

SCENTRE GROUP

ASX ANNOUNCEMENT

25 August 2020

SCENTRE GROUP (ASX: SCG)

Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 2020 Half Year Financial Reports

Attached are the Half Year Financial Reports for each of Scentre Group Trust 1, Scentre Group Trust 2, and Scentre Group Trust 3.

Authorised for release by the Company Secretary.

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

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

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

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Scentre Group Trust 1 Half-Year Financial Report For the half-year ended 30 June 2020

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SCENTRE GROUP TRUST 1
STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 30 June 2020

	Note	30 Jun 20 \$million	30 Jun 19 \$million
Revenue			
Property revenue		268.8	315.8
		<u>268.8</u>	<u>315.8</u>
Expenses			
Property expenses, outgoings and other costs		(68.5)	(82.1)
Overheads		(5.8)	(7.0)
		<u>(74.3)</u>	<u>(89.1)</u>
Share of after tax profits/(loss) of equity accounted entities			
Property revenue		271.2	275.0
Property expenses, outgoings and other costs		(67.3)	(72.9)
Net interest expense		(0.2)	(0.2)
Expected credit charge relating to COVID-19		(58.9)	-
Property revaluations		(1,064.3)	(16.0)
Tax expense		(2.2)	(3.0)
		<u>(921.7)</u>	<u>182.9</u>
Interest income		1.4	0.6
Currency gain		8.6	1.8
Financing costs		(72.6)	(173.8)
Gain in respect of capital transactions	9	-	91.7
Expected credit charge relating to COVID-19	4(b)	(53.3)	-
Property revaluations		(937.6)	19.9
Profit/(loss) before tax		<u>(1,780.7)</u>	<u>349.8</u>
Tax expense		-	-
Profit/(loss) after tax for the period		<u>(1,780.7)</u>	<u>349.8</u>
Other comprehensive income/(loss)			
Movement in foreign currency translation reserve ⁽ⁱ⁾			
- Realised and unrealised differences on the translation of investment in foreign operations		(5.0)	0.6
Total comprehensive income/(loss) for the period		<u>(1,785.7)</u>	<u>350.4</u>
Profit/(loss) after tax for the period attributable to:			
- Members of Scentre Group Trust 1		(1,736.6)	345.8
- External non controlling interests		(44.1)	4.0
Profit/(loss) after tax for the period		<u>(1,780.7)</u>	<u>349.8</u>
Total comprehensive income/(loss) attributable to:			
- Members of Scentre Group Trust 1		(1,741.6)	346.4
- External non controlling interests		(44.1)	4.0
Total comprehensive income/(loss) for the period		<u>(1,785.7)</u>	<u>350.4</u>
⁽ⁱ⁾ This may be subsequently transferred to the profit and loss. In relation to the foreign currency translation reserve, the portion relating to the foreign operations may be transferred to the profit and loss depending on how the foreign operations are sold.			
		cents	cents
Basic and diluted earnings/(loss) per unit attributable to members of Scentre Group Trust 1	8(a)	(33.37)	6.50

SCENTRE GROUP TRUST 1
BALANCE SHEET
As at 30 June 2020

	Note	30 Jun 20 \$million	31 Dec 19 \$million
Current assets			
Cash and cash equivalents		245.3	43.3
Trade debtors	4	40.4	5.0
Receivables	4	909.1	89.7
Derivative assets		190.9	94.6
Other current assets		9.0	20.1
Total current assets		1,394.7	252.7
Non current assets			
Trade debtors	4	1.8	-
Investment properties	5	8,243.5	9,128.4
Equity accounted investments		8,280.6	9,275.3
Derivative assets		734.7	630.3
Other non current assets		26.0	44.6
Total non current assets		17,286.6	19,078.6
Total assets		18,681.3	19,331.3
Current liabilities			
Trade creditors		58.4	78.3
Payables and other creditors	10	1,211.3	1,195.0
Interest bearing liabilities	11	2,205.3	1,486.0
Lease liabilities		0.1	0.1
Derivative liabilities		22.6	15.5
Total current liabilities		3,497.7	2,774.9
Non current liabilities			
Interest bearing liabilities	11	6,914.4	6,216.3
Other financial liabilities		619.2	689.0
Lease liabilities		7.6	7.7
Derivative liabilities		475.8	264.0
Total non current liabilities		8,017.0	7,177.0
Total liabilities		11,514.7	9,951.9
Net assets		7,166.6	9,379.4
Equity attributable to members of Scentre Group Trust 1			
Contributed equity	12(b)	1,459.0	1,527.2
Reserves		19.3	24.3
Retained profits		5,523.1	7,618.6
Total equity attributable to members of Scentre Group Trust 1		7,001.4	9,170.1
Equity attributable to external non controlling interests			
Contributed equity		70.3	70.3
Retained profits		94.9	139.0
Total equity attributable to external non controlling interests		165.2	209.3
Total equity		7,166.6	9,379.4

SCENTRE GROUP TRUST 1
STATEMENT OF CHANGES IN EQUITY
For the half-year ended 30 June 2020

	Contributed Equity \$million	Reserves \$million	Retained Profits \$million	30 Jun 20 Total \$million	Contributed Equity \$million	Reserves \$million	Retained Profits \$million	30 Jun 19 Total \$million
Changes in equity attributable to members of Scentre Group Trust 1								
Balance at the beginning of the period	1,527.2	24.3	7,618.6	9,170.1	1,646.7	22.9	7,591.5	9,261.1
- Profit/(loss) after tax for the period ⁽ⁱ⁾	-	-	(1,736.6)	(1,736.6)	-	-	345.8	345.8
- Other comprehensive income/(loss) ^{(i) (ii)}	-	(5.0)	-	(5.0)	-	0.6	-	0.6
Transactions with owners in their capacity as owners								
- Buy-back and cancellation of units and associated costs	(68.2)	-	-	(68.2)	-	-	-	-
- Distribution paid or provided for	-	-	(358.9)	(358.9)	-	-	(180.8)	(180.8)
Closing balance of equity attributable to members of Scentre Group Trust 1	1,459.0	19.3	5,523.1	7,001.4	1,646.7	23.5	7,756.5	9,426.7
Changes in equity attributable to external non controlling interests								
Balance at the beginning of the period	70.3	-	139.0	209.3	75.9	-	152.2	228.1
- Profit/(loss) after tax for the period attributable to external non controlling interests ⁽ⁱ⁾	-	-	(44.1)	(44.1)	-	-	4.0	4.0
- Distribution paid or provided for	-	-	-	-	-	-	(5.1)	(5.1)
Closing balance of equity attributable to external non controlling interests	70.3	-	94.9	165.2	75.9	-	151.1	227.0
Total equity	1,529.3	19.3	5,618.0	7,166.6	1,722.6	23.5	7,907.6	9,653.7

⁽ⁱ⁾ Total comprehensive loss for the period amounts to \$1,785.7 million (30 June 2019: income of \$350.4 million).

⁽ⁱⁱ⁾ Movement in reserves attributable to members of Scentre Group Trust 1 comprises realised and unrealised differences on the translation of investment in foreign operations of \$5.0 million (30 June 2019: income of \$0.6 million).

SCENTRE GROUP TRUST 1
CASH FLOW STATEMENT
For the half-year ended 30 June 2020

	30 Jun 20 \$million	30 Jun 19 \$million
Cash flows from operating activities		
Receipts in the course of operations (including Goods and Services Tax (GST))	209.9	354.1
Payments in the course of operations (including GST)	(68.1)	(101.5)
Dividends/distributions received from equity accounted entities	96.0	172.2
GST paid ⁽ⁱ⁾	(14.0)	(24.1)
Payments of financing costs (excluding interest capitalised)	(162.8)	(175.9)
Interest received	0.8	0.4
Net cash inflow from operating activities ⁽ⁱ⁾	61.8	225.2
Add/(less): GST received/(paid) on outstanding trade debtors	(7.8)	0.3
Net cash inflow from operating activities	54.0	225.5
Cash flows from investing activities		
Capital expenditure	(39.3)	(64.6)
Proceeds from the sale of assets	-	1,336.5
Payments relating to the sale of assets	(4.2)	(24.7)
Net outflows for investments in equity accounted entities	(45.3)	(76.9)
Financing costs capitalised to qualifying development projects and construction in progress	(3.6)	(6.5)
Net cash inflow/(outflow) from investing activities	(92.4)	1,163.8
Cash flows from financing activities		
Buy-back of units and associated costs	(68.2)	-
Net proceeds from interest bearing liabilities and lease liabilities	1,492.2	6.9
Net funds paid to related entities	(820.0)	(1,188.2)
Distributions paid	(358.9)	(180.8)
Distributions paid by controlled entities to external non controlling interests	(4.7)	(5.1)
Net cash inflow/(outflow) from financing activities	240.4	(1,367.2)
Net increase in cash and cash equivalents held	202.0	22.1
Add opening cash and cash equivalents brought forward	43.3	17.2
Cash and cash equivalents at the end of the period ⁽ⁱⁱ⁾	245.3	39.3

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

⁽ⁱⁱ⁾ Cash and cash equivalents comprises cash of \$245.3 million (30 June 2019: \$39.3 million) net of bank overdraft of nil (30 June 2019: nil).

SCENTRE GROUP TRUST 1

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

1 Corporate information

This financial report of Scentre Group Trust 1 (SGT1) and its controlled entities (collectively the Trust) for the half-year ended 30 June 2020 was approved in accordance with a resolution of the Board of Directors of Scentre Management Limited as Responsible Entity of SGT1.

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited (SGL), SGT1, Scentre Group Trust 2 (SGT2), Scentre Group Trust 3 (SGT3) and their respective controlled entities. Scentre Group operates as a single coordinated economic entity, with a common Board of Directors and management team.

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

2 Basis of preparation of the financial report

This half-year financial report does not include all notes of the type normally included in the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Trust as the annual financial report.

This half-year financial report should be read in conjunction with the annual financial report of SGT1 as at 31 December 2019.

It is also recommended that this half-year financial report be considered together with any public announcements made by Scentre Group during the half-year ended 30 June 2020 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 (Corporations Act).

(a) Significant events and transactions since 31 December 2019

On 11 March 2020, the World Health Organisation declared the outbreak of the COVID-19 virus a pandemic. Both Australia and New Zealand experienced an outbreak of the virus, and the governments of both countries implemented a number of measures, including significant restrictions on people movement and activity. The impact on the Trust's operations and financial results as a result of the COVID-19 pandemic is discussed in section 2 of the Directors' Report.

(b) Going concern

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

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

(c) Basis of accounting

This half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Regulations 2001 and AASB 134 Interim Financial Reporting.

This half-year financial report has 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.

For the purpose of preparing this half-year financial report, the half-year has been treated as a discrete reporting period.

This half-year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 31 December 2019 except for the changes required due to amendments to the accounting standards as disclosed in Note 2(d).

This half-year financial report is presented in Australian dollars.

SCENTRE GROUP TRUST 1
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

2 Basis of preparation of the financial report (continued)

(d) New accounting standards and interpretations

The Trust has adopted the following new or amended standards which became applicable on 1 January 2020:

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

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

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Trust for the half-year ended 30 June 2020. The impact of these new standards or amendments to the standards (to the extent relevant to the Trust) and interpretations is as follows:

- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective from 1 January 2022)
This amends AASB 10 - Consolidated Financial Statements and AASB 128 - Investments in Associates and Joint Ventures to address an inconsistency between the requirements of AASB 10 and AASB 128 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. This amendment is not expected to have a significant impact on the financial statements on application.
- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (effective from 1 January 2022)
This amends AASB 101 – Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. This amendment is not expected to have a significant impact on the financial statements on application.

(e) Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in this half-year 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.

3 Segment reporting

Geographic segments

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

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

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

SCENTRE GROUP TRUST 1
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

3 Segment reporting (continued)

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

(a) Geographic segment information

	Australia \$million	New Zealand \$million	30 Jun 20 \$million	Australia \$million	New Zealand \$million	30 Jun 19 \$million
Revenue						
Shopping centre base rent and other property income ⁽ⁱ⁾	525.3	29.8	555.1	583.6	25.1	608.7
Amortisation of tenant allowances	(17.6)	(0.7)	(18.3)	(20.7)	(0.3)	(21.0)
Straightlining of rent	2.8	0.4	3.2	3.1	-	3.1
	510.5	29.5	540.0	566.0	24.8	590.8
Expenses						
Property expenses, outgoings and other costs	(128.1)	(7.7)	(135.8)	(148.2)	(6.8)	(155.0)
Expected credit charge relating to COVID-19	(105.3)	(6.9)	(112.2)	-	-	-
	(233.4)	(14.6)	(248.0)	(148.2)	(6.8)	(155.0)
Segment income and expenses	277.1	14.9	292.0	417.8	18.0	435.8

⁽ⁱ⁾ Includes recoveries of outgoings from lessees of \$64.9 million (30 June 2019: \$75.2 million).

	Australia \$million	New Zealand \$million	30 Jun 20 \$million	Australia \$million	New Zealand \$million	31 Dec 19 \$million
Shopping centre investments	15,795.7	725.7	16,521.4	17,579.5	834.4	18,413.9
Development projects and construction in progress	82.4	24.7	107.1	132.1	28.3	160.4
Segment assets ⁽ⁱ⁾	15,878.1	750.4	16,628.5	17,711.6	862.7	18,574.3
Additions to segment non current assets during the period	54.9	5.1	60.0	79.0	138.0	217.0

⁽ⁱ⁾ Includes equity accounted segment assets of \$8,385.0 million (31 December 2019: \$9,445.9 million).

(b) Reconciliation of segment information

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

	Consolidated \$million	Equity accounted \$million	30 Jun 20 \$million	Consolidated \$million	Equity accounted \$million	30 Jun 19 \$million
Property revenue	268.8	271.2	540.0	315.8	275.0	590.8
Property expenses, outgoings and other costs	(68.5)	(67.3)	(135.8)	(82.1)	(72.9)	(155.0)
Expected credit charge relating to COVID-19	(53.3)	(58.9)	(112.2)	-	-	-
Segment income and expenses	147.0	145.0	292.0	233.7	202.1	435.8
Overheads			(5.8)			(7.0)
Interest income			1.6			0.8
Currency gain			8.6			1.8
Financing costs			(73.0)			(174.2)
Gain in respect of capital transactions			-			91.7
Property revaluations			(2,001.9)			3.9
Tax expense			(2.2)			(3.0)
External non controlling interests			44.1			(4.0)
Net profit/(loss) attributable to members of SGT1 ⁽ⁱ⁾			(1,736.6)			345.8

⁽ⁱ⁾ Net loss attributable to members of SGT1 was \$1,736.6 million (30 June 2019: profit of \$345.8 million). Net loss after tax for the period which includes loss attributable to external non controlling interests of \$44.1 million (30 June 2019: profit of \$4.0 million) was \$1,780.7 million (30 June 2019: profit of \$349.8 million).

SCENTRE GROUP TRUST 1
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

3 Segment reporting (continued)

(b) Reconciliation of segment information (continued)

	Consolidated \$million	Equity accounted \$million	30 Jun 20 \$million	Consolidated \$million	Equity accounted \$million	31 Dec 19 \$million
Shopping centre investments	8,183.0	8,338.4	16,521.4	9,034.0	9,379.9	18,413.9
Development projects and construction in progress	60.5	46.6	107.1	94.4	66.0	160.4
Segment assets	8,243.5	8,385.0	16,628.5	9,128.4	9,445.9	18,574.3
Cash and cash equivalents	245.3	22.7	268.0	43.3	10.7	54.0
Trade and other receivables	1,012.2	115.7	1,127.9	100.0	20.6	120.6
Expected credit loss allowance	(60.9)	(64.6)	(125.5)	(5.3)	(4.3)	(9.6)
Other assets	960.6	4.4	965.0	789.6	5.3	794.9
Total assets	10,400.7	8,463.2	18,863.9	10,056.0	9,478.2	19,534.2
Interest bearing liabilities	9,119.7	-	9,119.7	7,702.3	-	7,702.3
Other financial liabilities	619.2	-	619.2	689.0	-	689.0
Deferred tax liabilities	-	58.8	58.8	-	58.2	58.2
Other liabilities	1,775.8	123.8	1,899.6	1,560.6	144.7	1,705.3
Total liabilities	11,514.7	182.6	11,697.3	9,951.9	202.9	10,154.8
Net assets	(1,114.0)	8,280.6	7,166.6	104.1	9,275.3	9,379.4

	30 Jun 20 \$million	31 Dec 19 \$million
4 Trade and other receivables		
Current		
Trade debtors	40.4	5.0
Other receivables	105.8	89.7
Interest bearing loans receivable from related entities	803.3	-
	949.5	94.7
Non current		
Trade debtors	1.8	-
	1.8	-
Total trade and other receivables	951.3	94.7

(a) Trade and other receivables comprise:

Trade and other receivables	1,012.2	100.0
Expected credit loss allowance	(60.9)	(5.3)
Total trade and other receivables	951.3	94.7

(b) Movement in expected credit loss allowance

Balance at the beginning of the period	(5.3)	(6.6)
Expected credit charge relating to COVID-19	(53.3)	-
Other decreases/(increases) in expected credit loss	(2.3)	1.3
Balance at the end of the period	(60.9)	(5.3)

Trade and other receivables are carried at amortised cost, reduced by expected impairment losses. In assessing for impairment, the Trust assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortised cost. For trade receivables, the Trust applies the simplified approach which requires lifetime expected losses to be recognised from initial recognition of the receivables. In measuring the expected credit loss, receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are determined based on days past the due date and the historical credit losses experienced. Historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of customers to settle their debts.

SCENTRE GROUP TRUST 1
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

4 Trade and other receivables (continued)

For the second quarter of 2020, many of the Trust's retailers have been adversely impacted as a result of the COVID-19 pandemic and the government restrictions on people movement and activity. The loss of revenue during this period has impacted many tenants' financial position. In response to the pandemic, the National Cabinet in Australia issued the Code of Conduct for small to medium sized retailers in April 2020, which mandated a framework for temporary lease arrangements to reduce cash rent in proportion to the retailers' revenue impact during the pandemic period. New Zealand does not have a Code of Conduct, however the Trust has implemented similar principles in that market with respect to small to medium sized retailers. The Trust has also worked with retail partners that are not subject to the code on a case-by-case basis to determine appropriate ways to assist with their cash-flow issues.

The expected credit charge relating to COVID-19 recognised for the half-year ended 30 June 2020 is solely related to the COVID-19 pandemic and has been separately disclosed in the statement of comprehensive income to highlight its significant impact on the Trust's results. The charge includes an estimate of lease receivables that might not be recovered and additional credit risk associated with tenants. As the process of negotiations for tenant rent relief remains incomplete, management have made significant assumptions and used their judgement to estimate the level of rent waivers for the period to 30 June 2020. For the remaining trade and other receivables outstanding at 30 June 2020, that is, amounts not expected to be waived, management have assessed that there is an increased level of credit risk on the collection of these balances. Rather than primarily applying historical loss rates, the assumptions used in estimating lifetime expected credit loss include the following:

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

Management has also taken into account security deposits received from tenants generally in the form of bank guarantees which can be called upon if the tenant is in default under the terms of the lease contract.

Uncertainties over the near-term and longer-term impact of the COVID-19 pandemic affect management's ability to reliably determine key judgements, estimates and assumptions used in determining expected credit loss. The expected credit loss allowance has been determined based on available information of conditions that existed at 30 June 2020.

Loans receivable from related entities have been assessed for impairment at 30 June 2020. The related entities are members of Scentre Group which is a stapled group operating as a single economic entity with a common Board of Directors and management team. As the related entities are also members of Scentre Group's cross-guarantee arrangements, it is highly unlikely that the related entity will default on its contractual obligations to the Trust. Therefore, the expected credit losses on these loans receivable are immaterial.

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

	30 Jun 20 \$million	31 Dec 19 \$million
5 Investment properties		
Shopping centre investments	8,183.0	9,034.0
Development projects and construction in progress	60.5	94.4
Total investment properties ⁽ⁱ⁾	8,243.5	9,128.4

⁽ⁱ⁾ The fair value of investment properties at the end of the period of \$8,243.5 million (31 December 2019: \$9,128.4 million) comprises investment properties at market value of \$8,235.8 million (31 December 2019: \$9,120.6 million) and ground lease assets of \$7.7 million (31 December 2019: \$7.8 million).

Investment properties are carried at the Directors' assessment of fair value. Investment properties include both shopping centre investments and development projects and construction in progress.

The Directors' assessment of fair value of each shopping centre takes into account the latest independent valuations generally prepared annually, with updates taking into account any changes in capitalisation rate, underlying income and valuations of comparable centres. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used, which are based upon assumptions and judgements in relation to future rental income, capitalisation rate and make reference to market evidence of transaction prices for similar properties. The key assumptions and estimates used in determining fair value are disclosed in Note 6.

SCENTRE GROUP TRUST 1
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

5 Investment properties (continued)

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

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

	30 Jun 20 \$million	31 Dec 19 \$million
6 Details of shopping centre investments		
Consolidated Australian shopping centres	8,183.0	9,034.0
Total consolidated shopping centres	8,183.0	9,034.0
Equity accounted Australian shopping centres	7,612.7	8,545.4
Equity accounted New Zealand shopping centres	725.7	834.5
Total equity accounted shopping centres	8,338.4	9,379.9
	16,521.4	18,413.9

As at 30 June 2020 there was significant valuation uncertainty relating to the investment property valuations. The COVID-19 pandemic and the regulatory response has significantly impacted our operations as well those of our tenants. This uncertainty affects our ability to reliably determine the key judgements and assumptions used in the property valuations. The Income Capitalisation approach and the Discounted Cash Flow approach are used to arrive at a range of valuation outcomes, from which a best estimate of fair value is derived at a point in time. The key assumptions and estimates used in these valuation approaches which have been impacted by COVID-19 include:

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

Due to the valuation uncertainty the property values may change significantly and unexpectedly over a relatively short period of time. The property valuations have been prepared based on the information that is available at 30 June 2020.

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

	30 Jun 20	31 Dec 19
Australian portfolio		
Retail capitalisation rate	4.13%-6.25%	4.00%-6.00%
Weighted average retail capitalisation rate	4.85%	4.66%
Retail discount rate	6.00%-7.50%	6.00%-7.50%
New Zealand portfolio		
Retail capitalisation rate	5.38%-6.75%	5.25%-6.63%
Weighted average retail capitalisation rate	6.14%	5.92%
Retail discount rate	7.13%-8.28%	7.00%-8.28%

SCENTRE GROUP TRUST 1
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

6 Details of shopping centre investments (continued)

Changes to key inputs would result in changes to the fair value of investment properties. An increase in capitalisation rate and/or discount rate would result in lower fair value, while a decrease in capitalisation rate and/or discount rate will result in higher fair value (with all other factors held constant). The discount rates adopted at 30 June 2020 have broadly remained flat to 31 December 2019. The capitalisation rate sensitivity analysis is detailed below.

		30 Jun 20 \$million	31 Dec 19 \$million
The sensitivity of shopping centre valuations to changes in capitalisation rates is as follows:	Capitalisation rate movement	Increase/(decrease) in fair value	
	-50 bps	1,866.2	2,170.9
	-25 bps	883.2	1,025.0
	+25 bps	(797.9)	(922.4)
	+50 bps	(1,522.3)	(1,756.7)

	30 Jun 20 \$million	30 Jun 19 \$million
7 Distributions		
(a) Interim distribution		
Nil (30 June 2019: 5.70 cents per unit)	-	303.1
	-	303.1

(b) Distributions paid		
Distribution in respect of the six months to 31 December 2019	358.9	-
Distribution in respect of the six months to 31 December 2018	-	180.8
	358.9	180.8
	cents	cents

8 Statutory earnings/(loss) per unit		
(a) Summary of earnings/(loss) per unit attributable to members of Scentre Group Trust 1		
Basic and diluted earnings/(loss) per unit	(33.37)	6.50

There are no security options which are dilutive.

In calculating basic and diluted earnings/(loss) per unit attributable to Scentre Group Trust 1, net loss attributable to members of Scentre Group Trust 1 of \$1,736.6 million (30 June 2019: profit of \$345.8 million) was divided by the weighted average number of ordinary units of 5,204,765,420 (30 June 2019: 5,316,997,206).

(b) Conversions, calls, subscriptions, issues or buy-back after 30 June 2020

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

	30 Jun 20 \$million	30 Jun 19 \$million
9 Gain in respect of capital transactions		
Asset sales and capital costs		
- proceeds from asset sales	-	1,336.5
- less: carrying value of assets sold and other capital costs	-	(1,244.8)
Gain in respect of capital transactions	-	91.7

SCENTRE GROUP TRUST 1
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

	30 Jun 20 \$million	31 Dec 19 \$million
10 Payables and other creditors		
Payables and other creditors	250.5	227.5
Non interest bearing loans payable to related entities	960.8	967.5
	1,211.3	1,195.0

11 Interest bearing liabilities		
Current		
Interest bearing liabilities	1,701.1	958.9
Interest bearing loans payable to related entities	504.2	527.1
	2,205.3	1,486.0

Non current		
Interest bearing liabilities	6,914.4	6,216.3
	6,914.4	6,216.3
Total interest bearing liabilities	9,119.7	7,702.3

	30 Jun 20 No. of units	31 Dec 19 No. of units
12 Contributed equity		
(a) Number of units on issue		
Balance at the beginning of the period	5,238,757,932	5,316,997,206
Buy-back and cancellation of units	(48,379,593)	(78,239,274)
Balance at the end of the period	5,190,378,339	5,238,757,932

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

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

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

SCENTRE GROUP TRUST 1
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

13 Fair value of financial assets and liabilities

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

		Fair Value		Carrying amount	
	Fair value hierarchy	30 Jun 20 \$million	31 Dec 19 \$million	30 Jun 20 \$million	31 Dec 19 \$million
Consolidated assets					
Cash and cash equivalents		245.3	43.3	245.3	43.3
Trade and other receivables					
- Trade and other receivables ⁽ⁱ⁾		148.0	94.7	148.0	94.7
- Interest bearing loan receivables ⁽ⁱⁱ⁾	Level 2	803.3	-	803.3	-
Derivative assets ⁽ⁱⁱ⁾	Level 2	925.6	724.9	925.6	724.9
Consolidated liabilities					
Trade and other payables ⁽ⁱ⁾		1,269.7	1,273.3	1,269.7	1,273.3
Interest bearing liabilities ⁽ⁱⁱ⁾					
- Fixed rate debt	Level 2	8,368.8	7,195.9	8,084.0	6,909.7
- Floating rate debt	Level 2	1,035.7	792.6	1,035.7	792.6
Other financial liabilities ⁽ⁱⁱ⁾	Level 3	619.2	689.0	619.2	689.0
Derivative liabilities ⁽ⁱⁱ⁾	Level 2	498.4	279.5	498.4	279.5

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

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

Determination of fair value

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

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

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

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

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

During the half-year ended 30 June 2020, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

	Property linked notes ⁽ⁱ⁾ 30 Jun 20 \$million	Property linked notes ⁽ⁱ⁾ 31 Dec 19 \$million
Level 3 fair value movement		
Balance at the beginning of the period	689.0	696.9
Net fair value gain included in financing costs in the statement of comprehensive income	(69.8)	(7.9)
Balance at the end of the period	619.2	689.0

⁽ⁱ⁾ The fair value of the property linked notes has been determined by reference to the fair value of the relevant Westfield shopping centres (namely Parramatta, Southland and Hornsby).

Investment properties are considered Level 3.

14 Subsequent events

The state of Victoria has experienced a further surge in COVID-19 infections prompting the state government to expand lockdown restrictions. In August 2020, Stage 4 restrictions were introduced for Melbourne, Victoria with Stage 3 – Stay at Home restrictions in place for regional Victoria including the Mitchell Shire. Alert Level 3 rules have also been implemented for Auckland, New Zealand, with Alert Level 2 rules in place for the rest of New Zealand.

As the COVID-19 pandemic is ongoing, uncertainties remain over its extent, duration and consequential economic and business impacts, and governments continue to assess and implement measures in response to the pandemic. Consequently, we do not consider it practicable to provide an estimate of the pandemic's financial impact on the Trust's financial performance subsequent to 30 June 2020.

SCENTRE GROUP TRUST 1 DIRECTORS' DECLARATION

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

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the financial position as at 30 June 2020 and the performance of the consolidated entity for the half-year ended on that date in accordance with section 305 of the Corporations Act 2001.

Made on 25 August 2020 in accordance with a resolution of the Board of Directors.



Brian Schwartz AM
Chairman



Michael Ihlein
Director

Independent Auditor's Review Report to the Members of Scentre Group Trust 1

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Scentre Group Trust 1 and its controlled entities (the Trust), which comprises the balance sheet as at 30 June 2020, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Trust is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Trust as at 30 June 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter - Impact of the Coronavirus (COVID-19) Pandemic

We draw attention to Note 6 of the financial report which describes the impact of the COVID-19 pandemic on the determination of fair value of investment properties and how this has been considered by the Directors in the preparation of the financial report. Due to the heightened degree of valuation uncertainty, property values may change significantly and unexpectedly over a relatively short period of time. Our opinion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of Scentre Management Limited, the Responsible Entity of the Trust, are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

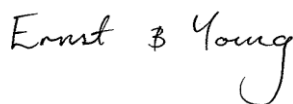
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's consolidated financial position as at 30 June 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

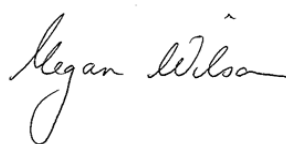
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young

Sydney, 25 August 2020

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Megan Wilson
Partner

SCENTRE GROUP TRUST 1

DIRECTORS' REPORT

The Directors of Scentre Management Limited (the Responsible Entity), the responsible entity of Scentre Group Trust 1 (the Trust or SGT1) submit the following report for the half-year ended 30 June 2020 (Financial Period).

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

1. Directors

As at the date of this report, the Board comprised 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
Steven Leigh	Non-Executive Director
Margaret Seale	Non-Executive Director
Michael Wilkins AO	Non-Executive Director

Aliza Knox retired from the Board on 8 April 2020 and Mike Wilkins was appointed as a Director on that date.

On 10 August 2020, Scentre Group announced the appointment of Guy Russo to the Board effective 1 September 2020. Mr Russo will be an independent non-executive Director.

The Boards of Scentre Management Limited, RE1 Limited and RE2 Limited (as Responsible Entities of Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3, respectively) are identical. If a Director ceases to be a director of Scentre Group Limited for any reason, they must also resign as a director of each Responsible Entity.

2. Review and results of operations

2.1 Operating environment

Scentre Group is the owner and operator of Westfield in Australia and New Zealand with interests in 42 Westfield Living Centres, with more than 12,000 retail outlets. Westfield Living Centres are in close proximity to the most densely populated urban areas - with more than 16 million people living within a 30-minute drive of one of our centres. The Trust has a joint interest in 39 Westfield Living Centres.

All Westfield Living Centres remained open and trading during the COVID-19 pandemic, fulfilling an important role as social infrastructure and providing essential services to communities while implementing and communicating the highest standards of health and safety protocols.

As at the end of July, more than 93% of retail stores are open across Scentre Group's portfolio, excluding Victoria. Portfolio occupancy was 98.8% at the end of June 2020.

In-store sales for Scentre Group's retail partners were impacted by the pandemic and the associated restrictions on people movement. In-store sales for retail partners that traded throughout the Financial Period were 8.1% lower compared to the previous corresponding period in 2019. Specialty in-store sales were 12.1% lower for the Financial Period compared to the previous corresponding period.

Scentre Group led the development of the small and medium sized enterprises (SME) Commercial Code of Conduct and Leasing Principles During COVID-19 (SME Code) which was mandated by governments in Australia. The SME Code was designed to target appropriate assistance and support to SMEs during the pandemic. Scentre Group voluntarily applied these principles to conversations with New Zealand SME retail partners.

2.2 Investors

Financial performance

For the Financial Period, the Trust's financial result was a loss of \$1,780.7 million, including an unrealised non-cash reduction in property valuations of \$2,001.9 million.

An expected credit charge of \$112.2 million related to the financial impact of the COVID-19 pandemic during the Financial Period is included in the financial result.

For the Financial Period, Scentre Group collected 70% of gross rental billings and for the months of June and July 2020, gross rental billings collections were over 80%. The gross rental billings used in calculating these collection rates have not been adjusted for the impact of applying the SME Code and its impact in reducing the actual amount of cash rent collectible during the period.

SCENTRE GROUP TRUST 1

DIRECTORS' REPORT (continued)

2. Review and results of operations (continued)

2.2 Investors (continued)

Financial performance (continued)

As at 30 June 2020, the Trust's investment portfolio amounted to \$16.6 billion, a decrease of approximately 10% from the carrying value at 31 December 2019. The primary assumptions driving the change in valuations included:

- lower net operating income growth in the short-term, including lower growth in inflation and market rents;
- lower rates of retailer retention, longer downtime and higher lease incentives;
- inclusion of one-off rental abatements relating to the COVID-19 lockdowns and restrictions;
- lower long-term income growth rates; and
- expansion of capitalisation rates in a range of 0-50 basis points.

Liquidity and capital management

Scentre Group:

- as at the date of this report, had raised or extended \$5.8 billion of additional funding, including \$3.4 billion of bank facilities and \$2.4 billion of long-term bonds. Scentre Group has available liquidity of \$4.4 billion (on a pro-forma basis including the repayment of €600 million of bonds which matured in July 2020), that is sufficient to cover all debt maturities to January 2023;
- given the continued uncertainty regarding the economic impact of the pandemic and the timing of operating cash flows, announced that a distribution would not be paid for the six-month period ended 30 June 2020; and
- complied at all times with all of its financial covenants in respect of its banking facilities and bond offerings. Interest cover for the period was 3.6 times and balance sheet gearing at 30 June 2020 was 38.4%.

As at 30 June 2020, the Trust had available financing facilities of \$3.5 billion (31 December 2019: \$1.3 billion), after deducting facilities utilised by its borrowings.

Development activities

In light of the pandemic, Scentre Group reassessed all active and pending redevelopments and deferred some projects to an appropriate time in the future.

During the Financial Period, Scentre Group continued to progress the projects that were already underway at Westfield Doncaster (Victoria), Westfield Belconnen (ACT) and Westfield Hornsby (NSW). The \$50 million project at Westfield Carindale (Queensland) will complete in September 2020.

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

Scentre Group maintains a future development pipeline in excess of \$3 billion. In addition, Scentre Group has potential opportunities for alternative use developments in excess of \$1.5 billion.

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

2.3 Outlook

Scentre Group is well positioned to manage the challenging conditions, with a strong balance sheet, sufficient liquidity to cover all debt maturities to January 2023, and a portfolio of high quality, strategically located assets.

However, given the uncertainty regarding the pandemic, its duration and consequential economic and business impacts, as previously announced, Scentre Group is not providing earnings or distribution guidance.

3. Matters subsequent to the end of the Financial Period

The state of Victoria has experienced a further surge in COVID-19 infections prompting the state government to expand lockdown restrictions. In August 2020, Stage 4 restrictions were introduced for Melbourne, Victoria with Stage 3 – Stay at Home restrictions in place for regional Victoria including the Mitchell Shire. Alert Level 3 rules have also been implemented for Auckland, New Zealand, with Alert Level 2 rules in place for the rest of New Zealand.

As the COVID-19 pandemic is ongoing, uncertainties remain over its extent, duration and consequential economic and business impacts, and governments continue to assess and implement measures in response to the pandemic.

Consequently, we do not consider it practicable to provide an estimate of the pandemic's financial impact on the Trust's financial performance subsequent to 30 June 2020.

4. Risk management

Scentre Group assesses risk from a number of perspectives and these risks are subject to continuous assessment and review.

A number of important strategic risks and how such risks are managed and monitored are outlined in the Directors' Report in the Scentre Group Half-Year Financial Report which is available at www.scentregroup.com.

SCENTRE GROUP TRUST 1 DIRECTORS' REPORT (continued)

5. Principal activity

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

6. Rounding

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

7. Synchronisation of financial year

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

8. ASX listing

ASX reserves the right (but without limiting its absolute discretion) to remove Scentre Group Limited, SGT1, 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.

9. Auditor's independence declaration

The Directors have obtained the following independence declaration from the auditor, Ernst & Young.



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

As lead auditor for the review of the financial report of Scentre Group Trust 1 for the half-year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

25 August 2020

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This report is made on 25 August 2020 in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Brian Schwartz AM
Chairman

Megan Wilson
Partner

Michael Ihlein
Director

DIRECTORY

Scentre Group
Scentre Group Limited
ABN 66 001 671 496

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

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

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

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Paul F Giugni

Auditor
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Contact: www.investorcentre.com/contact
Website: www.computershare.com

Listing
Australian Securities Exchange – SCG

Website
www.scentregroup.com

Scentre Group Trust 2

Half-Year Financial Report

For the half-year ended 30 June 2020

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SCENTRE GROUP TRUST 2

STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 30 June 2020

	Note	30 Jun 20 \$million	30 Jun 19 \$million
Revenue			
Property revenue		289.7	303.1
		289.7	303.1
Expenses			
Property expenses, outgoings and other costs		(72.8)	(76.3)
Overheads		(3.6)	(4.0)
		(76.4)	(80.3)
Share of after tax profits/(loss) of equity accounted entities			
Property revenue		267.1	270.6
Property expenses, outgoings and other costs		(66.0)	(71.5)
Net interest expense		(6.0)	(2.9)
Expected credit charge relating to COVID-19		(58.1)	-
Property revaluations		(1,049.1)	(13.2)
Tax expense		(2.2)	(3.0)
		(914.3)	180.0
Interest income		2.2	3.0
Currency gain		2.0	0.8
Financing costs		(116.9)	(164.0)
Gain in respect of capital transactions	9	-	76.6
Expected credit charge relating to COVID-19	4(b)	(57.8)	-
Property revaluations		(1,023.7)	35.0
Profit/(loss) before tax		(1,895.2)	354.2
Tax expense		-	-
Profit/(loss) after tax for the period		(1,895.2)	354.2
Other comprehensive income/(loss)			
<i>Movement in foreign currency translation reserve ⁽ⁱ⁾</i>			
- Realised and unrealised differences on the translation of investment in foreign operations		(4.9)	0.6
Total comprehensive income/(loss) for the period		(1,900.1)	354.8
⁽ⁱ⁾ This may be subsequently transferred to the profit and loss. In relation to the foreign currency translation reserve, the portion relating to the foreign operations may be transferred to the profit and loss depending on how the foreign operations are sold.			
		cents	cents
Basic and diluted earnings/(loss) per unit	8(a)	(36.41)	6.66

SCENTRE GROUP TRUST 2

BALANCE SHEET

As at 30 June 2020

	Note	30 Jun 20 \$million	31 Dec 19 \$million
Current assets			
Cash and cash equivalents		448.9	42.3
Trade debtors	4	45.0	6.9
Receivables	4	51.0	88.1
Other current assets		7.2	16.9
Total current assets		552.1	154.2
Non current assets			
Trade debtors	4	1.8	-
Investment properties	5	9,116.7	10,099.5
Equity accounted investments		7,686.2	8,678.3
Derivative assets		449.7	276.9
Other non current assets		26.2	31.9
Total non current assets		17,280.6	19,086.6
Total assets		17,832.7	19,240.8
Current liabilities			
Trade creditors		60.5	77.9
Payables and other creditors	10	189.4	169.2
Interest bearing liabilities	11	1,104.2	732.9
Lease liabilities		0.1	0.1
Derivative liabilities		18.3	0.3
Total current liabilities		1,372.5	980.4
Non current liabilities			
Interest bearing liabilities	11	4,862.9	4,595.0
Lease liabilities		7.8	7.7
Derivative liabilities		457.8	293.0
Total non current liabilities		5,328.5	4,895.7
Total liabilities		6,701.0	5,876.1
Net assets		11,131.7	13,364.7
Equity			
Contributed equity	12(b)	7,868.4	7,968.2
Reserves		17.0	21.9
Retained profits		3,246.3	5,374.6
Total equity		11,131.7	13,364.7

SCENTRE GROUP TRUST 2

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 30 June 2020

	Contributed Equity \$million	Reserves \$million	Retained Profits \$million	30 Jun 20 Total \$million	Contributed Equity \$million	Reserves \$million	Retained Profits \$million	30 Jun 19 Total \$million
Changes in equity								
Balance at the beginning of the period	7,968.2	21.9	5,374.6	13,364.7	8,142.3	20.5	5,418.9	13,581.7
- Profit/(loss) after tax for the period ⁽ⁱ⁾	-	-	(1,895.2)	(1,895.2)	-	-	354.2	354.2
- Other comprehensive income/(loss) ^{(i) (ii)}	-	(4.9)	-	(4.9)	-	0.6	-	0.6
Transactions with owners in their capacity as owners								
- Buy-back and cancellation of units and associated costs	(99.8)	-	-	(99.8)	-	-	-	-
- Distributions paid or provided for	-	-	(233.1)	(233.1)	-	-	(244.6)	(244.6)
Closing balance of equity	7,868.4	17.0	3,246.3	11,131.7	8,142.3	21.1	5,528.5	13,691.9

⁽ⁱ⁾ Total comprehensive loss for the period amounts to \$1,900.1 million (30 June 2019: income of \$354.8 million).

⁽ⁱⁱ⁾ Movement in reserves comprises realised and unrealised differences on the translation of investment in foreign operations of \$4.9 million (30 June 2019: income of \$0.6 million).

SCENTRE GROUP TRUST 2

CASH FLOW STATEMENT

For the half-year ended 30 June 2020

	30 Jun 20 \$million	30 Jun 19 \$million
Cash flows from operating activities		
Receipts in the course of operations (including Goods and Services Tax (GST))	227.0	340.0
Payments in the course of operations (including GST)	(75.4)	(88.9)
Dividends/distributions received from equity accounted entities	94.9	169.5
GST paid ⁽ⁱ⁾	(15.2)	(24.5)
Payments of financing costs (excluding interest capitalised)	(92.5)	(99.7)
Interest received	2.2	3.0
Net cash inflow from operating activities ⁽ⁱ⁾	141.0	299.4
Add/(less): GST received/(paid) on outstanding trade debtors	(8.5)	0.2
Net cash inflow from operating activities	132.5	299.6
Cash flows from investing activities		
Capital expenditure	(43.1)	(41.8)
Proceeds from the sale of assets	-	761.5
Payments relating to the sale of assets	(4.2)	(21.0)
Net outflows for investments in equity accounted entities	(20.9)	(26.6)
Financing costs capitalised to qualifying development projects and construction in progress	(3.8)	(2.4)
Net cash inflow/(outflow) from investing activities	(72.0)	669.7
Cash flows from financing activities		
Buy-back of units and associated costs	(99.8)	-
Net repayment of interest bearing liabilities and lease liabilities	(159.8)	(1,118.4)
Net funds received from related entities	838.8	910.7
Distributions paid	(233.1)	(244.6)
Net cash inflow/(outflow) from financing activities	346.1	(452.3)
Net increase in cash and cash equivalents held	406.6	517.0
Add opening cash and cash equivalents brought forward	42.3	13.0
Cash and cash equivalents at the end of the period ⁽ⁱⁱ⁾	448.9	530.0

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

⁽ⁱⁱ⁾ Cash and cash equivalents comprises cash of \$448.9 million (30 June 2019: \$530.0 million) net of bank overdraft of nil (30 June 2019: nil).

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

1 Corporate information

This financial report of Scentre Group Trust 2 (SGT2) and its controlled entities (collectively the Trust) for the half-year ended 30 June 2020 was approved in accordance with a resolution of the Board of Directors of RE1 Limited as Responsible Entity of SGT2.

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited (SGL), Scentre Group Trust 1 (SGT1), SGT2, Scentre Group Trust 3 (SGT3) and their respective controlled entities. Scentre Group operates as a single coordinated economic entity, with a common Board of Directors and management team.

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

2 Basis of preparation of the financial report

This half-year financial report does not include all notes of the type normally included in the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Trust as the annual financial report.

This half-year financial report should be read in conjunction with the annual financial report of SGT2 as at 31 December 2019.

It is also recommended that this half-year financial report be considered together with any public announcements made by Scentre Group during the half-year ended 30 June 2020 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 (Corporations Act).

(a) Significant events and transactions since 31 December 2019

On 11 March 2020, the World Health Organisation declared the outbreak of the COVID-19 virus a pandemic. Both Australia and New Zealand experienced an outbreak of the virus, and the governments of both countries implemented a number of measures, including significant restrictions on people movement and activity. The impact on the Trust's operations and financial results as a result of the COVID-19 pandemic is discussed in section 2 of the Directors' Report.

(b) Going concern

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

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

(c) Basis of accounting

This half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Regulations 2001 and AASB 134 Interim Financial Reporting.

This half-year financial report has been prepared on a historical cost basis, except for investment properties, investment properties within equity accounted investments, derivative financial instruments and financial assets at fair value through profit and loss.

For the purpose of preparing this half-year financial report, the half-year has been treated as a discrete reporting period.

This half-year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 31 December 2019 except for the changes required due to amendments to the accounting standards as disclosed in Note 2(d).

This half-year financial report is presented in Australian dollars.

(d) New accounting standards and interpretations

The Trust has adopted the following new or amended standards which became applicable on 1 January 2020:

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

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

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

2 Basis of preparation of the financial report (continued)

(d) New accounting standards and interpretations (continued)

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Trust for the half-year ended 30 June 2020. The impact of these new standards or amendments to the standards (to the extent relevant to the Trust) and interpretations is as follows:

- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective from 1 January 2022)
This amends AASB 10 - Consolidated Financial Statements and AASB 128 - Investments in Associates and Joint Ventures to address an inconsistency between the requirements of AASB 10 and AASB 128 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. This amendment is not expected to have a significant impact on the financial statements on application.
- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (effective from 1 January 2022)
This amends AASB 101 – Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. This amendment is not expected to have a significant impact on the financial statements on application.

(e) Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in this half-year 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.

3 Segment reporting

Geographic segments

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

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

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

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

(a) Geographic segment information

	Australia \$million	New Zealand \$million	30 Jun 20 \$million	Australia \$million	New Zealand \$million	30 Jun 19 \$million
Revenue						
Shopping centre base rent and other property income ⁽ⁱ⁾	541.7	29.8	571.5	567.4	25.1	592.5
Amortisation of tenant allowances	(16.9)	(0.7)	(17.6)	(19.5)	(0.3)	(19.8)
Straightlining of rent	2.5	0.4	2.9	1.0	-	1.0
	527.3	29.5	556.8	548.9	24.8	573.7
Expenses						
Property expenses, outgoings and other costs	(131.1)	(7.7)	(138.8)	(141.0)	(6.8)	(147.8)
Expected credit charge relating to COVID-19	(109.0)	(6.9)	(115.9)	-	-	-
	(240.1)	(14.6)	(254.7)	(141.0)	(6.8)	(147.8)
Segment income and expenses	287.2	14.9	302.1	407.9	18.0	425.9

⁽ⁱ⁾ Includes recovery of outgoings from lessees of \$65.9 million (30 June 2019: \$71.8 million).

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

3 Segment reporting (continued)

(a) Geographic segment information (continued)

	Australia \$million	New Zealand \$million	30 Jun 20 \$million	Australia \$million	New Zealand \$million	31 Dec 19 \$million
Shopping centre investments	16,404.7	725.7	17,130.4	18,278.7	834.4	19,113.1
Development projects and construction in progress	259.0	24.7	283.7	301.4	28.3	329.7
Segment assets ⁽ⁱ⁾	16,663.7	750.4	17,414.1	18,580.1	862.7	19,442.8
Additions to segment non current assets during the period	58.5	5.1	63.6	679.6	138.0	817.6

⁽ⁱ⁾ Includes equity accounted segment assets of \$8,297.4 million (31 December 2019: \$9,343.3 million).

(b) Reconciliation of segment information

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

	Consolidated \$million	Equity accounted \$million	30 Jun 20 \$million	Consolidated \$million	Equity accounted \$million	30 Jun 19 \$million
Property revenue	289.7	267.1	556.8	303.1	270.6	573.7
Property expenses, outgoings and other costs	(72.8)	(66.0)	(138.8)	(76.3)	(71.5)	(147.8)
Expected credit charge relating to COVID-19	(57.8)	(58.1)	(115.9)	-	-	-
Segment income and expenses	159.1	143.0	302.1	226.8	199.1	425.9
Overheads			(3.6)			(4.0)
Interest income			2.4			3.2
Currency gain			2.0			0.8
Financing costs			(123.1)			(167.1)
Gain in respect of capital transactions			-			76.6
Property revaluations			(2,072.8)			21.8
Tax expense			(2.2)			(3.0)
Net profit/(loss)			(1,895.2)			354.2

	Consolidated \$million	Equity accounted \$million	30 Jun 20 \$million	Consolidated \$million	Equity accounted \$million	31 Dec 19 \$million
Shopping centre investments	8,879.1	8,251.3	17,130.4	9,833.0	9,280.1	19,113.1
Development projects and construction in progress	237.6	46.1	283.7	266.5	63.2	329.7
Segment assets	9,116.7	8,297.4	17,414.1	10,099.5	9,343.3	19,442.8
Cash and cash equivalents	448.9	22.3	471.2	42.3	10.5	52.8
Trade and other receivables	163.7	114.1	277.8	100.2	19.9	120.1
Expected credit loss allowance	(65.9)	(63.8)	(129.7)	(5.2)	(4.2)	(9.4)
Other assets	483.1	4.4	487.5	325.7	5.1	330.8
Total assets	10,146.5	8,374.4	18,520.9	10,562.5	9,374.6	19,937.1
Interest bearing liabilities	5,967.1	504.7	6,471.8	5,327.9	492.3	5,820.2
Deferred tax liabilities	-	58.8	58.8	-	58.2	58.2
Other liabilities	733.9	124.7	858.6	548.2	145.8	694.0
Total liabilities	6,701.0	688.2	7,389.2	5,876.1	696.3	6,572.4
Net assets	3,445.5	7,686.2	11,131.7	4,686.4	8,678.3	13,364.7

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

	30 Jun 20 \$million	31 Dec 19 \$million
4 Trade and other receivables		
Current		
Trade debtors	45.0	6.9
Other receivables	51.0	53.8
Interest bearing loans receivable from related entities	-	34.3
	96.0	95.0
Non current		
Trade debtors	1.8	-
	1.8	-
Total trade and other receivables	97.8	95.0
(a) Trade and other receivables comprise:		
Trade and other receivables	163.7	100.2
Expected credit loss allowance	(65.9)	(5.2)
Total trade and other receivables	97.8	95.0
(b) Movement in expected credit loss allowance		
Balance at the beginning of the period	(5.2)	(4.7)
Expected credit charge relating to COVID-19	(57.8)	-
Other increases in expected credit loss	(2.9)	(0.5)
Balance at the end of the period	(65.9)	(5.2)

Trade and other receivables are carried at amortised cost, reduced by expected impairment losses. In assessing for impairment, the Trust assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortised cost. For trade receivables, the Trust applies the simplified approach which requires lifetime expected losses to be recognised from initial recognition of the receivables. In measuring the expected credit loss, receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are determined based on days past the due date and the historical credit losses experienced. Historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of customers to settle their debts.

For the second quarter of 2020, many of the Trust's retailers have been adversely impacted as a result of the COVID-19 pandemic and the government restrictions on people movement and activity. The loss of revenue during this period has impacted many tenants' financial position. In response to the pandemic, the National Cabinet in Australia issued the Code of Conduct for small to medium sized retailers in April 2020, which mandated a framework for temporary lease arrangements to reduce cash rent in proportion to the retailers' revenue impact during the pandemic period. New Zealand does not have a Code of Conduct, however the Trust has implemented similar principles in that market with respect to small to medium sized retailers. The Trust has also worked with retail partners that are not subject to the code on a case-by-case basis to determine appropriate ways to assist with their cash-flow issues.

The expected credit charge relating to COVID-19 recognised for the half-year ended 30 June 2020 is solely related to the COVID-19 pandemic and has been separately disclosed in the statement of comprehensive income to highlight its significant impact on the Trust's results. The charge includes an estimate of lease receivables that might not be recovered and additional credit risk associated with tenants. As the process of negotiations for tenant rent relief remains incomplete, management have made significant assumptions and used their judgement to estimate the level of rent waivers for the period to 30 June 2020. For the remaining trade and other receivables outstanding at 30 June 2020, that is, amounts not expected to be waived, management have assessed that there is an increased level of credit risk on the collection of these balances. Rather than primarily applying historical loss rates, the assumptions used in estimating lifetime expected credit loss include the following:

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

Management has also taken into account security deposits received from tenants generally in the form of bank guarantees which can be called upon if the tenant is in default under the terms of the lease contract.

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

4 Trade and other receivables (continued)

Uncertainties over the near-term and longer-term impact of the COVID-19 pandemic affect management's ability to reliably determine key judgements, estimates and assumptions used in determining expected credit loss. The expected credit loss allowance has been determined based on available information of conditions that existed at 30 June 2020.

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

	30 Jun 20 \$million	31 Dec 19 \$million
5 Investment properties		
Shopping centre investments	8,879.1	9,833.0
Development projects and construction in progress	237.6	266.5
Total investment properties ⁽ⁱ⁾	9,116.7	10,099.5

⁽ⁱ⁾ The fair value of investment properties at the end of the period of \$9,116.7 million (31 December 2019: \$10,099.5 million) comprises investment properties at market value of \$9,108.8 million (31 December 2019: \$10,091.7 million) and ground lease assets of \$7.9 million (31 December 2019: \$7.8 million).

Investment properties are carried at the Directors' assessment of fair value. Investment properties include both shopping centre investments and development projects and construction in progress.

The Directors' assessment of fair value of each shopping centre takes into account the latest independent valuations generally prepared annually, with updates taking into account any changes in capitalisation rate, underlying income and valuations of comparable centres. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used, which are based upon assumptions and judgements in relation to future rental income, capitalisation rate and make reference to market evidence of transaction prices for similar properties. The key assumptions and estimates used in determining fair value are disclosed in Note 6.

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

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

	30 Jun 20 \$million	31 Dec 19 \$million
6 Details of shopping centre investments		
Consolidated Australian shopping centres	8,879.1	9,833.0
Total consolidated shopping centres	8,879.1	9,833.0
Equity accounted Australian shopping centres	7,525.6	8,445.7
Equity accounted New Zealand shopping centres	725.7	834.4
Total equity accounted shopping centres	8,251.3	9,280.1
	17,130.4	19,113.1

As at 30 June 2020 there was significant valuation uncertainty relating to the investment property valuations. The COVID-19 pandemic and the regulatory response has significantly impacted our operations as well those of our tenants. This uncertainty affects our ability to reliably determine the key judgements and assumptions used in the property valuations. The Income Capitalisation approach and the Discounted Cash Flow approach are used to arrive at a range of valuation outcomes, from which a best estimate of fair value is derived at a point in time. The key assumptions and estimates used in these valuation approaches which have been impacted by COVID-19 include:

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

Due to the valuation uncertainty the property values may change significantly and unexpectedly over a relatively short period of time. The property valuations have been prepared based on the information that is available at 30 June 2020.

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

6 Details of shopping centre investments (continued)

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

	30 Jun 20	31 Dec 19
Australian portfolio		
Retail capitalisation rate	4.13%-6.25%	4.00%-6.00%
Weighted average retail capitalisation rate	4.82%	4.64%
Retail discount rate	6.00%-7.50%	6.00%-7.50%
New Zealand portfolio		
Retail capitalisation rate	5.38%-6.75%	5.25%-6.63%
Weighted average retail capitalisation rate	6.14%	5.92%
Retail discount rate	7.13%-8.28%	7.00%-8.28%

Changes to key inputs would result in changes to the fair value of investment properties. An increase in capitalisation rate and/or discount rate would result in lower fair value, while a decrease in capitalisation rate and/or discount rate will result in higher fair value (with all other factors held constant). The discount rates adopted at 30 June 2020 have broadly remained flat to 31 December 2019. The capitalisation rate sensitivity analysis is detailed below.

	30 Jun 20 \$million	31 Dec 19 \$million
The sensitivity of shopping centre valuations to changes in capitalisation rates is as follows:	Capitalisation rate movement	Increase/(decrease) in fair value
	-50 bps	1,950.1
	-25 bps	922.6
	+25 bps	(832.8)
	+50 bps	(1,588.5)

	30 Jun 20 \$million	30 Jun 19 \$million
7 Distributions		
(a) Interim distribution		
Nil (30 June 2019: 5.60 cents per unit)	-	297.8
	-	297.8
(b) Distributions paid		
Distribution in respect of the six months to 31 December 2019	233.1	-
Distribution in respect of the six months to 31 December 2018	-	244.6
	233.1	244.6
	cents	cents

8 Statutory earnings/(loss) per unit

(a) Summary of earnings/(loss) per unit

Basic and diluted earnings/(loss) per unit	(36.41)	6.66
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There are no security options which are dilutive.

In calculating basic and diluted earnings/(loss) per unit, net loss of \$1,895.2 million (30 June 2019: net profit of \$354.2 million) was divided by the weighted average number of ordinary units of 5,204,765,420 (30 June 2019: 5,316,997,206).

(b) Conversions, calls, subscriptions, issues or buy-back after 30 June 2020

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

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

	30 Jun 20 \$million	30 Jun 19 \$million
9 Gain in respect of capital transactions		
Asset sales and capital costs		
- proceeds from asset sales	-	761.5
- less: carrying value of assets sold and other capital costs	-	(684.9)
Gain in respect of capital transactions	-	76.6

	30 Jun 20 \$million	31 Dec 19 \$million
10 Payables and other creditors		
Payables and other creditors	182.9	156.5
Non interest bearing loans payable to related entities	6.5	12.7
	189.4	169.2

11 Interest bearing liabilities		
Current		
Interest bearing liabilities	300.9	732.9
Interest bearing loans payable to related entities	803.3	-
	1,104.2	732.9
Non current		
Interest bearing liabilities	4,862.9	4,595.0
	4,862.9	4,595.0
Total interest bearing liabilities	5,967.1	5,327.9

	30 Jun 20 No. of units	31 Dec 19 No. of units
12 Contributed equity		
(a) Number of units on issue		
Balance at the beginning of the period	5,238,757,932	5,316,997,206
Buy-back and cancellation of units	(48,379,593)	(78,239,274)
Balance at the end of the period	5,190,378,339	5,238,757,932

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

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

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

SCENTRE GROUP TRUST 2

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

13 Fair value of financial assets and liabilities

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

		Fair value		Carrying amount	
	Fair value hierarchy	30 Jun 20 \$million	31 Dec 19 \$million	30 Jun 20 \$million	31 Dec 19 \$million
Consolidated assets					
Cash and cash equivalents		448.9	42.3	448.9	42.3
Trade and other receivables					
- Trade and other receivables ⁽ⁱ⁾		97.8	60.7	97.8	60.7
- Interest bearing loan receivables ⁽ⁱⁱ⁾	Level 2	-	34.3	-	34.3
Derivative assets ⁽ⁱⁱ⁾	Level 2	449.7	276.9	449.7	276.9
Consolidated liabilities					
Trade and other payables ⁽ⁱ⁾		249.9	247.1	249.9	247.1
Interest bearing liabilities ⁽ⁱⁱ⁾					
- Fixed rate debt	Level 2	4,379.3	3,360.2	4,282.9	3,140.0
- Floating rate debt	Level 2	1,684.2	2,187.8	1,684.2	2,187.9
Derivative liabilities ⁽ⁱⁱ⁾	Level 2	476.1	293.3	476.1	293.3

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

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

Determination of fair value

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

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

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

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

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

During the half-year ended 30 June 2020, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Investment properties are considered Level 3.

14 Subsequent events

The state of Victoria has experienced a further surge in COVID-19 infections prompting the state government to expand lockdown restrictions. In August 2020, Stage 4 restrictions were introduced for Melbourne, Victoria with Stage 3 – Stay at Home restrictions in place for regional Victoria including the Mitchell Shire. Alert Level 3 rules have also been implemented for Auckland, New Zealand, with Alert Level 2 rules in place for the rest of New Zealand.

As the COVID-19 pandemic is ongoing, uncertainties remain over its extent, duration and consequential economic and business impacts, and governments continue to assess and implement measures in response to the pandemic.

Consequently, we do not consider it practicable to provide an estimate of the pandemic's financial impact on the Trust's financial performance subsequent to 30 June 2020.

SCENTRE GROUP TRUST 2

DIRECTORS' DECLARATION

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

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the financial position as at 30 June 2020 and the performance of the consolidated entity for the half-year ended on that date in accordance with section 305 of the Corporations Act 2001.

Made on 25 August 2020 in accordance with a resolution of the Board of Directors.



Brian Schwartz AM
Chairman



Michael Ihlein
Director

Independent Auditor's Review Report to the Members of Scentre Group Trust 2

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Scentre Group Trust 2 and its controlled entities (the Trust), which comprises the balance sheet as at 30 June 2020, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Trust is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Trust as at 30 June 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter - Impact of the Coronavirus (COVID-19) Pandemic

We draw attention to Note 6 of the financial report which describes the impact of the COVID-19 pandemic on the determination of fair value of investment properties and how this has been considered by the Directors in the preparation of the financial report. Due to the heightened degree of valuation uncertainty, property values may change significantly and unexpectedly over a relatively short period of time. Our opinion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of RE1 Limited, the Responsible Entity of the Trust, are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

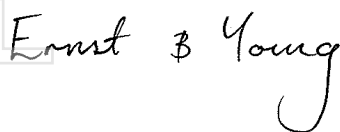
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's consolidated financial position as at 30 June 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

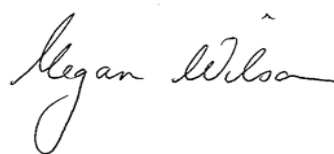
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young

Sydney, 25 August 2020



Megan Wilson
Partner

SCENTRE GROUP TRUST 2

DIRECTORS' REPORT

The Directors of RE1 Limited (**the Responsible Entity**), the responsible entity of Scentre Group Trust 2 (**the Trust or SGT2**) submit the following report for the half-year ended 30 June 2020 (**Financial Period**).

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

1. Directors

As at the date of this report, the Board comprised the following Directors:

Brian Schwartz AM	Non-Executive Chairman
Peter Allen	Chief Executive Officer/Executive Director
Andrew Harnos	Non-Executive Director
Michael Ihlein	Non-Executive Director
Carolyn Kay	Non-Executive Director
Steven Leigh	Non-Executive Director
Margaret Seale	Non-Executive Director
Michael Wilkins AO	Non-Executive Director

Aliza Knox retired from the Board on 8 April 2020 and Mike Wilkins was appointed as a Director on that date.

On 10 August 2020, Scentre Group announced the appointment of Guy Russo to the Board effective 1 September 2020.

Mr Russo will be an independent non-executive Director.

The Boards of Scentre Management Limited, RE1 Limited and RE2 Limited (as Responsible Entities of Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3, respectively) are identical. If a Director ceases to be a director of Scentre Group Limited for any reason, they must also resign as a director of each Responsible Entity.

2. Review and results of operations

2.1 Operating environment

Scentre Group is the owner and operator of Westfield in Australia and New Zealand with interests in 42 Westfield Living Centres, with more than 12,000 retail outlets. Westfield Living Centres are in close proximity to the most densely populated urban areas - with more than 16 million people living within a 30-minute drive of one of our centres. The Trust has a joint interest in 40 Westfield Living Centres.

All Westfield Living Centres remained open and trading during the COVID-19 pandemic, fulfilling an important role as social infrastructure and providing essential services to communities while implementing and communicating the highest standards of health and safety protocols.

As at the end of July, more than 93% of retail stores are open across Scentre Group's portfolio, excluding Victoria. Portfolio occupancy was 98.8% at the end of June 2020.

In-store sales for Scentre Group's retail partners were impacted by the pandemic and the associated restrictions on people movement. In-store sales for retail partners that traded throughout the Financial Period were 8.1% lower compared to the previous corresponding period in 2019. Specialty in-store sales were 12.1% lower for the Financial Period compared to the previous corresponding period.

Scentre Group led the development of the small and medium sized enterprises (**SME**) Commercial Code of Conduct and Leasing Principles during COVID-19 (**SME Code**) which was mandated by governments in Australia. The SME Code was designed to target appropriate assistance and support to SMEs during the pandemic. Scentre Group voluntarily applied these principles to conversations with New Zealand SME retail partners.

2.2 Investors

Financial performance

For the Financial Period, the Trust's financial result was a loss of \$1,895.2 million, including an unrealised non-cash reduction in property valuations of \$2,072.8 million.

An expected credit charge of \$115.9 million related to the financial impact of the COVID-19 pandemic during the Financial Period is included in the financial result.

For the Financial Period, Scentre Group collected 70% of gross rental billings and for the months of June and July 2020, gross rental billings collections were over 80%. The gross rental billings used in calculating these collection rates have not been adjusted for the impact of applying the SME Code and its impact in reducing the actual amount of cash rent collectible during the period.

SCENTRE GROUP TRUST 2

DIRECTORS' REPORT (continued)

2. Review and results of operations (continued)

2.2 Investors (continued)

Financial performance (continued)

As at 30 June 2020, the Trust's investment portfolio amounted to \$17.4 billion, a decrease of approximately 10% from the carrying value at 31 December 2019. The primary assumptions driving the change in valuations included:

- lower net operating income growth in the short-term, including lower growth in inflation and market rents;
- lower rates of retailer retention, longer downtime and higher lease incentives;
- inclusion of one-off rental abatements relating to the COVID-19 lockdowns and restrictions;
- lower long-term income growth rates; and
- expansion of capitalisation rates in a range of 0-50 basis points.

Liquidity and capital management

Scentre Group:

- as at the date of this report, had raised or extended \$5.8 billion of additional funding, including \$3.4 billion of bank facilities and \$2.4 billion of long-term bonds. Scentre Group has available liquidity of \$4.4 billion (on a pro-forma basis including the repayment of €600 million of bonds which matured in July 2020), that is sufficient to cover all debt maturities to January 2023;
- given the continued uncertainty regarding the economic impact of the pandemic and the timing of operating cash flows, announced that a distribution would not be paid for the six-month period ended 30 June 2020; and
- complied at all times with all of its financial covenants in respect of its banking facilities and bond offerings. Interest cover for the period was 3.6 times and balance sheet gearing at 30 June 2020 was 38.4%.

As at 30 June 2020, the Trust had available financing facilities of \$4.3 billion (31 December 2019: \$1.5 billion), after deducting facilities utilised by its borrowings.

Development activities

In light of the pandemic, Scentre Group reassessed all active and pending redevelopments and deferred some projects to an appropriate time in the future.

During the Financial Period, Scentre Group continued to progress the projects that were already underway at Westfield Doncaster (Victoria), Westfield Belconnen (ACT) and Westfield Hornsby (NSW). The \$50 million project at Westfield Carindale (Queensland) will complete in September 2020.

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

Scentre Group maintains a future development pipeline in excess of \$3 billion. In addition, Scentre Group has potential opportunities for alternative use developments in excess of \$1.5 billion.

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

2.3 Outlook

Scentre Group is well positioned to manage the challenging conditions, with a strong balance sheet, sufficient liquidity to cover all debt maturities to January 2023, and a portfolio of high quality, strategically located assets.

However, given the uncertainty regarding the pandemic, its duration and consequential economic and business impacts, as previously announced, Scentre Group is not providing earnings or distribution guidance.

3. Matters subsequent to the end of the Financial Period

The state of Victoria has experienced a further surge in COVID-19 infections prompting the state government to expand lockdown restrictions. In August 2020, Stage 4 restrictions were introduced for Melbourne, Victoria with Stage 3 – Stay at Home restrictions in place for regional Victoria including the Mitchell Shire. Alert Level 3 rules have also been implemented for Auckland, New Zealand, with Alert Level 2 rules in place for the rest of New Zealand.

As the COVID-19 pandemic is ongoing, uncertainties remain over its extent, duration and consequential economic and business impacts, and governments continue to assess and implement measures in response to the pandemic. Consequently, we do not consider it practicable to provide an estimate of the pandemic's financial impact on the Trust's financial performance subsequent to 30 June 2020.

4. Risk management

Scentre Group assesses risk from a number of perspectives and these risks are subject to continuous assessment and review.

A number of important strategic risks and how such risks are managed and monitored are outlined in the Directors' Report in the Scentre Group Half-Year Financial Report which is available at www.scentregroup.com.

SCENTRE GROUP TRUST 2

DIRECTORS' REPORT (continued)

5. Principal activity

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

6. Rounding

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

7. ASX listing

ASX reserves the right (but without limiting its absolute discretion) to remove Scentre Group Limited, Scentre Group Trust 1, SGT2 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.

8. Auditor's independence declaration

The Directors have obtained the following independence declaration from the auditor, Ernst & Young.



EY
Building a better
working world

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GPO Box 2646 Sydney NSW 2001

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ey.com/au

Auditor's Independence Declaration to the Directors of RE1 Limited

As lead auditor for the review of the financial report of Scentre Group Trust 2 for the half-year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

25 August 2020

Megan Wilson

Partner

A member firm of Ernst & Young Global Limited

Liability limited by a scheme approved under Professional Standards Legislation

This report is made on 25 August 2020 in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Brian Schwartz AM

Chairman

Michael Ihlein

Director

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

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Sydney NSW 2000
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Facsimile: +61 2 9028 8500

New Zealand Office

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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
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85 Castlereagh Street
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Telephone: +61 2 9358 7877
Facsimile: +61 2 9358 7881
E-mail: investor@scentregroup.com
Website: www.scentregroup.com/investors

Principal Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
GPO Box 2975
Melbourne VIC 3001
Telephone: +61 3 9946 4471
Toll Free: 1300 730 458 (Australia Only)
Facsimile: +61 3 9473 2500
E-mail: www.investorcentre.com/contact
Website: www.computershare.com

Listing

Australian Securities Exchange – SCG

Website

www.scentregroup.com

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Scentre Group Trust 3 Half-Year Financial Report For the half-year ended 30 June 2020

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SCENTRE GROUP TRUST 3
STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 30 June 2020

	Note	30 Jun 20 \$'000	30 Jun 19 \$'000
Revenue and other income			
Property and property related revenue		886	1,706
		886	1,706
Expenses			
Property and property related expenses		(419)	(733)
Overheads		(141)	(152)
		(560)	(885)
Interest income	3	12,969	13,757
Financing costs		(10,726)	(13,361)
Net modification loss on refinanced borrowing facilities		(2,063)	0
Profit before tax		506	1,217
Tax expense		(143)	(360)
Profit after tax for the period		363	857
Other comprehensive income			
<i>Movement in foreign currency translation reserve ⁽ⁱ⁾</i>			
- Net exchange difference on translation of foreign operations		(81)	7
Total comprehensive income for the period		282	864
(i) This item may be subsequently transferred to the profit and loss.			
		cents	cents
Basic and diluted earnings per unit	5(a)	0.01	0.02

SCENTRE GROUP TRUST 3

BALANCE SHEET

As at 30 June 2020

	Note	30 Jun 20 \$'000	31 Dec 19 \$'000
Current assets			
Cash and cash equivalents		643	817
Receivables	6	12,911	17,471
Other current assets		938	1,165
Total current assets		14,492	19,453
Non current assets			
Plant and equipment		9	12
Receivables	6	1,008,915	986,129
Other non current assets		1,369	2,795
Total non current assets		1,010,293	988,936
Total assets		1,024,785	1,008,389
Current liabilities			
Payables and other creditors	7	1,557	4,839
Total current liabilities		1,557	4,839
Non current liabilities			
Deferred tax liabilities		621	527
Interest bearing liabilities		1,005,704	986,280
Total non current liabilities		1,006,325	986,807
Total liabilities		1,007,882	991,646
Net assets		16,903	16,743
Equity			
Contributed equity	8(b)	11,133	11,255
Reserves		27	108
Retained profits		5,743	5,380
Total equity		16,903	16,743

SCENTRE GROUP TRUST 3
STATEMENT OF CHANGES IN EQUITY
For the half-year ended 30 June 2020

	Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	30 Jun 20 Total \$'000	Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	30 Jun 19 Total \$'000
Changes in equity attributable to members of Scentre Group Trust 3								
Balance at the beginning of the period	11,255	108	5,380	16,743	11,437	87	9,015	20,539
- Profit after tax for the period	-	-	363	363	-	-	857	857
- Other comprehensive income	-	(81)	-	(81)	-	7	-	7
Transactions with owners in their capacity as owners:								
- Buy-back and cancellation of units and associated costs	(122)	-	-	(122)	-	-	-	-
- Distributions paid or provided for	-	-	-	-	-	-	(6,380)	(6,380)
Closing balance of equity attributable to members of Scentre Group Trust 3	11,133	27	5,743	16,903	11,437	94	3,492	15,023

SCENTRE GROUP TRUST 3
CASH FLOW STATEMENT
For the half-year ended 30 June 2020

	30 Jun 20 \$'000	30 Jun 19 \$'000
Cash flows from operating activities		
Receipts in the course of operations (including Goods and Services Tax (GST))	986	1,888
Payments in the course of operations (including GST)	(595)	(823)
Income and withholding taxes paid	(626)	(479)
GST paid	(56)	(145)
Payments of financing costs	(8,731)	(11,034)
Interest received	11,939	13,364
Net cash inflow from operating activities	2,917	2,771
Cash flows from financing activities		
Net proceeds from interest bearing liabilities	44,417	58,856
Net funds paid to related entities	(47,366)	(54,952)
Buy-back of units and associated costs	(122)	-
Distributions paid	-	(6,380)
Net cash outflow from financing activities	(3,071)	(2,476)
Net increase/(decrease) in cash and cash equivalents held	(154)	295
Add: opening cash and cash equivalents brought forward	817	583
Effects of exchange rate changes on opening cash and cash equivalents brought forward	(20)	2
Cash and cash equivalents at the end of the period ⁽ⁱ⁾	643	880

(i) Cash and cash equivalents comprises cash of \$643,000 (30 June 2019: \$880,000).

SCENTRE GROUP TRUST 3

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

1 Corporate information

This financial report of Scentre Group Trust 3 (SGT3) and its controlled entities (collectively the Trust), for the half-year ended 30 June 2020, was approved in accordance with a resolution of the Board of Directors of RE2 Limited as Responsible Entity of SGT3. The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited (SGL), Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2), SGT3 and their respective controlled entities. Scentre Group operates as a single coordinated economic entity, with a common Board of Directors and management team.

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

2 Basis of preparation of the financial report

This half-year financial report does not include all notes of the type normally included in the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Trust as the annual financial report.

This half-year financial report should be read in conjunction with the annual financial report of SGT3 as at 31 December 2019. It is also recommended that this half-year financial report be considered together with any public announcements made by Scentre Group during the half-year ended 30 June 2020 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 (Corporations Act).

(a) Significant events and transactions since 31 December 2019

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 virus a pandemic. Both Australia and New Zealand experienced an outbreak of the virus, and the governments of both countries implemented a number of measures, including significant restrictions on people movement and activity. The impact on the Trust's operations and financial results as a result of the COVID-19 pandemic is discussed in section 2 of the Directors' Report.

(b) Going concern

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

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

(c) Basis of accounting

This half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Regulations 2001 and AASB 134 Interim Financial Reporting.

This half-year financial report has been prepared on a historical cost basis.

For the purpose of preparing this half-year financial report, the half-year has been treated as a discrete reporting period.

This half-year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 31 December 2019 except for the changes required due to amendments to the accounting standards noted below.

This half-year financial report is presented in Australian dollars.

(d) New accounting standards and interpretations

The Trust has adopted the following new or amended standards which became applicable on 1 January 2020:

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

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

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Trust for the half-year ended 30 June 2020. The impact of these new standards or amendments to the standards (to the extent relevant to the Trust) and interpretations is as follows:

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

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

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (effective from 1 January 2022)

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

SCENTRE GROUP TRUST 3
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

2 Basis of preparation of the financial report (continued)

(e) Rounding

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

	30 Jun 20 \$'000	30 Jun 19 \$'000
3 Interest income		
Gross interest income		
- Interest income from related entities	12,967	13,584
- Other interest income	2	173
	12,969	13,757
4 Distributions		
(a) Interim distribution		
Nil (30 June 2019: nil)	-	-
	-	-
(b) Distributions paid		
Distribution in respect of the six months to 31 December 2019	-	-
Distribution in respect of the six months to 31 December 2018	-	6,380
	-	6,380
	cents	cents
5 Statutory earnings per unit		
(a) Summary of earnings per unit		
Basic and diluted earnings per unit	0.01	0.02

There are no security options which are dilutive.

In calculating basic and diluted earnings per unit, net profit of \$363,000 (30 June 2019: \$857,000) was divided by the weighted average number of ordinary units of 5,204,765,420 (30 June 2019: 5,316,997,206).

(b) Conversions, calls, subscriptions, issues or buy-back after 30 June 2020

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

SCENTRE GROUP TRUST 3
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 30 June 2020

	30 Jun 20 \$'000	31 Dec 19 \$'000
6. Receivables		
Current		
Non interest bearing loans receivable from related entities	10,726	14,170
Other receivables from related entities	2,185	3,301
	12,911	17,471
Non current		
Interest bearing loans receivable from related entities	1,008,915	986,129
	1,008,915	986,129

Loans receivable from related entities have been assessed for impairment at 30 June 2020. The related entities are members of Scentre Group which is a stapled group operating as a single economic entity with a common Board of Directors and management team. As the related entities are also members of Scentre Group's cross-guarantee arrangements, it is highly unlikely that the related entities will default on its contractual obligations to the Trust. Therefore, the expected credit losses on these loans receivable are immaterial.

	30 Jun 20 \$'000	31 Dec 19 \$'000
7. Payables and other creditors		
Payables and other creditors	1,557	4,336
Tax payable	-	503
	1,557	4,839

8. Contributed equity		
	30 Jun 20 No. of units	31 Dec 19 No. of units
(a) Number of units on issue		
Balance at the beginning of the period	5,238,757,932	5,316,997,206
Buy-back and cancellation of units	(48,379,593)	(78,239,274)
Balance at the end of the period	5,190,378,339	5,238,757,932

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

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

	30 Jun 20 \$'000	31 Dec 19 \$'000
(b) Amount of contributed equity attributable to members of SGT3		
Balance at the beginning of the period	11,255	11,437
Buy-back and cancellation of units	(122)	(182)
Balance at the end of the period	11,133	11,255

SCENTRE GROUP TRUST 3

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 30 June 2020

9 Segment information

SGT3 operates in one operating segment predominantly in Australasia. SGT3 earns property advertising and promotional income and provides financing of the New Zealand equity accounted associates of SGT1 and SGT2.

10 Fair value of financial assets and liabilities

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

		Fair value		Carrying amount	
	Fair value Hierarchy	30 Jun 20 \$'000	31 Dec 19 \$'000	30 Jun 20 \$'000	31 Dec 19 \$'000
Consolidated assets					
Cash		643	817	643	817
Receivables					
- Interest bearing loans receivable ⁽ⁱ⁾	Level 2	1,008,915	986,129	1,008,915	986,129
- Other receivables ⁽ⁱⁱ⁾		12,911	17,471	12,911	17,471
Consolidated liabilities					
Payables and other creditors ⁽ⁱⁱ⁾		1,557	4,336	1,557	4,336
Interest bearing liabilities ⁽ⁱ⁾					
- Floating rate debt	Level 2	1,005,704	986,280	1,005,704	986,280

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

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

Determination of fair value

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

- Level 1: the fair value is calculated using quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: the fair value is estimated using inputs other than quoted prices that are observable, either directly (as prices) or indirectly (derived from prices); and
- Level 3: the fair value is estimated using inputs that are not based on observable market data.

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

During the half-year ended 30 June 2020, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

SCENTRE GROUP TRUST 3 DIRECTORS' DECLARATION

The Directors of RE2 Limited, the responsible entity of Scentre Group Trust 3 (Trust), declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the financial position as at 30 June 2020 and the performance of the consolidated entity for the half-year ended on that date in accordance with section 305 of the Corporations Act 2001.

Made on 25 August 2020 in accordance with a resolution of the Board of Directors.



Brian Schwartz AM
Chairman



Michael Ihlein
Director

Independent Auditor's Review Report to the Members of Scentre Group Trust 3

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Scentre Group Trust 3 and its controlled entities (the Trust), which comprises the balance sheet as at 30 June 2020, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Trust is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Trust as at 30 June 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of RE2 Limited, the Responsible Entity of the Trust, are responsible for the preparation of the half-year 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 determines is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

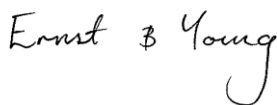
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's consolidated financial position as at 30 June 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

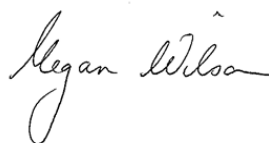
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young

Sydney, 25 August 2020



Megan Wilson
Partner

SCENTRE GROUP TRUST 3

DIRECTORS' REPORT

The Directors of RE2 Limited (the Responsible Entity), the responsible entity of Scentre Group Trust 3 (the Trust or SGT3) submit the following report for the half-year ended 30 June 2020 (Financial Period).

The Trust is part of Scentre Group which is a stapled entity comprising Scentre Group Limited (SGL), Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2), the Trust and their respective controlled entities. Scentre Group operates as a single coordinated economic entity, with a common Board of Directors and management team.

1. Directors

As at the date of this report, the Board comprised the following Directors.

Brian Schwartz AM	Non-Executive Chairman
Peter Allen	Chief Executive Officer/Executive Director
Andrew Harnos	Non-Executive Director
Michael Ihlein	Non-Executive Director
Carolyn Kay	Non-Executive Director
Steven Leigh	Non-Executive Director
Margaret Seale	Non-Executive Director
Michael Wilkins AO	Non-Executive Director

Aliza Knox retired from the Board on 8 April 2020 and Mike Wilkins was appointed as a Director on that date.

On 10 August 2020, Scentre Group announced the appointment of Guy Russo to the Board effective 1 September 2020. Mr Russo will be an independent non-executive Director.

The Boards of Scentre Management Limited, RE1 Limited and RE2 Limited (as Responsible Entities of SGT1, SGT2 and SGT3, respectively) are identical. If a Director ceases to be a director of Scentre Group Limited for any reason, they must also resign as a director of each Responsible Entity.

2. Review and results of operations

2.1 Investors

Financial Performance

Profit after tax for the Financial Period was \$363,000 (30 June 2019: \$857,000). The decline in profit after tax is driven by the impact of COVID-19 pandemic which resulted in less advertising activities for the Trust.

As at 30 June 2020, the Trust had net assets of \$16,903,000 (31 December 2019: \$16,743,000) which includes total assets of \$1,024,785,000 (31 December 2019: \$1,008,389,000) and total liabilities of \$1,007,882,000 (31 December 2019: \$991,646,000).

During the Financial Period, the Trust drew down \$44,417,000 of its bank facilities and loaned the proceeds to the New Zealand equity accounted entities of SGT1 and SGT2.

Liquidity and capital management

During the Financial Period, Scentre Group announced that a distribution would not be paid for the six-month period ended 30 June 2020 given the continued uncertainty regarding the economic impact of the pandemic and the timing of operating cash flows.

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

2.2 Outlook

Scentre Group is well positioned to manage the challenging conditions, with a strong balance sheet, sufficient liquidity to cover all debt maturities to January 2023, and a portfolio of high quality, strategically located assets.

However, given the uncertainty regarding the pandemic, its duration and consequential economic and business impacts, as previously announced, Scentre Group is not providing FFO or distribution guidance for 2020.

3. Matters subsequent to the end of the Financial Period

As COVID-19 pandemic is ongoing, uncertainties remain over its extent, duration and consequential economic and business impacts and governments continue to assess and implement measures in response to the pandemic. Consequently, we do not consider it practicable to provide an estimate of the pandemic's financial impact on the Trust's financial performance subsequent to 30 June 2020.

4. Risk management

Scentre Group assesses risk from a number of perspectives and these risks are subject to continuous assessment and review.

A number of important strategic risks and how such risks are managed and monitored are outlined in the Directors' Report in the Scentre Group Half-Year Financial Report which is available at www.scentregroup.com.

5. Principal activity

The principal activities of the Trust were:

- Interests in long term brand alliance agreements with various third parties in respect of a number of properties. These agreements provide for the licensing of space for the display of advertising in consideration for the payment of licence fees; and
- Financing of the New Zealand equity accounted entities of SGT1 and SGT2.

There was no significant change in the nature of the principal activities during the Financial Period.

6. Rounding

The Trust 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 Notes to the Financial Statements have been rounded to the nearest thousand dollars, unless otherwise indicated. Amounts shown as 0 represent amounts less than \$500 that have been rounded down.

7. ASX listing

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

8. Auditor's independence declaration

The Directors have obtained the following independence declaration from the auditor, Ernst & Young.



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Auditor's Independence Declaration to the Directors of RE2 Limited

As lead auditor for the review of the financial report of Scentre Group Trust 3 for the half-year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Scentre Group Trust 3 and the entities it controlled during the Financial Period.

Ernst & Young

25 August 2020

A member firm of Ernst & Young Global Limited

Liability limited by a scheme approved under Professional Standards Legislation

This report is made on 25 August 2020 in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Megan Wilson
Partner

Brian Schwartz AM
Chairman

Michael Ihlein
Director

DIRECTORY

Scentre Group
Scentre Group Limited
ABN 66 001 671 496

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

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

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

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Secretaries
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Paul F Giugni

Auditor
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Facsimile: +61 3 9473 2500
Contact: www.investorcentre.com/contact
Website: www.computershare.com

Listing
Australian Securities Exchange – SCG

Website
www.scentregroup.com