $1,891,000 (31 December 2021: $1,448,486). Weighted average number of units used in calculating basic and dilutive earnings per unit was 5,190,378,339 (31 December 2021: 5,190,378,339).

(b) Conversions, calls, subscription, issues or buy-back after 31 December 2022

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

	31 Dec 22 $000	31 Dec 21 $000
(a) Interest income		
Interest income		
– External	**53**	1
– Related entities	**–**	950
	53	951
(b) Financing costs		
Gross financing costs		
– External	**1**	15
– Related entities	**–**	900
	1	915

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 22 $000	31 Dec 21 $000
(a) Components of cash and cash equivalents		
Cash	**3,600**	4,263
Bank overdrafts	**–**	–
Total cash and cash equivalents	**3,600**	4,263
(b) Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	**1,891**	1,448
Depreciation	**–**	6
Decrease in tax provision	**(534)**	–
Increase in working capital attributable to operating activities	**(178)**	(45)
Net cash flows from operating activities	**1,179**	1,409

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 include 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.

Notes to the Financial Statements continued

Note 7 – Receivables

	Note	31 Dec 22 $000	31 Dec 21 $000
Current			
Non interest bearing loans receivable from related entities	21	**13,980**	16,276
		13,980	16,276

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 cashflow obligations and whether any adverse changes in economic or business conditions will impact the borrower's ability to meet these obligations. The Trust considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

Note 8 – Payables and other creditors

	31 Dec 22 $000	31 Dec 21 $000
Payables and other creditors	**68**	197
Tax payable	**345**	879
	413	1,076

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 30 days.

Note 9 – Contributed equity

	31 Dec 22 Number of units	31 Dec 21 Number of units
(a) Units on issue		
Number of units on issue	**5,190,378,339**	5,190,378,339

There were no changes to the number of units on issue during the years ended 31 December 2022 and 2021.

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 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 22 $000	31 Dec 21 $000
(b) Amount of contributed equity		
Contributed equity	**11,133**	11,133

There were no changes to the amount of contributed equity during the years ended 31 December 2022 and 2021.

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 10 – Reserves

	31 Dec 22 $000	31 Dec 21 $000
Foreign currency translation reserve	**3**	38
Balance at the end of the year	**3**	38
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	**38**	34
Foreign exchange movement		
– Currency movement on the translation of investment in foreign operations	**(35)**	4
Balance at the end of the year	**3**	38

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.

Notes to the Financial Statements continued

Note 11 – Retained profits

	31 Dec 22 $000	31 Dec 21 $000
Movement in retained profits		
Balance at the beginning of the year	**8,292**	6,844
Profit after tax for the period	**1,891**	1,448
Distributions paid	**(4,152)**	–
Balance at the end of the year	**6,031**	8,292

Note 12 – 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 21: Capital risk management, Note 22: Financial risk management, Note 23: Interest rate risk management, Note 24: Exchange rate risk management, Note 25: Credit risk management and Note 26: Liquidity risk management of Scentre Group's 2022 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 13 – Financial covenants

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

Refer to Note 27: Financial covenants of Scentre Group's 2022 Annual Financial Report for details of Scentre Group's financial covenants.

Note 14 – 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	
	31 Dec 22 $000	31 Dec 21 $000	31 Dec 22 $000	31 Dec 21 $000
Consolidated assets				
Cash and cash equivalents	**3,600**	4,263	**3,600**	4,263
Receivables				
Other receivables (i)	**13,980**	16,276	**13,980**	16,276
Consolidated liabilities				
Payables and other creditors (i)	**68**	197	**68**	197

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

Note 15 – 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 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.

(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 as services are provided and brought to account on an accruals basis.

(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) 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.

Notes to the Financial Statements continued

Note 16 – Share based payments

Performance Rights – Short Term Variable Remuneration (STVR), Long Term Variable Remuneration (LTVR) and Retention Awards issued to employees of related entities

As at 31 December 2022, there were 17,499,774 (31 December 2021: 13,798,867) performance rights held by participants in Scentre Group's STVR/LTVR Plans and Retention Awards equating to 17,499,774 (31 December 2021: 13,798,867) Scentre Group stapled securities. A performance right is the right, for no payment, to receive Scentre Group stapled securities on vesting. Descriptions of the STVR/LTVR Plans and Retention Awards are in the Remuneration Report in Scentre Group's 2022 Annual Financial Report.

	31 Dec 22 Number of rights	31 Dec 21 Number of rights
Vesting profile – Performance Rights – STVR, LTVR and Retention Awards		
2022	–	1,798,735
2023	**6,702,325**	6,794,587
2024	**8,433,366**	5,205,545
2025	**2,364,083**	–
	17,499,774	13,798,867

Note 17 – Contingent liabilities

	31 Dec 22 $000	31 Dec 21 $000
Performance guarantees	**93**	1,835
Guaranteed borrowings of associates of the Responsible Entity	**15,158,741**	14,466,666
	15,158,834	14,468,501

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 anytime 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 18 – Segment reporting

The Trust operates in one operating segment predominantly in Australia and earns property advertising and promotional income.

Note 19 – 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 presented below:

	31 Dec 22 $000	31 Dec 21 $000
(a) Assets		
Current assets	**14,078**	16,411
Total assets	**14,078**	16,411
(b) Liabilities		
Current liabilities	**413**	485
Total liabilities	**413**	485
(c) Equity		
Contributed equity	**11,133**	11,133
Retained profits	**2,532**	4,793
Total equity	**13,665**	15,926
(d) Comprehensive income		
Profit after tax for the period	**1,891**	1,421
Total comprehensive income for the period	**1,891**	1,421
(e) Contingent liabilities		
Guaranteed borrowings of associates of the Responsible Entity	**15,158,741**	14,466,666
Total contingent liabilities	**15,158,741**	14,466,666

Note 20 – Auditor's remuneration

	31 Dec 22 $	31 Dec 21 $
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	**15,260**	14,535
– 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	**–**	–
– Fees for other services	**–**	–
	15,260	14,535
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	**–**	–
– Fees for other services	**–**	–
	–	–
	15,260	14,535

Notes to the Financial Statements continued

Note 21 – Related party disclosures

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

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

Nature of relationship with related parties

Key Management Personnel

Refer to Note 22 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.

Transactions with related parties and their terms and conditions

Transactions with KMP

Refer to Note 22 for the details and remuneration of KMP.

Transactions with Other Related Parties

Charges by SGL to the Trust

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 2022 were $286,171 (31 December 2021: $242,534).

Other

Net property related advertising and promotional income collected by SGL for SGT3 for the year ended 31 December 2022 was $2,793,178 (31 December 2021: $2,324,494). The amount receivable for net property related advertising and promotional income as at 31 December 2022 were $1,125,441 (31 December 2021: $1,470,856).

Loans

As at 31 December 2022, SGT3 has non interest bearing loans receivable from SGT2 of $12,855,172 (31 December 2021: $14,805,172).

Note 22 – 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. KMP for the financial year were the non-executive Directors, Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

(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 2022 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 2022, the Board comprised the following Directors:

Brian Schwartz AM	Non-Executive Chair
Elliott Rusanow	Managing Director and CEO
Ilana Atlas AO	Non-Executive Director
Catherine Brenner	Non-Executive Director
Andrew Harmos	Non-Executive Director
Michael Ihlein	Non-Executive Director
Carolyn Kay	Non-Executive Director
Stephen McCann	Non-Executive Director
Guy Russo	Non-Executive Director
Margaret Seale	Non-Executive Director
Michael Wilkins AO	Non-Executive Director

Catherine Brenner was appointed to the Board effective 1 March 2022. Steven Leigh retired from the Board on 7 April 2022. Stephen McCann was appointed to the Board effective 1 November 2022.

Peter Allen stepped down as Managing Director and CEO of Scentre Group on 30 September 2022 and will retire from Scentre Group on 30 September 2023. Elliott Rusanow was appointed Managing Director and CEO of Scentre Group effective 1 October 2022. Elliott Rusanow was CFO from 1 January 2022 to 30 September 2022, and executive KMP for the whole year. Andrew Clarke was appointed CFO of Scentre Group effective 1 October 2022, and is also a KMP from that date.

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

(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.

Notes to the Financial Statements continued

Note 23 – Details of material and significant entities

Name of entity	31 Dec 22 – Interest Beneficial [i] Parent Entity %	31 Dec 22 – Interest Beneficial [i] Trust %	31 Dec 21 – Interest Beneficial [i] Parent entity %	31 Dec 21 – Interest Beneficial [i] 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
ENTITIES INCORPORATED IN NEW ZEALAND				
Consolidated Controlled Entities				
RE (NZ) Finance 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 2022

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 2022 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 14 March 2023 in accordance with a resolution of the Board of Directors.

Brian Schwartz AM
Chair

14 March 2023

Michael Ihlein
Director

Independent Auditor's Report

To the Members of Scentre Group Trust 3

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Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Scentre Group Trust 3 and its controlled entities (the Trust), which comprises the consolidated balance sheet as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Trust as at 31 December 2022 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 statements of the current year. 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 2022, 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 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 the Responsible Entity 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 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 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 the Responsible Entity 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.

We communicate with the directors of the Responsible Entity 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 the Responsible Entity 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.

Independent Auditor's Report continued

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

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner

Sydney, 14 March 2023

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 2022 (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 Financial Review

1.1 2022 economic performance

The Trust reported a net profit after tax of $1,891,000 (31 December 2021: $1,448,000). Property and property related revenue and expenses of $2,966,000, increased by $647,000 over the previous corresponding period due to favourable market conditions during the Financial Year.

As at 31 December 2022, SGT3 had net assets of $17,167,000 (31 December 2021: $19,463,000) comprising total assets of $17,580,000 (31 December 2021: $20,539,000) and total liabilities of $413,000 (31 December 2021: $1,076,000).

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 2022 Annual Financial Report which is available at www.scentregroup.com.

1.2 2023 guidance and outlook

Scentre Group is well positioned to deliver long-term growth for securityholders.

Subject to no material changes in conditions, Scentre Group expects FFO to be in the range of 20.75 to 21.25 cents per security in 2023, representing 3.4% to 5.9% growth for the year.

Distributions are expected to be at least 16.50 cents per security in 2023, representing at least 4.8% growth for the year.

1.3 Matters subsequent to the end of the Financial Year

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

1.4 Principal activity

The principal activity of the Trust during the Financial Year was 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.

1.5 Future developments

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 2022 Annual Financial Report.

1.6 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 2022 Annual Financial Report which can be found at www.scentegroup.com.

1.7 Environment

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. Scentre Group's compliance procedures are regularly reviewed and audited and their application closely monitored and our approach to sustainability risks is outlined in Scentre Group's 2022 Annual Financial Report which can be found at www.scentregroup.com.

Directors' Report continued

2. Distributions

No distribution was paid for the six months ended 31 December 2022 and 30 June 2022.

For the six months ended 31 December 2021, the Trust distribution of 0.08 cents per ordinary unit formed part of the distribution of 7.25 cents per Scentre Group stapled security, paid on 28 February 2022. This distribution was an aggregate of a distribution from the Trust and a distribution from SGL, SGT1 and SGT2. The figure reported here represents that component of the aggregate Scentre Group distribution being the distribution of the Trust.

3. Directors

The Board comprises ten independent non-executive Directors and one executive Director (being the Managing Director/Chief Executive Officer (CEO)). The period of office held by each Director is set out below and their significant directorships held in other companies is set out at Section 4.

Name	Position held	Appointed	Last elected/re-elected at an AGM
Brian Schwartz (i)	Non-executive Chair	30 June 2014	7 April 2022
Elliott Rusanow	Managing Director and CEO	1 October 2022	Not required to stand for re-election
Ilana Atlas	Non-executive Director	28 May 2021	7 April 2022
Catherine Brenner	Non-executive Director	1 March 2022	7 April 2022
Andrew Harmos (i)(ii)	Non-executive Director	21 December 2010	8 April 2020
Michael Ihlein (i)	Non-executive Director	21 December 2010	7 April 2022
Carolyn Kay	Non-executive Director	24 February 2016	8 April 2021
Stephen McCann	Non-executive Director	1 November 2022	Will stand for election at 2023 AGM
Guy Russo	Non-executive Director	1 September 2020	8 April 2021
Margaret Seale	Non-executive Director	24 February 2016	8 April 2021
Michael Wilkins	Non-executive Director	8 April 2020	8 April 2020

Prior Directors	Position held	Appointed	Ceased to be a Director
Peter Allen	Managing Director and CEO	25 May 2011	30 September 2022
Steven Leigh	Non-executive Director	4 April 2019	7 April 2022

(i) Scentre Group was established on 30 June 2014. Mr Schwartz was appointed to the Boards of RE1 Limited and RE2 Limited on 30 June 2014. 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).

(ii) On 17 October 2022, Scentre Group announced that Andrew Harmos will not stand for re-election at Scentre Group's 2023 AGM and will retire from the Board at the end of the meeting.

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 2022 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 Scentre Group stapled securities as at the date of this report are shown below. Ordinary units in the Trust are stapled to shares in SGL and units in SGT1 and SGT2. The stapled securities trade on the ASX under the code SCG.

	Number of Stapled Securities	
	31 Dec 2021	**31 Dec 2022**
Director		
Brian Schwartz	165,861	**165,861**
Elliott Rusanow [(i)]	370,918	**562,183**
Ilana Atlas	80,856	**80,856**
Catherine Brenner	–	**100,000**
Andrew Harmos	147,897	**127,897**
Michael Ihlein	48,048	**48,048**
Carolyn Kay	57,000	**57,000**
Stephen McCann	–	**0**
Guy Russo	145,000	**145,000**
Margaret Seale	56,750	**56,750**
Michael Wilkins	100,000	**100,000**
Prior Directors		
Peter Allen (stepped down as Managing Director/CEO 30 September 2022)	6,288,144	**–**
Steven Leigh (retired 7 April 2022)	96,316	**–**

(i) On 15 February 2023, Elliott Rusanow received 463,049 securities on vesting of tranche 1 of his 2020 retention awards.

No options were issued by Scentre Group Limited 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 the Trust. Details of the performance rights held by the executive KMP are set out in the Remuneration Report in Scentre Group's 2022 Annual Financial Report. 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.

Directors' Report continued

4. Directors' directorships of other listed companies

Details of all directorships of other listed entities held by each Director at any time in the three years immediately before 31 December 2022 are set out below.

Scentre Group comprises Scentre Group Limited (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 Director's appointment to these companies is continuing. The date of appointment to these companies is the same as the date of appointment to SGL.

Director	Company	Date appointed	Date resigned
Brian Schwartz*			
Elliott Rusanow*			
Ilana Atlas	Australia and New Zealand Banking Group Limited	24 September 2014	Continuing
	Origin Energy Limited	19 February 2021	Continuing
	Coca-Cola Amatil Limited	23 February 2011	10 May 2021
Catherine Brenner*			
Andrew Harmos	AMP Limited	1 June 2017	8 May 2020
Michael Ihlein	Inghams Group Limited	16 April 2020	Continuing
	Ampol Limited	1 June 2020	Continuing
	CSR Limited	7 July 2011	25 June 2021
Carolyn Kay*			
Stephen McCann	Lendlease Corporation Limited	4 March 2019	31 May 2021
	Crown Resorts Limited	20 October 2021	24 June 2022
Guy Russo	SomnoMed Limited	24 August 2020	Continuing
Margaret Seale	Westpac Banking Corporation	1 March 2019	Continuing
	Telstra Corporation Limited	7 May 2012	12 October 2021
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

* No relevant directorships held in the prior three years.

5. 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.

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 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 (EY), 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 EY during or since the Financial Year.

6. Special rules for registered schemes

- $286,171 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 8,758,782 units as at 20 February 2023.
- 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 15(b) to the Financial Report.
- Details of the number of units issued in the Trust during and as at the end of the Financial Year are set out in Note 9 to the Financial Report.

7. Audit

7.1 Audit and Risk Committee

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

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

7.2 Non-audit services and audit independence

During the Financial Year, Ernst & Young, the Trust's auditor, did not provide any non-audit services to the Trust.

Details of the amount paid to the auditor are set out in Note 20 to the Financial Report.

As no non-audit services were provided by the auditor during the Financial Year, the Board is satisfied that the auditor complies with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Directors' Report continued

7.3 Auditor's independence Declaration to the Directors of RE2 Limited

EY
Building a better working world

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 2022, 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;

(b) No contraventions of any applicable code of professional conduct in relation to the audit; and

(c) No non-audit services provided that contravene 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

Ernst & Young

Megan Wilson

Megan Wilson
Partner

Sydney, 14 March 2023

Liability limited by a scheme approved under Professional Standards Legislation.

8. 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.

9. 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.

10. 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 2022 Corporate Governance Statement is available in the corporate governance section on Scentre Group's website: www.scentregroup.com/about-us/corporate-governance. During 2022, 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
Chair

Michael Ihlein
Director

14 March 2023

Members' Information

As at 15 February 2023

	Twenty largest holders of stapled securities in Scentre Group [(i)]	Number of stapled securities
1	HSBC Custody Nominees (Australia) Limited	1,805,946,888
2	J P Morgan Nominees Australia Pty Limited	1,126,457,557
3	Citicorp Nominees Pty Limited	625,269,425
4	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	604,821,420
5	National Nominees Limited	195,013,495
6	BNP Paribas Noms Pty Ltd <DRP>	188,331,328
7	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	56,432,041
8	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	29,272,670
9	Netwealth Investments Limited <Wrap Services A/C>	9,406,725
10	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	9,199,141
11	BNP Paribas Noms (NZ) Ltd <DRP>	8,404,239
12	HSBC Custody Nominees (Australia) Limited	7,889,764
13	Argo Investments Limited	7,526,662
14	HSBC Custody Nominees (Australia) Limited – A/C 2	6,796,911
15	BNP Paribas Noms Pty Ltd <Global Markets DRP>	6,524,210
16	HSBC Custody Nominees (Australia) Limited <GSCO Customers A/C>	5,636,758
17	Amondi Pty Ltd <WEOPT>	5,388,133
18	Woodross Nominees Pty Ltd	5,379,113
19	Mutual Trust Pty Ltd	5,272,063
20	Neweconomy Com AU Nominees Pty Limited <900 Account>	4,594,407
		4,713,562,950

(i) 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.

Members' Information continued

Distribution schedule

Category	Number of stapled securities*	Number of securityholders	% of securities in each category
1 – 1,000	12,112,927	28,741	0.23
1,001 – 5,000	79,242,069	31,447	1.53
5,001 – 10,000	68,171,957	9,426	1.31
10,001 – 100,000	180,661,185	7,787	3.48
100,001 and over	4,850,190,201	386	93.45
Total	**5,190,378,339**	**77,787**	**100.00**

As at 15 February 2023, 7,276 securityholders hold less than a marketable parcel (being 168 securities at the closing price of $2.98) of quoted securities in Scentre Group.

* There are 14,232,186 performance rights on issue under Scentre Group's performance rights plan to a total of 72 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 FY22, 4,706,952 securities (at an average price of $2.7363) were acquired on-market by the Scentre Group Performance Rights Plan Trust to satisfy executive entitlements on the vesting of rights under Scentre Group's equity-linked plans.

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:

Substantial securityholders	Number of stapled securities
UniSuper Limited as trustee for UniSuper and UniSuper Management Pty Limited	584,575,781
The Vanguard Group	524,857,282
BlackRock Group	496,793,754
State Street	445,042,771

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