SCENTRE GROUP

Owner and Operator of Westfield in Australia and New Zealand

Annual Financial Report
31 December 2017

Scentre Group Limited ABN 66 001 671 496

Annual Financial Report

SCENTRE GROUP
For the Financial Year ended 31 December 2017

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2017 RESULTS OVERVIEW

Scentre Group continued its strong operating performance, delivering its forecast full year growth in Funds from Operations of 4.25%.

2017 Financial Results

	2017 FULL YEAR RESULTS
Funds from Operations (FFO)	$1,290 million, 4.25% growth
FFO per security	24.29 cents, 4.25% growth
Distribution per security	21.73 cents, 2.0% growth
Assets under management (AUM)	$51.0 billion, 11.6% growth
Group's share of AUM	$36.2 billion, 12.1% growth
Profit	$4,218 million
Gearing	32.1%

2017 Operating Performance

Comparable net operating income (NOI)	2.75% growth
Portfolio leased	> 99.5%
Lease deals completed number	2,466
Lease deals completed area	345,570 sqm
Total lettable area	> 3.6 million sqm, increase of 38,000 sqm
Customer visits per annum	> 530 million, 1.0% growth

Directors' Report

This Directors' report provides information on the structure of our business, our financial performance for the period 1 January 2017 to 31 December 2017 (Financial Year), our strategies and prospects and the key risks that face Scentre Group (Group or SCG).

Scentre Group is structured as a stapled entity: a combination of a share in Scentre Group Limited (Company) and a unit in each of Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 which are stapled and trade together as one security on the Australian Securities Exchange (ASX). For accounting purposes, the Company is the parent entity of the Group. This report covers the Company and its controlled entities for the Financial Year.

1. OPERATING AND FINANCIAL REVIEW

We own and operate the pre-eminent retail property portfolio in Australia and New Zealand, with interests in 39 centres including 16 of the top 25 performing centres in Australia. We have an exclusive, continuing and royalty free licence to use the Westfield brand in Australia and New Zealand for our existing portfolio and any new centres in Australia and New Zealand which meet certain agreed characteristics.

We are a vertically integrated business. We have expertise in and manage every aspect of our portfolio – from design and construction through to strategic development, asset management and operations including leasing, brand, media and customer experience – creating efficiencies and positioning us to deliver superior financial results.

We have over 2,700 employees, around 85,000 securityholders and $51.0 billion assets under management (SCG share: $36.2 billion).

Financial Results

Our primary reporting measure is Funds from Operations (FFO) which is a widely recognised measure of performance of real estate investment groups.

Profit after tax, funds from operations and distribution for the period (i)

	2017 $million	2016 $million
Net property income	**1,794.8**	1,762.0
Net project and management income	**125.5**	127.5
Overheads	**(88.6)**	(86.4)
Net financing costs	**(481.9)**	(461.6)
Interest on other financial liabilities	**(35.0)**	(63.0)
Mark to market of derivatives and other financial liabilities	**(230.6)**	148.8
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	**0.8**	24.2
Gain in respect of capital transactions	**0.0**	35.5
Property revaluations	**3,216.8**	1,580.1
Tax expense	**(70.4)**	(45.6)
Profit after tax	**4,231.4**	3,021.5
Adjusted for:		
Property revaluations	**(3,216.8)**	(1,580.1)
Amortisation of tenant allowances	**53.8**	47.7
Net fair value gain and associated credit risk on currency derivatives that do not qualify for hedge accounting	**(5.6)**	(23.6)
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	**(0.8)**	(24.2)
Net fair value loss/(gain) on interest rate hedges that do not qualify for hedge accounting	**158.4**	(144.3)
Net fair value loss on other financial liabilities	**77.8**	19.1
Deferred tax expense/(benefit)	**4.8**	(29.5)
Gain in respect of capital transactions	**(0.0)**	(35.5)
Funds from operations attributable to external non controlling interests (ii)	**(12.8)**	(13.5)
FFO (iii)	**1,290.2**	1,237.6
Less: amount retained	**(136.0)**	(106.2)
Dividend/distributions	**1,154.2**	1,131.4

(i) The Group's income and expenses have been prepared on a proportionate basis. The proportionate basis presents the net income from equity accounted entities on a gross basis.

(ii) FFO attributable to external non controlling interests of $12.8 million (31 December 2016: $13.5 million) consists of profit after tax attributable to external non controlling interests of $13.5 million (31 December 2016: $31.0 million) less FFO adjustments of $0.7 million (31 December 2016: $17.5 million).

(iii) The Group's measure of FFO is based upon the National Association of Real Estate Investment Trusts' (NAREIT, a US industry body) definition, adjusted to reflect the Group's profit after tax and non controlling interests reported in accordance with the Australian Accounting Standards and International Financial Reporting Standards (IFRS). The Group's FFO excludes property revaluations of consolidated and equity accounted property investments, unrealised currency gains/losses, net fair value gains or losses on interest rate hedges and other financial liabilities, deferred tax, gains/losses from capital transactions and amortisation of tenant allowances from the reported profit after tax and non controlling interests.

	cents	cents
FFO per security (iv)	**24.29**	23.30
Dividend/distribution per security	**21.73**	21.30

(iv) In calculating the FFO per security 5,311,595,241 (31 December 2016: 5,311,595,241) weighted average number of securities was used.

Financial performance

Profit after tax for the year was $4.2 billion including property revaluations of $3.2 billion. These revaluations reflected the strong demand for premium centres resulting in the continued improvement in capitalisation rates across the portfolio, solid NOI growth, and the value creation from the completion of major redevelopments.

FFO was $1,290.2 million (FY16: $1,237.6 million) being FFO per security of 24.29 cents, in line with market guidance and reflecting an increase of 4.25%.

Distributions per security for the 12 months ended 31 December 2017 were 21.73 cents per security, representing 2% growth increase on the prior year (FY16: 21.30 cents) with a payout ratio of 89.5% of FFO. The distribution for the 6 months ended 31 December 2017 will be paid to securityholders on 28 February 2018.

During the year, we announced an extension to our practice to grow distributions at a lower rate than earnings growth until reaching a payout ratio of 85% of FFO. The distribution is targeted to grow at 2% per annum until the target payout ratio of 85% is achieved. The new target payout ratio will enable us to invest additional retained earnings into our business. Over time, it is expected that this will increase FFO and reduce future debt funding requirements.

Return on contributed equity (ROCE) was 12.28% (FY16: 11.8%).

Our Purpose, Strategy and Key Drivers

Our purpose: *"Creating extraordinary places, connecting and enriching communities".*

We focus on four strategic priorities: Asset Management, Retail Product and Customer Experience, Developments, and Capital Management.

Asset management

Our operating strategy is to own and operate the pre-eminent retail property portfolio in Australia and New Zealand.

Our portfolio comprises 34 centres in Australia (including 16 of the top 25 performing centres in Australia based on annual sales) and 5 centres in New Zealand.

Strategic asset plans have been developed for each centre in our portfolio in alignment with our purpose and strategic priorities.

We concentrate on intensively managing our centres with an emphasis on delivering an optimal mix of retailers, maximising the sales productivity of retailers at each centre and providing superior experiences for our customers.

We look to grow property income through contractual annual rent escalations.

Our asset management capabilities are strengthened by the scale, quality and geographic diversification of our portfolio providing us with a unique operating platform to attract and engage with high-demand retailers and generate new income opportunities.

We own a number of our centres in joint ventures and seek to grow contractual property management income through joint venture partnerships.

Key highlights

- Delivered comparable NOI growth of 2.75%
- Maintained portfolio occupancy to > 99.5% leased
- AUM increased 11.6% or $5.3 billion to $51.0 billion (SCG share: $36.2 billion), driven by NOI growth, value creation from completed redevelopments and improved market capitalisation rates for high quality retail property
- $23.0 billion (moving annual turnover or MAT) total portfolio in-store retailer sales
- In-store sales productivity for specialty retailers (< 400 sqm) of $11,201 sales per sqm

Retail product and customer experience

Curating a diverse, engaging and constantly evolving product mix.

Our focus is on delivering long term sustainable growth through the ability to curate an exceptional, diverse product mix and deliver extraordinary retail, lifestyle and entertainment experiences.

We actively manage our tenancy mix and seek to minimise vacancies by assessing demand by category and implementing planned precinct strategies.

- Introduced 289 retail brands that are new to the portfolio and grew store networks with 592 existing retail brands. In total we leased 1,258 stores across 881 retail brands.

Build true retailer partnerships

We strive to be at the forefront of the retail property industry by developing and leading a partnership model centred on "end to end" retail solutions.

- Improved retail partner satisfaction survey results across key competencies including marketing, operations and quality of assets

Retail product and customer experience (continued)

Exceptional customer experience

We seek to create a customer centric culture where customer needs are central to our strategic and operational decisions.

Core to our business is:

'knowing our customer'

'listening to our customer' and

'engaging with our customer'.

Our focus is on connecting with our customers by providing superior experiences. Experiences range from centre ambience, retailer mix to food, leisure and entertainment precincts and digital connectivity.

- Launched our customer experience net promoter score a tool by which we listen and respond to customer feedback. Since its launch in mid-2017, we have received over 80,000 reviews
- Opened the largest entertainment, dining and leisure precinct in the southern hemisphere at Westfield Chermside including an incubation hub for emerging retailers
- Implemented ticketless parking at an additional 4 centres improving the customer journey
- Successfully expanded the state-of-the-art smart screen media business to our New Zealand centres

Directors' Report (continued)

Developments

We seek to deliver long-term sustainable growth by strategically investing in our portfolio, allowing us to adapt to the next generation of retail.

One of our competitive advantages is our vertically integrated development, design and construction platform.

Our objective is to generate incremental property income and create value through our long term development pipeline.

We also aim to generate project income through developments for our joint venture partners.

In line with our purpose: *'creating extraordinary places, connecting and enriching communities'*, during the year, we continued to invest in the redevelopment of our centres for the benefit of our customers and retailers and to deliver attractive long-term total returns to our securityholders.

Key highlights

– Completed $435 million of redevelopments (SCG share: $395 million) at Westfield Chermside and Westfield Whitford City

– Commenced $1.1 billion of developments (SCG share: $810 million), including the $470 million Westfield Coomera development, our first greenfield development in 12 years

– Added 38,000 sqm of additional lettable area to the portfolio

– Achieved development yields in excess of 7.0%

Capital management

Actively manage our capital structure

We seek to optimise our capital structure through the disciplined management of capital, funding and liquidity to deliver long-term sustainable growth in securityholder returns.

The new target payout ratio will enable us to invest additional retained earnings into our business. Over time, it is expected that this will increase FFO and reduce future debt funding requirements.

The distribution is targeted to grow at 2% per annum until the target payout ratio of 85% is achieved.

Key highlights

– Issued US$500 million (A$650 million) of long term bonds

– Refinanced and extended $3.7 billion in committed bank facilities

– Set a target payout ratio of 85% to retain earnings for investing in growing the business

– At 31 December 2017, gearing was 32.1% and the average debt maturity was 4.6 years

– Maintained a high level of interest rate hedging of 81% at 31 December 2017

– Settled the Casey and WestCity asset sales with total proceeds of $367 million

People and culture

Our strategic priorities are underpinned by our people and our vision is to *"be the place that talent can thrive"*.

We are committed to fostering a diverse and inclusive workplace. Gender remains a strong focus and during the year we increased women in senior executive roles to 22% from 16%.

The Diversity & Inclusion Council continued to identify areas needed to create a safe and inclusive environment including in connection with domestic and family violence, LGBTI and mental health.

During the year our CEO, Peter Allen, was invited by the Workplace Gender Equality Agency (WGEA) to be a pay equity adviser. We were also invited by the WGEA to be cited as an employer of choice. Other achievements include:

– An employee engagement score of 88% (up from 85%) which puts the Group in the top 2% of surveyed high performing organisations.

– Voted the no 13 place to work globally in a LinkedIn study.

– 100% retention of key executive talent.

Outlook

The Group forecasts FFO growth for the 12 months ending 31 December 2018 of approximately 4.0%.

The distribution for 2018 is forecast to be 22.16 cents per security, an increase of 2.0%.

Matters subsequent to the end of the year

No events have occurred since the end of the year which would significantly effect the operations of the Group.

Risks

As part of our corporate strategy we look 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, we face 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 we manage and monitor such risks are outlined below.

There may be other risks and uncertainties which we do not currently consider material, or which the Group is currently unaware of, which may also affect the Group. The nature and potential impact of these risks may change over time.

	The risk and its impact	How we are responding
Property ownership risks	– A significant portion of our earnings are derived from rental income – Anchor tenants occupy a significant portion of the total Gross Lettable Area (GLA) of our centres – Changes in consumer sentiment or shopping preferences – Emergence of alternative retail channels	– We focus on creating and owning leading retail destinations across Australia and New Zealand – Our intensive management of our portfolio is aimed at maximising the sales productivity of retailers and to provide superior experiences to consumers – We seek to improve the quality of the portfolio by adapting to the next generation of retail – We explore new income and investment opportunities including: expanding media and advertising revenues, digital, car parking and infrastructure services – We view the emergence of digital technology as an important element in better connecting the retailer and our centres with the consumer
Property management and development risks	– Our financial performance will depend in part on the continued redevelopment and growth of our centres – We derive a significant portion of our income from property management activities	– We seek to ensure discipline and agility in our decision making processes to take advantage of opportunities to deliver appropriate risk related returns – The design and construction division remains focused on the right product in the right location – Development capabilities include all elements of development, design, construction and project leasing – Our portfolio provides a consistent pipeline of redevelopment and expansion opportunities for our existing centres
Financing risks	– Our ability to repay principal and interest on our debt depends on the future performance and cash flow of our business – The real estate investment and development industry is highly capital intensive	– We manage our exposure to key financial risks in accordance with treasury risk management policies – Gearing is 32.1% – Further information relating to financial risk management is detailed in Note 22 of the Financial Statements – We maintain high levels of interest rate hedging
Economic downturn	– Economic downturn creates challenging operating conditions	– Our focus is on a strong balance sheet with low gearing – We utilise diverse funding sources
Regulatory changes	– Regulatory changes may impact our business model	– We engage with industry and government on policy areas and reform
Workplace Health and Safety (WH&S)	– A WH&S incident may have a long term impact on our employees, contractors or broader community	– We have a strong workplace health and safety culture – We maintain comprehensive workplace health and safety programs – We have dedicated risk and security personnel and infrastructure
Security and emergency management	– An event occurs that places customers, employees and contractors in physical danger	– We engage with governmental agencies and specialist experts to address known concerns – We have dedicated risk and security personnel and infrastructure – We have security response plans for all of our centres
People and culture	– Inability to attract and retain the talent required to execute the strategy	– We recognise the following principles as key contributors to attracting and retaining talent: • A workforce that is reflective of the communities in which we operate • Recognition that diversity in the workforce is a key contributor to the success of our business • Creating an inclusive culture that supports employees at all stages of their career and encourages employees to succeed to the best of their ability – We have a number of workplace initiatives to support these principles
IT systems, data, cyber and business continuity	– Failure to comply with regulatory framework – Cyber-attack or privacy breach – Failure or outage of critical business systems	– We have invested in appropriate systems and personnel and maintain an effective compliance program – We have standards, policies and systems to address cyber and privacy associated risks with data and information – We have a robust disaster recovery and business continuity plan – Annual review of cyber strategy including annual testing of disaster recovery plans
Climate change	– Assets may be impacted by the regulatory response to climate change	– We focus on reducing the cost impact from volatility of utility services including reviewing different energy sources – We focus on the resilience of our assets to potential business interruption – We seek to partner with our stakeholders to address their interests

2. SUSTAINABILITY

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. We have in place procedures to identify and comply with such requirements including, where applicable, obtaining and complying with the conditions of relevant authority consents and approvals and the obtaining of any necessary licences.

Our compliance procedures are regularly reviewed and audited and their application closely monitored.

Our Sustainability Report will be published in the first quarter of 2018 and will be available on our website.

3. DIVIDENDS/DISTRIBUTIONS

A distribution of 10.86 cents per Scentre Group security was paid on 31 August 2017. This distribution was an aggregate distribution from Scentre Group Trust 1 and Scentre Group Trust 2.

The breakdown of the component parts of the distribution, including dividends determined by the Company, are set out on page 84 of this Annual Financial Report.

A distribution of 10.87 cents per Scentre Group security will be paid on 28 February 2018. This distribution is an aggregate dividend from the Company and a distribution from Scentre Group Trust 1 and Scentre Group Trust 2.

4. DIRECTORS AND SECRETARIES

4.1 Board Membership and Qualifications

We are a stapled entity which operates as a single economic entity. The entities comprising Scentre Group are the Company, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3. The Boards of the Company, Scentre Management Limited (as responsible entity of Scentre Group Trust 1), RE1 Limited (as responsible entity of Scentre Group Trust 2) and RE2 Limited (as responsible entity of Scentre Group Trust 3) are identical.

Details of the qualifications, experience and special responsibilities of each of the Directors as at the date of this report are set out below.

Brian Schwartz AM, Independent Chairman

Skills and Experience:

Brian Schwartz is the non-executive Chairman of Scentre Group. He is also Chairman of the Group's Nomination Committee. Brian is a non-executive Director and Deputy Chairman of Westfield Corporation. In a career with Ernst & Young Australia spanning more than 25 years, he rose to the positions of Chairman (1996 - 1998) and then CEO of the firm from 1998 to 2004. From 2005 to 2009, Brian was the CEO of Investec Bank (Australia) Limited. He is a fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants. Brian was previously Chairman of Insurance Australia Group Limited, Deputy Chairman of Football Federation Australia Limited and a Director of Brambles Limited.

Peter Allen, Chief Executive Officer

Skills and Experience:

Peter Allen is an executive Director and Chief Executive Officer of Scentre Group. Prior to the establishment of Scentre Group in 2014, Peter was an executive Director and Chief Financial Officer of Westfield Group. Peter joined Westfield in 1996 and between 1998 and 2004 was Westfield's CEO of the United Kingdom / Europe and responsible for establishing Westfield's presence in the United Kingdom. Prior to joining Westfield, Peter worked for Citibank in Melbourne, New York and London. Peter is Chairman of the Shopping Centre Council of Australia and a Director of the Victor Chang Cardiac Research Institute.

Andrew Harmos, Independent Non-Executive Director

Skills and Experience:

Andrew Harmos is a non-executive Director of Scentre Group. He is also the Chairman of the Group's Human Resources Committee and a member of the Nomination Committee. Andrew is one of the founding directors of Harmos Horton Lusk Limited, an Auckland based specialist corporate legal advisory firm, where he specialises in takeover advice and structuring, securities offerings, company acquisitions and disposals and strategic Board and transaction advice. Andrew holds a Bachelor of Commerce and a Bachelor of Laws (Honours) from The University of Auckland. He is a Director of AMP Limited, AMP Life Limited, The National Mutual Life Association of Australasia Limited and Elevation Capital Management Limited. He chairs the Audit Committees of AMP Life Limited and The National Mutual Life Association of Australasia Limited. Andrew was formerly Chairman of the New Zealand Stock Exchange and a Trustee of the Arts Foundation of New Zealand.

Michael Ihlein, Independent Non-Executive Director

Skills and Experience:

Michael Ihlein is a non-executive Director of Scentre Group. He is also Chairman of the Group's Audit and Risk Committee and a member of the Nomination Committee. Mike is a highly experienced corporate and finance executive with a long career with Coca-Cola Amatil Limited (and related companies) where he was Managing Director, Poland (1995 – 1997) and Chief Financial Officer and executive Director (1997 – 2004). Mike joined Brambles as Chief Financial Officer and executive Director in March 2004 and held the position of Chief Executive Officer from July 2007 until his retirement in November 2009. Mike holds a Bachelor of Business Studies (Accounting) from the University of Technology, Sydney. He is currently a Director of CSR Limited and Snowy Hydro Limited, and is also a Fellow of the Australian Institute of Company Directors, CPA Australia and the Financial Services Institute of Australasia. Mike was formerly a Director of Murray Goulburn Co-operative Co. Limited, from 2012 to 2017.

Carolyn Kay, Independent Non-Executive Director

Skills and Experience:

Carolyn Kay is a non-executive Director of Scentre Group. She is also a member of Scentre Group's Audit and Risk Committee. Carolyn has had more than 30 years of experience in the finance sector as an executive and non-executive director. In addition, Carolyn has been and remains a non-executive director of enterprises across a broad range of industries. She is currently a member of the Future Fund Board of Guardians, a non-executive Director of Brambles Limited and the Australia-China Council, and an external board Member of Allens Linklaters. In the not for profit sector, Carolyn is also a non-executive Director of the General Sir John Monash Foundation. As an executive Carolyn worked as a banker and lawyer at Morgan Stanley, JP Morgan and Linklaters & Paines in London, New York and Australia. She was formerly a non-executive Director of a number of organizations including Commonwealth Bank of Australia, Infrastructure NSW, John Swire & Sons and Chief Executive Women. Carolyn holds Bachelor Degrees in Law and Arts (University of Melbourne), a Graduate Diploma in Management (AGSM) and is a Fellow of the Australian Institute of Company Directors. She was awarded a Centenary Medal for services to Australian society in business leadership.

Aliza Knox, Independent Non-Executive Director

Skills and Experience:

Aliza Knox is a non-executive Director of Scentre Group. She is also a member of the Group's Human Resources Committee. Aliza has more than three decades of broad international marketing and management experience. She holds an MBA in Marketing (Honors) from New York University-Leonard N. Stern, School of Business, and a B.A., Applied Mathematics and Economics (Magna Cum Laude) from Brown University. Aliza is currently the Head of Asia for Cloudflare Inc. Her previous roles include Chief Operating Officer at Unlockd, Vice President, Asia Pacific at Twitter from 2012 to 2017, Managing Director of Commerce and Online Sales & Operations for Asia Pacific at Google Asia Pacific Pte. Ltd. from 2007 to 2012, Senior Vice President, Commercial Solutions and Global Product Platforms at Visa International (from 2002 to 2007) and Senior Vice President, International Wireless and Global Expansion Asian Focus at Charles Schwab Corporation (from 1999 to 2001). Aliza was also a non-executive Director of InvoCare from 2011 to 2015, a member of the supervisory board of GfK from 2014 to 2017 and a member of ANZ's International Technology and Digital Business Advisory Panel from 2015 to 2017. She is currently a non-executive Director of Singapore Post Limited since August 2013.

Steven Lowy AM, Non-Executive Director

Skills and Experience:

Steven Lowy is a non-executive Director of Scentre Group. He holds a Bachelor of Commerce (Honours) from the University of NSW. Prior to joining Westfield in 1987, Steven worked in investment banking in the US. He is an executive Director of Westfield Corporation and currently serves as its Co-Chief Executive Officer. Steven is Chairman of Football Federation Australia Limited and is a Director of the Lowy Institute for International Policy. His previous appointments include President of the Board of Trustees of the Art Gallery of New South Wales, Chairman of the Victor Chang Cardiac Research Institute and Presiding Officer of the NSW Police Force Associate Degree in Policing Practice Board of Management.

Margaret Seale, Independent Non-Executive Director

Skills and Experience:

Margie Seale is a non-executive Director of Scentre Group. She is also a member of the Group's Audit and Risk Committee and the Human Resources Committee. Margie has more than 25 years' experience in senior executive roles in Australia and overseas, including in the consumer goods, health and global publishing sectors, in sales and marketing, and in the successful transition of traditional business models to digital environments. Immediately prior to her non-executive career, Margie was Managing Director of Random House Australia and New Zealand and President, Asia Development for Random House globally. She is currently a non-executive Director of Telstra Corporation Limited, Bank of Queensland Limited and Ramsay Health Care Limited. Margie has previously served on the boards of Penguin Random House Australia Pty Ltd, the Australian Publishers' Association, Chief Executive Women (chairing its Scholarship Committee), the Powerhouse Museum and the Sydney Writers' Festival. In 2015, Margie founded philanthropic literary travel company Ponder & See.

4.2 Directors' Relevant Interests

The names of the Directors and the relevant interests of each Director in Scentre Group securities as at the date of this report are shown below.

Director	Number of Stapled Securities
Brian Schwartz	133,781
Peter Allen	3,184,750
Andrew Harmos	50,000
Michael Ihlein	33,048
Carolyn Kay	27,000
Aliza Knox	34,900
Steven Lowy	216,467,389
Margaret Seale	56,750

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

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

Details of the performance rights held by the CEO are set out in the Remuneration Report.

4.3 Directors' attendance at meetings

The following tables set out the number of Board and Committee meetings held during the Financial Year and attendance by Directors.

Number of Meetings held:	
Board of Directors	6
Audit and Risk Committee	5
Human Resources Committee	5
Nomination Committee	3

	Board		Audit and Risk Committee		Human Resources Committee		Nomination Committee	
Director	A	B	A	B	A	B	A	B
Brian Schwartz	6	6	–	–	–	–	3	3
Peter Allen	6	6	–	–	–	–	–	–
Andrew Harmos	6	6	–	–	5	5	3	3
Michael Ihlein	6	6	5	5	–	–	3	3
Carolyn Kay	6	6	5	5	–	–	–	–
Aliza Knox	6	6	–	–	5	5	–	–
Steven Lowy	6	5	–	–	–	–	–	–
Margaret Seale	6	6	5	5	5	5	–	–

A = Number of meetings eligible to attend

B = Number of meetings attended

4.4 Directors' directorships of other listed companies

The following table sets out the directorships of other Australian listed companies held by the Company's Directors during the 3 years preceding the end of the Financial Year and up to the date of this report, and the time for which each directorship has been held:

Director	Company	Date appointed	Date resigned
Brian Schwartz	Scentre Management Limited*	6 May 2009	Continuing
	RE1 Limited*	30 June 2014	Continuing
	RE2 Limited*	30 June 2014	Continuing
	Insurance Australia Group Limited	1 January 2005	31 March 2016
	Westfield America Management Limited^	6 May 2009	Continuing
	Westfield Corporation Limited^	8 April 2014	Continuing
Peter Allen	Scentre Management Limited*	25 May 2011	Continuing
	RE1 Limited*	12 August 2010	Continuing
	RE2 Limited*	12 August 2010	Continuing
Andrew Harmos	Scentre Management Limited*	30 June 2014	Continuing
	RE1 Limited*	21 December 2010	Continuing
	RE2 Limited*	21 December 2010	Continuing
	AMP Limited	1 June 2017	Continuing
Michael Ihlein	Scentre Management Limited*	30 June 2014	Continuing
	RE1 Limited*	21 December 2010	Continuing
	RE2 Limited*	21 December 2010	Continuing
	CSR Limited	7 July 2011	Continuing
	MG Unit Trust	3 July 2015	27 October 2017
Carolyn Kay	Scentre Management Limited*	24 February 2016	Continuing
	RE1 Limited*	24 February 2016	Continuing
	RE2 Limited*	24 February 2016	Continuing
	Brambles Limited	21 August 2006	Continuing
Aliza Knox	Scentre Management Limited*	7 May 2015	Continuing
	RE1 Limited*	7 May 2015	Continuing
	RE2 Limited*	7 May 2015	Continuing
	InvoCare Limited	4 October 2011	31 August 2015
Steven Lowy	Scentre Management Limited*	28 June 1989	Continuing
	RE1 Limited*	12 August 2010	Continuing
	RE2 Limited*	12 August 2010	Continuing
	Westfield America Management Limited^	20 February 1996	Continuing
	Westfield Corporation Limited^	28 November 2013	Continuing
Margaret Seale	Scentre Management Limited*	24 February 2016	Continuing
	RE1 Limited*	24 February 2016	Continuing
	RE2 Limited*	24 February 2016	Continuing
	Ramsay Health Care Limited	28 April 2015	Continuing
	Telstra Corporation Limited	7 May 2012	Continuing
	Bank of Queensland Limited	21 January 2014	Continuing

Notes:

* Scentre Group comprises the Company, Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2) and Scentre Group Trust 3 (SGT3). The responsible entity of SGT1 is Scentre Management Limited. The responsible entity of SGT2 is RE1 Limited and the responsible entity of SGT3 is RE2 Limited. Scentre Management Limited is also the responsible entity of Carindale Property Trust, a listed managed investment scheme (ASX:CDP).

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

4.5 Secretaries

As at the date of this report, the Company had the following Secretaries:

Ms Maureen McGrath

Ms Maureen McGrath was appointed General Counsel, Compliance and Secretariat of Scentre Group in June 2014. Prior to the establishment of Scentre Group, Ms McGrath was General Counsel, Corporate and Compliance, Westfield Group. She holds a Bachelor of Laws and a Bachelor of Jurisprudence from the University of New South Wales. Ms McGrath is a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors.

Mr Paul Giugni

Mr Paul Giugni was appointed General Counsel of Scentre Group in June 2014. Prior to the establishment of Scentre Group, Mr Giugni was General Counsel, Australia and New Zealand, Westfield Group. He joined Westfield Group in September 1998 and holds a Bachelor of Economics and a Bachelor of Laws (Honours) from the University of Sydney. Prior to joining Westfield Group, Mr Giugni was a solicitor at Freehill Hollingdale and Page (now Herbert Smith Freehills).

5. OPTIONS

No options were issued by the Company during or since the end of the Financial Year and no Director or member of the senior executive team holds options over issued or unissued Scentre Group stapled securities.

Details of the performance rights held by the executive Key Management Personnel are set out in the Remuneration Report.

6. INDEMNITIES AND INSURANCE PREMIUMS

Subject to the following, no indemnity was given or insurance premium paid during or since the end of the Financial Year for a person who is or has been an officer or auditor of the Group.

The Company's Constitution provides that a person who is or has been a Director or Secretary of the Company may be indemnified by the Company 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 Company is forbidden by statute to indemnify the person or the indemnity would, if given, be made void by statute.

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

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

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

7. AUDIT

7.1 Audit and Risk Committee

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

7.2 Non-Audit Services and Audit Independence

Details of the amount paid to the auditor, which includes amounts paid for non-audit services, are set out in Note 35 to the Financial Statements. The Board is satisfied that the provision of non-audit services by the auditor during the Financial Year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Furthermore, the provision of non-audit services by the auditor during the Financial Year did not compromise the independence requirements under the Corporations Act 2001 because:

(a) the Group's Non-Audit Services Protocol sets out the categories of non-audit services that the auditor may or may not undertake. Those categories of permitted services remain subject to the overriding principle that a non-audit service may not be provided in circumstances where it would be detrimental to the actual or perceived independence of the statutory auditor;

(b) the Non-Audit Services Protocol provides a mechanism by which approval for non-audit services proposed to be performed by the auditor is required to be given prior to the provision of such non-audit services, providing an appropriate review point for independence issues prior to engagement;

(c) under the Non-Audit Services Protocol, the auditor is required to report as to its compliance with the terms of the Protocol and, in all instances, confirm the position that the independence of Ernst & Young as statutory auditor has been maintained; and

(d) the auditor has provided an Auditor's Independence Declaration to the Board declaring that there has been no contravention of the auditor independence requirements of the Corporations Act 2001 or of any applicable code of professional conduct.

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

EY

Building a better working world

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

As lead auditor for the audit of Scentre Group Limited for the financial year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young — Graham Ezzy

Ernst & Young

Graham Ezzy
Partner

Sydney, 21 February 2018

Liability limited by a scheme approved under Professional Standards Legislation.

8. REMUNERATION REPORT

Message from the Chairman of the Human Resources Committee

Dear Securityholders

On behalf of the Scentre Group Board, I am pleased to introduce the 2017 remuneration report.

The Board is committed to a remuneration framework which seeks to align executive remuneration with our business strategy and the interests of our securityholders, as well as supporting our people strategy by providing competitive rewards to attract, motivate and retain our key people. We have, in this report, sought to strengthen the description of the link between remuneration outcomes and the Group's performance.

The year in review

There were no changes to our remuneration framework during 2017 and, following fundamental changes made in the second half of 2014, the Board believes that our remuneration framework and processes are achieving our desired objectives.

2017 saw a continuation of our strategic focus on delivering long-term sustainable growth through our ability to curate an exceptional product mix and deliver extraordinary retail, lifestyle and entertainment experiences for our customers. We continue to embed innovative capabilities across our business by three key methods: operational innovation, incremental innovation and breakthrough innovation. Our focus on customer experience as well as our commitment to deliver long term growth to our securityholders underpin our innovation agenda.

Key highlights for the year include:

- Funds from Operations (FFO) of $1,290.2 million (24.29 cents per security), 4.25% growth
- The commencement of $1.1 billion of redevelopments (SCG share: $810 million) including the $470 million Westfield Coomera development, our first greenfield development in 12 years
- Completion of $435 million of redevelopments (SCG share: $395 million) at Westfield Chermside and Whitford City
- The continued focus on embedding our customer centric culture by the launch of our customer experience net promoter system
- An employee engagement survey score of 88% up from 85% last year
- Increased female representation at the senior executive level from 16% to 22%
- 100% retention of key executive talent.

During the year, we also undertook global searches for the best talent to execute our strategy, resulting in two new senior appointments being our Chief Strategy and Business Development Officer and our Director of Technology.

In determining remuneration outcomes, the Board assesses a number of factors. While assessment of performance is weighted towards financial and operating results it also includes implementation of strategic initiatives as well as non-financial measures including our people and culture, as reflected in the above highlights.

The 2017 at risk STI payment for our Chief Executive Officer was paid at 82.9% of maximum (97.5% of target), our Chief Financial Officer at 81.3% of maximum (92.5% of target) and our Chief Operating Officer at 75.8% of maximum (97.5% of target). Given the strong financial and operating performance of the Group, the Board considers these outcomes as appropriate.

The hurdles under the Group's 2015 LTI were subject to final measurement against a graduated scale of vesting in 2017. Strong performance against our FFO and ROCE hurdles resulted in vesting above 100%. Tranche 1 (50%) vested in December 2017. Tranche 2 (50%) will vest in December 2018. Further details of the LTI hurdles and the level of vesting are outlined in section 8.4.

Remuneration settings for the year ahead

In 2017 the Human Resources Committee commissioned an independent benchmarking review to assess remuneration levels for our executive team. In addition to the traditional A-REIT sector and ASX 30, for the first time we considered the ASX30, exclusive of the "Big 4" banks, Rio Tinto and BHP, as a reference point by which to compare remuneration levels for our executives. This reflects the changing nature of our business, our size and strategic agenda. We are also looking to attract and be competitive in the market for talent from the broader ASX30. This is evidenced by the recent appointment of our Chief Strategy and Technology Officers who came from outside the A-REIT sector.

Notwithstanding the results of this review, the Committee did not recommend any increases to the fixed remuneration or the 2018 at risk STI opportunity of our executive KMP being our CEO, CFO and COO. Notably our CEO and CFO's fixed remuneration has not increased since the establishment of the Group in 2014 and our COO's fixed remuneration has not increased since his appointment in 2015.

Having regard to the review, the Board has, however, revised the 2018 at risk LTI opportunity for each of our executive KMP to provide for a heavier weighting towards long term at risk remuneration in the mix. This weighting further encourages continued focus on the Group's long term strategies in a period of significant change in the dynamics of the markets in which the Group and our retail partners operate. Details are set out in the executive summary section of the accompanying report. Our LTI structure and hurdles remain the same being: a ROCE hurdle and a development return hurdle.

Additionally, following a non-executive Director fee review, the Board considered its preference to provide for smaller, more regular increases in fees (where increases are required) to remain competitive in attracting and retaining the best talent available from the pool of ASX20 director candidates. As such, there has been a 2.5% increase in the Chairman and non-executive Director fees from 1 January 2018 as outlined in section 8.9.

The Human Resources Committee remains committed in overseeing remuneration and human resources policies to ensure that the Group's practices are aligned with, and continue to promote, the long term strategies of the Group as well as our purpose and values.

Andrew Harmos
Chairman, Human Resources Committee

EXECUTIVE SUMMARY

OUR PURPOSE: ***Creating extraordinary places, connecting and enriching communities***

OUR STRATEGIC PRIORITIES

ASSET MANAGEMENT

Own and operate the pre-eminent retail property portfolio in Australia and New Zealand

RETAIL PRODUCT AND CUSTOMER EXPERIENCE

- Curate a diverse, engaging and constantly evolving product mix
- Provide exceptional customer experiences
- Build true retailer partnerships

DEVELOPMENTS

Increase the quality and value of our portfolio through strategic reinvestment and redevelopment

CAPITAL MANAGEMENT

Actively manage our capital structure to enhance long terms earnings growth potential and securityholder returns

Underpinning our strategic priorities are our people, the long term sustainability of our business, and our continued focus on embedding innovative capabilities across our business.

STRATEGIC PROGRESS

PRE-EMINENT RETAIL PROPERTY PORTFOLIO

- 39 centres including 16 of the top 25 performing centres in Australia
- Positioned in high density population centres and growth corridors
- More than 80% of invested capital in centres generating more than $500 million in annual sales
- AUM increased 11.6% or $5.3 billion to $51.0 billion (SCG $36.2 billion), driven by NOI growth, value creation from completed redevelopments and improved market capitalisation rates for high quality retail property
- Improvement in weighted average capitalisation rate to 4.91%

EXCEPTIONAL PRODUCT MIX AND EXPERIENCE

- Launched our innovative customer experience net promoter system where we listen and respond to customer feedback
- Implemented ticketless parking at an additional 4 centres, improving the customer journey
- Introduced 289 retail brands that are new to the portfolio and grew store networks with 592 existing retail brands
- Opened the largest entertainment, dining and leisure precinct in the southern hemisphere at Westfield Chermside including an incubation hub for emerging retailers
- Improved retailer partner satisfaction survey results across key competencies including marketing, operations and quality of assets
- Successfully expanded the state-of-the-art smart screen media business to our New Zealand centres

INCREASE QUALITY AND VALUE OF OUR PORTFOLIO

- Completed $435 million of redevelopments (SCG share: $395 million) at Westfield Chermside and Whitford City
- Commenced $1.1 billion of developments (SCG share: $810 million), including the $470 million Westfield Coomera development, our first greenfield development in 12 years
- Added 38,000 sqm of additional lettable area to the portfolio
- Achieved development yields in excess of 7.0%

ACTIVELY MANAGE OUR CAPITAL STRUCTURE

- Issued US$500 million (A$650 million) of long term bonds
- Refinanced and extended $3.7 billion committed bank facilities
- Set a target payout ratio of 85% to retain earnings for investing in growing the business
- At 31 December 2017, gearing was 32.1% and the average debt maturity was 4.6 years
- Maintained a high level of interest rate hedging of 81% (at 31 December 2017)
- Settled the Casey and West City asset sales with total proceeds of $367 million

What did our executives achieve?

The KPIs of our executive KMP are aligned with the delivery of our purpose and our strategic priorities. How the Group's performance is reflected in this year's remuneration outcome is discussed in more detail in section 8.4.

FINANCIAL HIGHLIGHTS

- **FFO** of 24.29 cents per security (4.25% growth) in line with forecast and executive KMP performance measures
- **Comparable NOI growth** 2.75% in line with guidance
- **Distribution growth** of 2% on track to achieve target payout ratio of 85% of FFO
- **Development returns** of >7% yield and >15% IRR
- **Development starts** of $1.1 billion (SCG share: $810 million)
- **Project profits** of $80.1 million

OTHER HIGHLIGHTS

- **Increased female representation** at the senior executive level from 16% to 22%
- **Employee engagement** survey of 88% favourable up from 85%
- **First for performance** in a tenant satisfaction survey
- **100% retention** of key executive talent

What did our executives receive?

- The 2017 STI rewards to the executive KMP were: CEO: 82.9% of maximum (97.5% of target), CFO: 81.3% of maximum (92.5% of target) and COO: 75.8% of maximum (97.5% of target) (see section 8.4(c) and (d)).
- The 2015 LTI hurdles were subject to final measurement in December 2017 with the FFO hurdle vesting at 100% and the ROCE hurdle at 115% (see section 8.4 (e)).

Other remuneration outcomes

- There are no increases to the fixed remuneration or 2018 STI opportunities for our executive KMP.
- The 2018 at risk LTI opportunity (as a percentage of fixed remuneration) has been increased for our executive KMP. The 2018 at risk LTI opportunities are as follows: CEO: 155% (2017: 145%), CFO: 100% (2017: 77%) and COO: 120% (2017: 100%).
- Approval for the 2018 grant of performance rights to our CEO will be put to securityholders at the AGM on 5 April 2018.

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8.1 Key Management Personnel

This report explains our approach to the remuneration of our Key Management Personnel (KMP). KMP are those individuals having the authority and responsibility for planning, directing and controlling the activities of Scentre Group, either directly or indirectly. They include non-executive Directors, the CEO and those senior executives considered executive KMP. For the year ended 31 December 2017, KMP were:

Name	Position
Executive Director	
Peter Allen	Chief Executive Officer
Senior Executives	
Mark Bloom	Chief Financial Officer
Greg Miles	Chief Operating Officer
Non-Executive Directors	
Brian Schwartz	Chairman
Andrew Harmos	Director
Michael Ihlein	Director
Carolyn Kay	Director
Aliza Knox	Director
Steven Lowy	Director
Margaret Seale	Director

8.2 Key Questions

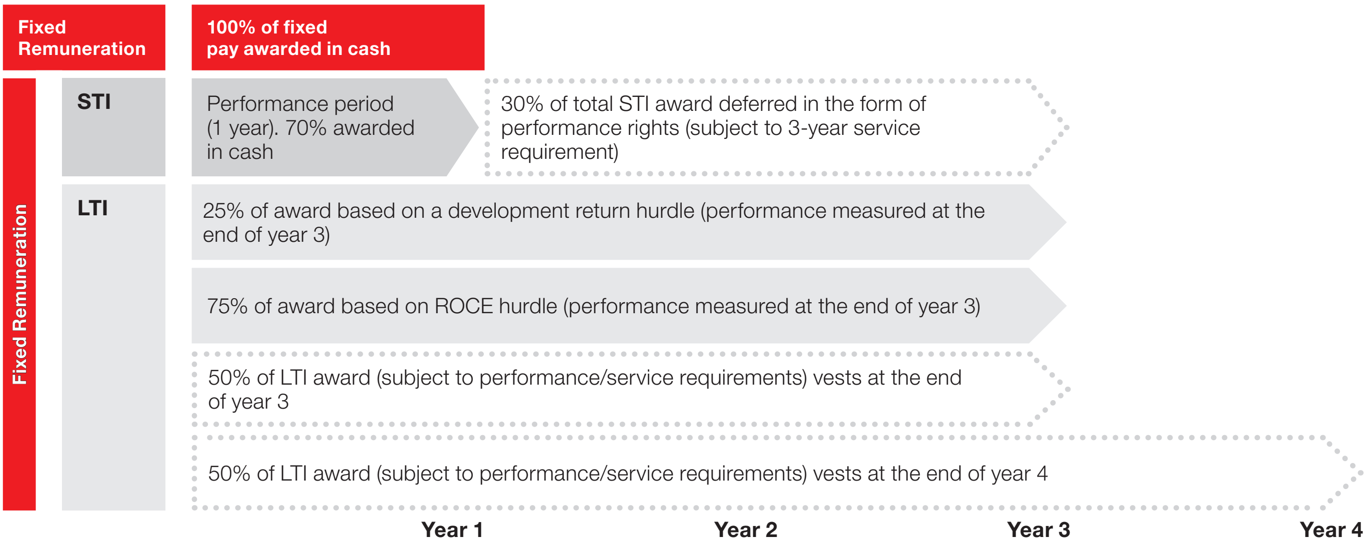
Questions		Further information
Remuneration in 2017		
1. How is the Group's performance reflected in this year's remuneration outcomes?	– FFO of 24.29 cents per security (4.25% growth) in line with forecast and executive KMP performance measures – Distribution of 21.73 cents per security, 2.0% growth – Comparable NOI growth of 2.75% in line with guidance – Project profits of $80.1 million – Development starts of $1.1 billion (SCG share: $810 million)	Section 8.4
2. What changes were made to the remuneration framework in 2017?	No changes were made.	
3. Are any changes planned for 2018?	There are no planned changes to the Group's remuneration framework.	
Remuneration framework		
4. What is the remuneration framework?	Remuneration comprises fixed and "at risk" remuneration.	Section 8.3
5. What proportion of the remuneration is "at risk"?	The 2017 "at risk" (i.e. the STI and LTI) proportion of maximum remuneration at grant for the CEO was 75% and was 70% for the CFO and 72% for the COO.	Section 8.3
6. Are there any clawback or cancellation provisions for at risk remuneration?	Yes. The plans contain provisions for the lapsing of all unvested awards in a number of circumstances.	Section 8.7 (b) (iii)
7. Does the Group have a minimum securityholding requirement?	Yes. Executive KMP and non-executive Directors are required to maintain a minimum holding of securities.	Section 8.7 (a)
At risk remuneration		
8. Are any STI payments deferred?	Yes. 30% of the actual STI is delivered as performance rights.	Section 8.3 and section 8.7 (b) (i)
9. Are STI payments capped?	Yes. The potential maximum STI for executive KMP is capped at 150% of their fixed remuneration.	Section 8.7 (b) (i)
10. What are the performance measures for the LTI?	The LTI hurdles are: a Return on Contributed Equity (ROCE) hurdle with a 75% weighting (ROCE will be assessed by reference to ROCE in year 3) and a development return hurdle with a 25% weighting (measured at the end of year 3).	Section 8.4 (g) and section 8.7 (b) (ii)
11. Does the LTI have re-testing?	No. If full qualification for awards is not achieved, there is no provision for re-testing the hurdles.	Section 8.7 (b) (ii)
12. Is the size of LTI grants increased in light of performance conditions?	The size of the grant is not increased. However, the percentage of rights vesting is based on a graduated scale dependent on performance.	Section 8.7 (b) (ii)
13. Can participants hedge their unvested awards?	No. Participants are prohibited from hedging awards.	Section 8.7 (b) (iii)
14. Does Scentre Group buy securities or issue new securities to satisfy vesting of performance rights?	Where rights are settled with securities, the Group acquires the securities on-market and transfers the securities to executives.	Section 8.7 (b) (iii)
15. Is the CEO grant of performance rights subject to securityholder approval	Yes. Approval for the grant of 2018 performance rights to the CEO will be sought at the AGM on 5 April 2018.	Section 8.7 (b) (iii)
16. Are distributions paid during the vesting period?	No. Participants in the plans only receive distributions on securities following vesting.	Section 8.7 (b) (iii)
Executive agreements		
17. What is the maximum executive KMP can receive on termination?	Subject to the Corporations Act, on redundancy an executive KMP may receive between 12 and 24 months fixed remuneration and, in certain circumstances, partial vesting of performance rights.	Section 8.8

8.3 Remuneration philosophy and link to business strategy

Remuneration objectives		
Attract and retain key talent	**Fairly reward**	**Alignment of interests**
Enable us to attract and retain key executives capable of delivering our strategy and who will create sustainable value for securityholders and other stakeholders	Fairly reward executives having regard to their individual performance against agreed objectives, the overall performance of the Group and the external remuneration environment	Appropriately align the interests of executives with securityholders

Remuneration element	Performance conditions	Link to Scentre Group's strategy and performance
Fixed remuneration Base salary (inclusive of superannuation)	Considerations include: the scope and complexity of the role, the individual's experience, knowledge and skills, individual performance and market benchmarking	Fixed remuneration is set at market competitive levels to attract and retain key talent.
At risk remuneration *Short term incentive (STI)* Reward current year performance 70% of the actual STI is paid in cash at the end of the year 30% of the actual STI is delivered as performance rights which vest after 3 years creating a longer term and retention focus	**Financial measures** CEO: 65%, CFO and COO: 80% Financial measures incorporate the following metrics: – FFO – Project profits – Development starts – Leasing metrics – Capital management **Non-financial measures** CEO: 35%, CFO and COO: 20% A balance of measures that underpin the growth and sustainability of the business including risk management, safety, diversity and inclusion and innovative capabilities Further details of the STI performance conditions are at section 8.4	The purpose of the STI plan is to measure and, if appropriate, reward executives against the achievement of KPIs. KPIs are set annually with the purpose of motivating the executive to achieve performance objectives which will contribute to the short and longer term success of the Group. Performance conditions are designed to support the financial and strategic direction of the Group with clearly defined KPIs that are measurable ensuring appropriate differentiation of reward for performance. The STI is directly linked to Group divisional and individual performance with weightings based on the roles and responsibilities of the executive. The actual STI awarded to an executive is determined by reference to the performance of the executive against the agreed KPIs, the corporate performance of the Group and any other aspect of the executive's performance which is considered relevant in the context of the review.
At risk remuneration *Long term incentive (LTI)* Reward long term sustainable performance Delivered as performance rights which vest in two tranches at the end of year 3 and year 4 if the performance hurdles are achieved	**Development return hurdle** with a 25% weighting **ROCE hurdle** with a 75% weighting Further details of the LTI performance conditions are at section 8.4	The LTI ensures a strong link to the long term performance of the Group and the creation of securityholder value and acts as a retention tool. ROCE is an important long term measure of how the senior management team generates returns on securityholder equity through a combination of improving earnings and capital management. The development program is a significant driver of growth for the Group through both adding to the scale and enhancing the quality of our portfolio. The development return hurdle is linked to long term securityholder value as it is assessed against actual incremental income yields generated through the completion of major developments (over $50 million). The value of rights granted under the Group's performance rights plan increases or decreases depending on the security price.

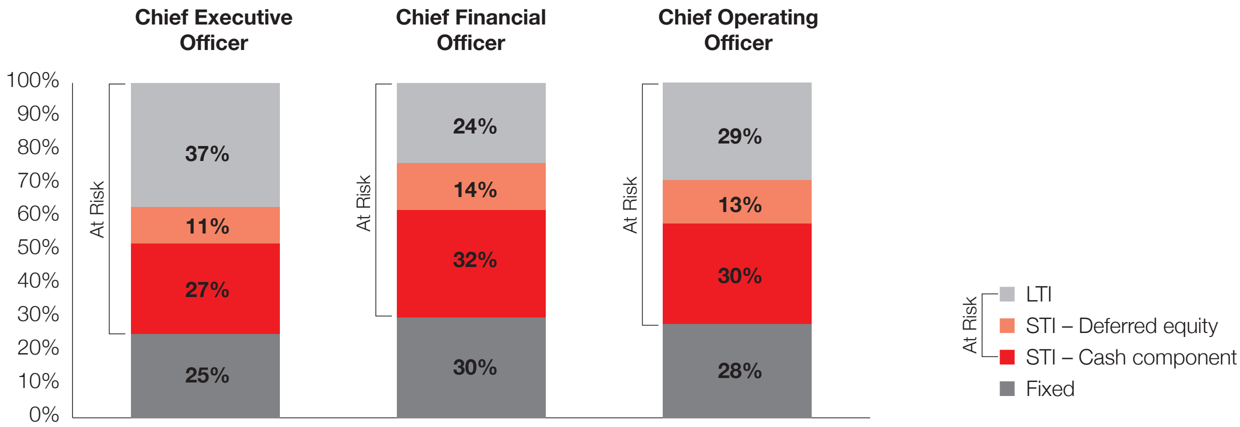
When is remuneration earned and received?



Executive KMP remuneration

The remuneration mix for our executive KMP is weighted towards at risk or variable remuneration. The potential maximum STI (as a percentage of fixed remuneration) for each of our executive KMP is 150%. The LTI (as a percentage of fixed remuneration) for our executive KMP is CEO: 145%, CFO: 77% and COO: 100%.

The charts below show each of the components as a percentage of maximum remuneration at grant for our executive KMP for 2017. The actual amount delivered under the STI and LTI depends of the level of achievement of the performance measures.



8.4 Remuneration outcomes and the link between performance and reward

(a) Financial measures

In 2017, the Group continued its strong operating performance, delivering its forecast full year Funds from Operations (FFO) of 24.29 cents per security.

The table below summarises details of the Group's performance for key financial and other measures since its establishment on 30 June 2014[1].

		2017	2016	2015	2014*
Funds from Operations (FFO)	A$m	**1,290.2**	1,237.6	1,199.2	577.9
FFO per security	cents	**24.29**	23.3	22.58	10.88
Distribution per security	cents	**21.73**	21.3	20.9	10.2
Distribution Payout ratio	%	**89.5**	91.4	92.6	93.8
Return on contributed equity (ROCE)	%	**12.28**	11.8	11.4	11.0
Comparable net operating income (NOI) growth	%	**2.75**	2.9	2.6	2.4
Incremental GLA	sqm	**38,000**	50,700	42,386	44,149
Group's share of incremental GLA	sqm	**35,500**	36,450	25,949	44,149
Assets under management (AUM)	A$b	**51.0**	45.7	42.1	40.9
Group's share of AUM	A$b	**36.2**	32.3	30.1	29.3
Profit	A$m	**4,217.9**	2,990.5	2,707.8	1,281.2
Gearing	%	**32.1**	33.3	33.3	34.9

* 6 months to 31 December 2014.

(1) The Corporations Act requires that the discussion on an entity's performance includes a discussion of the entity's earnings and the consequences of performance on shareholder wealth for the financial year to which the report relates and the previous 4 financial years. The reporting entity is Scentre Group Limited (formerly Westfield Holdings Limited) which previously formed part of Westfield Group prior to the restructure and merger of Westfield Group and Westfield Retail Trust that resulted in the creation of Scentre Group (Restructure and Merger). Although not comparative, or relevant to the performance of Scentre Group information relating to the historical performance of Westfield Group can be found in Westfield Group's historical financial annual reports.

(b) Security price and performance

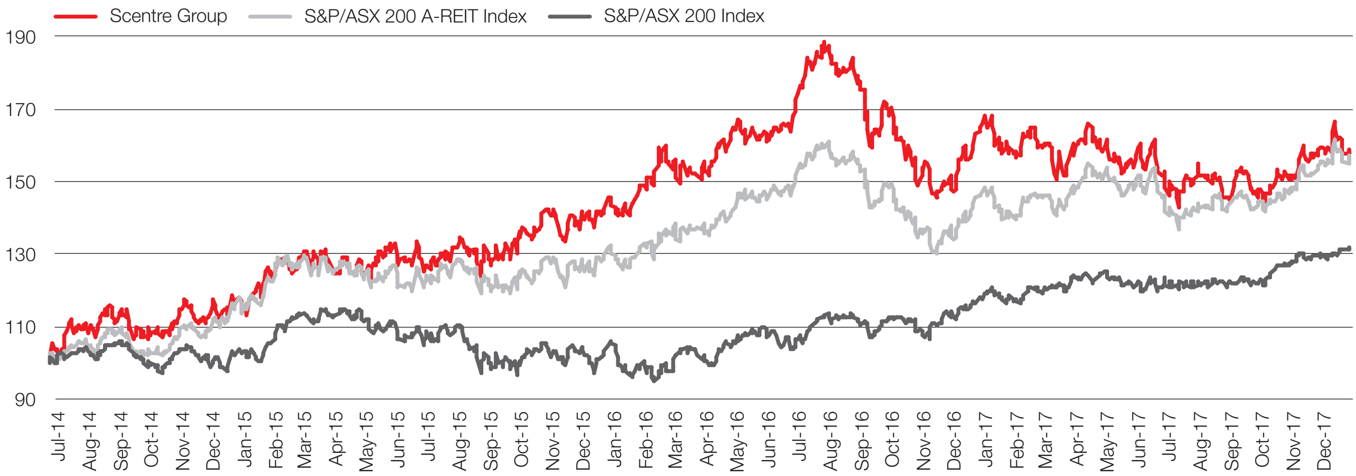
The charts below reflect the Group's security price and performance against relevant indices.

The Group's security price for the period 25 June 2014 (being the date the securities commenced trading on a deferred settlement basis) to 31 December 2017 is shown below.

Source: Bloomberg

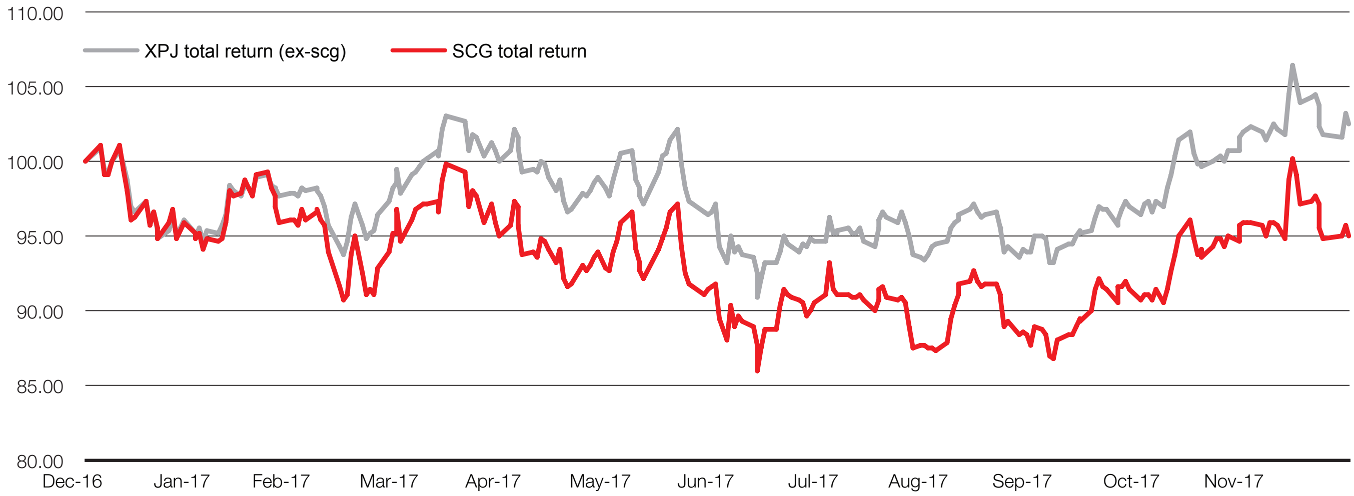
The Group is included in the S&P/ASX 200 A-REIT Index and the S&P/ASX 200 Index. Since the Group commenced trading in late June 2014, it has been one of the top performing A-REITs, and the stock has delivered a total return of 57.77%, outperforming both the S&P/ASX 200 A-REIT Index (+55.81%) and the S&P/ASX 200 Index (+31.47%).

Scentre Group's relative performance (on a daily basis) against the S&P/ASX 200 A-REIT Index and the S&P/ASX 200 Index (1 July 2014 to 31 December 2017).



Source: Bloomberg

Scentre Group's total returns against the performance of other S&P/ASX 200 A-REIT Index participants (excluding Scentre Group) for the period 1 January 2017 to 31 December 2017. As at 31 December 2017 the Group's weighting in the index was approximately 18.8%. Given that weighting, it is informative to show the comparison of the Group's total returns against other index participants (excluding Scentre Group).



Source: Standard & Poor's: UBS

(c) CEO performance objectives

Details of the CEO's performance measures, weightings, assessment and resulting STI outcomes are set out in the following tables. The weighting between financial and non-financial measures was 65% financial and 35% non-financial.

Category	KPI	Weighting	Assessment	Commentary
FINANCIAL TARGETS AND RESULTS	**Funds from operations (FFO)** A key measure of the financial performance of the Group is FFO. FFO is a widely recognised measure of operating performance of REITs. Other financial metrics affecting FFO include leasing metrics and development starts.	65%	At target	– Achieved FFO of $1,290.2 million representing 4.25% growth over the prior year. – FFO per security was 24.29 cents per security, in line with the performance target and market guidance. – Project profits of $80.1 million. *Other financial metrics* – ROCE was 12.28%, above target. – The portfolio was leased >99.5%. – Comparable NOI growth was 2.75% over the prior year. – The commencement of $1.1 billion of development projects (SCG share: $810 million).
DRIVING CHANGE	**Customer experience and retail partnership** Creating a customer centric culture where customer needs are central to our strategic and operational decisions. Be at the forefront of the retail property industry by developing and leading a partnership model centred on "end to end" retail solutions.	10%	In progress	– The recent launch of our customer experience net promoter system by which we gain insights into customer satisfaction scores enabling us to understand themes and to plan and implement action plans to enhance customer experience. Since its launch in mid-2017, we have received over 80,000 reviews. – Tenant satisfaction survey by ACRS Monash Business School placed the Group first for performance and setting the benchmark for performance. – The survey also placed the Group first in terms of marketing and operations and quality of assets. People performance improved with the Group ranking second in the industry. – The survey indicated that improvements were required in leasing negotiations to continue gains in satisfaction ratings.
PEOPLE, CULTURE AND ENGAGEMENT	**People & stakeholder expectations** Implementing an organisational structure that delivers on the Group's customer centric culture. Be the place that talent can thrive. Be an employer of choice. Build the Group's reputation as the investment option of choice	20%	At target	– Strategic appointments include the appointment of a Chief Strategy and Business Development Officer and a Director of Technology. – An employee engagement score of 88% which puts the Group in the top 2% of surveyed high performing organisations. – Voted the no 13 place to work globally in a LinkedIn study. – Increased female representation at the senior executive level from 16% to 22%. – 100% retention of key executive talent. – Extensive engagement with debt and equity investors.
	Risk management	5%	At target	– All life safety objectives were met with no employee or contractor fatalities within the Group's workplaces. – Continued focus on cyber resilience and privacy.

(d) CFO and COO performance objectives

The weighting between financial and non-financial measures for each of the CFO and COO was 80% financial and 20% non-financial.

The CFO met target for all financial measures including FFO, treasury and financial management, including management of interest rate hedging. Performance against non-financial measures was at target for risk management including cyber security capability but not at target for measures in relation to investor stakeholder engagement and internal measures relating to people capability development.

The COO met target for all financial measures including FFO, commencement of new developments and continuation of the development pipeline. Performance against non-financial measures was at target for risk management but not at target for internal measures relating to people capability development.

(e) 2017 STI outcomes

The actual 2017 STI outcome for the CEO as determined by the Board is as follows.

Executive	STI maximum $	Actual STI granted $	Cash $		Deferred equity $		Actual STI as a % of maximum	STI forfeited as a % of maximum
Peter Allen	3,000,000	2,486,250	1,740,375	(70%)	745,875	(30%)	82.9	17.1

The actual 2017 STI outcomes for the CFO and COO as determined by the Board is as follows.

Executive	STI maximum $	Actual STI granted $	Cash $		Deferred equity $		Actual STI as a % of maximum	STI forfeited as a % of maximum
Mark Bloom	1,650,000	1,341,250	938,875	(70%)	402,375	(30%)	81.3	18.7
Greg Miles	2,250,000	1,706,250	1,194,375	(70%)	511,875	(30%)	75.8	24.2

(f) 2015 at risk LTI outcomes

Performance rights were granted to executives under the Group's 2015 LTI plan, the first tranche of which vested in December 2017. The second tranche will vest in December 2018. The 2015 LTI had two hurdles: FFO measured over 1 year (2015) and ROCE measured in year 3 (2017). The 2015 LTI is subject to a 3 – 4 year vesting period. The awards issued under the LTI plan are confirmed at the end of the vesting period in 2 tranches with 50% vesting at the end of year 3 and 50% at the end of year 4, as noted above.

The outcome of the 2015 LTI is as follows.

Hurdle	What was achieved	Target (100% vesting)	% vested	% weighting	% total
FFO	22.58 cents per security	22.50 – 22.89 cents per security	100	50	50
ROCE	12.28%	11.80 – 11.89%	115	50	57.5
					107.5

The FFO hurdle had a cap of 150% vesting (24.20 cents per security or above). Achievement below target (22.50 – 22.89 cents per security) would have resulted in a reduction of the percentage of vesting. If FFO was below 21.90 cents per security, the level of vesting would have been 0%. The FFO hurdle was replaced by a longer term development return hurdle in 2016.

The ROCE hurdle had a cap of 150% vesting (at 12.50% or above). Achievement below target would have resulted in a reduction of the percentage of vesting. If ROCE was 11.50% or below, the level of vesting would have been 0%.

(g) 2017 LTI hurdles

For the 2017 LTI grant, the performance hurdles were:

Development return hurdle (25% weighting)

The development return hurdle is designed to measure the actual incremental yield that has been generated through the completion of major developments (over $50 million) compared to Board approved feasibilities.

Major developments that commenced in 2017 (Westfield Carousel, Westfield Kotara and our new greenfield development at Coomera) have Board approved feasibilities including the annual cash flow impact of the forecast incremental NOI. The forecast incremental NOI for these projects will be aggregated and a yield calculated based on the Board approved development cost for the projects.

At the end of 2019, the actual incremental NOI from these projects will be aggregated and a yield calculated based on the actual development cost. These two yields will then be compared and, based on a graduated table, the percentage of LTI that will vest will be calculated. The hurdle will be achieved at 100% if the forecast yield is met. The hurdle allows for incremental increases or decreases depending on actual achieved yield.

Achievement below forecast yield will result in a reduction of the percentage of vesting. Vesting will be reduced by 10% for each incremental 0.2% lower than target yield until 85% of the target yield. Where the development return is below 85% of target yield, there will be zero vesting. Vesting will increase by 5% for every incremental 0.2% above target yield, with a cap of 125% vesting.

ROCE hurdle (75% weighting)

The ROCE hurdle enables the Board to reward the performance of management having regard to the level of returns generated on securityholder equity through a combination of improving earnings and capital management.

The Group's ROCE is calculated by applying FFO for the relevant financial year as a percentage of the Group's weighted average contributed equity during the year.

The ROCE hurdle operates on a graduated scale which is approved by the Board prior to awards being granted under the plan. Performance against the ROCE hurdle will be measured by reference to ROCE achieved in year three of the vesting period. Achievement of the ROCE component of the 2017 at risk LTI will be measured at the end of 2019 and published in the 2019 annual report. The Group does not publish details of the ROCE hurdle prior to the year in which it is tested (year 3) as this would result in the disclosure of commercially sensitive information in connection with the Group's forecast of growth in FFO and the amount of contributed equity. The hurdle will be achieved at 100% if the target ROCE is met. Again, the hurdle allows for incremental increases or decreases depending on actual achieved ROCE.

Achievement below target ROCE will result in a reduction of the percentage of vesting. A 0.3% reduction in ROCE will result in 50% vesting with any greater reduction resulting in zero vesting. A 0.7% increase in ROCE will result in vesting at the cap of 150%.

As announced during the year, effective 1 January 2018, the Group has extended its practice to grow distributions at a lower rate than earnings growth until reaching a distribution payout ratio of 85% of FFO. From 2018, the ROCE hurdle will be adjusted to allow for additional retained earnings as a result of that change.

Measurement and vesting
Both hurdles will be measured at the end of year 3 (2019). The Group does not publish details of the ROCE hurdle prior to the year in which it is tested (year 3) as this would result in the disclosure of commercially sensitive information regarding the Group's forecast of growth in FFO and the amount of contributed equity.

The awards issued under the LTI plan are confirmed at the end of the vesting period in 2 tranches with 50% vesting at the end of year 3 and 50% at the end of year 4.

Vesting in relation to a hurdle will occur if the measures in relation to that hurdle are achieved. Actual performance against the hurdles which apply determines the final number of awards the executive will receive at the end of the vesting period. If full qualification for awards is not achieved, there is no provision in the plan for re-testing those hurdles in subsequent years.

The Board reserves the right to adjust performance hurdles under the LTI plan to reflect the impact of any capital transaction occurring during the performance period (for example: a significant equity issue or the sale or joint venture of a material part of the portfolio).

8.5 Executive KMP 2017 actual remuneration (non-statutory)

The table below sets out the actual 2017 remuneration received by our executive KMP. The numbers in this table differ from those shown in section 8.6 (executive KMP statutory remuneration) primarily due to differences in the accounting treatment of share based payments. The table in section 8.6 includes an apportioned accounting value for all unvested at risk STI and LTI rights during the year (some of which remain subject to satisfaction of performance hurdles and service conditions and may not ultimately vest). Further details of the accounting treatment of awards are set out in Note 29 to the financial statements.

While the cash amount received by an executive in any one year may vary above or below statutory remuneration, this does not impact the financial position of the Group as all performance rights are amortised over their life.

The table below shows the market value of the performance rights granted under the STI and LTI plans based on rights that vested in 2017. The value of the rights increases or decreases depending on movement in the security price. Also included is the increase in the market value of these rights since the date of grant.

The table below presents:

– Fixed remuneration
– Cash STI: the cash bonus earned in 2017 under the STI
– Deferred STI: the value of the deferred STI from prior years that vested in 2017 and satisfied by the delivery of Group securities
– LTI: the value of LTIs from prior years that vested in 2017 and satisfied by the delivery of Group securities

		Short term benefits			SCG share based payments		Equity growth SCG	Total cash value
					Deferred STI	LTI		
	Year	Fixed remuneration[i] $	Cash STI $	Other short term benefits[ii] $	Market value at grant $	Market value at grant $	$	$
Executive KMP								
Peter Allen	**2017**	**2,000,000**	**1,740,375**	**(12,692)**	**942,501**	**3,087,801**	**1,146,179**	**8,904,164**
	2016	2,000,000	1,785,000	(35,769)	921,149	1,257,531	1,122,991	7,050,902
Mark Bloom	**2017**	**1,100,000**	**938,875**	**31,096**	**412,343**	**1,158,385**	**463,100**	**4,103,799**
	2016	1,100,000	913,500	64,943	403,010	565,893	500,330	5,857,804[iii]
Greg Miles	**2017**	**1,500,000**	**1,194,375**	**36,634**	**–**	**347,245**	**15,541**	**3,093,795**
	2016	1,500,000	1,163,750	30,769	740,731	181,663	42,744	3,659,657

(i) Base salary is inclusive of statutory superannuation benefits.
(ii) Comprising annual leave and long service leave entitlements.
(iii) Inclusive of $2,310,128 legacy, Westfield Group retention awards.

8.6 Executive KMP statutory remuneration

The table below sets out the 2017 statutory remuneration for our executive KMP. As noted above, this table includes an apportioned accounting value for all unvested STI and LTI rights during 2017 (some of which remain subject to satisfaction of performance hurdles and service conditions and may not ultimately vest). Further details of the accounting treatment of awards are set out in Note 29 to the financial statements.

		Short term benefits			Share based payments [iii]		Other long term benefits	Termination Benefits	Total remuneration
	Year	Fixed remuneration[i] $	Cash STI $	Other short term benefits[ii] $	Cash $	Equity $	$	$	$
Executive KMP									
Peter Allen	**2017**	**2,000,000**	**1,740,375**	**(12,692)**	**123,904**	**3,589,310**	**–**	**–**	**7,440,897**
	2016	2,000,000	1,785,000	(35,769)	319,656	2,664,403	–	–	6,733,290
Mark Bloom	**2017**	**1,100,000**	**938,875**	**31,096**	**55,757**	**1,288,173**	**–**	**–**	**3,413,901**
	2016	1,100,000	913,500	64,943	362,587	1,077,914	–	–	3,518,944
Greg Miles	**2017**	**1,500,000**	**1,194,375**	**36,634**	**–**	**1,350,488**	**–**	**–**	**4,081,497**
	2016	1,500,000	1,163,750	30,769	–	1,629,920	–	–	4,324,439

(i) Fixed remuneration is inclusive of statutory superannuation benefits.

(ii) Comprising annual leave and long service leave entitlements.

(iii) Refer to the tables below for details of rights held by executive KMP under the equity-linked plans.

(a) Participation in the STI plan: CEO, CFO and COO

The following chart details performance rights held by our executive KMP under the STI plan.

	Year	No. Granted	Vesting Date	Fair Value at Grant[i] $	Market value as at 31 Dec 2017[ii] $
Executive KMP					
Peter Allen	1 Jan 2015	267,756	15 Dec 2017	795,235	N/A[ii]
	1 Jan 2016	194,099	14 Dec 2018	685,169	813,275
	1 Jan 2017	205,419	16 Dec 2019	762,104	860,706
Total					**1,673,981**
Mark Bloom	1 Jan 2015	117,143	15 Dec 2017	347,915	N/A[ii]
	1 Jan 2016	110,370	14 Dec 2018	389,606	462,450
	1 Jan 2017	105,127	16 Dec 2019	390,021	440,482
Total					**902,932**
Greg Miles	1 Jan 2017	133,925	16 Dec 2019	496,862	561,146
Total					**561,146**

(i) The fair value of the rights granted under the STI plan is calculated using the Black Scholes option pricing methodology. Fair value is also calculated on the assumption that the executive remains employed with the Group for the full period of vesting.

(ii) The market value as at 31 December 2017 is based on the closing price of Scentre Group securities of $4.19. Market value as at 31 December 2017 is not included for rights that vested on 15 December 2017.

(b) Participation in the LTI plan: CEO, CFO and COO

The following table details performance rights held by our executive KMP under the LTI plan.

	Year	No. Granted	Total rights held post adjustment [(i)] WFD	Total rights held post adjustment [(i)] SCG	Vesting Date	Fair Value at Grant [(ii)] $	Market value as at 31 Dec 2017 [(iii)] $
Peter Allen	1 Jan 2013	74,149	74,149	92,390	15 Dec 2017	613,954	N/A [(iii)]
	1 Jul 2014 [(iv)]	201,177	–	201,177 [(v)]	15 Dec 2017	494,640	N/A [(iii)]
		209,627	–	209,627 [(v)]	14 Dec 2018	490,728	878,337
	1 Jan 2015	451,838	–	485,726 [(vi)]	15 Dec 2017	1,341,959 [(vi)]	N/A [(iii)]
		474,608	–	510,204 [(vi)]	14 Dec 2018	1,328,902 [(vi)]	2,137,755
	1 Jan 2016	380,587	–	380,587	14 Dec 2018	1,343,472	1,594,660
		397,691	–	397,691	16 Dec 2019	1,332,265	1,666,325
	1 Jan 2017	389,357	_	389,357	16 Dec 2019	1,444,514	1,631,406
		406,476	_	406,476	15 Dec 2020	1,434,860	1,703,134
Total							**9,611,617**
Mark Bloom	1 Jan 2013	33,367	33,367	41,576	15 Dec 2017	276,279	N/A [(iii)]
	1 Jul 2014 [(iv)]	90,533	–	90,533 [(v)]	15 Dec 2017	222,594	N/A [(iii)]
		94,331	–	94,331 [(v)]	14 Dec 2018	220,824	395,247
	1 Jan 2015	142,246	–	152,914 [(vi)]	15 Dec 2017	422,471 [(vi)]	N/A [(iii)]
		149,413	–	160,619 [(vi)]	14 Dec 2018	418,356 [(vi)]	672,994
	1 Jan 2016	119,815	–	119,815	14 Dec 2018	422,947	502,025
		125,199	–	125,199	16 Dec 2019	419,417	524,584
	1 Jan 2017	114,122	–	114,122	16 Dec 2019	423,393	478,171
		119,139	–	119,139	15 Dec 2020	420,561	499,192
Total							**3,072,213**
Greg Miles	1 Jan 2013 [(vii)]	42,901 [(viii)]	–	42,901	15 Dec 2017	159,592	N/A [(iii)]
	1 Jul 2014 [(vii)]	41,793 [(viii)]	–	41,793	15 Dec 2017	155,470	N/A [(iii)]
		52,258 [(viii)]	–	52,258	14 Dec 2018	184,993	218,961
	1 Jan 2015 [(vii)]	46,161 [(viii)]	–	46,161	14 Dec 2018	163,410	193,415
		50,775 [(viii)]	–	50,775	16 Dec 2019	171,112	212,747
	1 Jan 2016	211,437	–	211,437	14 Dec 2018	746,373	885,921
		220,940	–	220,940	16 Dec 2019	740,149	925,739
	1 Jan 2017	201,391	–	201,391	16 Dec 2019	747,161	843,828
		210,246	–	210,246	15 Dec 2020	742,168	880,931
Total							**4,161,542**

(i) The former Westfield Group operated equity-linked plans. As noted in the Securityholder Booklets issued in relation to the restructure and merger (pages 83 and 146), awards granted under the Westfield Group equity-linked plans prior to 31 December 2013 remain on foot following the transaction. Executives were given the option to elect for rights issued prior to 31 December 2013 to relate to Scentre Group securities and Westfield Corporation securities in the same proportion and on the same terms, through the application of the merger ratio, to securityholders in Westfield Group. The number of rights represents that adjustment. All awards issued after 31 December 2013, including awards issued in 2014, to Scentre Group employees relate solely to Scentre Group securities. The issuer of awards in Australia and New Zealand is Scentre Group Limited.

(ii) The fair value of the rights issued under the LTI plan is calculated using the Black Scholes option pricing methodology. Fair value is also calculated on the assumption that the executive remains employed with the Group for the full period of vesting and that the relevant performance hurdles under the LTI plan are satisfied. The fair value of rights (issued prior to the establishment of the Group in 2014) at grant date has been maintained since the value of the rights on issue immediately before the commencement of deferred trading of the securities of the Group and Westfield Corporation was the same as immediately after that date.

(iii) The market value as at 31 December 2017 is based on the closing price of Scentre Group securities of $4.19. Market value as at 31 December 2017 is not included for rights that vested on 15 December 2017.

(iv) With an effective commencement date of 1 January 2014.

(v) The issue of 2014 performance rights were deferred until after the establishment of the Group. 2014 rights relate solely to Scentre Group securities for executives who were Scentre Group employees at the time of issue of the rights.

(vi) Tranche 1 of 2015 LTI vested at 107.5% for exceeding the ROCE hurdle measured in 2017. Based on vesting of 107.5%, fair value on grant date for tranche 1 and tranche 2 would be for Peter Allen $1,442,606 and $1,428,571 respectively and for Mark Bloom $454,155 and $449,733 respectively.

(vii) Greg Miles held a number of performance rights issued by the former Westfield Group and Westfield Corporation. To the extent that those outstanding rights were not satisfied by Westfield Corporation prior to his return to Australia, Scentre Group assumed the liability of the unvested proportion of those performance rights. These rights will be satisfied by the delivery of Scentre Group securities on vesting. The effective grant date of those rights was 1 January 2016. However, the vesting period will be assessed by reference to the original grant date of the rights. Vesting is not subject to any specific performance hurdles.

(viii) Represents the proportion of rights the liability of which was assumed by Scentre Group.

8.7 Remuneration governance framework

Board
Responsible for setting and overseeing the implementation of the remuneration policy

Human Resources Committee

Assists the Board by overseeing human resources policies and remuneration practices to ensure executives are rewarded fairly and responsibly having regard to the performance of Scentre Group.

The Committee is responsible for making recommendations on the:

- Remuneration policies and practices affecting the Group.
- Remuneration packages for the executive KMP. The Committee also reviews the CEO's recommendations on the remuneration packages for the senior executive team.
- Fees for non-executive Directors.
- Group's equity-linked plans.
- Succession planning policies in relation to the senior executive team.
- Policies that promote and support equal opportunity and diversity within the Group.
- Termination entitlements of the senior executive team.

The Committee is comprised of 3 independent non-executive Directors: Andrew Harmos (Chairman), Aliza Knox and Margaret Seale.

Management

Makes recommendations to the Committee regarding the Group's remuneration and human resources policies and frameworks.

External Advisers

The Committee utilises the services of specialist human resources and remuneration consultants to provide advice regarding:

- Senior executive remuneration levels.
- Market trends and benchmarking.
- Human resources policies.
- Succession planning.
- Learning and organisational development.

Protocols have also been established for the engagement of remuneration consultants and the provision of remuneration recommendations free of undue influence from management.

During 2017, the Committee appointed KPMG–3dc to provide services relating to leadership, performance and reward stakeholder engagement. No remuneration recommendations were made by KPMG–3dc. The Committee also utilised the services of Mark Bieler Associates during the year. No remuneration recommendations were made by Mark Bieler and Associates.

(a) Minimum securityholding

Our executive KMP and non-executive Directors are required to maintain a minimum holding of securities.

Executive KMP are required to maintain a minimum holding of securities that is at least a one-time multiple of their fixed remuneration (before tax). New executive KMP have 3 years to meet the requirement from the date of appointment. Each of the executive KMP met the requirement at all times during the year. Performance rights are not included in the calculation of the minimum holding of securities.

To underpin the alignment of Directors and securityholders, non-executive Directors are required to maintain a minimum holding of securities equal to one year's base board fees. Non-executive Directors have three years from the introduction of the policy in 2016 to meet this requirement.

(b) Performance Rights Plan: Governance

(i) STI plan: key elements

<table>
<tr><th>Element</th><th>Description</th></tr>
<tr><td>What is the purpose of the STI plan?</td><td>The purpose of the STI plan is to reward executives against the achievement of KPIs. Each executive's KPIs are set annually with the purpose of motivating that executive to achieve performance objectives which will contribute to the short and longer term success of the Group.</td></tr>
<tr><td>Who is eligible to participate in the STI plan?</td><td>The STI is a broader based plan than the LTI. Executive KMP, other members of the senior executive team and high performing executives participate in the STI plan.</td></tr>
<tr><td>What is the maximum STI opportunity as a percentage of fixed remuneration?</td><td>The maximum STI opportunity for each executive KMP is 150% of fixed remuneration.

Potential maximum STIs will only be awarded in exceptional circumstances where an executive has significantly exceeded their KPIs.</td></tr>
<tr><td>How is the STI delivered?</td><td>For participants in the STI, 70% of the STI is paid in cash with the balance (30%) delivered as performance rights under the Group's Performance Rights Plan which are eligible to vest at the end of year 3. There are no additional performance hurdles.</td></tr>
<tr><td>What are the STI performance measures?</td><td>KPIs are established each year under a performance review and development system. KPIs are designed to measure both financial and non-financial performance. The objectives vary according to the role of the executive and typically relate to development, construction, retail management, corporate or strategic targets.

Non-financial objectives include matters such as health and safety, risk management, compliance, people and culture, sustainability and a range of other matters relevant to the Group's business.</td></tr>
<tr><td>How is performance against KPIs assessed?</td><td>The actual STI awarded to an executive in respect of a financial year is determined by reference to the performance of the executive against the agreed KPIs, the corporate performance of the Group and any other aspect of the executive's performance which is considered relevant in the context of the review.</td></tr>
<tr><td>What are the performance weightings?</td><td>Performance weightings for the executive KMP are as follows:
<table>
<tr><th>Role</th><th>Financial Measures</th><th>Non-Financial Measures</th></tr>
<tr><td>CEO</td><td>65%</td><td>35%</td></tr>
<tr><td>CFO</td><td>80%</td><td>20%</td></tr>
<tr><td>COO</td><td>80%</td><td>20%</td></tr>
</table>
</td></tr>
</table>

(ii) LTI plan: key elements

Element	Description
What is the purpose of the LTI plan?	The LTI plan is designed to encourage and reward superior performance by members of the senior executive team emphasising the strategic leadership role of that team. Through the LTI plan, participants are provided with a benefit aligned with the interests of securityholders. Through a combination of performance hurdles (which are determined annually by the Board) and a 3 – 4 year vesting period, the Group aims to incentivise achievement of targeted objectives and assist in the retention of the executive KMP and other members of the senior executive team for an extended period.
Who is eligible to participate in the LTI plan?	Only members of the senior executive team participate in the LTI plan.
What is the LTI grant opportunity as a percentage of fixed remuneration?	CEO 145% CFO 77% COO 100%
What were the 2017 LTI performance hurdles?	For 2017, the performance hurdles were: **Development return hurdle (25% weighting)** The development return hurdle is designed to measure the actual incremental yield that has been generated through the completion of major developments (over $50 million) compared to Board approved feasibilities. Major developments that commenced in 2017 have Board approved feasibilities including the annual cash flow impact of the forecast incremental NOI. The forecast 2019 incremental NOI for these projects will be aggregated and a yield calculated based on the Board approved development cost for the projects. At the end of 2019, the actual incremental NOI from these projects will be aggregated and a yield calculated based on the actual development cost. These two yields will then be compared and, based on a graduated table, the percentage of LTI that will vest will be calculated. The hurdle will be achieved at 100% if the forecast yield is met. The hurdle allows for incremental increases and decreases depending on actual achieved yield. Achievement below forecast yield will result in a reduction of the percentage of vesting. Vesting will be reduced by 10% for each incremental 0.2% lower than target yield until 85% of the target yield. Where the development return is below 85% of target yield, there will be zero vesting. Vesting will increase by 5% for every incremental 0.2% above target yield, with a cap of 125% vesting. **ROCE hurdle (75% weighting)** The ROCE hurdle enables the Board to reward the performance of management having regard to the level of returns generated on securityholder equity through a combination of improving earnings and capital management. The Group's ROCE is calculated by applying FFO for the relevant financial year as a percentage of the Group's weighted average contributed equity during the year. The ROCE hurdle operates on a graduated scale which is approved by the Board prior to awards being granted under the plan. Performance against the ROCE hurdle will be measured by reference to ROCE achieved in year three of the vesting period. Achievement of the ROCE component of the 2017 LTI will be measured at the end of 2019 and published in the 2019 annual report. The Group does not publish details of the ROCE hurdle prior to the year in which it is tested (year 3) as this would result in the disclosure of commercially sensitive information in connection with the Group's forecast of growth in FFO and the amount of contributed equity. The hurdle will be achieved at 100% if the target ROCE is met. Again, the hurdle allows for incremental increases or decreases depending on actual achieved ROCE. Achievement below target ROCE will result in a reduction of the percentage of vesting. A 0.3% reduction in ROCE will result in 50% vesting with any greater reduction resulting in zero vesting. A 0.7% increase in ROCE will result in vesting at the cap of 150%.
What was the level of vesting?	Both hurdles will be measured at the end of year 3 (2019).
What performance/vesting period applies to the LTI awards?	The awards issued under the LTI plan are confirmed at the end of the vesting period in 2 tranches with 50% vesting at the end of year 3 and 50% at the end of year 4.
How is performance against the LTI hurdles assessed?	Vesting in relation to a particular hurdle will occur if the measures in relation to that hurdle are achieved. Actual performance against the hurdles which apply determines the final number of awards the executive will receive at the end of the vesting period. If full qualification for awards is not achieved, there is no provision in the plan for re-testing those hurdles in subsequent years.
Can the LTI hurdles be adjusted?	Yes. The Board reserves the right to adjust performance hurdles under the LTI plan to reflect the impact of any capital transaction occurring during the performance period (for example: a significant equity issue or the sale or joint venture of a material part of the portfolio).
Will the 2018 LTI hurdles change from 2017?	No. For 2018, the LTI hurdles remain the same as for 2017. Refer "What were the 2017 LTI performance hurdles?" above for a description of the hurdles.

(iii) STI and LTI: common features

The common features of the STI plan and LTI plan, in relation to the grant of deferred equity, are outlined below.

Element	**Description**
Are there common rules under the STI plan and LTI plan?	Yes. The Group's Performance Rights Plan governs the grants of awards of deferred equity under the STI plan and the LTI plan. Having a common set of rules enables the grant of deferred equity under those plans to be administered on a consistent basis across participating executives.
What are the mechanics of the Performance Rights Plan?	Under the Performance Rights Plan, on maturity, the executive is entitled to receive, at the election of Scentre Group and for no further consideration, either: – one Scentre Group security for each performance right; or – a cash payment to the same value. The relevant common features of both plans are as follows: – based on principles and remuneration bands approved by the Board, participating executives earn the opportunity to participate in a plan and are informed of a dollar amount in relation to their participation at the beginning of each financial year in which they are offered participation. – the number of rights to be allocated is determined using the face value of Scentre Group securities, adjusted for the estimated value (based on the Group's published 1 year forecast) of distributions that may be paid on stapled securities during the vesting period. – Assuming the executive remains employed by the Group through the vesting period and any applicable performance hurdles are satisfied, the executive will receive either Scentre Group securities or a cash pay-out equal to the capital value of the securities represented by the rights. The maximum level of vesting under the LTI plan is described in "What were the 2017 LTI performance hurdles?" in section 8.7 (b)(ii).
Are distributions paid during the vesting period?	Participants in the Performance Rights Plan only receive distributions on securities following vesting.
How are securities delivered under the STI and LTI?	Where rights are settled with securities, the Group acquires the securities on-market and transfers the securities to executives.
Is the CEO grant of performance rights subject to securityholder approval	Yes. Approval for the grant of 2018 performance rights to the CEO will be sought at the AGM on 5 April 2018.
Can retention awards be issued without hurdles?	No. All STIs and LTIs issued by the Group are subject to performance hurdles.
What happens if an executive leaves the Group?	In the event of: – voluntary resignation (other than for retirement, see below): the rights will be forfeited. – death or permanent disability: the rights will vest in full. – redundancy: where redundancy or termination (other than for cause) occurs earlier than one year prior to the end of the relevant performance period, a pro-rata vesting applies up to the date of termination. Awards of performance rights which have less than one year to the end of the relevant performance period vest in full. Awards of performance rights that have been granted for less than 6 months lapse. – retirement: provided the executive has reached the age of 55 years or the aggregate of the age of the executive and the number of years in service is equal to or greater than 70 and, in each case, the executive has at least 5 years continuous service, the executive will continue in the plans until the date of vesting in respect of performance rights granted at least 6 months prior to the date of termination (subject to any performance hurdles).
What happens if there is a change of control?	Performance rights do not vest automatically as a consequence of a control transaction or a corporate restructuring. In relation to control transactions, the Board retains the discretion to accelerate the vesting date for rights issued under the plans in such circumstances.
Are there any clawback or cancellation provisions for at risk remuneration?	The plans contain provisions for the lapsing of unvested rights in several circumstances including if an executive engages in any act or omission constituting serious misconduct or where the Group forms the opinion, based on reasonable grounds, that the executive has committed any fraud, dishonesty or defalcation in relation to the Group.
Are there any other forfeiture events?	Unvested performance rights will also lapse in the event of a participant: – becoming bankrupt or committing an act of bankruptcy; or – failing to comply with a "Competition and Confidentiality Condition" (being standard confidentiality, non-compete and non-solicitation conditions).
What is the hedging policy?	Participants in the plans are prohibited from entering into hedging arrangements in respect of unvested rights (or rights the subject of a holding lock) in any plan.

8.8 Executive KMP service agreements

The service agreements for each executive KMP are, in each case, a continuing arrangement inherited from the Westfield Group and date from September 2009. The terms outlined below apply to each executive KMP.

Service Agreement	Term
Contract term	No fixed term
Notice period by employee and employer	Employee: 3 months Employer: 1 month
Details of any post-employment restraints	Where permitted by law, the Group imposes a further requirement that, following retirement, the executive complies with certain continuing non-compete obligations which, if not satisfied, will result in forfeiture of all unvested rights

Set out below is a summary of termination payments and treatment of the STI and LTI on an executive KMP leaving the Group's employment. These provisions apply to each executive KMP. The provisions of the service agreements are subject to the Corporations Act 2001. In certain circumstances, payment of the entitlements summarised below may require the approval of securityholders.

Event	Termination payment	Treatment of STI (cash)	Treatment of STI and LTI (deferred equity)
Resignation and termination for cause	– Accrued statutory entitlements	– Payment of a pro-rata bonus for the relevant year may be considered in exceptional circumstances	– All unvested entitlements under the Group's performance rights plan are forfeited, without payment, on termination
Redundancy or termination by the Group (other than for cause)	– Accrued statutory entitlements – Redundancy between 12 and 24 months fixed remuneration depending on the length of service of the executive plus one month's salary in lieu of notice	– Pro-rata performance bonus to the date of termination	– Where redundancy or termination occurs more than one year before the end of the relevant performance period, a pro-rata vesting applies up to the date of termination. Awards of performance rights which have less than one year to the end of the relevant performance period vest in full (excluding any rights which lapsed because of a failure to satisfy a performance hurdle). Rights that have been granted for less than 6 months lapse
Death or permanent disability	– Accrued statutory entitlements	– Pro-rata performance bonus to the date of termination	– Full vesting of outstanding performance rights (excluding any rights which lapsed because of a failure to satisfy a performance hurdle)
Retirement (provided an executive has reached the age of 55 years or the aggregate of the age of the participant and the number of years in service is equal to or greater than 70 and, in each case, the executive has at least 5 years continuous service)	– Accrued statutory entitlements	– Pro-rata performance bonus to the date of termination	– Maintain the right to continue in the performance rights plan until the date of vesting of outstanding rights granted at least 6 months prior to the date of termination (excluding any rights which lapsed because of a failure to satisfy a performance hurdle) – In circumstances where continued participation in the plan is not permitted under the terms of the plan, the executive is entitled to a cash payment from the Group equivalent to the amount that would have been received had the executive been permitted to continue in the plan

8.9 Non-Executive Director fees

The remuneration of the non-executive Directors is determined by the Board (within a total limit set by securityholders) acting on recommendations made by the Human Resources Committee. In making recommendations to the Board, the Human Resources Committee considers advice from independent consultants and advisers on trends in non-executive director remuneration.

The aggregate pool available for payment of fees to non-executive Directors is currently $3.5 million, as approved by securityholders at the Annual General Meeting of the Company held on 25 May 2011.

Non-executive Director remuneration comprises a base fee (which is inclusive of superannuation guarantee contributions) and where relevant, a Committee fee, with a higher fee for the role of Committee chair. Reimbursement is made for out of pocket expenses. No other bonuses or benefits are paid either during the tenure of a non-executive Director or on retirement. Non-executive Directors do not participate in the Group's STI or LTI plans.

Board fees	**Chairman**	**Non-Executive Director**
Board	$700,000	$205,000
Committee Fees	**Committee Chair**	**Committee member**
Audit and Risk Committee	$60,000	$40,000
Human Resources Committee	$50,000	$30,000
Nomination Committee	$15,000	$10,000

The base Board fee paid to the Chairman is inclusive of Committee fees. The Chairman is also Chair of the Nomination Committee for which he does not receive a Committee Chair fee. The fees paid to the non-executive Directors for 2017 are set out below.

	Year	**Total Fees**
Non-Executive Director		
Brian Schwartz	**2017**	**700,000**
	2016	573,643
Andrew Harmos	**2017**	**265,000**
	2016	258,215
Michael Ihlein	**2017**	**275,000**
	2016	281,951
Carolyn Kay	**2017**	**245,000**
	2016	200,850
Aliza Knox	**2017**	**235,000**
	2016	224,697
Steven Lowy	**2017**	**205,000**
	2016	205,000
Margaret Seale	**2017**	**275,000**
	2016	220,547

During the year the Board, based on external benchmarking data, reviewed non-executive Director fees relative to the ASX30 (exclusive of the "Big 4" banks, Rio Tinto and BHP). Following that review, the Board and Committee fee structure (inclusive of superannuation) effective 1 January 2018 is set out below. In line with the Board's approach to provide for smaller, more regular increases to remain competitive in attracting and retaining ASX20 directors, base Board fees have increased by 2.5%. In addition, the Human Resources Committee chair fee was aligned to that payable in respect of the Audit and Risk Committee chair role. Total Board and Committee fees payable to non-executive Directors remain within the aggregate fee pool.

Board fees	**Chairman**	**Non-Executive Director**
Board	$717,500	$210,125
Committee fees	**Committee Chair**	**Committee member**
Audit and Risk Committee	$60,000	$40,000
Human Resources Committee	$60,000	$30,000
Nomination Committee	$15,000	$10,000

Directors’ Report (continued)

9. ASIC DISCLOSURES

Rounding

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

Synchronisation of financial year

Carindale Property Trust is a consolidated entity of the Company, and has a financial year ending on 30 June. By an order dated 27 June 2005 made by the Australian Securities and Investments Commission, the Directors of the Company have been relieved from compliance with the requirement to ensure that the financial year of Carindale Property Trust coincides with the financial year of the Company.

10. ASX LISTING

ASX reserves the right (but without limiting its absolute discretion) to remove Scentre Group Limited, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 from the official list of ASX if any of the shares or units comprising those stapled securities cease to be stapled together, or any equity securities are issued by a Scentre Group entity which are not stapled to the equivalent securities in the other entities.

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

Brian Schwartz AM
Chairman

21 February 2018

Michael Ihlein
Director

Independent Auditor's Report

TO THE SHAREHOLDERS OF SCENTRE GROUP LIMITED

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 Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

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

(i) giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and of its consolidated financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditors 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 Group holds economic interests in shopping centre investment properties which are carried at a fair value of $35 billion at 31 December 2017. These include shopping centres recorded directly in the consolidated statement of financial position as investment properties and indirectly through equity accounted investments as disclosed in Note 4 of the financial report. Collectively they represent 94% of total assets.
 	
Fair values were determined by the Group at the end of the reporting period with changes in fair value recognised in the income statement.
 	
We considered this to be a key audit matter as property valuations are based upon a number of assumptions which are judgmental in nature. Minor changes in certain assumptions can lead to significant changes in the valuation and the result of the Group for the period.
 	
Note 3 of the financial report discloses the sensitivity of these valuations to changes in key assumptions.
 	
Note 3 of the financial report describes the accounting policy for these assets.
	Our audit procedures included the following:
	
	– We analysed movements in the fair values of individual properties within the portfolio assets having regard to external market data and the performance of specific properties.
	
	– In relation to property valuations, we considered the competence, capability and objectivity of valuation experts, evaluated the suitability of the scope and methodology used in the valuation reports and tested a sample of valuation reports for mathematical accuracy.
	
	– For a sample of investment properties we considered the key inputs and assumptions used in the valuations, by:
	
	  – assessing the appropriateness of valuation inputs in the context of the financial performance of the specific properties; and
	
	  – assessing the valuation assumptions in the context of external market data and expectations developed in conjunction with EY real estate valuation specialists.
	
	– A sample of individual property valuations were evaluated by our real estate valuation specialists.

2. Property Development and Project Management – Costs and revenues

Why significant	*How our audit addressed the key audit matter*

The Group recognised $315 million of property development and project management revenue and $235 million of property development and project management costs for the year ended 31 December 2017.
 	
As set out in Note 2, revenue for property development and project management is recognised on a percentage of completion basis as construction progresses. The percentage of completion is assessed by reference to the stage of completion of the project based on the proportion of contract costs incurred and the estimated costs to complete.
 	
The determination of the costs to complete impacts the value and timing of revenue and profit recognised over the life of the project, and it is an estimate that requires significant expertise and judgment.
	Our audit procedures included the following:
	– We assessed the effectiveness of the Group's processes and controls for accumulating property development and project management costs and for estimating costs to complete of development projects.
	– We enquired of the Group as to the progress of developments, any material contract variations and the projected financial performance of projects against feasibility reports.
	– We evaluated the historical accuracy of the Group's budget and forecasting of project management costs and estimating costs to complete.
	– On a sample basis, we:
	  – Assessed project costs to date, estimates of revenue and costs to complete and estimates for remaining development risks.
	  – Inspected project feasibility reports and assessed the assumptions used in forecasting revenues and costs to complete.
	  – Assessed the calculation of revenue recognised in the period by the Group against the recognition criteria set out in Australian Accounting Standards.
	– We also evaluated payments made after the reporting date in order to assess whether costs were accrued in the correct reporting period.

3. Interest Bearing Liabilities and Financing Costs

Why significant	*How our audit addressed the key audit matter*
The Group has interest bearing liabilities of $12 billion at 31 December 2017. During the year the Group incurred $506 million in financing and interest costs of which $24 million has been capitalised to property under development. The Group has established a range of finance facilities with various terms, counterparties and currencies. This was considered to be a key audit matter as the Group's gearing, liquidity, solvency, covenant obligations and financing cost profile are influenced by this portfolio of interest bearing liabilities. Note 15 of the financial report discloses the Group's interest bearing liabilities and contains a description of the accounting policies treatment for these liabilities. Note 12 of the financial report discloses the Group's financing costs and contains a description of the accounting policies.	Our audit procedures included the following: – We assessed the design and operating effectiveness of the Group's processes over recording and reporting the terms and conditions of interest bearing liabilities, including their classification as either current or non-current and associated costs. – We confirmed interest bearing liabilities to external third party sources. – We tested the calculation of interest recognised as both expense and capitalised to properties under development during the period to assess whether these were calculated in accordance with Australian Accounting Standards. – We assessed whether loans maturing within twelve months from the reporting date were classified as current liabilities.

4. Derivative Financial Instruments

Why significant	*How our audit addressed the key audit matter*
The Group manages interest and foreign currency risks through the use of derivative financial instruments ("derivatives") which have been set out in Note 17, Note 23 and Note 24 of the financial report. Fair value movements in derivatives are driven by movements in financial markets. This was considered to be a key audit matter as the valuation of these instruments require judgement, are significant to the financial statements and require extensive disclosure in the financial report. Note 17 of the financial report discloses the fair value of the Group's derivative assets and liabilities outstanding at balance date and contains a description of the accounting policies for these instruments.	Our audit procedures included the following: – We assessed the Group's processes for recording, reviewing and reporting the terms and conditions of its derivatives. – Our treasury specialists assessed the accuracy with which the Group determined the fair value of derivative instruments and whether they were calculated in accordance with Australian Accounting Standards. – We confirmed derivative financial instruments to third party sources. – We tested that the fair value movements on derivatives during the period were recognised in the consolidated income statement.

Information other than the Financial Report and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 31 December 2017, 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 we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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 upon 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 Company 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 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 entity's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

– Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity 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 consolidated 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 Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit of the Group. We remain solely responsible for our audit opinion.

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

We are also required to provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, 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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 27 of the Directors' Report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Scentre Group Limited for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Graham Ezzy

Ernst & Young

Graham Ezzy
Partner

Sydney, 21 February 2018

Liability limited by a scheme approved under Professional Standards Legislation.

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 17 $million	31 Dec 16 $million
Revenue			
Property revenue		**2,098.3**	2,053.0
Property development and project management revenue		**315.3**	410.7
Property management income		**56.0**	57.0
		2,469.6	2,520.7
Share of after tax profits of equity accounted entities			
Property revenue		**212.7**	208.1
Property revaluations		**160.1**	88.6
Property expenses, outgoings and other costs		**(50.4)**	(48.4)
Net interest expense		**(1.5)**	(0.6)
Tax expense		**(14.7)**	(16.0)
	5(a)	**306.2**	231.7
Expenses			
Property expenses, outgoings and other costs		**(465.8)**	(450.7)
Property development and project management costs		**(235.2)**	(329.5)
Property management costs		**(10.6)**	(10.7)
Overheads		**(88.6)**	(86.4)
		(800.2)	(877.3)
Interest income		**3.2**	7.2
Currency gain	11	**6.4**	47.8
Financing costs	12	**(754.8)**	(406.0)
Gain in respect of capital transactions	13	**0.0**	35.5
Property revaluations		**3,056.7**	1,491.5
Profit before tax		**4,287.1**	3,051.1
Tax expense	6(a)	**(55.7)**	(29.6)
Profit after tax for the period		**4,231.4**	3,021.5
Profit after tax for the period attributable to:			
– Members of Scentre Group		**4,217.9**	2,990.5
– External non controlling interests		**13.5**	31.0
Profit after tax for the period		**4,231.4**	3,021.5

Net profit attributable to members of Scentre Group analysed by amounts attributable to:		
Scentre Group Limited (SGL) members	**127.5**	114.9
Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2) and Scentre Group Trust 3 (SGT3) members	**4,090.4**	2,875.6
Net profit attributable to members of Scentre Group	**4,217.9**	2,990.5

	Note	cents	cents
Basic earnings per SGL share		**2.40**	2.16
Diluted earnings per SGL share		**2.39**	2.16
Basic earnings per stapled security attributable to members of Scentre Group	10(a)	**79.41**	56.30
Diluted earnings per stapled security attributable to members of Scentre Group	10(a)	**79.18**	56.14

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 17 $million	31 Dec 16 $million
Profit after tax for the period	**4,231.4**	3,021.5
Other comprehensive income		
Movement in foreign currency translation reserve [(i)]		
– Realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting	**(27.6)**	9.6
– Accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	**(0.8)**	(24.2)
Total comprehensive income for the period	**4,203.0**	3,006.9
Total comprehensive income attributable to:		
– Members of Scentre Group	**4,189.5**	2,975.9
– External non controlling interests	**13.5**	31.0
Total comprehensive income for the period	**4,203.0**	3,006.9

Total comprehensive income attributable to members of Scentre Group analysed by amounts attributable to:		
SGL members	**126.5**	115.4
SGT1, SGT2 and SGT3 members [(ii)]	**4,063.0**	2,860.5
Total comprehensive income attributable to members of Scentre Group	**4,189.5**	2,975.9

(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 held by SGT1, SGT2 and SGT3 may be transferred to the profit and loss depending on how the foreign operations are sold.

(ii) Total comprehensive income attributable to members of SGT1, SGT2 and SGT3 consists of profit after tax for the period of $4,090.4 million (31 December 2016: $2,875.6 million), realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting of $26.6 million (31 December 2016: gain of $9.1 million) and accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of $0.8 million (31 December 2016: $24.2 million).

Balance Sheet

AS AT 31 DECEMBER 2017

	Note	**31 Dec 17 $million**	31 Dec 16 $million
Current assets			
Cash and cash equivalents	14(a)	**174.0**	159.0
Trade debtors		**28.0**	26.3
Derivative assets	17(a)	**35.6**	–
Receivables		**191.2**	416.4
Investment properties	3	**–**	147.2
Other current assets		**60.2**	44.2
Total current assets		**489.0**	793.1
Non current assets			
Investment properties	3	**33,493.6**	29,725.1
Equity accounted investments	5(b)	**2,622.2**	2,467.9
Derivative assets	17(a)	**604.2**	788.5
Plant and equipment		**33.3**	23.4
Deferred tax assets	6(b)	**51.1**	65.5
Other non current assets		**122.2**	121.7
Total non current assets		**36,926.6**	33,192.1
Total assets		**37,415.6**	33,985.2
Current liabilities			
Trade creditors		**282.2**	253.3
Payables and other creditors		**788.3**	781.3
Interest bearing liabilities	15	**1,595.1**	731.4
Other financial liabilities	16	**–**	416.6
Tax payable		**30.2**	14.2
Derivative liabilities	17(b)	**8.9**	16.1
Total current liabilities		**2,704.7**	2,212.9
Non current liabilities			
Payables and other creditors		**25.6**	32.1
Interest bearing liabilities	15	**10,728.6**	10,899.2
Other financial liabilities	16	**673.7**	595.9
Deferred tax liabilities	6(c)	**108.3**	131.8
Derivative liabilities	17(b)	**393.4**	358.9
Total non current liabilities		**11,929.6**	12,017.9
Total liabilities		**14,634.3**	14,230.8
Net assets		**22,781.3**	19,754.4
Equity attributable to members of SGL			
Contributed equity	18(b)	**674.4**	674.4
Reserves	19	**12.8**	14.1
Retained profits	20	**139.4**	155.3
Total equity attributable to members of SGL		**826.6**	843.8
Equity attributable to SGT1, SGT2 and SGT3 members			
Contributed equity	18(b)	**9,820.8**	9,820.8
Reserves	19	**73.8**	101.2
Retained profits	20	**11,812.7**	8,721.4
Total equity attributable to SGT1, SGT2 and SGT3 members		**21,707.3**	18,643.4
Equity attributable to external non controlling interests			
Contributed equity		**81.5**	88.3
Retained profits		**165.9**	178.9
Total equity attributable to external non controlling interests		**247.4**	267.2
Total equity		**22,781.3**	19,754.4
Equity attributable to members of Scentre Group analysed by amounts attributable to:			
SGL members		**826.6**	843.8
SGT1, SGT2 and SGT3 members		**21,707.3**	18,643.4
Total equity attributable to members of Scentre Group		**22,533.9**	19,487.2

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

	Contributed Equity $million	Reserves $million	Retained Profits $million	**31 Dec 17 Total $million**	Contributed Equity $million	Reserves $million	Retained Profits $million	31 Dec 16 Total $million
Changes in equity attributable to members of Scentre Group								
Balance at the beginning of the period	10,495.2	115.3	8,876.7	**19,487.2**	10,495.2	137.4	7,007.0	17,639.6
– Profit after tax for the period (i)	–	–	4,217.9	**4,217.9**	–	–	2,990.5	2,990.5
– Other comprehensive income (i) (ii)	–	(28.4)	–	**(28.4)**	–	(14.6)	–	(14.6)
Transactions with owners in their capacity as owners								
– Movement in employee share plan benefits reserve	–	(0.3)	–	**(0.3)**	–	(7.5)	–	(7.5)
– Dividends/distributions paid or provided for	–	–	(1,142.5)	**(1,142.5)**	–	–	(1,120.8)	(1,120.8)
Closing balance of equity attributable to members of Scentre Group	10,495.2	86.6	11,952.1	**22,533.9**	10,495.2	115.3	8,876.7	19,487.2
Changes in equity attributable to external non controlling interests								
Balance at the beginning of the period	88.3	–	178.9	**267.2**	94.0	–	172.6	266.6
Profit after tax for the period attributable to external non controlling interests (i)	–	–	13.5	**13.5**	–	–	31.0	31.0
Distribution paid or provided for	–	–	(12.6)	**(12.6)**	–	–	(13.4)	(13.4)
Decrease in external non controlling interest	(6.8)	–	(13.9)	**(20.7)**	(5.7)	–	(11.3)	(17.0)
Closing balance of equity attributable to external non controlling interests	81.5	–	165.9	**247.4**	88.3	–	178.9	267.2
Total equity	10,576.7	86.6	12,118.0	**22,781.3**	10,583.5	115.3	9,055.6	19,754.4

Closing balance of equity attributable to:								
– SGL members	674.4	12.8	139.4	**826.6**	674.4	14.1	155.3	843.8
– SGT1, SGT2 and SGT3 members	9,820.8	73.8	11,812.7	**21,707.3**	9,820.8	101.2	8,721.4	18,643.4
Closing balance of equity attributable to members of Scentre Group	10,495.2	86.6	11,952.1	**22,533.9**	10,495.2	115.3	8,876.7	19,487.2

(i) Total comprehensive income for the period amounts to $4,203.0 million (31 December 2016: $3,006.9 million).

(ii) Movement in reserves attributable to members of SGT1, SGT2 and SGT3 comprises realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting of $26.6 million (31 December 2016: gain of $9.1 million) and accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of $0.8 million (31 December 2016: $24.2 million).

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 17 $million	31 Dec 16 $million
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		**2,792.8**	2,882.6
Payments in the course of operations (including GST)		**(900.9)**	(1,014.0)
Net operating cash flows from equity accounted entities		**126.3**	122.4
Income and withholding taxes paid		**(44.6)**	(93.2)
GST paid		**(215.8)**	(219.3)
Payments of financing costs (excluding interest capitalised)		**(512.0)**	(550.4)
Interest received		**3.2**	7.2
Net cash flows from operating activities – proportionate		**1,249.0**	1,135.3
Less: net operating cash flows retained by equity accounted entities		**(23.9)**	(18.4)
Net cash flows from operating activities	14(b)	**1,225.1**	1,116.9
Cash flows from investing activities			
Capital expenditure on property investments		**(664.1)**	(708.6)
Proceeds from the disposition of property investments		**369.9**	423.8
Acquisition of property investments		**–**	(253.4)
Acquisition of listed securities		**(20.0)**	(16.9)
Net outflows for investments in equity accounted entities		**(31.8)**	(10.0)
Purchase of plant and equipment		**(20.6)**	(14.5)
Financing costs capitalised to qualifying development projects and construction in progress		**(24.4)**	(17.6)
Settlement of currency derivatives hedging the repatriation of foreign sales proceeds		**(15.1)**	(8.3)
Net cash flows used in investing activities		**(406.1)**	(605.5)
Cash flows from financing activities			
Net proceeds from interest bearing liabilities	15(d)	**769.9**	800.0
Repayment of other financial liabilities	27	**(416.6)**	(161.5)
Dividends/distributions paid		**(1,142.5)**	(1,120.8)
Distributions paid by controlled entities to non controlling interests		**(13.1)**	(13.6)
Net cash flows used in financing activities		**(802.3)**	(495.9)
Net increase in cash and cash equivalents held		**16.7**	15.5
Add opening cash and cash equivalents brought forward		**159.0**	142.7
Effects of exchange rate changes on opening cash and cash equivalents brought forward		**(1.7)**	0.8
Cash and cash equivalents at the end of the period [(i)]	14(a)	**174.0**	159.0

(i) Cash and cash equivalents comprises cash of $174.0 million (31 December 2016: $159.0 million) net of bank overdraft of nil (31 December 2016: nil).

Index of Notes to the Financial Statements

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NOTE 1 BASIS OF PREPARATION OF THE FINANCIAL REPORT

(a) Corporate information

This financial report of Scentre Group (Group), comprising Scentre Group Limited (Parent Company) and its controlled entities, for the year ended 31 December 2017 was approved in accordance with a resolution of the Board of Directors of the Parent Company.

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

(b) Accounting for the Group

Scentre Group was established on 30 June 2014 by the stapling of securities of each of the Parent Company, Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2) and Scentre Group Trust 3 (SGT3). The securities trade as one security on the Australian Securities Exchange (ASX) under the code SCG. The stapling transaction is referred to as the "Merger".

As a result of the securities being stapled and therefore not able to be traded separately, this financial report has been prepared based on a business combination of the Parent Company, SGT1, SGT2 and SGT3. The Parent Company for accounting purposes has control of SGT1, SGT2 and SGT3 and accordingly consolidates SGT1, SGT2 and SGT3 and their respective controlled entities.

(c) Statement of Compliance

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board. The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new or amended standards which became applicable on 1 January 2017:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses;
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows; and
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle.

The adoption of these amended standards has no material impact on the financial results of the Group.

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 31 December 2017. The impact of these new standards (to the extent relevant to the Group) and interpretations is as follows:

- AASB 9 Financial Instruments (effective from 1 January 2018)

  This standard includes new requirements for classification and measurement, impairment and hedge accounting of financial instruments compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

  Following a detailed assessment of the requirements of the standard, the Group expects that there will not be a significant impact on the financial statements on application. The Group will adopt AASB 9 from 1 January 2018 and will not restate comparative information as permitted by the Standard.

  (i) Classification and measurement
  The Group does not expect any impact on its balance sheet or equity on applying the classification and measurement requirements of AASB 9. Financial assets currently held at fair value will continue to be measured at fair value. Trade and other receivables are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. These receivables will be measured at amortised cost.

  (ii) Impairment
  Under AASB 9, expected credit losses on financial assets are to be recorded either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all eligible financial assets. It is expected that the revised methodology for calculation of impairment will not have a significant impact on the financial statements.

  (iii) Hedge accounting
  As the Group currently does not have any existing hedge relationships that are designated in effective hedging relationships, there is no impact from the application of hedging requirements on the financial statements.

- AASB 15 Revenue from Contracts with Customers (effective from 1 January 2018)

  The Group's property development and project management revenue comprises Construction, Design and Development fees earned from Design and Construction Agreements (D&C Agreements) with third parties. Under the current accounting policy, the Group recognises revenue on a percentage of completion basis for each service provided. Percentage of completion is determined based on the proportion of contract costs incurred to date and the estimated costs to complete for each service. Accordingly, the various services provided under the D&C Agreements are treated as distinct performance obligations and revenue is recognised based on their separately determined percentage of completion.

  On application of AASB 15, the Group will continue to recognise revenue on a percentage of completion basis determined on the proportion of contract costs incurred to date and the estimated costs to complete. However, the Group will account for all services provided under the D&C Agreements as a single performance obligation, the services being part of a series of distinct goods and services that are substantially integrated with the same pattern of transfer. Accordingly, property development and project management revenue will be recognised based on the percentage of completion for that single performance obligation.

  Under the current accounting policy, the Group also recognises property management revenue from Management Agreements with third parties as services are provided. This is similar to revenue recognition requirements under AASB 15.

  The Group will adopt AASB 15 from 1 January 2018 and will not restate comparative information as permitted by the Standard.

  The Group has assessed the cumulative effect on initial application of AASB 15 to be $2.9 million, which will be charged to opening retained earnings at 1 January 2018. The difference arises from the change in accounting for property development and project management revenue as a result of treating the series of services provided under the Group's D&C Agreements as a single performance obligation.

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions (effective from 1 January 2018)

  This amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. This standard is not expected to have a significant impact on the financial statements on application.

- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments (effective from 1 January 2018)

  The amendments clarify certain requirements in:

  (i) AASB 1 First-time Adoption of Australian Accounting Standards – deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration;

  (ii) AASB 12 Disclosure of Interests in Other Entities – clarification of scope;

  (iii) AASB 128 Investments in Associates and Joint Ventures – measuring an associate or joint venture at fair value; and

  (iv) AASB 140 Investment Property – change in use.

This standard is not expected to have a significant impact on the financial statements on application.

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

(c) Statement of Compliance (continued)

- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective from 1 January 2018)

  This interpretation clarifies that in applying paragraphs 21-22 of AASB 121 – The Effects of Changes in Foreign Exchange Rates, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it), is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. This standard is not expected to have a significant impact on the financial statements on application.

- AASB 16 Leases (effective from 1 January 2019)

  This standard contains requirements about lease classification and recognition, measurement and presentation and disclosures of leases for lessees and lessors. This standard is not expected to have a significant impact on the financial statements on application.

- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)

  This Standard amends AASB 128 Investments in Associates and Joint Ventures to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128. This standard is not expected to have a significant impact on the financial statements on application.

- AASB Interpretation 23 Uncertainty over Income Tax Treatments, and relevant amending standards (effective 1 January 2019)

  The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. This standard is not expected to have a significant impact on the financial statements on application.

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

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

(d) Basis of Accounting

This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 (Act), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. This financial report has also been prepared on a historical cost basis, except for investment properties, investment properties within equity accounted investments, derivative financial instruments, financial assets at fair value through profit and loss and other financial liabilities. The carrying values of recognised assets and liabilities that are hedged with fair value hedges and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

This financial report is presented in Australian dollars.

(e) Significant accounting judgements, estimates and assumptions

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

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements, in particular, Note 28: Other significant accounting policies, Note 3: Investment Properties, Note 4: Details of shopping centre investments and Note 27: Fair value of financial assets and liabilities. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the Group's financial results or its financial position in future periods.

(f) Comparative information

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

(g) Rounding

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

NOTE 2 SEGMENT REPORTING

The Group's operational segment comprises the property investment and property and project management segments.

(a) Property investments
Property investments segment includes net property income from shopping centres. A geographic analysis of net property investment income is also provided.

(b) Property and project management
Property and project management segment includes external fee income from third parties, primarily property management and development fees, and associated business expenses.

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

The Group's operating segments' income and expenses as well as the details of segment assets and liabilities have been prepared on a proportionate format. 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 Group as it allows management to observe and analyse revenue and expense results and trends on a portfolio-wide basis. Management considers given that the assets underlying both the consolidated and the equity accounted components of the statutory income statement are similar (that is, Australian and New Zealand shopping centres), all centres are under common management and therefore the drivers of their results are similar, the proportionate format provides a more useful way to understand the performance of the portfolio as a whole than the statutory format.

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

(i) Income and expenses

	Property investment $million	**Property and project management $million**	**31 Dec 17 $million**	Property investment $million	Property and project management $million	31 Dec 16 $million
Revenue						
Property revenue	**2,311.0**	**–**	**2,311.0**	2,261.1	–	2,261.1
Property development and project management revenue	**–**	**315.3**	**315.3**	–	410.7	410.7
Property management income	**–**	**56.0**	**56.0**	–	57.0	57.0
	2,311.0	**371.3**	**2,682.3**	2,261.1	467.7	2,728.8
Expenses						
Property expenses, outgoings and other costs	**(516.2)**	**–**	**(516.2)**	(499.1)	–	(499.1)
Property development and project management costs	**–**	**(235.2)**	**(235.2)**	–	(329.5)	(329.5)
Property management costs	**–**	**(10.6)**	**(10.6)**	–	(10.7)	(10.7)
	(516.2)	**(245.8)**	**(762.0)**	(499.1)	(340.2)	(839.3)
Segment result	**1,794.8**	**125.5**	**1,920.3**	1,762.0	127.5	1,889.5
Overheads			**(88.6)**			(86.4)
Interest income			**3.5**			7.7
Currency gain			**6.4**			47.8
Financing costs			**(756.6)**			(407.1)
Gain in respect of capital transactions			**0.0**			35.5
Property revaluations			**3,216.8**			1,580.1
Tax expense – current			**(65.6)**			(75.1)
Tax benefit/(expense) – deferred			**(4.8)**			29.5
External non controlling interests			**(13.5)**			(31.0)
Net profit attributable to members of the Group [i]			**4,217.9**			2,990.5

[i] Net profit attributable to members of the Group was $4,217.9 million (31 December 2016: $2,990.5 million). Net profit after tax for the year which includes profit attributable to external non controlling interests of $13.5 million (31 December 2016: $31.0 million) was $4,231.4 million (31 December 2016: $3,021.5 million).

NOTE 2 SEGMENT REPORTING (CONTINUED)

(ii) Assets and liabilities of Scentre Group

	Property investment $million	Property and project management $million	31 Dec 17 $million	Property investment $million	Property and project management $million	31 Dec 16 $million
Total operational segment assets	**36,423.2**	**457.0**	**36,880.2**	33,008.2	455.7	33,463.9
Total group assets			**655.8**			636.3
Total operational segment liabilities	**1,131.1**	**258.9**	**1,390.0**	1,050.1	271.3	1,321.4
Total group liabilities			**13,364.7**			13,024.4
Net assets			**22,781.3**			19,754.4
Equity accounted investments included in – operational segment assets			**2,742.6**			2,582.9
Equity accounted investments included in – operational segment liabilities			**38.1**			35.7
Additions to segment non current assets during the year			**811.2**			940.9

(iii) Geographic information – Total revenue

	Australia $million	New Zealand $million	31 Dec 17 $million	Australia $million	New Zealand $million	31 Dec 16 $million
Property revenue	**2,198.7**	**112.3**	**2,311.0**	2,107.3	153.8	2,261.1
Property development and project management revenue	**307.7**	**7.6**	**315.3**	403.0	7.7	410.7
Property management income	**51.3**	**4.7**	**56.0**	52.5	4.5	57.0
Total revenue [(i)]	**2,557.7**	**124.6**	**2,682.3**	2,562.8	166.0	2,728.8

[(i)] Australia and New Zealand revenue of $2,682.3 million (31 December 2016: $2,728.8 million) equates to revenue of $2,469.6 million (31 December 2016: $2,520.7 million) on the income statement and property revenue of $212.7 million (31 December 2016: $208.1 million) included in the share of equity accounted profit.

(iv) Geographic information – Net property income

	Australia $million	New Zealand $million	31 Dec 17 $million	Australia $million	New Zealand $million	31 Dec 16 $million
Shopping centre base rent and other property income	**2,251.4**	**113.4**	**2,364.8**	2,153.2	155.6	2,308.8
Amortisation of tenant allowances	**(52.7)**	**(1.1)**	**(53.8)**	(45.9)	(1.8)	(47.7)
Property revenue	**2,198.7**	**112.3**	**2,311.0**	2,107.3	153.8	2,261.1
Property expenses, outgoings and other costs	**(489.5)**	**(26.7)**	**(516.2)**	(460.3)	(38.8)	(499.1)
Net property income	**1,709.2**	**85.6**	**1,794.8**	1,647.0	115.0	1,762.0

(v) Geographic information – Non current assets

	Australia $million	New Zealand $million	31 Dec 17 $million	Australia $million	New Zealand $million	31 Dec 16 $million
Non current assets	**35,131.1**	**1,097.0**	**36,228.1**	31,190.4	1,098.6	32,289.0
Group non current assets			**698.5**			903.1
Total non current assets			**36,926.6**			33,192.1

NOTE 2 SEGMENT REPORTING (CONTINUED)

(vi) Reconciliation of segment results

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

	Consolidated $million	**Equity Accounted $million**	**31 Dec 17 $million**	Consolidated $million	Equity Accounted $million	31 Dec 16 $million
Revenue						
Property revenue	**2,098.3**	**212.7**	**2,311.0**	2,053.0	208.1	2,261.1
Property development and project management revenue	**315.3**	**–**	**315.3**	410.7	–	410.7
Property management income	**56.0**	**–**	**56.0**	57.0	–	57.0
	2,469.6	**212.7**	**2,682.3**	2,520.7	208.1	2,728.8
Expenses						
Property expenses, outgoings and other costs	**(465.8)**	**(50.4)**	**(516.2)**	(450.7)	(48.4)	(499.1)
Property development and project management costs	**(235.2)**	**–**	**(235.2)**	(329.5)	–	(329.5)
Property management costs	**(10.6)**	**–**	**(10.6)**	(10.7)	–	(10.7)
	(711.6)	**(50.4)**	**(762.0)**	(790.9)	(48.4)	(839.3)
Segment result	**1,758.0**	**162.3**	**1,920.3**	1,729.8	159.7	1,889.5
Overheads	**(88.6)**	**–**	**(88.6)**	(86.4)	–	(86.4)
Interest income	**3.2**	**0.3**	**3.5**	7.2	0.5	7.7
Currency gain	**6.4**	**–**	**6.4**	47.8	–	47.8
Financing costs	**(754.8)**	**(1.8)**	**(756.6)**	(406.0)	(1.1)	(407.1)
Gain in respect of capital transactions	**0.0**	**–**	**0.0**	35.5	–	35.5
Property revaluations	**3,056.7**	**160.1**	**3,216.8**	1,491.5	88.6	1,580.1
Tax expense – current	**(53.9)**	**(11.7)**	**(65.6)**	(64.1)	(11.0)	(75.1)
Tax benefit/(expense) – deferred	**(1.8)**	**(3.0)**	**(4.8)**	34.5	(5.0)	29.5
External non controlling interests	**(13.5)**	**–**	**(13.5)**	(31.0)	–	(31.0)
Net profit attributable to members of the Group	**3,911.7**	**306.2**	**4,217.9**	2,758.8	231.7	2,990.5

	Consolidated $million	**Equity Accounted $million**	**31 Dec 17 $million**	Consolidated $million	Equity Accounted $million	31 Dec 16 $million
Cash and cash equivalents	**174.0**	**2.6**	**176.6**	159.0	12.5	171.5
Shopping centre investments	**32,761.5**	**2,625.9**	**35,387.4**	29,027.5	2,486.1	31,513.6
Development projects and construction in progress	**732.1**	**109.3**	**841.4**	697.6	77.6	775.2
Investment properties held for sale	**–**	**–**	**–**	147.2	–	147.2
Deferred tax assets	**51.1**	**–**	**51.1**	65.5	–	65.5
Receivables on currency derivatives	**394.4**	**–**	**394.4**	430.9	–	430.9
Other assets	**680.3**	**4.8**	**685.1**	989.6	6.7	996.3
Total assets	**34,793.4**	**2,742.6**	**37,536.0**	31,517.3	2,582.9	34,100.2
Interest bearing liabilities						
– Current	**1,594.5**	**–**	**1,594.5**	730.9	–	730.9
– Non current	**10,687.9**	**–**	**10,687.9**	10,860.5	–	10,860.5
Finance lease liabilities	**41.3**	**19.2**	**60.5**	39.2	15.2	54.4
Other financial liabilities	**673.7**	**–**	**673.7**	1,012.5	–	1,012.5
Deferred tax liabilities	**108.3**	**63.1**	**171.4**	131.8	64.1	195.9
Payables on currency derivatives	**140.8**	**–**	**140.8**	159.8	–	159.8
Other liabilities	**1,387.8**	**38.1**	**1,425.9**	1,296.1	35.7	1,331.8
Total liabilities	**14,634.3**	**120.4**	**14,754.7**	14,230.8	115.0	14,345.8
Net assets	**20,159.1**	**2,622.2**	**22,781.3**	17,286.5	2,467.9	19,754.4

NOTE 2 SEGMENT REPORTING (CONTINUED)

Accounting Policies

Revenue recognition

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

Revenue from property management is recognised on an accruals basis, in accordance with the terms of the relevant management contracts.

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

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

Revenue for development and construction projects carried out for third parties is recognised on a percentage of completion basis as construction progresses. The percentage of completion is assessed by reference to the stage of completion of the project based on the proportion of contract costs incurred to date and the estimated costs to complete. Where a property is under development and agreement has been reached to sell the property when construction is complete, consideration is given as to whether the contract comprises a development and construction project or a contract for the sale of a completed property. Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Where the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, revenue is recognised on a percentage of completion basis as construction progresses.

All other revenues are recognised on an accruals basis.

Expenses

Expenses are brought to account on an accruals basis.

NOTE 3 INVESTMENT PROPERTIES

	31 Dec 17 $million	31 Dec 16 $million
Current		
Shopping centre investments	**–**	147.2
	–	147.2
Non current		
Shopping centre investments	**32,761.5**	29,027.5
Development projects and construction in progress	**732.1**	697.6
	33,493.6	29,725.1
Total investment properties	**33,493.6**	29,872.3
Movement in total investment properties		
Balance at the beginning of the year	**29,872.3**	28,072.3
Acquisition of properties	**–**	253.4
Disposal of properties	**(146.6)**	(606.1)
Redevelopment costs	**713.0**	650.9
Net revaluation increment	**3,056.7**	1,491.5
Retranslation of foreign operations	**(1.8)**	10.3
Balance at the end of the year (i)	**33,493.6**	29,872.3

(i) The fair value of investment properties at the end of the year of $33,493.6 million (31 December 2016: $29,872.3 million) comprises investment properties at market value of $33,452.3 million (31 December 2016: $29,833.1 million) and ground leases included as finance leases of $41.3 million (31 December 2016: $39.2 million).

NOTE 3 INVESTMENT PROPERTIES (CONTINUED)

Accounting Policies

Investment properties

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

(i) Shopping centre investments

The Group'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 Group's portfolio of shopping centre investment properties are stated at fair value. Gains and losses arising from changes in the fair values of shopping centre investment properties are included in the income statement in the year in which they arise. Any gains or losses on the sale of an investment property are recognised in the income statement in the year of sale.

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

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

(ii) Development projects and construction in progress

The Group'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, and are classified as inventories when intended for sale to third parties. Development projects and construction in progress include capitalised construction and development costs, payments and advances to contractors and where applicable, borrowing costs incurred on qualifying developments.

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

Independent valuations are conducted in accordance with guidelines set by the International Valuation Standards Committee for Australian and New Zealand properties.

It is the 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 the Group to carry out property appraisals for the current financial year:

Australian shopping centres

- CBRE Valuations Pty Limited
- CIVAS (NSW) Pty Limited (Colliers International)
- Jones Lang LaSalle Advisory Services Pty Ltd
- Knight Frank Australia Pty Ltd
- Urbis Valuations Pty Ltd

New Zealand shopping centres

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

The determination of a property valuation is judgemental. The key assumptions in the valuation are the estimated capitalisation rate and net operating income. Movements in capitalisation rate for each property would result in changes to the fair value. For example, an increase in capitalisation rate would result in a decrease in the fair value of the properties while a decrease in capitalisation rate would result in an increase in the fair value of the properties.

Refer to Notes 4(a) and 4(b) for a summary of the capitalisation rate for the property portfolio.

	Note	**31 Dec 17 $million**	31 Dec 16 $million
NOTE 4 DETAILS OF SHOPPING CENTRE INVESTMENTS			
Consolidated Australian shopping centres	(a)	**32,761.5**	29,027.5
Total consolidated shopping centres		**32,761.5**	29,027.5
Equity accounted Australian shopping centres	(a)	**1,522.8**	1,366.5
Equity accounted New Zealand shopping centres	(b)	**1,103.1**	1,119.6
Total equity accounted shopping centres		**2,625.9**	2,486.1
		35,387.4	31,513.6

NOTE 4 DETAILS OF SHOPPING CENTRE INVESTMENTS (CONTINUED)

(a) Shopping centre investments – Australia

Australian shopping centres	**Ownership Interest 31 Dec 17 %**		Ownership Interest 31 Dec 16 %		**Carrying Amount 31 Dec 17 $million**	**Retail Capitalisation Rates 31 Dec 17 %**	Carrying Amount 31 Dec 16 $million	Retail Capitalisation Rates 31 Dec 16 %
AUSTRALIAN CAPITAL TERRITORY								
Belconnen	**100.0**	**C**	100.0	C	**935.0**	**5.50%**	860.0	6.00%
Woden	**50.0**	**C**	50.0	C	**350.0**	**5.50%**	335.0	5.75%
NEW SOUTH WALES								
Bondi Junction	**100.0**	**C**	100.0	C	**3,143.6**	**4.25%**	2,885.8	4.50%
Burwood	**100.0**	**C**	100.0	C	**1,095.2**	**5.00%**	990.2	5.35%
Chatswood	**100.0**	**C**	100.0	C	**1,367.1**	**4.50%**	1,186.8	5.00%
Hornsby	**100.0**	**C**	100.0	C	**1,095.2**	**5.25%**	954.9	5.75%
Hurstville	**50.0**	**C**	50.0	C	**437.5**	**5.25%**	395.0	5.75%
Kotara (ii)	**100.0**	**C**	100.0	C	**815.0**	**5.75%**	815.0	5.75%
Liverpool	**50.0**	**C**	50.0	C	**550.1**	**5.25%**	492.6	5.75%
Miranda	**50.0**	**C**	50.0	C	**1,270.5**	**4.50%**	1,120.3	5.00%
Mt Druitt	**50.0**	**E**	50.0	E	**315.0**	**5.50%**	280.0	6.25%
Parramatta	**50.0**	**C**	50.0	C	**1,034.3**	**4.75%**	899.2	5.25%
Penrith	**50.0**	**C**	50.0	C	**750.0**	**4.75%**	655.0	5.25%
Sydney (iii)	**100.0**	**C**	100.0	C	**5,027.4**	**4.12%**	4,529.8	4.37%
Tuggerah	**100.0**	**C**	100.0	C	**785.0**	**5.50%**	735.0	6.00%
Warringah Mall	**50.0**	**C**	50.0	C	**930.0**	**5.00%**	850.0	5.25%
QUEENSLAND								
Carindale (iv)	**50.0**	**C**	50.0	C	**813.6**	**5.25%**	807.6	5.25%
Chermside (i)	**100.0**	**C**	100.0	C	**2,615.0**	**4.50%**	1,703.0	5.50%
Garden City	**100.0**	**C**	100.0	C	**1,705.0**	**4.75%**	1,500.0	5.25%
Helensvale	**50.0**	**C**	50.0	C	**237.5**	**5.75%**	235.0	5.75%
North Lakes	**50.0**	**C**	50.0	C	**475.0**	**5.00%**	407.5	5.50%
SOUTH AUSTRALIA								
Marion	**50.0**	**C**	50.0	C	**737.5**	**5.25%**	667.5	5.75%
Tea Tree Plaza (ii)	**50.0**	**E**	50.0	E	**400.3**	**5.50%**	360.5	6.00%
West Lakes (ii)	**50.0**	**C**	50.0	C	**245.0**	**6.00%**	245.0	6.00%
VICTORIA								
Airport West	**50.0**	**C**	50.0	C	**213.5**	**5.75%**	187.0	6.50%
Doncaster	**50.0**	**C**	50.0	C	**1,200.0**	**4.50%**	1,045.0	5.00%
Fountain Gate	**100.0**	**C**	100.0	C	**2,090.0**	**4.50%**	1,853.8	5.00%
Geelong	**50.0**	**C**	50.0	C	**265.0**	**5.75%**	252.5	6.00%
Knox	**50.0**	**C**	50.0	C	**576.5**	**5.50%**	525.0	6.25%
Plenty Valley (ii)	**50.0**	**C**	50.0	C	**261.0**	**5.25%**	190.0	6.00%
Southland	**50.0**	**E**	50.0	E	**807.5**	**5.00%**	726.0	5.63%
WESTERN AUSTRALIA								
Carousel (ii)	**100.0**	**C**	100.0	C	**1,080.0**	**5.50%**	1,080.0	5.50%
Stirling (Innaloo)	**100.0**	**C**	100.0	C	**331.0**	**6.25%**	329.0	6.25%
Whitford City (i)	**50.0**	**C**	50.0	C	**330.0**	**5.75%**	295.0	6.25%
Total Australian portfolio					**34,284.3**	**4.86%** (v)	30,394.0	5.29% (v)
Consolidated					**32,761.5**		29,027.5	
Equity accounted					**1,522.8**		1,366.5	
Total Australian portfolio					**34,284.3**		30,394.0	

C **Consolidated** – Centres which are held through controlled entities or are held directly and jointly as tenants in common and are treated as joint operations. 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.

E **Equity Accounted** – Centres held through a separate vehicle with joint control are treated as a joint venture and accounted for under the equity method of accounting.

(i) Developments completed during the year.

(ii) Properties currently under redevelopment.

(iii) Sydney comprises Sydney Central Plaza, the Sydney City retail complex and office towers. As at 31 December 2017, the weighted average capitalisation rate of Sydney was 4.32%, comprising retail 4.12% (Sydney City 4.0% and Sydney Central Plaza 4.5%) and office 4.95%. As at 31 December 2016, the weighted average capitalisation rate of Sydney was 4.61%, comprising retail 4.37% (Sydney City 4.25% and Sydney Central Plaza 4.75%) and office 5.33%.

(iv) 50% interest in this shopping centre is consolidated and 21.7% (31 December 2016: 23.5%) is shown as non controlling interest.

In 2017, the Group acquired additional securities in Carindale Property Trust (CPT) increasing the Group's interest in CPT to 56.6% (31 December 2016: 53.0%).

(v) Weighted average capitalisation rate including non-retail assets.

NOTE 4 DETAILS OF SHOPPING CENTRE INVESTMENTS (CONTINUED)

(b) Shopping centre investments – New Zealand

New Zealand shopping centres	**Ownership Interest 31 Dec 17 %**		Ownership Interest 31 Dec 16 %		**Carrying Amount 31 Dec 17 NZ$million**	**Retail Capitalisation Rates 31 Dec 17 %**	Carrying Amount 31 Dec 16 NZ$million	Retail Capitalisation Rates 31 Dec 16 %
Albany	**51.0**	**E**	51.0	E	**301.4**	**5.88%**	288.2	6.00%
Manukau	**51.0**	**E**	51.0	E	**189.0**	**7.00%**	186.1	7.00%
Newmarket	**51.0**	**E**	51.0	E	**141.8**	**6.63%**	141.8	6.63%
Riccarton	**51.0**	**E**	51.0	E	**316.2**	**6.50%**	292.7	6.75%
St Lukes	**51.0**	**E**	51.0	E	**265.2**	**6.25%**	255.0	6.50%
Total New Zealand portfolio					**1,213.6**	**6.39%** (i)	1,163.8	6.55% (i)
Exchange rate					**1.1002**		1.0395	
Total New Zealand portfolio in A$					**1,103.1**		1,119.6	
Equity accounted					**1,103.1**		1,119.6	
Total New Zealand portfolio					**1,103.1**		1,119.6	

E **Equity Accounted** – Centres held through a separate vehicle with joint control are treated as a joint venture and accounted for under the equity method of accounting.

(i) Weighted average capitalisation rate including non-retail assets.

NOTE 5 DETAILS OF EQUITY ACCOUNTED INVESTMENTS

	31 Dec 17 $million	31 Dec 16 $million
(a) Share of equity accounted entities' net profit and comprehensive income		
Share of after tax profit of equity accounted entities	**306.2**	231.7
Other comprehensive income (i)	**(36.4)**	13.5
Share of total comprehensive income of equity accounted entities	**269.8**	245.2

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

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

The Group's equity accounted investments of $2,622.2 million (31 December 2016: $2,467.9 million) comprise investments in joint ventures in Australia and New Zealand represented by equity of $2,021.9 million (31 December 2016: $1,845.8 million) and interest bearing loans of $600.3 million (31 December 2016: $622.1 million). Inter-entity interest charges on the loans amounted to $20.9 million (31 December 2016: $23.8 million).

(c) Equity accounted entities economic interest

Name of investments	Type of equity	Balance date	Economic interest **31 Dec 17**	Economic interest 31 Dec 16
Australian investments (i)				
Mt Druitt (ii)	Trust units	30 Jun	**50.0%**	50.0%
Southland (ii)	Trust units	30 Jun	**50.0%**	50.0%
Tea Tree Plaza (ii)	Trust units	30 Jun	**50.0%**	50.0%
New Zealand investments (i) (iii)				
Albany	Shares	31 Dec	**51.0%**	51.0%
Manukau	Shares	31 Dec	**51.0%**	51.0%
Newmarket	Shares	31 Dec	**51.0%**	51.0%
Riccarton	Shares	31 Dec	**51.0%**	51.0%
St Lukes	Shares	31 Dec	**51.0%**	51.0%

(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 made out so as to include the accounts for a period coinciding with the financial year of the Parent Company being 31 December.

(iii) Under the Shareholders' Agreement, the Group and GIC, Singapore's sovereign wealth fund, each has two representatives in the Shareholders' Committee with voting power in proportion to each shareholder's shareholding. While the Group has a 51% interest in these entities, 75% of the votes is required to pass a resolution. Accordingly, the Group's 51% interest in these investments is accounted for using the equity accounted method.

	31 Dec 17 $million	31 Dec 16 $million
NOTE 6 TAXATION		
(a) Tax expense		
Current tax expense – underlying operations	**(53.9)**	(64.1)
Deferred tax benefit/(expense)	**(1.8)**	34.5
	(55.7)	(29.6)
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	**4,287.1**	3,051.1
Less: Trust income not taxable for the Group – tax payable by members	**(4,203.8)**	(2,932.7)
	83.3	118.4
Prima facie tax expense at 30%	**(25.0)**	(35.5)
Deferred tax release on New Zealand capital transactions	**6.7**	40.6
Tax on inter-entity transactions	**(36.8)**	(35.5)
Other	**(0.6)**	0.8
Tax expense	**(55.7)**	(29.6)
(b) Deferred tax assets		
Provisions and accruals	**51.1**	65.5
	51.1	65.5
(c) Deferred tax liabilities		
Tax effect of book value in excess of the tax cost base of investment properties	**42.0**	59.3
Other timing differences	**66.3**	72.5
	108.3	131.8

Accounting Policies

Taxation

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

(i) Taxable and non taxable entities of the Group

The Parent Company and its Australian resident wholly owned subsidiaries have formed a tax consolidated group. The Parent Company has entered into tax funding arrangements with its Australian resident wholly owned subsidiaries, pursuant to which each subsidiary has agreed to pay or receive a tax equivalent amount based on the net taxable amount or loss of the subsidiary at the current tax rate. The tax consolidated group has applied the modified separate taxpayer approach in determining the appropriate amount of current taxes to allocate to each entity.

SGT1 and SGT2 are not liable for Australian income tax provided that members are presently entitled to the income of each Trust as determined in accordance with its constitution. The members of each Trust are taxable on their share of the taxable income of each Trust.

SGT3 is treated as a company for Australian tax purposes and accordingly is a taxable entity.

The Group's New Zealand resident entities are subject to New Zealand tax.

(ii) Accounting for income tax

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 Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax is provided on 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. Deferred tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity and not the income statement.

	Note	31 Dec 17 $million	31 Dec 16 $million
NOTE 7 SIGNIFICANT ITEMS			
The following significant items are relevant in explaining the financial performance of the business:			
Property revaluations		**3,056.7**	1,491.5
Equity accounted property revaluations		**160.1**	88.6
Net fair value gain and associated credit risk on currency derivatives that do not qualify for hedge accounting	11	**5.6**	23.6
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	11	**0.8**	24.2
Net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting	12	**(158.4)**	144.3
Net fair value loss on other financial liabilities	12	**(77.8)**	(19.1)
Gain in respect of capital transactions	13	**0.0**	35.5
Deferred tax benefit/(expense)	6	**(1.8)**	34.5
Equity accounted deferred tax expense	2(vi)	**(3.0)**	(5.0)

NOTE 8 DIVIDENDS/DISTRIBUTIONS

	31 Dec 17 $million	31 Dec 16 $million
(a) Final dividend/distributions for the year		
Dividend/distributions in respect of the 6 months to 31 December 2017		
Parent Company: 2.35 cents per share (31 December 2016: 2.70 cents per share) (i)	**124.8**	143.4
SGT1: 2.60 cents per unit (31 December 2016: 3.45 cents per unit)	**138.1**	183.3
SGT2: 5.92 cents per unit (31 December 2016: 4.33 cents per unit)	**314.5**	230.0
SGT3: nil (31 December 2016: 0.17 cents per unit) (i)	**–**	9.0
Scentre Group 10.87 cents per stapled security (31 December 2016: 10.65 cents per stapled security)	**577.4**	565.7

(i) Dividends to be paid/paid by the Parent Company and distributions to be paid/paid by SGT3 are franked at the corporate tax rate of 30%.

Interim dividend/distributions of 10.86 cents were paid on 31 August 2017. Final dividend/distributions will be paid on 28 February 2018. The record date for the final dividends/distributions was 5pm, 14 February 2018. The Group does not operate a Distribution Reinvestment Plan.

	31 Dec 17 $million	31 Dec 16 $million
(b) Dividends/distributions paid during the year		
Dividend/distributions in respect of the 6 months to 30 June 2017		
Parent Company: nil (30 June 2016: nil)	**–**	–
SGT1: 4.15 cents per unit (30 June 2016: 3.50 cents per unit)	**220.4**	185.9
SGT2: 6.71 cents per unit (30 June 2016: 7.15 cents per unit)	**356.4**	379.8
SGT3: nil (30 June 2016: nil)	**–**	–
Dividend/distributions in respect of the 6 months to 31 December 2016		
Parent Company: 2.70 cents per share (i) (31 December 2015: nil)	**143.4**	–
SGT1: 3.45 cents per unit (31 December 2015: 4.35 cents per unit)	**183.3**	231.1
SGT2: 4.33 cents per unit (31 December 2015: 6.10 cents per unit)	**230.0**	324.0
SGT3: 0.17 cents per unit (i) (31 December 2015: nil)	**9.0**	–
	1,142.5	1,120.8

(i) Dividends paid by the Parent Company and distributions paid by SGT3 are franked at the corporate tax rate of 30%.

(c) Franking credit balance of the Group

As at 31 December 2017, franking credits available for use in future distributions amount to $132.3 million (31 December 2016: $134.4 million).

	31 Dec 17 $	31 Dec 16 $
NOTE 9 NET TANGIBLE ASSET BACKING		
Net tangible asset backing per security	**4.24**	3.67

Net tangible asset backing per security is calculated by dividing total equity attributable to stapled security holders of the Group by the number of securities on issue. The number of securities used in the calculation of the consolidated net tangible asset backing is 5,311,595,241 (31 December 2016: 5,311,595,241).

	31 Dec 17 cents	31 Dec 16 cents

NOTE 10 EARNINGS PER SECURITY

(a) Summary of earnings per security

Earnings per security

Basic earnings per stapled security attributable to members of Scentre Group	**79.41**	56.30
Diluted earnings per stapled security attributable to members of Scentre Group	**79.18**	56.14
Basic earnings per SGL share	**2.40**	2.16
Diluted earnings per SGL share	**2.39**	2.16

(b) Income and security data

The following reflects the income data used in the calculations of basic and diluted earnings per stapled security:

	31 Dec 17 $million	31 Dec 16 $million
Earnings used in calculating basic earnings per stapled security [i]	**4,217.9**	2,990.5
Adjustment to earnings on options which are considered dilutive	**–**	–
Earnings used in calculating diluted earnings per stapled security	**4,217.9**	2,990.5

[i] Refer to the income statement for details of the profit after tax attributable to members of the Group.

Earnings used in calculating basic earnings per SGL share	**127.5**	114.9
Adjustment to earnings on options which are considered dilutive	**–**	–
Earnings used in calculating diluted earnings per SGL share	**127.5**	114.9

The following reflects the security data used in the calculations of basic and diluted earnings per stapled security:

	31 Dec 17 Number of securities	31 Dec 16 Number of securities
Weighted average number of ordinary securities used in calculating basic earnings per stapled security	**5,311,595,241**	5,311,595,241
Weighted average number of potential employee performance rights which, if securities were issued, would be dilutive [ii]	**15,076,608**	15,586,147
Adjusted weighted average number of ordinary securities used in calculating diluted earnings per stapled security	**5,326,671,849**	5,327,181,388

[ii] At 31 December 2017, 10,951,853 (31 December 2016: 10,651,290) actual employee award scheme security options were on hand.

(c) Conversions, calls, subscription or issues after 31 December 2017

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

Accounting Policies

Earnings per security

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

	31 Dec 17 $million	31 Dec 16 $million

NOTE 11 CURRENCY GAIN

Net fair value gain and associated credit risk on currency derivatives that do not qualify for hedge accounting	**5.6**	23.6
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	**0.8**	24.2
	6.4	47.8

Accounting Policies

Translation of foreign currency transactions

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

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

	31 Dec 17 $million	31 Dec 16 $million
NOTE 12 FINANCING COSTS		
Gross financing costs (excluding net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting)	**(505.8)**	(483.6)
Financing costs capitalised to qualifying development projects and construction in progress	**24.4**	17.6
Financing costs	**(481.4)**	(466.0)
Net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting	**(158.4)**	144.3
Finance leases interest expense	**(2.2)**	(2.2)
Interest expense on other financial liabilities	**(35.0)**	(63.0)
Net fair value loss on other financial liabilities	**(77.8)**	(19.1)
	(754.8)	(406.0)

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 Group for the acquisition or construction of a qualifying asset, the financing costs are capitalised.

Refer to Note 17 for other items included in financing costs.

	31 Dec 17 $million	31 Dec 16 $million
NOTE 13 GAIN IN RESPECT OF CAPITAL TRANSACTIONS		
Asset dispositions		
– proceeds from asset dispositions	**149.0**	644.6
– less: carrying value of assets disposed and other capital costs	**(149.0)**	(609.1)
Gain in respect of capital transactions	**0.0**	35.5
NOTE 14 CASH AND CASH EQUIVALENTS		
(a) Components of cash and cash equivalents		
Cash	**174.0**	159.0
Bank overdrafts	**–**	–
Total cash and cash equivalents	**174.0**	159.0
(b) Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	**4,231.4**	3,021.5
Property revaluations	**(3,056.7)**	(1,491.5)
Share of equity accounted profit in excess of dividends/distributions received	**(203.8)**	(127.7)
Deferred tax expense/(benefit)	**1.8**	(34.5)
Net fair value gain and associated credit risk on currency derivatives	**(5.6)**	(23.6)
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	**(0.8)**	(24.2)
Net fair value loss/(gain) on interest rate hedges that do not qualify for hedge accounting	**158.4**	(144.3)
Net fair value loss on other financial liabilities	**77.8**	19.1
Gain from capital transactions	**(0.0)**	(35.5)
Decrease/(increase) in working capital attributable to operating activities	**22.6**	(42.4)
Net cash flows from operating activities	**1,225.1**	1,116.9

Accounting Policies

Cash and cash equivalents

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

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

	31 Dec 17 $million	31 Dec 16 $million
NOTE 15 INTEREST BEARING LIABILITIES		
Current		
Unsecured		
Commercial paper and uncommitted facilities		
– A$ denominated	**979.6**	730.9
Notes payable		
– € denominated	**614.9**	–
Finance leases	**0.6**	0.5
	1,595.1	731.4
Non current		
Unsecured		
Bank loans		
– A$ denominated	**828.0**	1,177.0
– NZ$ denominated	**595.7**	410.0
Notes payable		
– € denominated	**3,425.1**	3,844.2
– US$ denominated	**3,649.6**	3,260.3
– £ denominated	**1,384.3**	1,369.6
– A$ denominated	**581.7**	582.4
Finance leases	**40.7**	38.7
Secured		
Bank loans and mortgages		
– A$ denominated	**223.5**	217.0
	10,728.6	10,899.2
Total interest bearing liabilities	**12,323.7**	11,630.6

The Group maintains a range of interest bearing liabilities. The sources of funding are spread over various counterparties to minimise credit risk and the terms of the instruments are negotiated to achieve a balance between capital availability and the cost of debt. Refer to Note 23 for details relating to fixed rate debt and derivatives which hedge floating rate liabilities.

	31 Dec 17 $million	31 Dec 16 $million
(a) Summary of financing facilities		
Committed financing facilities available to the Group:		
Total financing facilities at the end of the year	**14,891.9**	14,275.7
Total interest bearing liabilities	**(12,323.7)**	(11,630.6)
Total bank guarantees	**(62.4)**	(37.0)
Available financing facilities	**2,505.8**	2,608.1
Cash	**174.0**	159.0
Financing resources available at the end of the year	**2,679.8**	2,767.1

These facilities comprise fixed and floating rate notes and both secured and unsecured interest only floating rate facilities. Certain facilities are also subject to negative pledge arrangements which require the Group to comply with specific minimum financial and non-financial requirements. These facilities exclude the property linked notes liability of $673.7 million (31 December 2016: $1,012.5 million). Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

NOTE 15 INTEREST BEARING LIABILITIES (CONTINUED)

	Maturity Date	Committed financing facilities 31 Dec 17 $million	Total interest bearing liabilities 31 Dec 17 $million	Committed financing facilities 31 Dec 16 $million	Total interest bearing liabilities 31 Dec 16 $million
(b) Summary of maturity and amortisation profile of consolidated financing facilities and interest bearing liabilities					
Year ending December 2017 (i)		**–**	**–**	0.5	731.4
Year ending December 2018 (i)		**615.5**	**1,595.1**	784.2	784.2
Year ending December 2019		**1,311.8**	**1,211.8**	2,442.4	2,020.2
Year ending December 2020		**2,167.9**	**1,824.4**	2,605.8	1,552.0
Year ending December 2021		**2,590.7**	**1,498.3**	2,594.2	1,094.2
Year ending December 2022		**2,423.5**	**723.5**	1,116.3	716.3
Year ending December 2023		**2,080.8**	**1,768.9**	1,610.3	1,610.3
Year ending December 2024		**922.9**	**922.9**	875.9	875.9
Year ending December 2025		**1,409.2**	**1,409.2**	1,526.7	1,526.7
Year ending December 2026		**692.7**	**692.7**	685.4	685.4
Year ending December 2027		**640.9**	**640.9**	0.6	0.6
Due thereafter		**36.0**	**36.0**	33.4	33.4
		14,891.9	**12,323.7**	14,275.7	11,630.6
Total financing facilities and interest bearing liabilities are comprised of:					
Unsecured notes payable – € (ii)	Jul 18 to Jul 24	**4,040.0**	**4,040.0**	3,844.2	3,844.2
Unsecured notes payable – US$ (ii)	Nov 19 to Mar 27	**3,649.6**	**3,649.6**	3,260.3	3,260.3
Unsecured notes payable – £ (ii)	Apr 22 to Jul 26	**1,384.3**	**1,384.3**	1,369.6	1,369.6
Unsecured notes payable – A$	Oct 19 to Jul 22	**581.7**	**581.7**	582.4	582.4
Unsecured bank loan facilities	Jul 19 to Jul 23	**4,950.0**	**1,423.7**	4,950.0	1,587.0
Unsecured commercial paper and uncommitted facility (i)		**–**	**979.6**	–	730.9
Secured bank loans and mortgages	Aug 20	**245.0**	**223.5**	230.0	217.0
Finance leases		**41.3**	**41.3**	39.2	39.2
		14,891.9	**12,323.7**	14,275.7	11,630.6

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

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

	Maturity Date	Committed financing facilities (local currency) 31 Dec 17 million	Total interest bearing liabilities (local currency) 31 Dec 17 million	Committed financing facilities (local currency) 31 Dec 16 million	Total interest bearing liabilities (local currency) 31 Dec 16 million
(c) Details of consolidated financing facilities and interest bearing liabilities					
Commercial paper and uncommitted facilities (i)	Current	**–**	**A$979.6**	–	A$730.9
Unsecured bank loan – bilateral facility (ii)	2-Jul-18	**–**	**–**	A$200.0	A$200.0
Unsecured notes payable – bonds	16-Jul-18	**€400.0**	**€400.0**	€400.0	€400.0
Unsecured bank loan – bilateral facility (ii)	2-Jan-19	**–**	**–**	A$200.0	A$200.0
Unsecured bank loan – bilateral facility (ii)	1-Apr-19	**–**	**–**	A$150.0	NZ$143.2
Unsecured bank loan – bilateral facility	1-Jul-19	**A$100.0**	**A$100.0**	A$100.0	A$100.0
Unsecured bank loan – bilateral facility (ii)	1-Jul-19	**–**	**–**	A$100.0	–
Unsecured bank loan – bilateral facility (ii)	1-Jul-19	**–**	**–**	A$250.0	A$80.0
Unsecured bank loan – bilateral facility	2-Jul-19	**A$100.0**	**–**	A$100.0	A$100.0
Unsecured bank loan – bilateral facility (ii)	2-Jul-19	**–**	**–**	A$200.0	A$60.0
Unsecured bank loan – bilateral facility (ii)	2-Jul-19	**–**	**–**	A$150.0	A$150.0
Unsecured notes payable – bonds	23-Oct-19	**A$150.9**	**A$150.9**	A$151.4	A$151.4
Unsecured notes payable – bonds	5-Nov-19	**US$750.0**	**US$750.0**	US$750.0	US$750.0
Unsecured bank loan – bilateral facility (ii)	2-Jan-20	**A$200.0**	**A$185.0**	–	–
Unsecured bank loan – bilateral facility (ii)	1-Apr-20	**A$150.0**	**NZ$159.0**	–	–
Unsecured bank loan – bilateral facility	1-Jul-20	**A$250.0**	**A$105.0**	A$250.0	–
Unsecured bank loan – bilateral facility	1-Jul-20	**A$150.0**	**NZ$158.0**	A$150.0	NZ$147.2
Unsecured bank loan – bilateral facility	1-Jul-20	**A$150.0**	**–**	A$150.0	–
Unsecured bank loan – bilateral facility	1-Jul-20	**A$100.0**	**A$100.0**	A$100.0	A$100.0
Unsecured bank loan – bilateral facility (ii)	1-Jul-20	**–**	**–**	A$250.0	–
Unsecured bank loan – bilateral facility (ii)	1-Jul-20	**–**	**–**	A$250.0	NZ$35.8
Unsecured bank loan – bilateral facility (ii)	1-Jul-20	**–**	**–**	A$250.0	NZ$100.0
Unsecured bank loan – bilateral facility (ii)	1-Jul-20	**–**	**–**	A$100.0	A$87.0

NOTE 15 INTEREST BEARING LIABILITIES (CONTINUED)

	Maturity Date	**Committed financing facilities (local currency) 31 Dec 17 million**	**Total interest bearing liabilities (local currency) 31 Dec 17 million**	Committed financing facilities (local currency) 31 Dec 16 million	Total interest bearing liabilities (local currency) 31 Dec 16 million
(c) Details of consolidated financing facilities and interest bearing liabilities (continued)					
Unsecured notes payable – bonds	16-Jul-20	**€600.0**	**€600.0**	€600.0	€600.0
Secured mortgage – Carindale	31-Aug-20	**A$245.0**	**A$223.5**	A$230.0	A$217.0
Unsecured bank loan – bilateral facility (ii)	4-Jan-21	**A$150.0**	**A$150.0**	–	–
Unsecured bank loan – bilateral facility (ii)	31-Mar-21	**–**	**–**	A$50.0	–
Unsecured notes payable – bonds	28-Apr-21	**US$500.0**	**US$500.0**	US$500.0	US$500.0
Unsecured bank loan – bilateral facility (ii)	1-Jul-21	**A$250.0**	**NZ$76.0**	–	–
Unsecured bank loan – bilateral facility (ii)	1-Jul-21	**A$250.0**	**NZ$262.4**	–	–
Unsecured bank loan – bilateral facility (ii)	1-Jul-21	**A$100.0**	**–**	–	–
Unsecured bank loan – bilateral facility (ii)	1-Jul-21	**–**	**–**	A$250.0	–
Unsecured bank loan – bilateral facility (ii)	1-Jul-21	**–**	**–**	A$250.0	–
Unsecured bank loan – bilateral facility (ii)	1-Jul-21	**–**	**–**	A$250.0	–
Unsecured bank loan – bilateral facility (ii)	1-Jul-21	**–**	**–**	A$150.0	–
Unsecured bank loan – bilateral facility (ii)	1-Jul-21	**–**	**–**	A$150.0	–
Unsecured bank loan – bilateral facility (ii)	1-Jul-21	**–**	**–**	A$100.0	–
Unsecured bank loan – bilateral facility (ii)	2-Jul-21	**A$250.0**	**–**	–	–
Unsecured bank loan – bilateral facility (ii)	3-Jul-21	**A$250.0**	**–**	–	–
Unsecured bank loan – bilateral facility	30-Jul-21	**A$300.0**	**–**	A$300.0	–
Unsecured notes payable – bonds	8-Sep-21	**A$400.0**	**A$400.0**	A$400.0	A$400.0
Unsecured bank loan – bilateral facility (iii)	3-Jan-22	**–**	**–**	A$200.0	–
Unsecured bank loan – bilateral facility (ii)	3-Jan-22	**–**	**–**	A$200.0	–
Unsecured bank loan – bilateral facility (ii)	31-Mar-22	**A$50.0**	**–**	–	–
Unsecured notes payable – bonds	8-Apr-22	**£400.0**	**£400.0**	£400.0	£400.0
Unsecured bank loan – bilateral facility (ii)	1-Jul-22	**A$250.0**	**–**	–	–
Unsecured bank loan – bilateral facility (ii)	1-Jul-22	**A$250.0**	**–**	–	–
Unsecured bank loan – bilateral facility (ii)	1-Jul-22	**A$150.0**	**–**	–	–
Unsecured bank loan – bilateral facility (ii)	1-Jul-22	**A$150.0**	**–**	–	–
Unsecured bank loan – bilateral facility (ii)	1-Jul-22	**A$100.0**	**–**	–	–
Unsecured bank loan – bilateral facility (ii)	1-Jul-22	**A$100.0**	**–**	–	–
Unsecured bank loan – bilateral facility (ii)	2-Jul-22	**A$250.0**	**–**	–	–
Unsecured bank loan – bilateral facility (ii)	2-Jul-22	**A$200.0**	**–**	–	–
Unsecured bank loan – bilateral facility (ii)	2-Jul-22	**A$200.0**	**–**	–	–
Unsecured notes payable – bonds	4-Jul-22	**A$30.8**	**A$30.8**	A$31.0	A$31.0
Unsecured bank loan – bilateral facility (iii)	3-Jan-23	**A$50.0**	**A$50.0**	–	–
Unsecured bank loan – bilateral facility (iii)	3-Jan-23	**A$150.0**	**A$38.0**	–	–
Unsecured bank loan – bilateral facility (ii)	3-Jan-23	**A$200.0**	**–**	–	–
Unsecured notes payable – bonds	22-Mar-23	**€500.0**	**€500.0**	€500.0	€500.0
Unsecured bank loan – bilateral facility	18-Jul-23	**A$100.0**	**A$100.0**	A$100.0	A$100.0
Unsecured notes payable – bonds	11-Sep-23	**€528.0**	**€528.0**	€534.7	€534.7
Unsecured notes payable – bonds	16-Jul-24	**€600.0**	**€600.0**	€600.0	€600.0
Unsecured notes payable – bonds	12-Feb-25	**US$600.0**	**US$600.0**	US$600.0	US$600.0
Unsecured notes payable – bonds	28-Oct-25	**US$500.0**	**US$500.0**	US$500.0	US$500.0
Unsecured notes payable – bonds	16-Jul-26	**£400.0**	**£400.0**	£400.0	£400.0
Unsecured notes payable – bonds	23-Mar-27	**US$500.0**	**US$500.0**	–	–
Total A$ equivalent of the above		**A$14,850.6**	**A$12,282.4**	A$14,236.5	A$11,591.4
Add:					
Finance leases		**A$41.3**	**A$41.3**	A$39.2	A$39.2
Consolidated financing facilities and interest bearing liabilities		**A$14,891.9**	**A$12,323.7**	A$14,275.7	A$11,630.6

(i) Drawings on the Group's commercial paper program and uncommitted facilities may be refinanced by the Group's non current unsecured bank loan facilities.

(ii) During the year, these bilateral facilities were extended and are shown separately at the new maturity date.

(iii) During the year, this facility was split and extended.

The Group consolidates Carindale Property Trust and the borrowings in this trust are secured by a mortgage over the trust's interest in Westfield Carindale. The recorded fair value of the Carindale centre is $813.6 million (31 December 2016: $807.6 million) compared to borrowings of $223.5 million (31 December 2016: $217.0 million).

The secured and unsecured bank loans, uncommitted facilities and notes payable are subject to negative pledge arrangements which require the Group to comply with certain minimum financial and non-financial requirements.

NOTE 15 INTEREST BEARING LIABILITIES (CONTINUED)

	31 Dec 17 $million	31 Dec 16 $million
(d) Movements in interest bearing liabilities and currency derivatives hedging borrowings in foreign currency, arising from financing activities		
Balance at the beginning of the year	**11,340.0**	10,577.4
Net proceeds from interest bearing liabilities	**769.9**	800.0
Effects of exchange rate changes and fair value gains on currency derivatives	**(39.8)**	(37.4)
Balance at the end of the year [i]	**12,070.1**	11,340.0

[i] Comprises total interest bearing liabilities of $12,323.7 million (31 December 2016: $11,630.6 million) less net receivables on currency derivatives hedging borrowings in foreign currency of $253.6 million (31 December 2016: $290.6 million) as disclosed in Note 17 on page 55.

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.

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

The fair value of the Group's interest bearing borrowings as disclosed in Note 27 are determined as follows:

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

NOTE 16 OTHER FINANCIAL LIABILITIES

	31 Dec 17 $million	31 Dec 16 $million
Property linked notes		
Current	**–**	416.6
Non current	**673.7**	595.9
	673.7	1,012.5

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

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

During the year, $416.6 million (31 December 2016: $161.5 million) of the Notes were repaid and terminated. The review dates for the remaining Notes linked to Parramatta, Southland and Hornsby are 31 December 2021, 2022 and 2023, respectively. The coupon on the remaining Notes is payable quarterly on 15 March, 15 June, 15 September and 15 December each year for as long as the Notes remain outstanding.

Accounting Policies

Other financial liabilities

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

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

NOTE 17 DERIVATIVE ASSETS AND LIABILITIES

	31 Dec 17 $million	31 Dec 16 $million
(a) Derivative assets		
Current		
Receivables on currency derivatives hedging borrowings in foreign currency	**35.6**	–
	35.6	–
Non current		
Receivables on currency derivatives hedging investments in foreign operations	**–**	0.1
Receivables on currency derivatives hedging borrowings in foreign currency	**358.8**	430.8
Receivables on interest rate derivatives	**245.4**	357.6
	604.2	788.5
(b) Derivative liabilities		
Current		
Payables on currency derivatives hedging investments in foreign operations	**–**	12.4
Payables on interest rate derivatives	**8.9**	3.7
	8.9	16.1
Non current		
Payables on currency derivatives hedging investments in foreign operations	**–**	7.2
Payables on currency derivatives hedging borrowings in foreign currency	**140.8**	140.2
Payables on interest rate derivatives	**252.6**	211.5
	393.4	358.9

The Group presents the fair value mark to market of its derivative assets and derivative liabilities on a gross basis. However, certain derivative assets and liabilities are subject to legally enforceable master netting arrangements. As at 31 December 2017, when these netting arrangements are applied to the derivative portfolio, derivative assets of $639.8 million would be reduced by $369.6 million to the net amount of $270.2 million and derivative liabilities of $402.3 million would be reduced by $369.6 million to the net amount of $32.7 million. As at 31 December 2016, derivative assets of $788.5 million would be reduced by $334.2 million to the net amount of $454.3 million and derivative liabilities of $375.0 million would be reduced by $334.2 million to the net amount of $40.8 million.

Accounting Policies

Derivative financial instruments

The Group 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.

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

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

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

	31 Dec 17 Securities	31 Dec 16 Securities
NOTE 18 CONTRIBUTED EQUITY		
(a) Number of securities on issue		
Balance at the beginning and end of the year (i)	**5,311,595,241**	5,311,595,241

(i) The number of securities on issue as at 31 December 2017 was 5,324,296,678 (31 December 2016: 5,324,296,678). The Scentre Executive Option Plan Trust holds 12,701,437 (31 December 2016: 12,701,437) securities in the Group, which have been consolidated and eliminated in accordance with accounting standards.

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

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

	31 Dec 17 $million	31 Dec 16 $million
(b) Amount of contributed equity		
of the Parent Company	**674.4**	674.4
of SGT1, SGT2 and SGT3 (i)	**9,820.8**	9,820.8
of the Group	**10,495.2**	10,495.2

(i) Comprises SGT1 $1,650.8 million (31 December 2016: $1,650.8 million), SGT2 $8,158.5 million (31 December 2016: $8,158.5 million) and SGT3 $11.5 million (31 December 2016: $11.5 million).

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

	31 Dec 17 $million	31 Dec 16 $million
NOTE 19 RESERVES		
of the Parent Company	**12.8**	14.1
of SGT1, SGT2 and SGT3 (i)	**73.8**	101.2
of the Group	**86.6**	115.3

(i) Comprises SGT1 $11.0 million (31 December 2016: $27.3 million), SGT2 $62.8 million (31 December 2016: $73.9 million) and SGT3 nil (31 December 2016: nil).

Total reserves of the Group		
Foreign currency translation reserve	**72.7**	101.1
Employee share plan benefits reserve	**13.9**	14.2
Balance at the end of the year	**86.6**	115.3

Movement in foreign currency translation reserve

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

Balance at the beginning of the year	**101.1**	115.7
Foreign exchange movement		
– realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting (ii)	**(27.6)**	9.6
– accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	**(0.8)**	(24.2)
Balance at the end of the year	**72.7**	101.1

(ii) Comprises net exchange loss on translation of foreign operations of $33.9 million (31 December 2016: gain of $23.9 million) and net realised and unrealised gain on asset hedging derivatives which qualify for hedge accounting of $6.3 million (31 December 2016: loss of $14.3 million).

Accounting Policies
Translation of accounts of foreign operations
The functional and presentation currency of the Parent Company 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 Group to be reported in a common currency.

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

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

NOTE 19 RESERVES (CONTINUED)

	31 Dec 17 $million	31 Dec 16 $million
Movement in employee share plan benefits reserve		
The employee share plan benefits reserve is used to record the value of share based payments provided to employees as part of their remuneration.		
Balance at the beginning of the year	**14.2**	21.7
– movement in equity settled share based payment	**(0.3)**	(7.5)
Balance at the end of the year	**13.9**	14.2

NOTE 20 RETAINED PROFITS

of the Parent Company	**139.4**	155.3
of SGT1, SGT2 and SGT3 (i)	**11,812.7**	8,721.4
of the Group	**11,952.1**	8,876.7

(i) Comprises SGT1 $6,902.1 million (31 December 2016: $5,430.2 million), SGT2 $4,903.7 million (31 December 2016: $3,277.7 million) and SGT3 $6.9 million (31 December 2016: $13.5 million).

Movement in retained profits		
Balance at the beginning of the year	**8,876.7**	7,007.0
Profit after tax for the period	**4,217.9**	2,990.5
Dividends/distributions paid	**(1,142.5)**	(1,120.8)
Balance at the end of the year	**11,952.1**	8,876.7

NOTE 21 CAPITAL RISK MANAGEMENT

The Group seeks to manage its capital requirements to maximise value to members through the mix of debt and equity funding, while ensuring that Group entities:

- comply with capital and distribution requirements of their constitutions and/or trust deeds;
- comply with capital requirements of relevant regulatory authorities;
- maintain strong investment grade credit ratings; and
- continue to operate as going concerns.

The Group assesses the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity mix) as part of its broader strategic plan. The Group continuously reviews its capital structure to ensure:

- sufficient funds and financing facilities, on a cost effective basis, are available to implement the Group's property development and business acquisition strategies;
- financing facilities for unforeseen contingencies are maintained; and
- distributions to members are maintained within the stated distribution policy.

The Group is able to alter its capital mix by issuing new stapled securities and hybrid securities, establishing a distribution reinvestment plan and electing to have the distribution reinvestment underwritten, adjusting the amount of distributions paid to members, activating a security buy-back program, divesting assets or adjusting the timing of capital expenditure for its property redevelopment pipeline.

The Group also protects its equity in assets by taking out insurance.

NOTE 22 FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise cash, receivables, payables, interest bearing liabilities, other financial liabilities and derivative financial instruments.

The Group manages its exposure to key financial risks in accordance with the Group's treasury risk management policies. These policies have been established to manage the key financial risks such as interest rate, foreign exchange, counterparty credit and liquidity.

The Group's treasury risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training and procedures, has developed a disciplined and constructive control environment in which relevant treasury and finance personnel understand their roles and obligations in respect of the Group's treasury management objectives.

The Group has an established Board approved risk management framework including policies, procedures, limits and allowed types of derivative financial instruments. The Board has established an Audit and Risk Committee comprising three independent Directors. The Audit and Risk Committee reviews and oversees management's compliance with these policies, procedures and limits. The Audit and Risk Committee is assisted in its oversight role by the Group's Executive Committee.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates, foreign exchange, liquidity and credit risk. The Group enters into derivative financial instruments, principally interest rate swaps, interest rate options, cross currency swaps, forward exchange contracts and currency options. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's operations, cash flows, interest bearing liabilities and its net investments in foreign operations. The Group seeks to deal only with creditworthy counterparties and these assessments are regularly reviewed. Liquidity risk is monitored through the use of future rolling cash flow forecasts.

NOTE 23 INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk on its borrowings and derivative financial instruments. This risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate interest bearing liabilities. Fixed rate debt is achieved either through fixed rate debt funding or through the use of derivative financial instruments approved by the Board. These activities are evaluated regularly to determine that the Group is not exposed to interest rate movements that could adversely impact its ability to meet its financial obligations and to comply with its borrowing covenants.

Summary of interest rate positions at balance date

The Group has interest rate risk on borrowings which are typically floating rate debt or notional borrowings entered into under currency derivatives. The exposures at reporting date together with the interest rate risk management transactions are as follows:

(i) Interest payable and receivable exposures

	Note	**31 Dec 17 $million**	31 Dec 16 $million
Principal amounts of all interest bearing liabilities and derivative liabilities:			
Interest bearing liabilities	15	**12,323.7**	11,630.6
Share of equity accounted entities' interest bearing liabilities	2(vi)	**19.2**	15.2
Cross currency swaps			
– A$	24(ii)	**8,781.4**	8,129.2
Total interest bearing liabilities		**21,124.3**	19,775.0
Principal amounts of all interest bearing assets and derivative assets:			
Cross currency swaps			
– £800.0 million (31 December 2016: £800.0 million)	24(ii)	**1,384.3**	1,369.6
– US$2,850.0 million (31 December 2016: US$2,350.0 million)	24(ii)	**3,649.6**	3,260.3
– €2,600.0 million (31 December 2016: €2,600.0 million)	24(ii)	**3,996.9**	3,793.4
Cash	2(vi)	**176.6**	171.5
Total interest bearing assets		**9,207.4**	8,594.8
Principal amounts of net interest bearing liabilities		**11,916.9**	11,180.2
Principal amounts of fixed interest rate liabilities:			
Fixed rate debt			
– A$	23(ii)	**580.0**	580.0
– £800.0 million (31 December 2016: £800.0 million)	23(ii)	**1,384.3**	1,369.6
– US$2,850.0 million (31 December 2016: US$2,350.0 million)	23(ii)	**3,649.6**	3,260.3
– €2,200.0 million (31 December 2016: €2,200.0 million)	23(ii)	**3,382.0**	3,209.8
Fixed rate derivatives			
– A$	23(ii)	**8,678.5**	7,872.5
– NZ$500.0 million (31 December 2016: NZ$440.0 million)	23(ii)	**454.5**	423.3
Interest rate options			
– NZ$70.0 million (31 December 2016: NZ$70.0 million)	23(iii)	**63.6**	67.3
Principal amounts on which interest rate payable exposure has been hedged		**18,192.5**	16,782.8
Principal amounts of fixed interest rate assets:			
Fixed rate derivatives			
– A$	23(ii)	**150.0**	150.0
– £800.0 million (31 December 2016: £800.0 million)	23(ii)	**1,384.3**	1,369.6
– US$2,850.0 million (31 December 2016: US$2,350.0 million)	23(ii)	**3,649.6**	3,260.3
– €2,200.0 million (31 December 2016: €2,200.0 million)	23(ii)	**3,382.0**	3,209.8
Principal amounts on which interest rate receivable exposure has been hedged		**8,565.9**	7,989.7
Principal amounts of net interest bearing liabilities hedged by fixed rate debt and derivatives		**9,626.6**	8,793.1

At 31 December 2017, the Group has hedged 81% of its net interest bearing liabilities by way of fixed rate borrowings, interest rate swaps and interest rate options of varying durations. The remaining 19% is exposed to floating rates on a principal payable of $2,290.3 million, at an average interest rate of 3.1%, including margin (31 December 2016: 79% hedged with floating exposure on a principal payable of $2,387.1 million at an average interest rate of 3.1%). Changes to the fair value of derivatives due to interest rate movements are set out in Notes 23(ii) and 23(iii).

Interest rate sensitivity

The sensitivity of interest expense to changes in the floating exposure interest rate is proportional. An increase or decrease in interest rates of 100 basis points would increase or decrease interest expense by $22.9 million (31 December 2016: $23.9 million) for each year thereafter.

NOTE 23 INTEREST RATE RISK MANAGEMENT (CONTINUED)

Summary of interest rate positions at balance date (continued)

(ii) Fixed rate debt and interest rate swaps

Notional principal or contract amounts and contracted rates of the Group's fixed rate debt and interest rate swaps:

	Interest rate swaps		**Fixed rate borrowings**		Interest rate swaps		Fixed rate borrowings	
Fixed rate debt and swaps contracted as at the reporting date and outstanding at	**31 Dec 17 Notional principal amount million**	**31 Dec 17 Average rate**	**31 Dec 17 Principal amount million**	**31 Dec 17 Average rate including margin**	31 Dec 16 Notional principal amount million	31 Dec 16 Average rate	31 Dec 16 Principal amount million	31 Dec 16 Average rate including margin
A$ payable								
31 December 2016	**–**	**–**	**–**	**–**	A$(7,872.5)	2.92%	A$(580.0)	4.71%
31 December 2017	**A$(8,678.5)**	**2.88%**	**A$(580.0)**	**4.71%**	A$(7,663.5)	2.91%	A$(580.0)	4.71%
31 December 2018	**A$(8,265.0)**	**2.86%**	**A$(580.0)**	**4.71%**	A$(7,250.0)	2.89%	A$(580.0)	4.71%
31 December 2019	**A$(7,755.0)**	**2.82%**	**A$(430.0)**	**4.60%**	A$(6,240.0)	2.84%	A$(430.0)	4.60%
31 December 2020	**A$(6,245.0)**	**2.85%**	**A$(430.0)**	**4.60%**	A$(4,730.0)	2.89%	A$(430.0)	4.60%
31 December 2021	**A$(5,795.0)**	**2.88%**	**A$(30.0)**	**5.96%**	A$(3,280.0)	2.91%	A$(30.0)	5.96%
31 December 2022	**A$(4,785.0)**	**2.84%**	**–**	**–**	A$(1,770.0)	2.80%	–	–
31 December 2023	**A$(3,515.0)**	**2.84%**	**–**	**–**	A$(500.0)	2.66%	–	–
31 December 2024	**A$(2,500.0)**	**2.86%**	**–**	**–**	–	–	–	–
31 December 2025	**A$(1,500.0)**	**2.94%**	**–**	**–**	–	–	–	–
31 December 2026	**A$(500.0)**	**2.74%**	**–**	**–**	–	–	–	–
NZ$ payable								
31 December 2016	**–**	**–**	**–**	**–**	NZ$(440.0)	3.59%	–	–
31 December 2017	**NZ$(500.0)**	**3.28%**	**–**	**–**	NZ$(350.0)	3.35%	–	–
31 December 2018	**NZ$(410.0)**	**3.24%**	**–**	**–**	NZ$(210.0)	3.34%	–	–
31 December 2019	**NZ$(430.0)**	**3.31%**	**–**	**–**	NZ$(230.0)	3.45%	–	–
31 December 2020	**NZ$(380.0)**	**3.28%**	**–**	**–**	NZ$(180.0)	3.43%	–	–
31 December 2021	**NZ$(300.0)**	**3.22%**	**–**	**–**	NZ$(100.0)	3.36%	–	–
31 December 2022	**NZ$(250.0)**	**3.17%**	**–**	**–**	NZ$(50.0)	3.26%	–	–
31 December 2023	**NZ$(200.0)**	**3.15%**	**–**	**–**	–	–	–	–
31 December 2024	**NZ$(150.0)**	**3.18%**	**–**	**–**	–	–	–	–
31 December 2025	**NZ$(50.0)**	**3.29%**	**–**	**–**	–	–	–	–
A$ receivable								
31 December 2016	**–**	**–**	**–**	**–**	A$150.0	3.05%	–	–
31 December 2017	**A$150.0**	**3.05%**	**–**	**–**	A$150.0	3.05%	–	–
31 December 2018	**A$150.0**	**3.05%**	**–**	**–**	A$150.0	3.05%	–	–
£ receivable/(payable)								
31 December 2016	**–**	**–**	**–**	**–**	£800.0	3.13%	£(800.0)	3.13%
31 December 2017	**£800.0**	**3.13%**	**£(800.0)**	**3.13%**	£800.0	3.13%	£(800.0)	3.13%
31 December 2018	**£800.0**	**3.13%**	**£(800.0)**	**3.13%**	£800.0	3.13%	£(800.0)	3.13%
31 December 2019	**£800.0**	**3.13%**	**£(800.0)**	**3.13%**	£800.0	3.13%	£(800.0)	3.13%
31 December 2020	**£800.0**	**3.13%**	**£(800.0)**	**3.13%**	£800.0	3.13%	£(800.0)	3.13%
31 December 2021	**£800.0**	**3.13%**	**£(800.0)**	**3.13%**	£800.0	3.13%	£(800.0)	3.13%
31 December 2022	**£400.0**	**3.88%**	**£(400.0)**	**3.88%**	£400.0	3.88%	£(400.0)	3.88%
31 December 2023	**£400.0**	**3.88%**	**£(400.0)**	**3.88%**	£400.0	3.88%	£(400.0)	3.88%
31 December 2024	**£400.0**	**3.88%**	**£(400.0)**	**3.88%**	£400.0	3.88%	£(400.0)	3.88%
31 December 2025	**£400.0**	**3.88%**	**£(400.0)**	**3.88%**	£400.0	3.88%	£(400.0)	3.88%

NOTE 23 INTEREST RATE RISK MANAGEMENT (CONTINUED)

Summary of interest rate positions at balance date (continued)

(ii) Fixed rate debt and interest rate swaps (continued)

	Interest rate swaps		**Fixed rate borrowings**		Interest rate swaps		Fixed rate borrowings	
Fixed rate debt and swaps contracted as at the reporting date and outstanding at	**31 Dec 17 Notional principal amount million**	**31 Dec 17 Average rate**	**31 Dec 17 Principal amount million**	**31 Dec 17 Average rate including margin**	31 Dec 16 Notional principal amount million	31 Dec 16 Average rate	31 Dec 16 Principal amount million	31 Dec 16 Average rate including margin
US$ receivable/(payable)								
31 December 2016	**–**	**–**	**–**	**–**	US$2,350.0	2.85%	US$(2,350.0)	2.85%
31 December 2017	**US$2,850.0**	**3.01%**	**US$(2,850.0)**	**3.01%**	US$2,350.0	2.85%	US$(2,350.0)	2.85%
31 December 2018	**US$2,850.0**	**3.01%**	**US$(2,850.0)**	**3.01%**	US$2,350.0	2.85%	US$(2,350.0)	2.85%
31 December 2019	**US$2,100.0**	**3.23%**	**US$(2,100.0)**	**3.23%**	US$1,600.0	3.07%	US$(1,600.0)	3.07%
31 December 2020	**US$2,100.0**	**3.23%**	**US$(2,100.0)**	**3.23%**	US$1,600.0	3.07%	US$(1,600.0)	3.07%
31 December 2021	**US$1,600.0**	**3.50%**	**US$(1,600.0)**	**3.50%**	US$1,100.0	3.39%	US$(1,100.0)	3.39%
31 December 2022	**US$1,600.0**	**3.50%**	**US$(1,600.0)**	**3.50%**	US$1,100.0	3.39%	US$(1,100.0)	3.39%
31 December 2023	**US$1,600.0**	**3.50%**	**US$(1,600.0)**	**3.50%**	US$1,100.0	3.39%	US$(1,100.0)	3.39%
31 December 2024	**US$1,600.0**	**3.50%**	**US$(1,600.0)**	**3.50%**	US$1,100.0	3.39%	US$(1,100.0)	3.39%
31 December 2025	**US$500.0**	**3.75%**	**US$(500.0)**	**3.75%**	–	–	–	–
31 December 2026	**US$500.0**	**3.75%**	**US$(500.0)**	**3.75%**	–	–	–	–
€ receivable/(payable)								
31 December 2016	**–**	**–**	**–**	**–**	€2,200.0	2.07%	€(2,200.0)	2.07%
31 December 2017	**€2,200.0**	**2.07%**	**€(2,200.0)**	**2.07%**	€2,200.0	2.07%	€(2,200.0)	2.07%
31 December 2018	**€2,200.0**	**2.07%**	**€(2,200.0)**	**2.07%**	€2,200.0	2.07%	€(2,200.0)	2.07%
31 December 2019	**€2,200.0**	**2.07%**	**€(2,200.0)**	**2.07%**	€2,200.0	2.07%	€(2,200.0)	2.07%
31 December 2020	**€1,600.0**	**2.29%**	**€(1,600.0)**	**2.29%**	€1,600.0	2.29%	€(1,600.0)	2.29%
31 December 2021	**€1,600.0**	**2.29%**	**€(1,600.0)**	**2.29%**	€1,600.0	2.29%	€(1,600.0)	2.29%
31 December 2022	**€1,600.0**	**2.29%**	**€(1,600.0)**	**2.29%**	€1,600.0	2.29%	€(1,600.0)	2.29%
31 December 2023	**€600.0**	**2.25%**	**€(600.0)**	**2.25%**	€600.0	2.25%	€(600.0)	2.25%

The Group's interest rate swaps do not meet the accounting requirements to qualify for hedge accounting treatment. Changes in fair value have been reflected in the income statement as a component of interest expense. At 31 December 2017, the aggregate fair value is a payable of $15.0 million (31 December 2016: receivable of $143.8 million). The change in fair value for the year ended 31 December 2017 was a loss of $158.8 million (31 December 2016: gain of $144.7 million).

Fair value sensitivity		**31 Dec 17 $million**	31 Dec 16 $million
The sensitivity of fair value of interest rate swaps to changes in interest rates is as follows:	Interest rate movement	(Increase)/decrease in interest expense	
	-2.0%	**59.3**	334.7
	-1.0%	**25.7**	152.2
	-0.5%	**10.2**	69.7
	0.5%	**(4.2)**	(73.2)
	1.0%	**(5.2)**	(134.0)
	2.0%	**0.3**	(237.6)

The assumed movement in basis points for the interest rate sensitivity analysis is based on the current observable market environment.

All fixed rate borrowings are carried at amortised cost, therefore increases or decreases arising from changes in fair value have not been recorded in these financial statements.

(iii) Interest rate options

Notional principal and contracted rates of the Group's interest rate options:

	Interest rate options			Interest rate options		
Interest rate options contracted and outstanding as at the reporting date	**31 Dec 17 Maturity**	**31 Dec 17 Notional principal amount million**	**31 Dec 17 Average strike rates**	31 Dec 16 Maturity	31 Dec 16 Notional principal amount million	31 Dec 16 Average strike rates
NZ$ payable collar	**Jan 19**	**NZ$(70.0)**	**3.39% – 5.25%**	Jan 19	NZ$(70.0)	3.39% – 5.25%

The Group's interest rate options do not meet the accounting requirements to qualify for hedge accounting treatment. Changes in fair value have been reflected in the income statement as a component of interest expense. At 31 December 2017, the aggregate fair value is a payable of $1.1 million (31 December 2016: $1.4 million). The change in fair value for the year ended 31 December 2017 was a gain of $0.3 million (31 December 2016: loss of $0.3 million).

The sensitivity of the fair value of interest rate options to changes in interest rates is insignificant.

NOTE 24 EXCHANGE RATE RISK MANAGEMENT

The Group is exposed to exchange rate risk on its foreign currency earnings, its distribution and its foreign currency denominated shopping centre assets and other assets. The Group manages these exposures by entering into foreign currency derivative instruments and by borrowing in foreign currencies.

Summary of foreign exchange balance sheet positions at balance date

The Group's foreign exchange exposures at reporting date together with the foreign exchange risk management transactions which have been entered into to manage these exposures are as follows:

	Note	**31 Dec 17 million**	31 Dec 16 million
Foreign currency net investments			
New Zealand Dollar			
NZ$ net assets		**NZ$1,192.7**	NZ$1,228.4
NZ$ borrowings		**NZ$(676.9)**	NZ$(442.5)
NZ$ currency swaps	24(i)	**–**	NZ$(293.2)
NZ$ denominated net assets		**NZ$515.8**	NZ$492.7
US Dollar			
US$ net assets		**US$0.6**	US$0.1
US$ borrowings		**US$(2,850.0)**	US$(2,350.0)
US$ cross currency swaps	24(ii)	**US$2,850.0**	US$2,350.0
US$ denominated net assets		**US$0.6**	US$0.1
British Pound			
£ borrowings		**£(800.0)**	£(800.0)
£ cross currency swaps	24(ii)	**£800.0**	£800.0
£ denominated net assets		**–**	–
Euro			
€ net assets		**€0.2**	–
€ borrowings		**€(2,600.0)**	€(2,600.0)
€ cross currency swaps	24(ii)	**€2,600.0**	€2,600.0
€ denominated net assets		**€0.2**	–

The Group's foreign currency net assets are subject to exchange rate risk. Gains and losses arising from translation of the Group's foreign currency denominated net assets, and, where applicable, associated hedging instruments, where the Group has satisfied the accounting requirements to qualify for hedge accounting treatment, are reflected in the foreign currency translation reserve.

Where the Group does not satisfy the hedge accounting requirements, the changes in fair value are reflected in the income statement as either foreign exchange gains or losses as appropriate.

Foreign currency sensitivity		**31 Dec 17 $million**	31 Dec 16 $million
The sensitivity of NZ$ denominated net assets to changes in the year end A$/NZ$1.1002 rate (31 December 2016: 1.0395) is as follows:	A$/NZ$ Currency movement		Gain/(loss) to foreign currency translation reserve
	- 20 cents	**104.2**	112.9
	- 10 cents	**46.9**	50.5
	- 5 cents	**22.3**	24.0
	+ 5 cents	**(20.4)**	(21.8)
	+ 10 cents	**(39.1)**	(41.6)
	+ 20 cents	**(72.1)**	(76.5)

The assumed currency movement for the foreign currency sensitivity analysis is based on the current observable market environment.

The sensitivity of US$, £ and € denominated net assets to changes in exchange rates is insignificant.

NOTE 24 EXCHANGE RATE RISK MANAGEMENT (CONTINUED)

(i) Net investment hedges of the Group's foreign currency assets and liabilities

The following table summarises the foreign currency swaps outstanding at reporting date. These contracts were designated as hedges of net investment in foreign operations.

Foreign exchange contracts as at the reporting date and outstanding at	Weighted average exchange rate 31 Dec 17	31 Dec 16	Amount receivable/(payable) million 31 Dec 17	31 Dec 17	31 Dec 16	31 Dec 16
Contracts to receive A$ and pay NZ$						
31 December 2016	**–**	1.1250	**–**	**–**	A$260.7	NZ$(293.2)
31 December 2017	**–**	1.1306	**–**	**–**	A$95.7	NZ$(108.2)

The pay NZ$ exposure was an effective net investment hedge and was recorded directly in the foreign currency translation reserve. At 31 December 2017, the aggregate fair value is nil (31 December 2016: payable of $19.5 million). The change in fair value for the year ended 31 December 2017 was a gain of $19.5 million (31 December 2016: loss of $2.5 million).

(ii) Other foreign currency derivatives in respect of the Group's foreign currency assets and liabilities

The Group has transacted cross currency swaps in respect of its foreign currency assets and liabilities outstanding at reporting date. These contracts do not qualify as hedges of net investments in foreign operations.

Cross currency swaps contracted as at the reporting date and outstanding at	Weighted average exchange rate 31 Dec 17	31 Dec 16	Amount receivable/(payable) million 31 Dec 17	31 Dec 17	31 Dec 16	31 Dec 16
US$						
Contracts to receive US$ and pay A$						
31 December 2016	**–**	0.8270	**–**	**–**	A$(2,841.5)	US$2,350.0
31 December 2017	**0.8157**	0.8270	**A$(3,493.7)**	**US$2,850.0**	A$(2,841.5)	US$2,350.0
31 December 2018	**0.8157**	0.8270	**A$(3,493.7)**	**US$2,850.0**	A$(2,841.5)	US$2,350.0
31 December 2019	**0.7925**	0.8009	**A$(2,650.0)**	**US$2,100.0**	A$(1,997.7)	US$1,600.0
31 December 2020	**0.7925**	0.8009	**A$(2,650.0)**	**US$2,100.0**	A$(1,997.7)	US$1,600.0
31 December 2021	**0.7995**	0.8155	**A$(2,001.2)**	**US$1,600.0**	A$(1,348.9)	US$1,100.0
31 December 2022	**0.7995**	0.8155	**A$(2,001.2)**	**US$1,600.0**	A$(1,348.9)	US$1,100.0
31 December 2023	**0.7995**	0.8155	**A$(2,001.2)**	**US$1,600.0**	A$(1,348.9)	US$1,100.0
31 December 2024	**0.7995**	0.8155	**A$(2,001.2)**	**US$1,600.0**	A$(1,348.9)	US$1,100.0
31 December 2025	**0.7666**	–	**A$(652.3)**	**US$500.0**	–	–
31 December 2026	**0.7666**	–	**A$(652.3)**	**US$500.0**	–	–
£						
Contracts to receive £ and pay A$						
31 December 2016	**–**	0.5311	**–**	**–**	A$(1,506.2)	£800.0
31 December 2017	**0.5311**	0.5311	**A$(1,506.2)**	**£800.0**	A$(1,506.2)	£800.0
31 December 2018	**0.5311**	0.5311	**A$(1,506.2)**	**£800.0**	A$(1,506.2)	£800.0
31 December 2019	**0.5311**	0.5311	**A$(1,506.2)**	**£800.0**	A$(1,506.2)	£800.0
31 December 2020	**0.5311**	0.5311	**A$(1,506.2)**	**£800.0**	A$(1,506.2)	£800.0
31 December 2021	**0.5311**	0.5311	**A$(1,506.2)**	**£800.0**	A$(1,506.2)	£800.0
31 December 2022	**0.5491**	0.5491	**A$(728.5)**	**£400.0**	A$(728.5)	£400.0
31 December 2023	**0.5491**	0.5491	**A$(728.5)**	**£400.0**	A$(728.5)	£400.0
31 December 2024	**0.5491**	0.5491	**A$(728.5)**	**£400.0**	A$(728.5)	£400.0
31 December 2025	**0.5491**	0.5491	**A$(728.5)**	**£400.0**	A$(728.5)	£400.0
€						
Contracts to receive € and pay A$						
31 December 2016	**–**	0.6876	**–**	**–**	A$(3,781.5)	€2,600.0
31 December 2017	**0.6876**	0.6876	**A$(3,781.5)**	**€2,600.0**	A$(3,781.5)	€2,600.0
31 December 2018	**0.6870**	0.6870	**A$(3,202.3)**	**€2,200.0**	A$(3,202.3)	€2,200.0
31 December 2019	**0.6870**	0.6870	**A$(3,202.3)**	**€2,200.0**	A$(3,202.3)	€2,200.0
31 December 2020	**0.6857**	0.6857	**A$(2,333.3)**	**€1,600.0**	A$(2,333.3)	€1,600.0
31 December 2021	**0.6857**	0.6857	**A$(2,333.3)**	**€1,600.0**	A$(2,333.3)	€1,600.0
31 December 2022	**0.6857**	0.6857	**A$(2,333.3)**	**€1,600.0**	A$(2,333.3)	€1,600.0
31 December 2023	**0.6903**	0.6903	**A$(869.2)**	**€600.0**	A$(869.2)	€600.0

At 31 December 2017, none of the above described foreign exchange derivatives qualify for hedge accounting treatment. Changes in fair value have been reflected in the income statement. At 31 December 2017, the aggregate fair value is a receivable of $253.6 million (31 December 2016: $290.6 million). The change in fair value for the year ended 31 December 2017 was a loss of $37.0 million (31 December 2016: $274.7 million).

The foreign currency receivable exposures above are matched to the foreign currency borrowings disclosed in Note 15, therefore the income statement is not affected by any movements in exchange rates in relation to these net positions.

NOTE 25 CREDIT AND LIQUIDITY RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit limits have been established to ensure that the Group deals only with approved counterparties and that counterparty concentration risk is addressed and the risk of loss is mitigated. Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Group, after allowing for appropriate set offs which are legally enforceable. A maximum credit limit is allocated to each counterparty based on its credit rating. The counterparty credit risk associated with investment instruments is assessed based on its outstanding face value.

In accordance with the Group policy, credit risk in respect of derivative financial instruments is spread among a number of creditworthy counterparties within specified limits. The Group had 22% (31 December 2016: 37%) of its aggregate credit risk spread over two counterparties each with an S&P long term rating of AA- or higher. The remainder is spread over counterparties each with less than 10% of the aggregate credit risk and with an S&P long term rating of BBB+ or higher.

The maximum exposure to credit risk at balance date is the aggregate of the carrying amounts of financial assets as disclosed in Note 27.

The Group undertakes active liquidity and funding risk management to enable it to have sufficient funds available to meet its financial obligations as and when they fall due, working capital and expected committed capital expenditure requirements. The Group prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

Interest bearing liabilities, financing facilities and their respective maturity profiles are disclosed in Note 15. The maturity profiles of the principal amounts of interest bearing liabilities including aggregate future estimated nominal interest and the estimated future nominal cashflows of derivative financial instruments are set out below:

	31 Dec 17 $million	31 Dec 16 $million
Interest bearing liabilities and interest		
Due within one year	**(1,923.1)**	(1,044.1)
Due between one year and five years	**(6,243.4)**	(6,450.7)
Due after five years	**(5,759.6)**	(5,783.4)
	(13,926.1)	(13,278.2)
Comprising:		
– principal amounts of current and non current interest bearing liabilities	**(12,323.7)**	(11,630.6)
– aggregate future estimated nominal interest	**(1,602.4)**	(1,647.6)
	(13,926.1)	(13,278.2)
Derivatives inflows/(outflows)		
Due within one year	**(122.7)**	(170.6)
Due between one year and five years	**(380.9)**	(213.6)
Due after five years	**27.2**	(25.1)
	(476.4)	(409.3)

Contingent liabilities are set out in Note 32 and are not included in the amounts shown above.

NOTE 26 FINANCIAL COVENANTS

The Group is required to comply with certain financial covenants in respect of its unsecured borrowing facilities and bond offerings. The major financial covenants are summarised as follows:

(a) Leverage ratio (net debt to net assets)
– shall not exceed 65%

(b) Secured debt ratio (secured debt to total assets)
– shall not exceed 40% (and not exceed 45% on certain facilities)

(c) Interest cover ratio (EBITDA to interest expense excluding gains or losses from mark to market)
– at least 1.5 times

(d) Unencumbered leverage ratio (unencumbered assets to unsecured debt)
– at least 150% (and at least 125% on certain facilities)

At and during the years ended 31 December 2017 and 2016, the Group was in compliance with all the above financial covenants.

NOTE 27 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

	Fair value Hierarchy	Fair value 31 Dec 17 $million	Fair value 31 Dec 16 $million	Carrying amount 31 Dec 17 $million	Carrying amount 31 Dec 16 $million
Consolidated assets					
Cash and cash equivalents		**174.0**	159.0	**174.0**	159.0
Trade debtors [(i)]		**28.0**	26.3	**28.0**	26.3
Receivables [(i)]		**191.2**	416.4	**191.2**	416.4
Derivative assets [(ii)]	Level 2	**639.8**	788.5	**639.8**	788.5
Consolidated liabilities					
Payables [(i)]		**1,096.1**	1,066.7	**1,096.1**	1,066.7
Interest bearing liabilities [(ii)]					
– Fixed rate debt	Level 2	**9,421.8**	8,810.3	**9,040.8**	8,472.8
– Floating rate debt	Level 2	**3,284.6**	3,160.2	**3,282.9**	3,157.8
Other financial liabilities [(ii)]	Level 3	**673.7**	1,012.5	**673.7**	1,012.5
Derivative liabilities [(ii)]	Level 2	**402.3**	375.0	**402.3**	375.0

(i) These financial assets and liabilities are not subject to interest rate risk and the fair value approximates carrying amount.
(ii) These financial assets and liabilities are subject to interest rate and market risks, the basis of determining the fair value is set out in the fair value hierarchy below.

Determination of fair value

The Group 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 Group'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.

	Property linked notes[(i)] 31 Dec 17 $million	Property linked notes[(i)] 31 Dec 16 $million
Level 3 fair value movement		
Balance at the beginning of the year	**1,012.5**	1,154.9
Repayment of other financial liabilities	**(416.6)**	(161.5)
Net fair value loss included in financing costs in the income statement	**77.8**	19.1
Balance at the end of the year	**673.7**	1,012.5

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

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

NOTE 28 OTHER SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation and classification

This consolidated financial report comprises the financial statements and notes to the financial statements of the Parent Company, and each of its controlled entities which includes SGT1, SGT2 and SGT3 from the date the Parent Company obtained control and until such time control ceased. The Parent Company and Subsidiaries are collectively referred to as the economic entity known as the Group. Where entities adopt accounting policies which differ from those of the Parent Company, adjustments have been made so as to achieve consistency within the Group.

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 27 June 2005, made by the Australian Securities and Investments Commission (ASIC) pursuant to subsection 340(1) of the Act, the Directors of the Parent Company have been relieved from compliance with subsection 323D(3) of the Act insofar as that subsection requires them to ensure the financial year of the controlled entity Carindale Property Trust (CPT), coincides with the financial year of the Parent Company.

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

ii) Joint arrangements

Joint operations

The Group 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 Group has the rights to the individual assets and obligations arising from these interests and recognises their share of the net assets, liabilities, revenues and expenses of the operation.

Joint ventures

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

The Group 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 Group's share of net assets of the joint ventures. The consolidated income statement reflects the Group'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) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised.

(c) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on the 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 in 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.

(d) Other financial instruments

The accounting policies adopted in relation to other material financial instruments are detailed as follows:

i) Receivables

Trade and sundry debtors are carried at original invoice amount, less provision for doubtful debts, and are usually due within 30 days. Collectability of trade and sundry debtors is reviewed on an ongoing basis. Individual debts that are determined to be uncollectible are written off when identified. An impairment provision for doubtful debts is recognised when there is evidence that the Group will not be able to collect the receivable.

ii) Payables

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 Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days.

(e) Recoverable amount of assets

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

	Note	**Number of rights 31 Dec 17**	Number of rights 31 Dec 16
NOTE 29 SHARE BASED PAYMENTS			
(a) Rights over Scentre Group stapled securities [i]			
– Performance rights – STI	29(b)(i)	**4,289,143**	4,769,399
– Performance rights – LTI	29(b)(ii)	**6,662,710**	5,881,891
		10,951,853	10,651,290

[i] The exercise price for these rights is nil.

(b) Equity settled share based payments

(i) Performance rights – STI – Equity settled over Scentre Group stapled securities (Performance rights – STI)

	Number of rights 31 Dec 17	Number of rights 31 Dec 16
Movement in Performance rights – STI		
Balance at the beginning of the year	**4,769,399**	7,414,264
Rights issued during the year	**2,030,484**	2,222,990
Rights exercised during the year	**(2,325,919)**	(4,354,985)
Rights forfeited during the year	**(184,821)**	(512,870)
Balance at the end of the year	**4,289,143**	4,769,399

Vesting profile	**Fair value granted $million 31 Dec 17**	**Number of rights at[i] 31 Dec 17**	Fair value granted $million 31 Dec 16	Number of rights at[i] 31 Dec 16
2017	**–**	**–**	7.0	2,381,971
2018	**7.5**	**2,302,179**	7.8	2,387,428
2019	**7.4**	**1,986,964**	–	–
	14.9	**4,289,143**	14.8	4,769,399

[i] The exercise price for these rights is nil.

Accounting Policies

Performance rights – STI

The Performance rights – STI is a plan in which senior executives and high performing employees participate. The fair value of the rights issued is measured at each grant date using a Black Scholes option pricing model. The inputs include the Group's 10 day volume weighted average security price prior to the grant date, the risk free interest rate, expected volatility and expected dividend yield during the vesting period. Expected volatility is based on the historical security price volatility over the past 3 years. Executives are not able to call for early exercise of the rights, however there are provisions in the plan to allow for early vesting at the discretion of the Board. Vesting conditions such as the number of employees remaining in service is taken into account in determining the total amortisation for each reporting period. The terms of the Performance rights – STI are described in section 8.7 of the Directors' Report.

NOTE 29 SHARE BASED PAYMENTS (CONTINUED)

(b) Equity settled share based payments (continued)

(ii) Performance rights – LTI – Equity settled over Scentre Group stapled securities (Performance rights – LTI)

	Number of rights 31 Dec 17	Number of rights 31 Dec 16
Movement in Performance rights – LTI		
Balance at the beginning of the year	**5,881,891**	3,855,886
Rights issued during the year	**2,674,094**	2,718,727
Rights exercised during the year	**(1,893,275)**	(645,365)
Rights forfeited during the year	**–**	(47,357)
Balance at the end of the year	**6,662,710**	5,881,891

Vesting profile	**Fair value granted $million 31 Dec 17**	**Number of rights at[(i)] 31 Dec 17**	Fair value granted $million 31 Dec 16	Number of rights at[(i)] 31 Dec 16
2017	**–**	**–**	5.2	1,826,441
2018	**8.3**	**2,737,114**	8.1	2,666,913
2019	**9.0**	**2,523,743**	4.4	1,282,500
2020	**5.0**	**1,401,853**	0.4	106,037
	22.3	**6,662,710**	18.1	5,881,891

(i) The exercise price for these rights is nil.

Accounting Policies

Performance rights – LTI

The senior leadership team of Scentre Group participate in the Performance rights – LTI. The fair value of the rights issued is measured at each grant date using a Black Scholes option pricing model. The inputs include the Group's 10 day volume weighted average security price prior to the grant date, the risk free interest rate, expected volatility and expected dividend yield during the vesting period. Expected volatility is based on the historical security price volatility over the past 3 years. Other vesting conditions include meeting the performance hurdles applicable under the Performance rights – LTI as determined annually by the Human Resources Committee. The hurdles chosen by the Human Resources Committee for the 2017 qualifying year are set out in section 8.7(b)(ii) of the Directors' Report. Vesting conditions such as number of employees remaining in service is taken into account in determining the total amortisation for each reporting period. In calculating the Black Scholes' value of rights granted it has been assumed that the hurdle conditions are met and consequently, the value of the option is not reduced to reflect the hurdle conditions. The terms of the Performance rights – LTI are described in section 8.7 of the Directors' Report.

Accounting for equity settled share based payments

During the year, $14.5 million (31 December 2016: charge of $12.7 million) was charged to the income statement as gross amortisation in respect of equity settled share based payments and the corresponding entry is recorded against the employee share plan benefits reserve.

(c) Cash settled share based payments

(i) Performance rights – STI – Cash settled over Westfield Corporation stapled securities (Performance rights – STI (WFD))

	Number of award securities 31 Dec 17	Number of award securities 31 Dec 16
Movement in Performance rights – STI (WFD)		
Balance at the beginning of the year	**59,319**	625,618
Awards exercised during the year	**(59,319)**	(566,299)
Balance at the end of the year	**–**	59,319

Vesting profile	**Cumulative value granted $million 31 Dec 17**	**Number of award securities 31 Dec 17**	Cumulative value granted $million 31 Dec 16	Number of award securities 31 Dec 16
2017	**–**	**–**	0.4	59,319
	–	**–**	0.4	59,319

NOTE 29 SHARE BASED PAYMENTS (CONTINUED)

(c) Cash settled share based payments (continued)

(ii) Performance rights – LTI – Cash settled over Westfield Corporation stapled securities (Performance rights – LTI (WFD))

	Number of award securities 31 Dec 17	Number of award securities 31 Dec 16
Movement in Performance rights – LTI (WFD)		
Balance at the beginning of the year	**258,038**	740,421
Awards exercised during the year	**(258,038)**	(482,383)
Balance at the end of the year	**–**	258,038

Vesting profile	Cumulative value granted $million 31 Dec 17	Number of award securities 31 Dec 17	Cumulative value granted $million 31 Dec 16	Number of award securities 31 Dec 16
2017	**–**	**–**	2.8	258,038
	–	**–**	2.8	258,038

Accounting for cash settled share based payments

The accounts of the Group and the remuneration disclosures in this Annual Report disclose the full liability to members of the grant of awards under the Group's equity-linked plans, and not simply the amortisation of the nominal amount of the grant when it was originally made. At the date of granting an award, the nominal value of the award is adjusted for anticipated increases in the value of that award over its life.

Assumptions regarding both future distributions and security price increases are made to estimate the Group's future liability with respect to each award. The estimated future liability is then amortised over the life of the award. At the end of each accounting period (and at the date of settlement) the awards are adjusted to fair market value with any adjustments recognised in the profit or loss.

During the year, $0.2 million (31 December 2016: $2.1 million) was charged to the income statement as gross amortisation in respect of cash settled share based payments.

	31 Dec 17 $million	31 Dec 16 $million

NOTE 30 LEASE COMMITMENTS

Operating lease receivables

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

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

Future minimum rental revenues under non cancellable operating retail property leases:

	31 Dec 17 $million	31 Dec 16 $million
Due within one year	**1,535.2**	1,542.7
Due between one and five years	**3,899.3**	3,841.2
Due after five years	**2,100.2**	2,142.2
	7,534.7	7,526.1

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

	31 Dec 17 $million	31 Dec 16 $million

NOTE 31 CAPITAL EXPENDITURE COMMITMENTS

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

Estimated capital expenditure committed at balance date but not provided for in relation to development projects:

	31 Dec 17 $million	31 Dec 16 $million
Due within one year	**547.4**	485.0
Due between one and five years	**374.4**	158.2
	921.8	643.2

	31 Dec 17 $million	31 Dec 16 $million

NOTE 32 CONTINGENT LIABILITIES

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

Performance guarantees	**91.1**	68.9
	91.1	68.9

Entities of Scentre Group have provided guarantees in respect of certain Westfield Corporation 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.

The Group's obligation in respect of performance guarantees may be called on at anytime dependant upon the performance or non performance of certain third parties.

From time to time, in the normal course of business, the Group 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 Group.

	31 Dec 17 $million	31 Dec 16 $million

NOTE 33 PARENT COMPANY

The Parent Company 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 Company is disclosed as follows:

(a) Assets		
Current assets	**0.1**	0.2
Non current assets	**4,762.3**	4,479.5
Total assets	**4,762.4**	4,479.7
(b) Liabilities		
Current liabilities	**701.7**	678.8
Non current liabilities	**54.8**	53.7
Total liabilities	**756.5**	732.5
(c) Equity		
Contributed equity	**371.1**	371.1
Employee share plan benefits reserve	**3.0**	3.0
Asset revaluation reserve	**3,542.7**	3,248.5
Reserves [i]	**140.1**	175.6
Retained profits	**(51.0)**	(51.0)
Total equity	**4,005.9**	3,747.2
(d) Comprehensive income		
Profit after tax for the period	**108.3**	31.4
Other comprehensive income	**294.2**	0.6
Total comprehensive income for the period	**402.5**	32.0
(e) Contingent liabilities		
Guaranteed borrowings of controlled entities [ii]	**12,420.7**	12,333.7
Total contingent liabilities	**12,420.7**	12,333.7

(i) During the year, the Directors of the Parent Company approved the transfer of $108.3 million of the Parent Company's profit for the 2017 financial year to reserves. In 2016, the Directors of the Parent Company approved the transfer of $31.4 million of the Parent Company's profit for the 2016 financial year to reserves.

(ii) The Parent Company has entered into guarantee arrangements with SGT1, SGT2, SGT3 and a number of associated finance subsidiaries on a joint and several basis covering the Group's banking facilities and debt issuances. Under the arrangements, the Parent Company is guaranteed by, and is guarantor to SGT1, SGT2, SGT3 and the finance subsidiaries.

NOTE 34 SUBSIDIARIES

Financial information of SGT1 and SGT2 are provided below as they have material non controlling interests:

Scentre Group Trust 1

As at 31 December 2017, SGT1 held current assets of $1.0 billion, non current assets of $18.8 billion, current liabilities of $2.3 billion and non current liabilities of $8.6 billion (31 December 2016: current assets of $1.7 billion, non current assets of $17.1 billion, current liabilities of $1.9 billion and non current liabilities of $9.4 billion).

As at 31 December 2017, the total equity held by SGT1 was $8.9 billion (31 December 2016: $7.4 billion).

The profit after tax for the period was $1,886.3 million and total comprehensive income was $1,870.0 million (31 December 2016: profit after tax for the period was $1,433.6 million and total comprehensive income was $1,418.9 million). The revenue for the period was $590.6 million (31 December 2016: $577.3 million).

Scentre Group Trust 2

As at 31 December 2017, SGT2 held current assets of $0.1 billion, non current assets of $17.3 billion, current liabilities of $2.0 billion and non current liabilities of $2.2 billion (31 December 2016: current assets of $0.2 billion, non current assets of $15.5 billion, current liabilities of $2.1 billion and non current liabilities of $2.0 billion).

As at 31 December 2017, the total equity held by SGT2 was $13.2 billion (31 December 2016: $11.6 billion).

The profit after tax for the period was $2,205.1 million and total comprehensive income was $2,189.6 million (31 December 2016: profit after tax for the period was $1,485.9 million and total comprehensive income was $1,472.9 million). The revenue for the period was $543.2 million (31 December 2016: $524.4 million).

	31 Dec 17 $000	31 Dec 16 $000
NOTE 35 AUDITOR'S REMUNERATION		
Amounts received or due and receivable by the auditor of the Parent Company and any other entity in the Group for:		
– Audit or review of the financial reports	**2,477**	2,572
– Assurance and compliance services	**1,220**	1,145
– Technical accounting advice and services [i]	**270**	243
	3,967	3,960
Amounts received or due and receivable by affiliates of the auditor of the Parent Company for:		
– Audit or review of the financial reports	**258**	234
– Assurance and compliance services	**38**	37
	296	271
	4,263	4,231

[i] These amounts represent non-audit services provided by the auditor.

NOTE 36 SUPERANNUATION COMMITMENTS

The Group sponsors accumulation style superannuation funds to provide retirement benefits to its employees. There are no unfunded liabilities in respect of these superannuation funds and plans. The Group does not sponsor defined benefits style superannuation funds and plans.

NOTE 37 RELATED PARTY DISCLOSURES

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

Nature of relationship with related parties

Key Management Personnel of the entity

Refer to Note 38 and the Remuneration Report in the Directors' Report for details of Key Management Personnel.

Other Related Parties

LFG Services Pty Limited (LFG), its related entities and other entities controlled by members of the Lowy family are considered to be related parties of the Group. This is due to LFG being under the control or significant influence of Mr Steven Lowy, a non-executive Director of the Group.

The Lowy Institute for International Policy (the Lowy Institute) is considered to be a related party of the Group. This is due to the entity being under the control or significant influence of Mr Steven Lowy, a non-executive Director of the Group.

Transactions and their terms and conditions with related parties

Transactions with Key Management Personnel of the entity

Refer to Note 38 and the Remuneration Report in the Directors' Report for remuneration of Key Management Personnel.

Transactions with Other Related Parties

The Group has a leasing agreement with LFG to provide office space at Westfield Sydney. The Group charged LFG $2,001,870 (31 December 2016: $1,914,501) for lease of office space at Westfield Sydney on commercial arm's length terms.

During the financial year, the Group provided development services to LFG and the Lowy Institute totalling $5,360 (31 December 2016: $45,270). The amounts charged were on commercial arm's length terms.

There were no amounts payable to or receivable from LFG and the Lowy Institute as at 31 December 2017 (31 December 2016: nil).

No provision for doubtful debts has been recognised or bad debts incurred with respect to amounts payable or receivable from LFG and the Lowy Institute for the year ended 31 December 2017 (31 December 2016: nil).

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

NOTE 38 DETAILS AND REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key Management Personnel are those individuals having the authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. The non-executive Directors, Chief Executive Officer and other senior executives are considered Key Management Personnel.

(a) Key Management Personnel

As at 31 December 2017, the Board comprises the following directors:

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

In addition to the Chief Executive Officer, during the year the following executives were Key Management Personnel:

Mark Bloom	Chief Financial Officer
Greg Miles	Chief Operating Officer

(b) Remuneration of Key Management Personnel

The amounts below represent the total remuneration amounts for Key Management Personnel (KMP). A detailed discussion on KMP remuneration is in the Directors' Report rather than the financial report so as to avoid duplication of information. As such, refer to the Remuneration Report (which has been audited) in the Directors' Report for further details concerning disclosure of KMP remuneration.

The comparative remuneration information for the year ended 31 December 2016 also includes amounts relating to non-executive Directors (Mr Frank Lowy and Mr Richard Egerton-Warburton) who retired from the Board on 5 May 2016.

The aggregate remuneration for the twelve months was:

	Short term benefits			**Post Employment**	**Termination Benefits**	**Share Based**	**TOTAL**
Key Management Personnel	Cash salary, fees and short term compensated absences $	Short term cash profit sharing and other bonuses $	Other short term employee benefits[(i)] $	Other post employment benefits $	Termination benefits $	Amortisation of cash and equity settled share based payments[(ii)] $	$
Key management personnel – directors							
31 December 2017	**4,200,000**	**1,740,375**	**(12,692)**	**–**	**–**	**3,713,214**	**9,640,897**
31 December 2016	4,297,205	1,785,000	(35,769)	–	–	2,984,059	9,030,495
Key management personnel – non directors							
31 December 2017	**2,600,000**	**2,133,250**	**67,730**	**–**	**–**	**2,694,418**	**7,495,398**
31 December 2016	2,600,000	2,077,250	95,712	–	–	3,070,421	7,843,383
Total key management personnel							
31 December 2017	**6,800,000**	**3,873,625**	**55,038**	**–**	**–**	**6,407,632**	**17,136,295**
31 December 2016	6,897,205	3,862,250	59,943	–	–	6,054,480	16,873,878

(i) Other short term employee benefits represents amounts accrued with respect to annual leave and long service leave entitlements unless stated otherwise.

(ii) Cash settled share based payments represent amounts amortised in connection with the Group's cash settled equity-linked plans. Equity settled share based payments represent amounts amortised in connection with the Group's equity settled performance rights plan. Refer to the Remuneration Report in the Directors' Report for further details regarding the operation of these plans.

NOTE 38 DETAILS AND REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Options and Rights – Holdings of Key Management Personnel

Rights held by executive Key Management Personnel under the Group's equity-linked incentive plans are disclosed in the Remuneration Report.

(d) Other transactions and balances with Key Management Personnel

(i) Other related party transactions and balances with Key Management Personnel are included in Note 37.

(ii) During the financial year, transactions occurred between the Group and Key Management Personnel which were within normal employee, customer or supplier relationships on terms and conditions no more favourable than those available to other employees, customers or suppliers, being the performance of contracts of employment, the reimbursement of expenses, and the payment of dividends/distributions by the Group in respect of stapled securities held in the Group.

(e) Prior year comparative remuneration of Key Management Personnel who retired in 2016

In addition to remuneration details disclosed in the Directors' Report, the amounts below represent the total remuneration for Key Management Personnel who retired in 2016.

	Short term benefits			Post Employment	Termination Benefits	Share Based	TOTAL
Key Management Personnel	Cash salary, fees and short term compensated absences $	Short term cash profit sharing and other bonuses $	Other short term employee benefits $	Other post employment benefits $	Termination benefits $	Amortisation of cash and equity settled share based payments $	$
Non-executive directors	332,300	–	–	–	–	–	332,300
31 December 2016	332,300	–	–	–	–	–	332,300

NOTE 39 DETAILS OF MATERIAL AND SIGNIFICANT ENTITIES

	31 Dec 17 – Interest			31 Dec 16 – Interest		
	Beneficial [i]			Beneficial [i]		
Name of entity	**Parent Company %**	**Scentre Group %**	**Consolidated or Equity accounted %**	Parent Company %	Scentre Group %	Consolidated or Equity accounted %
ENTITIES INCORPORATED IN AUSTRALIA						
Parent Company						
Scentre Group Limited	**100.0**	**100.0**	**100.0**	100.0	100.0	100.0
Consolidated Controlled Entities						
Scentre Group Trust 1	**–**	**100.0**	**100.0**	–	100.0	100.0
Scentre Group Trust 2	**–**	**100.0**	**100.0**	–	100.0	100.0
Scentre Group Trust 3	**–**	**100.0**	**100.0**	–	100.0	100.0
Scentre Finance (Aust) Limited	**100.0**	**100.0**	**100.0**	100.0	100.0	100.0
Scentre Limited	**100.0**	**100.0**	**100.0**	100.0	100.0	100.0
ENTITIES INCORPORATED IN NEW ZEALAND						
Consolidated Controlled Entities						
RE (NZ) Finance Limited	**–**	**100.0**	**100.0**	–	100.0	100.0
RE (NZ) Finance No. 2 Limited	**–**	**100.0**	**100.0**	–	100.0	100.0
Scentre NZ Holdings Limited	**–**	**100.0**	**100.0**	–	100.0	100.0
SCG1 Finance (NZ) Limited	**–**	**100.0**	**100.0**	–	100.0	100.0
SCG1 Finance (NZ) No. 2 Limited	**–**	**100.0**	**100.0**	–	100.0	100.0

[i] Beneficial interest in underlying controlled and equity accounted entities reflects the Parent Company being Scentre Group Limited and its subsidiaries (excluding SGT1, SGT2 and SGT3) and Scentre Group's ownership interest as determined under International Financial Reporting Standards (IFRS).

Directors' Declaration

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors of Scentre Group Limited (Company) declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company 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 2017 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 21 February 2018 in accordance with a resolution of the Board of Directors.

Brian Schwartz AM
Chairman

Michael Ihlein
Director

21 February 2018

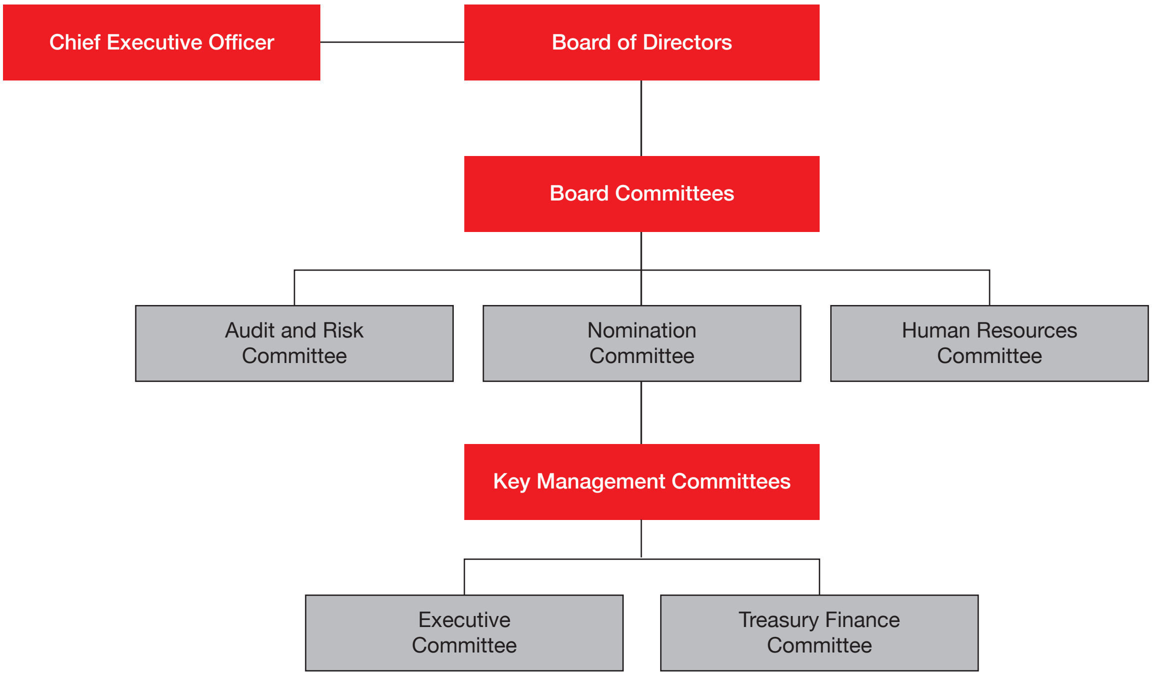
Corporate Governance Statement

Introduction

Scentre Group[i] is committed to ensuring that its policies and practices reflect a high standard of corporate governance. During 2017, the Group's corporate governance framework was consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition).

Our governance framework is outlined in the diagram below. Our corporate governance documentation, including this statement and the charters and policies referred to in it, are available in the corporate governance section on our website www.scentregroup.com/About-Us/Corporate-Governance. This corporate governance statement was approved by the Scentre Group Board and is current as at 21 February 2018.

GOVERNANCE FRAMEWORK



The Board comprises seven non-executive Directors and one executive Director (being the Chief Executive Officer (CEO) / Managing Director).

The period of office held by, and the independence status of, each Director is set out below.

Name	Position Held [ii]	Last elected or re-elected at an AGM	Independent (Y/N)
Brian Schwartz	Non-Executive Chairman	5 May 2016	Y
Peter Allen	CEO/Executive Director	N/A	N
Andrew Harmos	Non-Executive Director	5 April 2017	Y
Michael Ihlein	Non-Executive Director	5 May 2016	Y
Carolyn Kay	Non-Executive Director	5 May 2016: Standing for re-election at 2018 AGM	Y
Aliza Knox	Non-Executive Director	5 April 2017	Y
Steven Lowy	Non-Executive Director	5 May 2016	N
Margaret Seale	Non-Executive Director	5 May 2016: Standing for re-election at 2018 AGM	Y

[i] Scentre Group is a stapled entity comprising Scentre Group Limited, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3. The Boards of Scentre Group Limited, Scentre Management Limited (as responsible entity of Scentre Group Trust 1), RE1 Limited (as responsible entity of Scentre Group Trust 2) and RE2 Limited (as responsible entity of Scentre Group Trust 3) are identical. Each Board has adopted a common Board Charter which sets out the objectives and responsibilities of the Scentre Group Board. Each Board Committee operates as one "Scentre Group" Committee.

[ii] Scentre Group was established on 30 June 2014. Prior to that date, Scentre Group Limited and Scentre Management Limited formed part of the prior Westfield Group and the appointment dates of Mr Schwartz (6 May 2009), Mr Allen (25 May 2011) and Mr Lowy (28 June 1989) pre-date the establishment of Scentre Group. Mr Harmos and Mr Ihlein were both appointed to Scentre Group Limited and Scentre Management Limited on 30 June 2014 (the appointment date to RE1 Limited and RE2 Limited, which formed part of the prior Westfield Retail Trust, was 21 December 2010). Ms Knox was appointed to each board on 7 May 2015 and Ms Kay and Ms Seale on 24 February 2016.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Responsibilities of Board and management

The Board is responsible for overseeing the effective management and operation of the Group. The Board seeks to ensure that the business objectives of the Group are aligned with the expectations of securityholders and that the operations of the Group are effectively managed in a manner that is focused on those business objectives, as well as meeting all regulatory and ethical requirements.

Board Charter

The Board Charter sets out the primary objectives of the Board and the practices and processes the Board has adopted to discharge its responsibilities including the matters reserved for the Board and the delegation of authority to the CEO and other senior executives, including the limits on the execution of that authority by those officers.

This framework ensures accountability and a balance of authority by clearly defining the respective roles and responsibilities of the Board and the senior management team. In turn, this enables the Board to maintain its focus on strategic guidance while exercising effective oversight of the Group.

Key responsibilities of the Board are to:

– set and review the strategic direction of the Group;

– approve and monitor key budgets, business plans, financial statements, financial policies and financial reporting;

– establish, promote and maintain proper processes and controls and to maintain the integrity of financial accounting, financial records and reporting;

– develop and implement key corporate policies, procedures and controls as necessary to ensure appropriate standards of accountability, risk management and corporate governance and responsibility;

– oversee the adequacy of managerial resources to ensure there is adequate depth of resources and appropriate succession planning;

– monitor the performance of senior executives and the implementation of strategy;

– approve proposals for major new investments, capital expenditure and capital management initiatives as proposed by management;

– ensure that securityholders receive high quality, relevant and accurate information in a timely manner and that investors generally are able to trade in Scentre Group's securities in a market which is efficient, competitive and informed;

– determine and adopt distribution policies; and

– oversee compliance with our legal and regulatory obligations.

Board Committees

The Board delegates certain responsibilities to standing Committees which operate in accordance with charters approved by the Board. There are three standing Board Committees: the Audit and Risk Committee, the Human Resources Committee and the Nomination Committee.

Membership of the Committees is outlined below. Typically, the Chair of the Board also attends meetings of the Audit and Risk Committee and Human Resources Committee.

Executive	Audit and Risk Committee	Number attended	Number of meetings	Human Resources Committee	Number attended	Number of meetings	Nomination Committee	Number attended	Number of meetings
Brian Schwartz							Chair ✓	3	3
Andrew Harmos				Chair ✓	5	5	✓	3	3
Michael Ihlein	Chair ✓	5	5				✓	3	3
Carolyn Kay	✓	5	5						
Aliza Knox				✓	5	5			
Margaret Seale	✓	5	5	✓	5	5			

The roles and responsibilities of the Committees are outlined in this statement.

The Chair of each Committee reports to the Board at the Board's next meeting on any matters arising from the Committee's duties and responsibilities. The Board also receives copies of the minutes of all Committee meetings. This ensures that all Directors have oversight as well as the opportunity to discuss matters being considered by the Committees.

Delegation to Management

Day to day management of the Group's business and operations is delegated by the Board to management through the CEO subject to the agreed authority limits applicable to the senior executive team.

The CEO is assisted by the Chief Financial Officer (CFO) and Chief Operating Officer (COO) and other members of the Executive Committee. The CEO together with the Executive Committee is responsible to the Board for the development and implementation of strategy and the overall management and performance of the Group.

The CEO reports regularly to the Board on the progress being made by the Group in all aspects of the business including shopping centre operations, developments, capital markets and potential new business opportunities.

The CFO also provides comprehensive reports on the Group's financial performance and other relevant matters such as the Group's gearing and liquidity.

1.2 New appointments/Re-election of Directors

Appropriate checks are undertaken before a new candidate is recommended to the Board for appointment. These include checks as to the candidate's experience, educational qualifications, character, criminal record and bankruptcy history.

As noted at 2.1 'Structure of the Board and role of the Nomination Committee', the Board, on the recommendation of the Nomination Committee, determines if it will endorse a Director retiring under the Company's constitution or Listing Rules, for re-election.

1.3 Written agreements with Directors

New Directors receive a letter of appointment which sets out the key terms and conditions of their appointment.

The letter of appointment clearly defines the role of Directors, including expectations in terms of independence, participation, time commitment and continuous development. Directors are required to disclose, on an ongoing basis, circumstances that may affect, or be perceived to affect their ability to exercise independent judgment so that the Board can determine independence on a regular basis. The letter also provides that 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, RE1 Limited and RE2 Limited.

Procedures are also set out by which Directors are able to take independent, professional advice at the Group's expense. Directors are encouraged to direct any enquiries or requests for additional information to the Company Secretary, who will facilitate a response to the query and/or provide the Director with the requested information. Directors also have access to key members of the senior management team, who regularly attend Board meetings to make presentations.

1.4 Role of the Company Secretary

The Company Secretary is directly accountable to the Board, through the Chairman, on all matters relating to the proper functioning of the Board and its Committees. The Company Secretary works with the Chairman, the Board and the Board Committees and is responsible for ensuring the smooth running of the Board and Board Committees and that all governance matters are properly addressed. All Directors have access to the Company Secretary for the purpose of obtaining information or advice.

1.5 Diversity

During 2017, we continued to demonstrate our ongoing commitment to diversity and inclusion by developing targeted initiatives aimed at attracting, developing and retaining a diverse workforce to help fulfil our vision of "being the place that talent can thrive".

Diversity and inclusion is a key corporate strategy. Diversity in the workforce is a key contributor to the success of our business and we seek to create an inclusive culture that supports employees at all stages of their career and encourage them to succeed to the best of their ability. Inclusion is about recognising and valuing the contribution of people from different backgrounds, with different perspectives and experiences.

Progress against our 2017 objectives is set out in the table on page 77.

During the year, our CEO, Peter Allen continued in his role as a Property Male Champion of Change, an initiative of the Property Council of Australia. He was also invited by the Workplace Gender Equality Agency (WGEA) to be a pay equity adviser. The Group was invited by the WGEA to be cited as an employer of choice.

Gender remains a strong focus. We currently have three women on our Board. During the year, we actively promoted three senior females to General Manager roles and appointed a new female General Manager in Design and Construction.

In terms of our workforce, the representation of men and women is 47% and 53% respectively.

Our senior executives are those executives (currently numbering 52) who are General Manager level and above (CEO – 3). At the date of this report, at the senior executive level, 77% are male and 23% are female.

For 2017, we had three core objectives to measure diversity and inclusion performance. These were:

Focus area	Commitment	What we achieved
Diversity To increase our attraction, recruitment and retention of a diverse workforce	Achieving 22% representation of females at the senior executive level (General Manager and above). Increased female representation at the senior level formed part of the key performance indicators in 2017 for the senior executive team.	2017 saw significant focus on improving female representation at all levels. During the year: – We increased female representation at the senior executive level (General Manager and above) to 22%, an increase of 6% from 2016 (this includes the recent appointment of Cynthia Whelan who commenced in February 2018 as Chief Strategy and Business Development Officer). – Senior female talent continued to be represented at strategic business forums. Executive and high potential females comprise 33% of our Senior Executive Leadership Forum (SELF) participants, up from 30% in 2016. – The representation of females in all manager positions across the business increased to 42% (41% in 2016). This continues to provide us with strong pool of females from which we can select future executives. – We continued to ensure that our female talent pool remains strong. During 2017, 49% of new hires and of our total candidate pool were female. – There was a decrease in the turnover of women from 41% in 2016 to 40% in 2017. – Following changes to our Parental Leave Policy in 2015, the number of employees taking parental leave increased from 46 in 2015 to 64 in 2017 including seven men. – Female tenure increased to an average of 6 years up from 5.7 in 2016 with average male tenure remaining static at 6.2 years.
	The development of team specific diversity and inclusion action plans as part of people planning. In 2017 Divisional Directors and General Managers were required to identify team specific targets that as part of their key performance indicators for the year to accelerate the Group's commitment to meet its target for female representation at a senior level.	All business teams developed an action plan as part of their strategic business plan to help target areas for improvement at a local level. Employee Survey data for 2017 showed that across the business an overall increase in scores for work/life balance and inclusion and diversity scores.
	Implementing recruitment practices and partnerships to reduce bias and ensure balanced shortlists of high quality candidates.	493 employees attended an Inclusive Management Program, 366 of which were people managers (representing 66% of all people managers). Those managers who did not attend in 2017 are scheduled to attend the program in 2018, along with any new people managers to the organisation.
	The implementation of our Reconciliation Action Plan (RAP). A key commitment is continuing to partner with local communities, Aboriginal Employee Strategy (AES) and the AFL Sports Ready program on the placement of trainees in the Group's Indigenous Employment program.	AES and AFL school based traineeships continued in 2017 with 21 students participating with two graduating in December 2017. A further 25 positions opened for recruitment for 2018. Enterprise wide, representation of the Aboriginal and Torres Strait Islander community in our workforce increased to .05% of total employee population up from .01% in 2016. In actual numbers, this is an increase from two to 11 people.
Inclusion To provide a supportive work environment that leverages all the ways we are different	Achieving a score of 80% or greater against each of our flexibility (FY16: 79%) and inclusion (FY16: 74%) measures in the 2017 Employee Survey. Supporting employees to bring their whole selves to work, through the development of 2017 plan, in connection with: – Domestic and Family Violence – LGBTI – Mental Health	Since the establishment of our Diversity and Inclusion Council in 2015, we have been committed to developing, promoting and implementing diversity and inclusion initiatives across the business. Our 2017 Employee Survey saw strong results in diversity and inclusion. Our overall scores for: – flexibility increased to 86% favourable (up from 79%); and – diversity and inclusion increased to 84% favourable (up from 74%). We also saw an increase to 80% favourable (66% in 2016) to the question: "I feel free to bring my whole self to work without fear of negative consequence".

Corporate Governance Statement (continued)

Focus area	Commitment	What we achieved
	Developing and implementing an inclusive language campaign.	An audit of Human Resources policies was conducted to ensure language was inclusive of diverse groups.
	Review policies to ensure there are no barriers to Aboriginal and Torres Strait Islander participation in the workplace.	Inclusive manager training for all people managers reinforced the need for inclusive language in engagement with employees.
	Further identifying barriers to diversity and inclusion through two way feedback channels and focus group sessions.	Our internal Champions of Change conducted 18 employee education/focus group sessions across all areas of the business to identify barriers to inclusion. The results have been used to refine our communications plan, the work undertaken by our working groups and to develop our diversity and inclusion plan for 2018.
	The implementation of our RAP. Key commitments include: – Development of Welcome to Country and cultural protocols for acknowledgement at all significant Scentre Group events; and – Displaying acknowledgement to country plaque and artwork in our centres and support office.	Guidelines for Welcome to Country and cultural protocols for acknowledgement at Scentre Group events have been developed and implemented across Scentre Group locations. Acknowledgement Plaques were placed in all Australian centres with an accompanying Welcome to Country ceremony.
Awareness and education To raise awareness and increase commitment to workplace diversity and inclusion across the business	All people managers attending an Inclusive Manager training program by the end of 2017.	By the end of 2017, 66% of all people managers had attended an Inclusive Management Program. Those managers who did not attend in 2017 are scheduled to attend the program in 2018, along with any new people managers to the organisation.
	Development and implementation of a change management plan that highlights key training, communications, day of significance and leadership activities in support or our diverse and inclusive workplace.	We developed and implemented a change management plan under which: – We recognise days of significance in connection with the LGBTI community, family & domestic violence, mental health and cultural diversity. – We provided mental health education for 35 senior managers to assess the viability of having staff act as mental health "first aiders". – Members of our Executive Committee sponsored and led nine employee breakfast meetings with a total of 126 employees attending to raise awareness about mental health. – We conducted four LGBTI "Allies" training sessions bringing the total of our Allies trained to 174. – We conducted cultural awareness education sessions for 100 employees.
	Engaging employees in cultural learning opportunities to increase understanding and appreciation of Aboriginal and Torres Strait Islander people.	We conducted cultural awareness education sessions in Western and South Australia, Victoria and Queensland regions for 100 employees.

For 2018, we will focus on further embedding existing diversity and inclusion initiatives, with an emphasis on ensuring our operating culture is inclusive of all people. We are committed to:

Objective	Focus
Diversity To increase our attraction, recruitment and retention of a diverse workforce	– Achieving 25 – 27 % representation of females at the senior executive level (General Manager and above) to further diversify our executive leadership in the organisation. – In line with our vision "Being the place that talent can thrive", further diversify our recruitment strategies and agency partnerships to tap into candidates from refugee, veteran and disability backgrounds. – In line with our purpose "Creating extraordinary places, connecting and enriching communities", our centres will develop a calendar of events that recognise cultural days of significance within their local communities. – Engage with our business partners to identify opportunities to align our diversity and inclusion initiatives with our supply chain partners. – Continue the implementation of our RAP including our ongoing relationships with AES and AFL Sports Ready and the placement of a further 25 trainees in the Group's Indigenous employment program.
Inclusion To provide a supportive work environment that leverages all the ways we are different	– Explore how we can align our internal culture of diversity and inclusion with our external "Scentre Group / Westfield" brand to create psychologically safe and supportive environments in all of our centres to the benefit of our local communities. – Review our cultural values (DNA) to ensure they reflect our aspirations and beliefs on diversity and inclusion. – Broaden the role played by the executive sponsors of our Diversity and Inclusion Working Groups (RAP, LGBTI, mental health, domestic & family violence and sexual assault) by their more active promotion of our DNA. – Establish working groups to explore ways to identify and remove barriers to the inclusion and advancement of people with disabilities and from different cultural backgrounds. – Embed leadership accountability for creating an inclusive culture by establishing KPI measures for all senior and executive leader roles.
Awareness and education To raise awareness and increase commitment to workplace diversity and inclusion across the business	– Broaden the focus of our Allies group which currently supports our LGBTI initiatives to also support our mental health and domestic & family violence and sexual assault initiatives. – Extend the role of our Champions of Change to coach our leaders so that they better support their teams in embedding inclusion as a way of working every day. – Implement a second module of the Inclusive Manager Program that focuses on managing, developing and recognising our people. – Educate all of our people about diversity and inclusion by implementing a suite of four Diversity and Inclusion digital guides and the completion of our Code of Conduct online learning module. – Introduce a staff award for inclusion as part of our company wide recognition program.

1.6 Board self-assessment and performance

The Board considers that ongoing self-assessment on various aspects of the Board's performance including skill sets is an important tool in reviewing Board performance.

The Board undertakes an annual performance review. This process includes an assessment and review of the performance of the Board, its Committee, Directors individually, the composition and skill sets of the Board and the Board's relationship with management. During the year the review was conducted with the assistance of an external consultant with the results of the review being presented to the Board. The process involved the external consultant attending Board and Committee meetings as an observer, interviews with Directors and selected senior management.

1.7 Process for evaluating the performance of senior executives

We have an established process of objective setting and performance review of all employees, which is conducted on an annual basis. Senior executives have well defined objectives which are discussed and agreed at the commencement of each financial year. Each executive's Key Performance Indicators (KPIs) are set annually with the purpose of motivating that executive to achieve performance objectives which will contribute to the short and longer term success of the Group.

KPIs are established each year under a performance and development system. KPIs are designed to measure both financial and non-financial performance. The objectives vary according to the role of the executive and typically relate to development, construction, retail management, corporate or strategic targets. Non-financial objectives include matters such as health and safety, risk management, compliance, people and culture, sustainability and a range of other matters relevant to our success.

During 2017, each member of the senior executive team, including the CEO, was subject to a performance review as described above. Details of the performance criteria against which the CEO were assessed for 2017 are set out in the Remuneration Report.

Written agreements are in place for senior executives, further details of which are set out in the Remuneration Report.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 Structure of the Board and role of the Nomination Committee

The membership of the Board is reviewed by the full Board (following consultation with, and recommendations by, the Nomination Committee), having regard to the ongoing and evolving needs of our business.

Board renewal and succession planning is a central component of our overall governance program. The Board is committed to ensuring that it draws on a combination of executive and non-executive members with exceptional track records and reputations at the highest levels of business and commerce generally.

Nomination Committee

The role of the Nomination Committee is to support and make recommendations to the Board on the selection and appointment of Directors who are able to meet the needs of the Group presently and in the future. The Committee also facilitates the ongoing evaluation and review of the performance and effectiveness of the Board and the Directors.

The responsibilities of the Nomination Committee include:

- having regard to the strategic direction of the Group, assessing periodically the skills of current Board members against the collective skill set required by the Board to competently discharge the Board's duties;
- regularly reviewing and making recommendations to the Board regarding the structure, size, diversity and composition (including the balance of skills, knowledge and experience) of the Board and reviewing the effectiveness of the Board;
- identifying suitable candidates (executive and non-executive) to fill Board vacancies as and when they arise and nominating candidates for approval of the Board;
- annually reviewing the performance of the Board; and
- ensuring the existence of proper succession planning processes and plans for the Board (including the CEO).

No member of the Committee participates in a review of their own performance or nomination for re-election.

The Board, on the recommendation of the Nomination Committee, determines if it will endorse a Director retiring under the Company's constitution or Listing Rules, for re-election. The notice of meeting for our AGM will provide information that is material to a decision whether or not to support the re-election of a Director.

Recommendations regarding future appointment of additional Directors are made by the Nomination Committee and considered by the Board having regard to:

- the assessment made on the skill set required to discharge the responsibilities of the Board compared with the skills currently represented on the Board;
- the current strategic direction of the Group and the consequent need to consider skills which may be required in the future; and
- the suitability of available candidates identified in the context of a detailed description of the role and capabilities required for a particular appointment.

Recommendations made by the Nomination Committee are considered by the Board, which retains an unfettered discretion on the appointment of a Director to fill a casual vacancy or act as an additional Director, prior to the formal election of that Director by the securityholders at the AGM.

The Nomination Committee may retain the services of external recruitment specialists to help identify potential candidates for appointment to the Board.

Once a candidate is identified the Nomination Committee, with the assistance of external consultants where required, conducts appropriate background and reference checks before the candidate is appointed to the Board or put forward to securityholders for election.

2.2 Board Skills Matrix

The Board is committed to ensuring that it continues to include directors who bring an appropriate mix of skills, knowledge, experience, expertise and diversity (including gender diversity) to Board decision making.

The Board currently comprises eight directors, including seven non-executive directors. Details of the directors' biographies, including their qualifications, are set out in the Directors' Report. In terms of gender representation, we currently have three women on our Board representing 38%, which exceeds the 30% Club's target of 30% female representation on a board.

The Board, with the Nomination Committee, actively work together in assessing the ongoing succession planning and renewal programme for the Board. In terms of defining the Board's requirements for new directors, consideration is given to the skills, experience and background of existing board members, the Group's strategy and any identified new or additional skills required to supplement the Board's capabilities. Having regard to the strategic direction of the Group, the Nomination Committee also works with external advisors in assessing potential new directors and skills.

The Board skills matrix set out below describes the combined skills, experience and expertise presently represented on the Board.

The extent to which the Directors have the requisite skills reflects the significant experience of the Directors both with the Group and with other Australian and international companies in an executive or non-executive capacity with the Board demonstrating strong representation in finance and banking skills, ex-CEO skills, transactional skills, governance skills and an increased representation of digital skills.

Skillset

Leadership – organisational, including senior executive leadership experience

Strategy – experience in developing and implementing strategic business plans

Financial acumen – senior experience in finance, including in financial accounting and reporting

Real estate – experience in real estate management, leasing, development, design and construction

Retail and consumer marketing – experience in retail (including physical and digital) and in customer service and management strategies

Capital management – senior experience in capital management strategies, corporate finance, capital markets and funds management

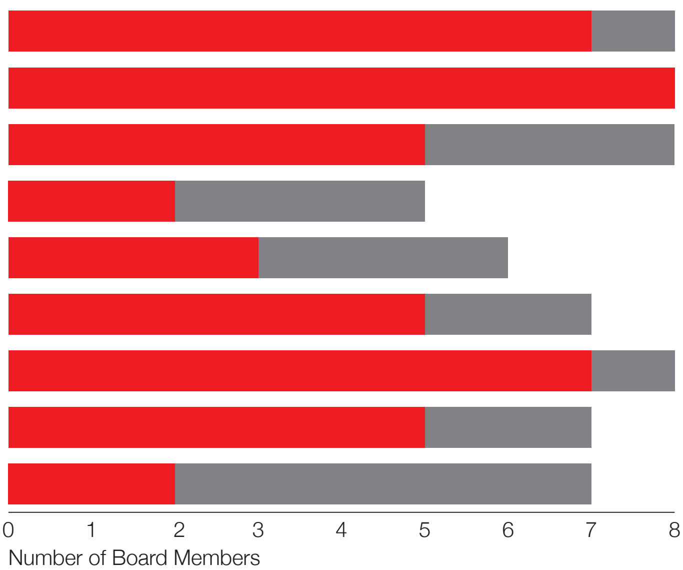
Governance – experience with governance in the listed sector

Human resources – senior experience in people management and human resources policy

Innovation – experience in transforming business models and processes including in relation to technology and digital platforms

■ Primary skillset ■ Secondary skillset

Scentre Group Board Skills Matrix



2.3 Directors' Independence

The Board considers that it should include significant representation by Directors who are capable and willing to make decisions which are in the best interests of securityholders, free from interests and influences which conflict with that duty and who are also independent of management.

The Board regularly assesses the independence of each Director in accordance with the terms of the Board Charter, the interests they have disclosed and such other factors as the Board determines are appropriate to take into account.

In making this determination the Board sought to assess whether Directors were:

- independent of management; and
- free of any interest, position or association that might influence or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board; and
- capable of making decisions which are in the best interests of securityholders generally.

In general, a non-executive Director will not be regarded as an independent director if that Director:

- is a substantial securityholder of Scentre Group or an officer of, or otherwise associated directly with, a substantial securityholder of Scentre Group;
- is, or within the last three years had been, employed in an executive capacity by any member of Scentre Group;
- is, or within the last three years had been, a partner or a senior management executive with audit responsibilities of a firm which has acted in the capacity of statutory auditor of any member of the Group;
- is, or within the last three years had been, a partner, director or senior employee of a material professional adviser to any member of the Group;
- is, or within the last three years had been, a principal, senior employee or associate of a material supplier to, or material customer of, any member of the Group;
- has a material contractual relationship with any member of the Group other than as a Director of the Board;
- has any interest or business or other relationship which could materially interfere with the Director's ability to act in the best interests of the Group and independently of management;
- has close family ties with any person who falls within any of the categories described above; or
- has been a Director of Scentre Group for such a period that their independence may have been compromised.

2.4 Independent Directors

As regards the non-executive Directors the following directors are considered independent: Mr Brian Schwartz, Mr Andrew Harmos, Mr Michael Ihlein, Ms Carolyn Kay, Ms Aliza Knox and Ms Margaret Seale.

2.5 Chairperson and Independence

The Chairman, Mr Brian Schwartz, is an independent non-executive Director.

2.6 Induction and ongoing education

New Directors participate in an induction program. This includes briefings with the CEO, CFO and COO and other members of the senior management team to provide the new Director with a deeper understanding of the main issues, strategic direction and material risks of each key business unit within the Group. As part of the program, Directors are given access to the external and internal auditors. Directors are also provided with all relevant corporate governance materials and policies.

We recognise that developing industry and corporate knowledge is an ongoing process. Regular briefing sessions to the Board and Board Committees are conducted on a number of topics including:

- The Group's core operations including trends in international and domestic retail;
- Legal and regulatory developments including health and safety laws, competition laws, corporate governance principles, tax and accounting changes; and
- Emerging and disruptive technologies including cyber threats and security.

Directors are also given the opportunity for site visits to our centres to better understand our operations. During the year, the Board also visited the United States with senior management to observe trends and technologies shaping the future for our retail partners and customers.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

3.1 Codes of Conduct

Directors' Code of Conduct

The Directors' Code of Conduct outlines the responsibilities of our Directors in maintaining our commitment to high standards of ethical conduct.

As part of the Code of Conduct, Directors are required to undertake, amongst other things, to: always act fairly, honestly and with integrity in all matters relating to the Group; perform their duties to the best of their ability; never act in a manner which is likely to harm the reputation of the Group and always abide by applicable laws.

Scentre Group Values

Our values expressed as our DNA require employees to:

- Act with integrity.
- Act as an owner.
- Work together.
- Push the limits.
- Never give up.
- Create a positive legacy.

Our DNA is the cultural blueprint for our organisational behaviour. These are the fundamental principles that guide staff and the conduct of staff in all dealings with stakeholders.

We are committed to high standards of ethical conduct and actively promote a diverse and inclusive culture where employees are encouraged to succeed to the best of their ability.

Employee Handbook

Our core principles are supplemented by the Employee Handbook which is provided to all employees at the time of joining the Group. The handbook outlines, among other matters, the high standards of personal conduct and ethical behaviour expected of all employees. Employees are required to affirm our Code of Conduct on an annual basis.

Compliance Manuals

Compliance manuals have been developed to provide guidance to employees on the laws applicable in the jurisdiction in which they work and the standards of conduct and the procedures to be adopted to comply with those laws. Management seminars are also conducted on an ongoing basis to help employees understand the legal requirements with which the Group must comply.

Whistleblower Policy

We have a whistleblower policy to ensure that any concerns regarding unethical, unlawful or improper conduct can be raised without fear of reprisal. Employees are encouraged to report any genuine matter or behaviour that they honestly believe contravenes our code of conduct, our policies or the law.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1 Audit and Risk Committee

The primary role of the Audit and Risk Committee is to oversee and monitor the integrity of consolidated financial reports and statements of the listed entities within the Group, and our systems of risk management, internal controls and legal compliance.

All members of the Committee are independent non-executive Directors, financially literate with significant relevant financial and/or accounting experience and a significant understanding of the Group's business. Members of the Committee have a sound understanding of the Group's structure, internal controls and typical transactions which enabled them to assess the risks faced by the Group.

The objective of the Committee is to assist the Board in fulfilling its corporate governance responsibilities by:

(a) monitoring and reviewing:

– the accuracy, integrity and reliability of financial reports and statements of listed entities of the Group;

– the effectiveness of the Group's internal control environment including the systems of internal controls, risk management and legal compliance;

– the objectivity and effectiveness of the internal audit function; and

– the independence, objectivity and effectiveness of the external audit function;

(b) overseeing the processes for:

– identifying and managing significant risks faced by the Group;

– the Group's compliance with applicable laws and regulations; and

– implementing appropriate and adequate control, monitoring and reporting systems; and

(c) making recommendations to the Board in relation to the appointment of the external auditors and approving the remuneration and terms of their engagement.

The Committee is assisted in its role and responsibilities by the Executive Committee, details of which are outlined below. The Committee is also assisted by the independent assurance function provided by the Business Review and Audit department (internal auditors) and our external auditors.

Assessment of material economic, environmental and social sustainability risks forms part of the Group's Enterprise Risk Management Framework.

The Committee, on at least an annual basis, reviews the appropriateness of the Enterprise Risk Management Policy and the Enterprise Risk Management Framework and our control systems. The Committee undertook such a review during the year.

The Audit and Risk Committee also monitors regulatory developments in relation to the audit regime, the role of audit and risk committees generally and how such developments may impact our corporate governance.

Our external auditor is Ernst & Young. The Committee meets with external auditors at least twice each year without management being present to review the adequacy of existing external audit arrangements and the scope of the external audit. The lead audit partner is required to rotate after 5 years.

The internal audit function is overseen by the Audit and Risk Committee. The Director, Risk and Internal Audit attends all meetings of the Audit and Risk Committee and reports on a regular basis as to the adequacy and effectiveness of the internal audit function. The Committee meets with the Director, Risk and Internal Audit at least twice a year, without management being present.

Non-Audit Services Protocol

The Non-Audit Services Protocol is designed to ensure that the external auditor carries out the statutory audit function in a manner which is, at all times, demonstrably independent of the Group.

The Protocol sets out key requirements in the relationship between the external auditor and the Group, and defines the scope and value of the non-audit services which could be provided by the external auditor, without impacting on the actual or perceived independence of the external auditor.

Executive Committee

To assist management in providing the information necessary to allow the Audit and Risk Committee to discharge its responsibilities, the Board has delegated specific risk related responsibilities to the Executive Committee which includes the CEO, CFO, COO, the Director, Risk and Internal Audit and the General Counsel as its members.

This Committee is responsible for:

– assisting in the formulation of all aspects of the risk management process to be adopted by the Group;

– overseeing the implementation by management of the Group's policies and procedures by ensuring that all phases of the process of identification, assessment, control, review and reporting are reflected appropriately in the policies, processes, performance requirements and controls in the Group;

– ensuring that there is a proper allocation of responsibility for the implementation and conduct of the risk management process between the Group's management in Australia and New Zealand; and

– implementing appropriate systems to monitor compliance with all relevant laws and other regulatory obligations and for ensuring that the risk management processes of the Group are such that the CEO and the CFO are able to give the certifications required in order to comply with the Corporations Act, applicable accounting standards and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

4.2 CEO and CFO declarations

The CEO and CFO are required to confirm in writing to the Board, at the time the financial statements of the Group are being considered for approval by the Board, that in all material respects:

– the financial statements present a true and fair view;

– that this assertion is founded on a sound system of financial risk management and internal compliance and control which implements the policies adopted by the Board; and

– that the Group's financial risk management and internal compliance and control systems are operating efficiently and effectively in all material respects in relation to financial reporting risks.

The Board receives regular reports from management and the Audit and Risk Committee on areas where there are considered to be significant business risks and on the management of those risks. The internal audit function also monitors these risks and reports to the Audit and Risk Committee.

4.3 External auditor attendance at AGM

The lead audit partner of Ernst & Young attends our AGM and is available to answer questions on the Group's financial statements and the conduct of the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Continuous Disclosure and Communications Policy

We are committed to providing securityholders with comprehensive, timely and equal access to information about our activities to enable them to make informed investment decisions.

Our Continuous Disclosure and Communications Policy underlines our commitment to ensuring that securityholders and the market are provided with high quality, relevant and accurate information regarding its activities in a timely manner and that investors are able to trade in Scentre Group securities in a market which is efficient, competitive and informed as well as ensuring that market participants have an equal opportunity to review and assess information disclosed by the Group.

Our policy includes a vetting and authorisation process to ensure that all disclosures are factual, do not omit material matters and are expressed in a clear and objective manner. The policy also outlines how we identify and disseminate information to securityholders and the market generally.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITYHOLDERS

6.1 Corporate website

We monitor and continue to utilise a broad range of communication approaches including direct communications with securityholders, publication of all relevant company information in the Investor section of the scentregroup.com website, as well as access to market briefings via webcasting and teleconferencing facilities.

Our corporate website forms a key part of its communication platform to securityholders and the broader investment community. A section of this website is dedicated to securityholders. Current and past media releases, investor presentations and interim and full year financial reports are available for review on the website. These announcements, presentations and reports continue to be posted on the corporate website immediately after they have been released to the market.

The website also contains an overview of the Group, our structure and history and biographical details of our Directors.

6.2 Investor relations program

We have developed an investor engagement program for engaging with securityholders, debt investors, and broader investment community. The aim of this program is for investors and other stakeholders to understand our business, financial performance and prospects as well as our governance structure.

6.3 Annual General Meeting

Our AGM represents a key opportunity for securityholders to meet the Board and ask questions of the Directors. Securityholders who are not able to attend the AGM in person may appoint proxies to represent them at the meeting. Key members of senior management, including the CEO, COO and CFO are present and available to answer questions.

The AGM is webcast live from our corporate website. Copies of the addresses delivered by the Chairman and CEO to the AGMs are released to the ASX and posted to the website. A summary of the meeting and the outcome of voting on items of business before the meeting are released to the ASX and posted to the corporate website as soon as they are available following completion of the AGM. These announcements are archived and searchable on the corporate website.

6.4 Electronic communications

Securityholders may elect to receive all or some of the Group's communications, including the annual report, electronically.

Our registry provides securityholders with the option to update their details electronically via their website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

We adopt a rigorous approach to understanding and managing its business risks. There is a discussion of our approach to risk under Principle 4.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Human Resources Committee

The role of the Human Resources Committee includes determining and agreeing with the Board the broad policy establishing appropriate human resources strategies including remuneration. The Committee also has oversight of policies that promote and support equal opportunity and diversity.

The objective of the Committee is to assist the Board in establishing appropriate human resources strategies including remuneration policies and practices which:

- enable the Group to attract and retain executives and Directors who will create sustainable value and returns for securityholders and other stakeholders;
- fairly and responsibly reward executives and Directors, having regard to the performance of the Group, the executive and the external compensation environment; and
- appropriately align the interests of executives with securityholders.

The responsibilities of the Committee include:

- determining and reviewing remuneration policies that apply to Directors and to members of the senior executive team;
- determining the specific remuneration packages for the CEO, and other executive KMPs;
- reviewing the depth of the senior executive team and the appropriateness of the succession planning policies in place; and
- reviewing the performance of the CEO and other executive KMP against their short-term performance measures and the Group's performance against long-term measures and report on such reviews to the Board.

Our remuneration objectives and policies and further details on the role of the Committee are set out in the remuneration report section of the Directors' Report.

Investor Relations

Scentre Group is listed on the Australian Securities Exchange (ASX) under the code "SCG" and as an ADR under code "SCTRY".

Please visit our website at *www.scentregroup.com/investors* for a variety of investor information.

Scentre Group securities

A Scentre Group stapled security comprises:

- 1 Scentre Group Limited share
- 1 Scentre Group Trust 1 unit
- 1 Scentre Group Trust 2 unit
- 1 Scentre Group Trust 3 unit

and trade together as one security.

Scentre Group Website

- About Scentre Group
- News
- Centres
- Investor Information

Electronic Information

By becoming an electronic investor and registering your email address, you can receive via email, news, notifications and announcements, dividend/distribution statements, taxation statements and annual reports.

Secure Access to Your Securityholding Online

You can go to *www.scentregroup.com/investors* to access your securityholding information by clicking on *'My SCG Securities'* as well as extensive information on the Group including the latest press releases, results announcements, presentations and more.

To view your securityholding, you will need your Holder Number (SRN/HIN) and will be asked to verify your registered postcode (inside Australia) or your country of residence (outside Australia).

Phone – you can confirm your holding balance, request forms and access distribution and trading information by phoning:

1300 730 458 or call +61 3 9946 4471 (outside Australia) then, pressing 1. You will be asked to enter your Holder Number (SRN/HIN).

Scentre Group Distribution Details

Your interim distribution will be paid at the end of August and your final distribution paid at the end of February. Details of the 2017 year distributions are provided in the table to the right. To ensure timely receipt of your distribution, please consider the following:

Direct Credit

You can receive your distribution payment efficiently and safely by having it direct credited to your bank account. If you wish to register for direct credit, please complete the form and return it to the registry. This form can be downloaded from www.scentregroup.com/investors/security-holder-forms or by phoning our Registry on 1300 730 458 (Please have your Holder Number (SRN/HIN) available to quote). Alternatively, you can update your details directly online at *www.scentregroup.com/investors* and by clicking on "My SCG Securities".

	Ordinary Securities (Cents per Security)
* Dividends/distributions for the year ended 31 December 2017	21.73
Dividend/distribution for the six months ended 30 June 2017 paid on 31 August 2017	**10.86**
Dividend in respect of a Scentre Group Limited share	Nil
Distribution in respect of a Scentre Group Trust 1 unit	4.15
Distribution in respect of a Scentre Group Trust 2 unit	6.71
Distribution in respect of a Scentre Group Trust 3 unit	Nil
Dividend/distribution for the six months ended 31 December 2017 to be paid on 28 February 2018	**10.87**
Dividend in respect of a Scentre Group Limited share	2.35
Distribution in respect of a Scentre Group Trust 1 unit	2.60
Distribution in respect of a Scentre Group Trust 2 unit	5.92
Distribution in respect of a Scentre Group Trust 3 unit	Nil

Note: The Group does not operate a distribution reinvestment plan.

Tax File Number (TFN)

You are not required by law to provide your Tax File Number (TFN), Australian Business Number (ABN) or Exemption.

However, if you do not provide your TFN, ABN or Exemption, withholding tax at the highest marginal rate, currently 49% for Australian resident members, may be deducted from distributions paid to you. If you have not supplied this information and wish to do so, please advise our Registry or your sponsoring broker.

Alternatively, you can update your details directly online at www.scentregroup.com/investors and by clicking on "My SCG Securities".

Annual Tax Statement and 2018 Tax Guide

The Annual Tax Statement and Tax Guide are dispatched to securityholders in July each year.

Unpresented Cheques & Unclaimed Funds

Scentre Group is required to remit to the NSW Office of State Revenue amounts greater than $100 held in an account that has been inactive for at least 6 years. If you believe you have unpresented cheques please contact the Registry which will be able to check the records and assist you in recovering any funds. Record checks can be made for the prior 7 years. For any enquiries beyond 7 years, you will need to contact the NSW Office of State Revenue (www.osr.nsw.gov.au) to check for unclaimed money.

Australian Capital Gains Tax Considerations

A Scentre Group stapled security comprises four separate assets for capital gains tax purposes. For capital gains tax purposes you need to apportion the cost of each stapled security and the proceeds on sale of each stapled security over the separate assets that make up the stapled security. This apportionment should be done on a reasonable basis. One possible method of apportionment is on the basis of the relative Net Tangible Assets (NTAs) of the individual entities.

These are set out by entity in the table below.

Relative Net tangible Assets (NTA) of entities in Scentre Group	30 Jun 17	31 Dec 17
Scentre Group Limited	3.76%	3.67%
Scentre Group Trust 1	36.90%	38.01%
Scentre Group Trust 2	59.26%	58.24%
Scentre Group Trust 3	0.08%	0.08%

American Depositary Receipts (ADR)

Scentre Group has an established ADR program providing a tradeable security in the United States.

Details of the ADR program are available on our website at www.scentregroup.com/investors/american-depositary-receipts/

Contact Details

All changes of name, address, tax file number, payment instructions and document requests should be directed to the Registry or alternatively, you can update your details directly online at www.scentregroup.com/investors and by clicking on "My SCG Securities".

Principal Share Registry

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

All other queries should be directed to Scentre Group Investor Relations:

Level 30, 85 Castlereagh Street
Sydney NSW 2000, Australia
GP0 Box 4004
Sydney NSW 2001
Telephone +61 2 9358 7877
investor@scentregroup.com
www.scentregroup.com/investors

Investor Feedback

If you have any complaints or feedback, please direct these in writing to Scentre Group Investor Relations at GPO Box 4004, Sydney NSW 2001.

Scentre Group Calendar

February

– 21 Feb 2018: Full-year results released

– 28 Feb 2018: Payment Distribution for 6 months ending December

March

– Annual Financial Reports for Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 released

April

– 5 Apr 2018: Scentre Group Limited: Annual General Meeting

May

– 1st Quarter Update

July

– Annual Tax Statements released

August

– Half-year results released

– Payment of Distribution for the 6 months ending June

November

– 3rd Quarter Update

Members' Information

FOR THE YEAR ENDED 31 DECEMBER 2017

Twenty Largest Holders of Stapled Securities in Scentre Group*

		Number of Securities
1	HSBC Custody Nominees (Australia) Limited	2,103,545,630
2	J P Morgan Nominees Australia Limited	978,209,841
3	BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	503,265,541
4	Citicorp Nominees Pty Limited	470,403,949
5	National Nominees Limited	280,677,684
6	BNP Paribas Noms Pty Ltd <DRP>	70,826,141
7	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	70,419,284
8	Cordera Holdings Pty Limited	60,570,206
9	Franley Holdings Pty Ltd	50,693,432
10	Franley Securities Pty Ltd	50,693,432
11	AMP Life Limited	41,105,627
12	HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	23,944,161
13	FP Pty Limited <The Frank Lowy Living A/C>	17,577,810
14	Australian Foundation Investment Company Limited	12,950,000
15	Bond Street Custodians Limited <ENH Property Securities A/C>	11,913,823
16	Franley Holdings Pty Ltd	9,876,775
17	Franley Securities Pty Ltd	9,876,775
18	Navigator Australia Ltd <SMA Antares Inv Dv Build A/C>	8,775,925
19	Argo Investments Limited	7,526,662
20	Amondi Pty Ltd <S E O P T A/C>	7,313,304
		4,790,166,002

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

The stapled securities trade on the Australian Securities Exchange under the code SCG.

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 Security-holders	% of securities in each category
1-1,000	12,548,203	29,451	0.24
1,001-5,000	95,091,006	38,669	1.79
5,001-10,000	71,052,985	10,054	1.33
10,001-100,000	148,408,522	6,937	2.79
100,001 and over	4,997,195,962	344	93.86
Total	5,324,296,678	85,455	100.00

As at 16 February 2018, 7,104 securityholders hold less than a marketable parcel (being 133 securities at the closing price of $3.77) of quoted securities in Scentre Group.

* There are 10,681,146 performance rights on issue to a total of 112 Scentre Group employees. These rights may be satisfied by either the transfer or issue of Scentre Group securities to employees, or settled by way of cash payout which amount is calculated by reference to the market price of Scentre Group securities at the time of vesting. Under the stapling arrangement, in the case of the issue of securities, each of the Company, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 is required to issue securities on the vesting of a performance right.

** During FY17, 3,700,560 securities (at an average price of $3.97) were acquired on-market by the Group's Performance Rights Trust to satisfy executive entitlements on the vesting of rights under the Group's equity-linked plans.

Substantial Securityholders

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

The Vanguard Group	493,780,757
BlackRock Group	450,144,001
National Nominees as custodian for Unisuper Limited	294,417,792
State Street	290,301,657

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Directory

Scentre Group
Scentre Group Limited
ABN 66 001 671 496

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

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

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

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

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

Secretaries
Maureen T McGrath
Paul F Giugni

Auditor
Ernst & Young
200 George Street
Sydney NSW 2000

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Scentre Group
Level 30
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Telephone: +61 2 9358 7877
Facsimile: +61 2 9028 8500
E-mail: investor@scentregroup.com
Website: www.scentregroup.com

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

ADR Registry
Bank of New York Mellon
Depositary Receipts Division
101 Barclay St
22nd Floor
New York, New York 10286
Telephone: +1 212 815 2293
Facsimile: +1 212 571 3050
Website: www.adrbnymellon.com
Code: SCTRY

Listing
Australian Securities Exchange – SCG

Website
www.scentregroup.com

The papers used in the production of this year's Scentre Group reports are produced using environmentally responsible papers produced from well managed forests.

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SCENTRE GROUP

Owner and Operator of Westfield in Australia and New Zealand