

# Carindale

Property Trust

Annual Financial Report  
30 June 2019

SCENTRE MANAGEMENT LIMITED ABN 41 001 670 579 AFS LICENCE 230329  
AS RESPONSIBLE ENTITY OF CARINDALE PROPERTY TRUST ARSN 093 261 744

# Financial Report

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# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2019

	Note	30 Jun 19 \$'000	30 Jun 18 \$'000
<b>Revenue</b>			
Property revenue	2	53,424	55,723
<b>Expenses</b>			
Property expenses and outgoings		(14,589)	(14,312)
<b>Net property income</b>		<b>38,835</b>	41,411
<b>Other expenses</b>			
Manager's service charge		(5,132)	(4,861)
Other costs		(329)	(359)
		<b>(5,461)</b>	(5,220)
Interest income		50	48
Financing costs	10	(16,069)	(8,575)
Property revaluation		1,692	(674)
<b>Net profit attributable to members of the Trust</b>	11(b)	<b>19,047</b>	26,990
<b>Total comprehensive income attributable to members of the Trust</b>		<b>19,047</b>	26,990
		<b>cents</b>	cents
<b>Basic earnings per unit</b>	9	<b>27.21</b>	38.56
<b>Diluted earnings per unit</b>	9	<b>27.21</b>	38.56

# Balance Sheet

AS AT 30 JUNE 2019

	Note	30 Jun 19 \$'000	30 Jun 18 \$'000
<b>Current assets</b>			
Cash and cash equivalents	11(a)	1,889	1,784
Trade and other receivables	4	494	1,722
Prepayments and deferred costs	5	537	372
<b>Total current assets</b>		<b>2,920</b>	<b>3,878</b>
<b>Non current assets</b>			
Investment properties	3	853,266	814,429
Prepayments and deferred costs	5	1,120	249
Derivative assets	13	-	171
<b>Total non current assets</b>		<b>854,386</b>	<b>814,849</b>
<b>Total assets</b>		<b>857,306</b>	<b>818,727</b>
<b>Current liabilities</b>			
Trade and other payables	6	31,679	21,908
Derivative liabilities	13	105	8
<b>Total current liabilities</b>		<b>31,784</b>	<b>21,916</b>
<b>Non current liabilities</b>			
Interest bearing liabilities	12	256,066	225,068
Derivative liabilities	13	6,058	1,902
<b>Total non current liabilities</b>		<b>262,124</b>	<b>226,970</b>
<b>Total liabilities</b>		<b>293,908</b>	<b>248,886</b>
<b>Net assets</b>		<b>563,398</b>	<b>569,841</b>
<b>Equity attributable to members of the Trust</b>			
Contributed equity		187,934	187,934
Reserves		436	97
Retained profits	15	375,028	381,810
<b>Total equity attributable to members of the Trust</b>		<b>563,398</b>	<b>569,841</b>

## Statement of Changes In Equity

FOR THE YEAR ENDED 30 JUNE 2019

	Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	30 Jun 19 Total \$'000	Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	30 Jun 18 Total \$'000
<b>Changes in equity attributable to members of the Trust</b>								
Balance at the beginning of the period	187,934	97	381,810	569,841	187,934	50	383,007	570,991
– Impact of changes in accounting standards <sup>(i)</sup>	-	-	(150)	(150)	-	-	-	-
Adjusted balance at the beginning of the period	187,934	97	381,660	569,691	187,934	50	383,007	570,991
– Profit attributable to members of the Trust	-	-	19,047	19,047	-	-	26,990	26,990
– Distribution paid and payable to members of the Trust	-	-	(25,340)	(25,340)	-	-	(28,140)	(28,140)
– Amount transferred to other reserves	-	339	(339)	-	-	47	(47)	-
<b>Closing balance of equity attributable to members of the Trust</b>	<b>187,934</b>	<b>436</b>	<b>375,028</b>	<b>563,398</b>	187,934	97	381,810	569,841

<sup>(i)</sup> The Trust has adopted AASB 9 Financial Instruments. This resulted in a net charge of \$150,000 to retained profits as at 1 July 2018, comprising the recognition of an additional loss allowance of \$798,000 for impairment of financial assets, offset by cumulative gain of \$648,000 relating to the refinancing of the borrowing facility during previous financial periods (refer to Note 1(b)). The comparative results for the year ended 30 June 2018 are not restated as permitted by the standard.

# Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2019

	Note	30 Jun 19 \$'000	30 Jun 18 \$'000
<b>Cash flows from operating activities</b>			
Receipts in the course of operations (including Goods and Services Tax (GST))		60,291	62,499
Payments in the course of operations (including GST)		(23,473)	(22,379)
GST paid		(2,923)	(3,053)
Payments of financing costs		(8,364)	(8,875)
Interest received		50	48
<b>Net cash flows from operating activities</b>	11(b)	<b>25,581</b>	28,240
<b>Cash flows used in investing activities</b>			
Capital expenditure on property investments		(11,662)	(7,097)
Financing costs capitalised to qualifying development projects and construction in progress		(314)	(1)
Payments for the acquisition of sundry property		(14,239)	-
<b>Net cash flows used in investing activities</b>		<b>(26,215)</b>	(7,098)
<b>Cash flows from financing activities</b>			
Net proceeds from interest bearing liabilities	12(c)	31,000	7,000
Facility establishment costs		(1,500)	-
Termination of swaps associated with facility refinancing		(2,021)	-
Distribution paid to members		(26,740)	(28,140)
<b>Net cash flows from/(used in) financing activities</b>		<b>739</b>	(21,140)
Net increase in cash and cash equivalents held		105	2
Add opening cash and cash equivalents brought forward		1,784	1,782
<b>Cash and cash equivalents at the end of the year</b>	11(a)	<b>1,889</b>	1,784

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# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 1 BASIS OF PREPARATION OF THE FINANCIAL REPORT

### (a) Corporate information

This financial report of Carindale Property Trust (Trust) for the year ended 30 June 2019 was approved in accordance with a resolution of the Board of Directors of Scentre Management Limited, as responsible entity of the Trust (Responsible Entity).

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

### (b) Statement of Compliance

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board. The accounting policies adopted are consistent with those of the previous financial year except that the Trust has adopted the following new or amended standards which became applicable on 1 July 2018.

- AASB 15 Revenue from Contracts with Customers

#### Impact of adoption

This standard determines the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Trust has adopted AASB 15 and related amendments from 1 July 2018. Comparative results are not restated as permitted by the standard. Following a detailed assessment of the requirements of the standard, the Trust has determined that there is no significant impact on the financial statements on application.

- AASB 9 Financial Instruments

#### Impact of adoption

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

The Trust has adopted AASB 9 and related amendments from 1 July 2018. Comparative results are not restated as permitted by the standard. The cumulative effect on initial application of AASB 9 is a charge to opening retained profits of \$150,000 as at 1 July 2018. This difference arises from the recognition of impairment losses on financial assets, offset by a modification gain relating to the refinancing of a financial liability in a previous period.

#### (i) Classification and measurement

Financial assets previously held at fair value continue to be measured at fair value. Trade and other receivables are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. These receivables continue to be measured at amortised cost. The impact of the classification of financial instruments under AASB 9 was immaterial.

The Trust has a floating rate borrowing facility that has been refinanced during previous financial periods. Under AASB 9, the accounting for the modification of a financial liability that has not resulted in derecognition, requires an adjustment to the amortised cost of the liability, with any gain or loss being recognised immediately in the statement of comprehensive income. Under the previous standard AASB 139, the gain or loss would have been recognised over the remaining life of the borrowing by adjusting the effective interest rate. The Trust assessed that the cumulative gain on initial application was \$648,000, which was credited to opening retained profits at 1 July 2018. During the twelve months to 30 June 2019, this amount has been recognised as a charge to the statement of comprehensive income, with \$213,000 being amortised within financing costs and \$435,000 charged following the extinguishment of this facility pursuant to the refinancing during the period.

#### (ii) Impairment

Under AASB 9, the Trust's accounting for impairment losses for financial assets is fundamentally changed, by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Trust has applied the simplified approach and recorded lifetime expected losses on trade and other receivables. The revised methodology for calculation of impairment of trade and other receivables resulted in an additional loss allowance of \$798,000 as at 1 July 2018.

#### (iii) Hedge accounting

As the Trust currently does not have any existing hedge relationships that are designated as effective hedges, there is no impact from the application of hedging requirements on the financial statements.

The Trust has also adopted the following amendments to and clarification of interpretations of, accounting standards:

- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

For the financial period, the adoption of this amended standard had no material impact on the financial statements of the Trust.

Certain Australian Accounting Standards and Interpretations have recently been issued or amended and are not required to be adopted by the Trust for the year ended 30 June 2019. The impact of these new standards (to the extent relevant to the Trust) and interpretations is as follows:

- AASB 16 Leases (effective from 1 January 2019)

This standard contains requirements about lease classification and recognition, measurement and presentation and disclosures of leases for lessees and lessors. This standard is not expected to have a significant impact on the financial statements on application. The Trust will adopt AASB 16 from 1 July 2019 and will not restate comparative information as permitted by the Standard.

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

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

- AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle (effective 1 January 2019)

The amendments clarify certain requirements in:

- AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation; and
- AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation.

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

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

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



### (c) Basis of Accounting

This financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. This financial report has also been prepared on a historical cost basis, except for investment properties and derivative financial instruments that have been measured at fair value.

Investment property is held jointly as tenants in common. The proportionate share of the income and expenditure, and of the assets and liabilities of property interests, are held as tenants in common and have been included in their respective classifications in this financial report.

This financial report is presented in Australian dollars.

### (d) Significant accounting judgements, estimates and assumptions

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

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements, in particular, Note 3: Investment properties and Note 21: Fair value of financial assets and liabilities. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the Trust's financial results or the financial position in future periods.

### (e) Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in the financial report have been rounded to the nearest thousand dollars, unless otherwise indicated. Amounts shown as 0.0 represent amounts less than \$500 that have been rounded down.

	30 Jun 19 \$'000	30 Jun 18 \$'000
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## NOTE 2 SEGMENT REPORTING

The Trust operates in one business segment, being the ownership of a shopping centre in Australia.

### Property revenue

Shopping centre base rent and other property income	54,509	56,804
Amortisation of tenant allowances	(1,085)	(1,081)
	<b>53,424</b>	<b>55,723</b>

### Accounting Policies

#### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and can be reliably measured.

Rental income from investment properties is accounted for on a straight line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.

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

All other revenues are recognised on an accrual basis.

	30 Jun 19 \$'000	30 Jun 18 \$'000
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## NOTE 3 INVESTMENT PROPERTIES

Shopping centre investment	840,066	814,318
Development projects	-	111
Sundry property	13,200	-
	<b>853,266</b>	<b>814,429</b>

### Movement in investment properties

Balance at the beginning of the year	814,429	808,820
Acquisition of sundry property	14,239	-
Additions including redevelopment costs	22,906	6,283
Net revaluation decrement	1,692	(674)
Balance at the end of the year	<b>853,266</b>	<b>814,429</b>

The Trust's interest in Westfield Carindale has been independently valued as at 30 June 2019. The valuation of the Trust's 50% interest in Westfield Carindale is \$840.1 million (2018: \$814.3 million) with a capitalisation rate of 4.75% (2018: 5.00%). This valuation was conducted by Jones Lang LaSalle Advisory Services Pty Ltd in accordance with guidelines set by the International Valuation Standards Council.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 3 INVESTMENT PROPERTIES (CONTINUED)

During the financial year, the Trust, together with its Joint Venture partner APPF, purchased the Millennium Boulevard Office and Retail Centre adjoining Westfield Carindale for \$28 million (Trust's share \$14 million). The valuation of the Trust's 50% interest in this property is \$13.2 million with a capitalisation rate of 5.50%. This valuation was conducted by Jones Lang LaSalle Advisory Services Pty Ltd in accordance with guidelines set by the International Valuation Standards Council.

### Accounting Policies

#### Investment properties

The Trust's investment properties include shopping centre investments and development projects.

The Trust's shopping centre investment comprises of freehold and leasehold land, buildings and leasehold improvements.

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

Initially, the shopping centre investment is measured at cost including transaction costs. Subsequent to initial recognition, the Trust's shopping centre investment is stated at fair value. Gains and losses arising from changes in the fair value of its shopping centre investment property are included in the statement of comprehensive income in the year in which they arise.

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

The Directors' assessment of fair value takes into account the latest independent valuation 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 Trust's development projects include costs incurred for the current and future redevelopment and expansion of its shopping centre investment. Development projects include capitalised construction and development costs and where applicable borrowing costs incurred on qualifying developments.

The Directors' assessment of fair value of a development project 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 development. From time to time, during a development, the Directors may commission an independent valuation of the development project. On completion, the development project is reclassified to shopping centre investment and an independent valuation is obtained.

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

	30 Jun 19 \$'000	30 Jun 18 \$'000
<b>NOTE 4 TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	219	347
Other receivables	275	1,375
	<b>494</b>	<b>1,722</b>

### Accounting Policies

#### Receivables

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

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses are recognised in the statement of comprehensive income. The receivable is written off when there is no reasonable expectation of recovering the contractual cash flows. Any gain or loss on derecognition is also recognised in the statement of comprehensive income.

In assessing for impairment under AASB 9, the Trust assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. For trade and other receivables, the Trust applies the simplified approach permitted by the standard, which requires lifetime expected losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on outstanding balances, days past their due date and the corresponding historical credit losses experienced. Historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors (including GDP) affecting the ability of customers to settle their debts.

In assessing for impairment during the years prior to the adoption of AASB 9, collectability of trade and other receivables was reviewed on an ongoing basis. Individual debts that were determined to be uncollectible were written off when identified. An impairment provision for doubtful debts was recognised when there was evidence that the Trust was not able to collect the receivable.

	<b>30 Jun 19</b>	30 Jun 18
	<b>\$'000</b>	\$'000
<b>NOTE 5 PREPAYMENTS AND DEFERRED COSTS</b>		
Current	<b>537</b>	372
Non current	<b>1,120</b>	249

**NOTE 6 TRADE AND OTHER PAYABLES**

**Current**

Trade creditors	<b>1,385</b>	1,184
Other creditors and accruals	<b>17,624</b>	6,654
Distribution payable	<b>12,670</b>	14,070
	<b>31,679</b>	21,908

**Accounting Policies**

*Payables*

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

	<b>30 Jun 19</b>	30 Jun 18
	<b>\$'000</b>	\$'000

**NOTE 7 DISTRIBUTIONS**

**(a) Current/prior period distribution payable/paid to members**

Distribution payable in respect of the 6 months to 30 June 2019		
– Ordinary units: 18.10 cents per unit	<b>12,670</b>	-
Distribution paid in respect of the 6 months to 30 June 2018		
– Ordinary units: 20.10 cents per unit	-	14,070
	<b>12,670</b>	14,070

**(b) Distribution paid to members**

Distribution in respect of the 6 months to 31 December 2018		
– Ordinary units: 18.10 cents per unit	<b>12,670</b>	-
Distribution in respect of the 6 months to 31 December 2017		
– Ordinary units: 20.10 cents per unit	-	14,070
	<b>12,670</b>	14,070

	<b>30 Jun 19</b>	30 Jun 18
	<b>\$</b>	\$

**NOTE 8 NET TANGIBLE ASSET BACKING**

Net asset backing per unit	<b>8.05</b>	8.14
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Net tangible asset backing per unit is calculated by dividing total equity attributable to members of the Trust by the number of units on issue. The number of units used in the calculation of the consolidated net tangible asset backing is 70,000,000 (30 June 2018: 70,000,000).

	<b>cents</b>	cents
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**NOTE 9 EARNINGS PER UNIT**

Basic earnings per unit	<b>27.21</b>	38.56
Diluted earnings per unit	<b>27.21</b>	38.56

Basic and diluted earnings per unit are calculated by dividing the earnings of \$19,047,000 (2018: \$26,990,000) by the weighted average number of ordinary units on issue during the financial year. The weighted average number of units used in the calculation of basic and diluted earnings per unit is 70,000,000 (2018: 70,000,000).

**Accounting Policies**

*Earnings per unit*

Basic earnings per unit is calculated as net profit attributable to members of the Trust divided by the weighted average number of ordinary units. Diluted earnings per unit is calculated as net profit attributable to members of the Trust divided by the weighted average number of ordinary units and dilutive potential ordinary units.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

	30 Jun 19 \$'000	30 Jun 18 \$'000
<b>NOTE 10 FINANCING COSTS</b>		
Gross financing costs	(9,138)	(9,128)
Financing costs capitalised to qualifying development projects and construction in progress	314	1
Lease liabilities interest expense	(6)	(6)
Financing costs	(8,830)	(9,133)
Net fair value (loss)/gain on interest rate derivatives	(6,446)	558
Financing costs - amortisation of modification gains on borrowing facility	(213)	-
Loss on extinguishment of borrowing facility <sup>(i)</sup>	(580)	-
	<b>(16,069)</b>	<b>(8,575)</b>

<sup>(i)</sup> Comprises \$435,000 recognised as extinguishment of the debt modification gain in respect of the initial application of AASB 9 on 1 July 2018 and \$145,000 as extinguishment of prepaid facility fees.

## Accounting Policies

### Financing Costs

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

	30 Jun 19 \$'000	30 Jun 18 \$'000
<b>NOTE 11 CASH AND CASH EQUIVALENTS</b>		
<b>(a) Components of cash and cash equivalents</b>		
Cash	1,889	1,784
Total cash and cash equivalents	1,889	1,784
<b>(b) Reconciliation of cash flows from operating activities to net profit attributable to members of the Trust</b>		
Net cash flows from operating activities	25,581	28,240
Property revaluation	1,692	(674)
Net fair value (loss)/gain on interest rate derivatives	(6,446)	558
Financing costs - amortisation of modification gains on borrowing facility	(213)	-
Loss on extinguishment of borrowing facility	(580)	-
Decrease in other net assets attributable to operating activities	(987)	(1,134)
Net profit attributable to members of the Trust	19,047	26,990

## Accounting Policies

### Cash and cash equivalents

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

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

**30 Jun 19**      30 Jun 18  
**\$'000**            \$'000

## NOTE 12 INTEREST BEARING LIABILITIES

### Non current

Loans payable – secured	<b>256,000</b>	225,000
Lease liabilities – ground leases	<b>66</b>	68
	<b>256,066</b>	225,068

The maturity profile in respect of the interest bearing liabilities is set out below:

Due within one year	<b>4</b>	4
Due between one and five years	<b>256,016</b>	225,016
Due after five years	<b>46</b>	48
	<b>256,066</b>	225,068

The Trust has a \$300 million floating interest rate syndicated facility. Drawings under this facility are secured by a registered mortgage over the Trust's interest in Westfield Carindale and a fixed and floating charge over all assets and undertakings of the Trust. The facility is subject to negative pledge arrangements and matures in the first half of calendar year 2023.

During the 12 months to 30 June 2019, the Trust refinanced its existing facility with a new \$300 million syndicated facility. The increase in the facility amount primarily covers the current reconfiguration project for the David Jones store and the acquisition of sundry property. The refinancing of the previous facility resulted in an accounting derecognition of the interest bearing liability.

**30 Jun 19**      30 Jun 18  
**\$'000**            \$'000

### (a) Summary of financing facilities

Committed financing facilities available to the Trust:

Total financing facilities at the end of the year	<b>300,000</b>	245,000
Total interest bearing liabilities	<b>(256,000)</b>	(225,000)
Available financing facilities	<b>44,000</b>	20,000
Cash	<b>1,889</b>	1,784
Financing resources available at the end of the year	<b>45,889</b>	21,784

### (b) Maturity profile of financing facilities

The maturity profile in respect of the above financing facilities:

Due within one year	-	-
Due between one and five years	<b>300,000</b>	245,000
Due after five years	-	-
	<b>300,000</b>	245,000

### (c) Movements in interest bearing liabilities arising from financing activities

Balance at the beginning of the year	<b>225,000</b>	218,000
Net proceeds from interest bearing liabilities	<b>31,000</b>	7,000
Balance at the end of the year	<b>256,000</b>	225,000

### Accounting Policies

#### Interest bearing liabilities

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

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

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

The fair values of the Trust's interest bearing liabilities and lease liabilities as disclosed in Note 21 are estimated by discounting future cash flows using rates that approximate the Trust's borrowing rate as at the balance date, for debt with similar maturity, credit risk and terms.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

	30 Jun 19 \$'000	30 Jun 18 \$'000
<b>NOTE 13 DERIVATIVE ASSETS AND LIABILITIES</b>		
<b>(a) Derivative assets</b>		
<b>Non current</b>		
Receivables on interest rate derivatives	-	171
	-	171
<b>(b) Derivative liabilities</b>		
<b>Current</b>		
Payables on interest rate derivatives	105	8
	105	8
<b>Non current</b>		
Payables on interest rate derivatives	6,058	1,902
	6,058	1,902

The Trust's interest rate swaps do not meet the accounting requirements to qualify for hedge accounting treatment. Changes in fair value have been reflected in the statement of comprehensive income. As at 30 June 2019, the aggregate fair value is a net payable of \$6,163,757 (2018: \$1,739,429). The change in fair value for the year ended 30 June 2019 was a loss of \$4,424,328 (2018: gain of \$557,593). During the period, a realised loss of \$2,021,460 (2018: nil) was also recognised in the statement of comprehensive income, as a result of the refinancing of the facility which required the termination of some swaps.

The Trust presents the fair value mark to market of its derivative assets and derivative liabilities on a gross basis. However, certain derivative assets and liabilities are subject to legally enforceable master netting arrangements. As at 30 June 2019, these netting arrangements have had no impact on the derivative liabilities disclosed above. As at 30 June 2018, derivative assets of \$170,884 and derivative liabilities of \$1,910,313 would be reduced by \$170,884 to the net liability amount of \$1,739,429.

## Accounting Policies

### Derivative assets and liabilities

The Responsible Entity utilises interest rate swaps to manage the risks associated with interest rate fluctuations. Such derivative financial instruments are recognised at fair value.

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

The fair value of derivatives have been determined with reference to market observable inputs for contracts with similar maturity profiles. The valuation is a present value calculation which incorporates interest rate curves and the credit quality of counterparties.

	30 Jun 19 Units	30 Jun 18 Units
<b>NOTE 14 CONTRIBUTED EQUITY</b>		
<b>Number of fully paid up units on issue</b>		
Balance at the beginning and end of the period	70,000,000	70,000,000

## Accounting Policies

### Contributed equity

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

	<b>30 Jun 19</b>	30 Jun 18
	<b>\$'000</b>	\$'000
<b>NOTE 15</b> RETAINED PROFITS		
Balance at the beginning of the year	<b>381,810</b>	383,007
Impact of changes in accounting standards	<b>(150)</b>	-
Adjusted balance at the beginning of the period	<b>381,660</b>	383,007
Net profit attributable to members of the Trust	<b>19,047</b>	26,990
Distribution paid/payable to members of the Trust	<b>(25,340)</b>	(28,140)
Amount transferred to other reserves	<b>(339)</b>	(47)
Balance at the end of the year	<b>375,028</b>	381,810

#### **NOTE 16** CAPITAL RISK MANAGEMENT

The Responsible Entity seeks to manage the Trust's capital requirements to maximise value to members through the mix of debt and equity funding, while ensuring that the Trust:

- complies with capital and distribution requirements of the Trust's constitution;
- complies with capital requirements in relation to the Trust's borrowing covenants; and
- continues to operate as a going concern.

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

- sufficient funds and financing facilities, on a cost effective basis, are available to implement operating strategies;
- financing facilities for unforeseen contingencies are maintained; and
- distributions to members are made within the stated distribution policy.

#### **NOTE 17** FINANCIAL RISK MANAGEMENT

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

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

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

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

The Responsible Entity uses different methods to measure and manage different types of risks to which the Trust is exposed. These include monitoring levels of exposure to interest rates, liquidity and credit risk. The Trust enters into interest rate swaps to manage the interest rate risks arising from the Trust's operations, cash flows and its interest bearing liabilities. The Responsible Entity seeks to deal only with creditworthy counterparties and these assessments are regularly reviewed. Liquidity risk is monitored through the use of rolling cash flow forecasts.

#### **NOTE 18** INTEREST RATE RISK MANAGEMENT

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

##### **Summary of floating interest rate positions at balance date**

The Trust has interest rate risk on borrowings which are typically floating rate debt. The exposures at reporting date together with the interest rate risk management transactions are as follows:

<b>Interest payable exposure</b>	Note	<b>30 Jun 19</b>	30 Jun 18
		<b>\$'000</b>	\$'000
Principal amounts of all interest bearing liabilities:			
Non current – Loans payable – secured	12	<b>256,000</b>	225,000
		<b>256,000</b>	225,000
Principal amounts of fixed interest rate liabilities:			
Fixed rate derivatives			
– AS		<b>220,000</b>	170,000
		<b>220,000</b>	170,000

At 30 June 2019, the Trust has hedged 86% (2018: 76%) of its interest payable exposure by way of interest rate swaps of varying durations, with remaining floating exposure of \$36,000,000 payable (2018: \$55,000,000) at an average rate of 2.4%, including margin (2018: 3.2%).

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 18 INTEREST RATE RISK MANAGEMENT( CONTINUED)

### Interest rate sensitivity

The sensitivity of interest expense to changes in the floating exposure interest rate is proportional. Assuming the floating interest payable exposure remains unchanged, an increase or decrease in interest rates of 100 basis points would increase or decrease interest expense by \$360,000 (30 June 2018: \$550,000) respectively for the next twelve months.

The fair values of derivatives used by the Trust are also sensitive to changes in interest rates and are as follows:

	30 Jun 19 \$'000	30 Jun 18 \$'000
Interest rate movement	Increase/(decrease) in fair value	
-2.0%	<b>(14,766)</b>	(14,951)
-1.0%	<b>(7,216)</b>	(7,279)
-0.5%	<b>(3,567)</b>	(3,594)
0.5%	<b>3,488</b>	3,552
1.0%	<b>6,900</b>	7,028
2.0%	<b>13,499</b>	13,721

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

## NOTE 19 CREDIT AND LIQUIDITY RISK MANAGEMENT

The Trust's credit risk arises from financial assets such as cash and cash equivalents, trade and other receivables and favourable derivative financial instruments. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Trust.

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

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

For trade and other receivables, there are no significant concentrations of credit risk. The Trust also obtains security deposits from tenants in the form of cash or bank guarantees which can be called upon if the tenant is in default under the terms of the lease contract.

The maximum exposure to credit risk at balance date is the aggregate of the carrying amounts of financial assets as disclosed in Note 21.

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

Interest bearing liabilities, financing facilities and their maturity profiles are disclosed in Note 12. The maturity profiles of the principal amounts of interest bearing liabilities including aggregate future estimated nominal interest and the estimated future nominal cashflows of derivative financial instruments are set out below:

	30 Jun 19 \$'000	30 Jun 18 \$'000
<b>Interest bearing liabilities and interest</b>		
Due within one year	<b>(6,071)</b>	(6,824)
Due between one and five years	<b>(272,140)</b>	(233,421)
Due after five years	<b>(46)</b>	(48)
	<b>(278,257)</b>	(240,293)
<b>Derivatives inflows/(outflows)</b>		
Due within one year	<b>(2,272)</b>	(1,290)
Due between one and five years	<b>(4,883)</b>	(1,380)
Due after five years	<b>(351)</b>	588
	<b>(7,506)</b>	(2,082)



## NOTE 20 FINANCIAL COVENANTS

The Trust is required to comply with certain financial covenants in respect of its borrowing facility. The financial covenants are summarised as follows:

- a) Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) to gross interest expense excluding gains or losses from mark to market;
  - not less than 1.75 times (2018: 1.3 times)
- b) Loan to Value Ratio (LVR) (debt to latest property value);
  - not to exceed 50% (2018: 50%)

As at and during the years ended 30 June 2019 and 30 June 2018, the Trust was in compliance with all financial covenants.

## NOTE 21 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

	Fair value Hierarchy	Fair value 30 Jun 19 \$'000	30 Jun 18 \$'000	Carrying amount 30 Jun 19 \$'000	30 Jun 18 \$'000
<b>Assets</b>					
Cash and cash equivalents		<b>1,889</b>	1,784	<b>1,889</b>	1,784
Trade and other receivables <sup>(i)</sup> <sup>(iii)</sup>		<b>494</b>	1,722	<b>494</b>	1,722
Derivative assets <sup>(ii)</sup>	Level 2	-	171	-	171
<b>Liabilities</b>					
Trade and other payables <sup>(i)</sup>		<b>31,679</b>	21,908	<b>31,679</b>	21,908
Interest bearing liabilities <sup>(ii)</sup>					
– Floating rate debt	Level 2	<b>256,000</b>	225,000	<b>256,000</b>	225,000
– Lease liabilities - ground leases	Level 2	<b>66</b>	68	<b>66</b>	68
Derivative liabilities <sup>(ii)</sup>	Level 2	<b>6,163</b>	1,910	<b>6,163</b>	1,910

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

<sup>(ii)</sup> 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.

<sup>(iii)</sup> Loss allowance for trade and other receivables amounted to \$1,315,700 as at 30 June 2019. This includes \$798,000 of opening balance adjustment from the adoption of AASB 9 effective 1 July 2018 and \$21,100 increase in loss allowance recognised in the statement of comprehensive income.

### Determination of fair value

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

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

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

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

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

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

Investment properties are considered Level 3.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 22 OTHER SIGNIFICANT ACCOUNTING POLICIES

### (a) Expenses

Expenses are brought to account on an accruals basis.

### (b) Taxation

Under current Australian income tax legislation, the Trust is not liable for Australian income tax, including capital gains tax, provided that members are presently entitled to the income of the Trust as determined in accordance with the Trust's constitution.

### (c) Goods and Services Tax (GST)

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

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

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

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

30 Jun 19	30 Jun 18
\$'000	\$'000

## NOTE 23 LEASE RECEIVABLES

### Operating lease receivables

The property owned by the Trust is leased to third party retailers under operating leases as at 30 June 2019.

Lease terms vary between retailers and some leases include percentage rental payments based on sales revenue.

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

Due within one year	<b>31,337</b>	32,993
Due between one and five years	<b>75,663</b>	71,067
Due after five years	<b>37,284</b>	29,981
	<b>144,284</b>	134,041

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

30 Jun 19	30 Jun 18
\$	\$

## NOTE 24 AUDITOR'S REMUNERATION

Amount paid or due and payable to the auditors of the Trust:

Auditing the financial report of the Trust	<b>100,127</b>	90,316
Accounting and other services including compliance plan audit	<b>3,775</b>	3,578
	<b>103,902</b>	93,894

## NOTE 25 RELATED PARTY DISCLOSURES

Scentre Management Limited, the Responsible Entity of the Trust, is considered to be a related party of the Trust.

The constitution of the Trust allows for an annual manager's service fee payable to the Responsible Entity up to a maximum of 2% of the total tangible assets of the Trust, which amounts to \$17,112,980 for the year to 30 June 2019 (2018: \$16,358,700), or such lesser amount as the Responsible Entity may determine. The manager's service fee paid or payable to the Responsible Entity for the year ended 30 June 2019 was \$5,131,286 (2018: \$4,861,274) representing 0.6% (2018: 0.6%) of the total tangible assets of the Trust as of 30 June 2019.

During the year, amounts paid or payable (excluding GST) to associates of the Responsible Entity for capital costs amounted to \$20,511,216 (2018: \$4,038,161). As at 30 June 2019, remaining capital costs of \$10,950,551 (2018: \$nil) were payable to associates of the Responsible Entity.

Real estate management fees expensed for the year ended 30 June 2019 due to associates of the Responsible Entity are based on normal commercial terms and were \$2,671,118 (2018: \$2,792,182). As at 30 June 2019, real estate management fees of \$211,329 (2018: \$223,432) were payable to associates of the Responsible Entity.

Reimbursement of expenses for the year ended 30 June 2019 paid and payable to associates of the Responsible Entity are based on normal commercial terms and were \$2,432,193 (2018: \$2,420,267).

As at 30 June 2019, Scentre Management Limited, as Responsible Entity of Scentre Group Trust 1, held 41,718,977 units in the Trust (2018: 41,718,977 units).

## **NOTE 26** DETAILS OF KEY MANAGEMENT PERSONNEL

Key Management Personnel are those individuals having the authority and responsibility for planning, directing and controlling the activities of the Trust, either directly or indirectly.

### **(i) Directors**

The Directors of Scentre Management Limited, the Responsible Entity of the Trust, are considered to be Key Management Personnel. As at the date of this report, the Board comprised the following Directors.

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

Steven Lowy AM retired from the Board of the Responsible Entity on 4 April 2019 and Steven Leigh was appointed as a Director on that date.

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

### **(ii) Other Key Management Personnel**

The Responsible Entity does not have any employees. However, in addition to the Directors noted above, the following executives were Key Management Personnel for the financial year with the authority for the strategic direction and management of Carindale Property Trust.

Elliott Rusanow - Chief Financial Officer, Scentre Group

Greg Miles - Chief Operating Officer, Scentre Group

Cynthia Whelan - Chief Strategy and Business Development Officer, Scentre Group

Mark Bloom retired as Chief Financial Officer on 4 April 2019. Elliott Rusanow was appointed Chief Financial Officer effective that date.

Cynthia Whelan's appointment as executive Key Management Personnel was effective 19 February 2019.

### **Compensation of Key Management Personnel**

The Directors of the Responsible Entity receive remuneration in their capacity as Directors of the Responsible Entity. These amounts are paid directly by Scentre Group Limited. Scentre Group Limited is the parent entity of Scentre Group, of which the Responsible Entity, Scentre Management Limited is part. Executive Directors and other executive Key Management Personnel are paid by Scentre Limited, a wholly owned subsidiary of Scentre Group Limited. Management fees payable by the Trust to the Responsible Entity are calculated as a percentage of the Trust's total tangible assets and are not determined by reference to specific costs incurred by the Responsible Entity. Consequently, no compensation as defined in AASB 124 Related Parties, in respect of such management fees is paid directly by the Trust, or indirectly by a related party of the Trust, to those Key Management Personnel in respect of their services to the Trust.

## Directors' Declaration

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

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including:
  - (i) complying with accounting standards and regulations in accordance with section 296 of the Corporations Act 2001;
  - (ii) giving a true and fair view of the financial position as at 30 June 2019 and the performance for the year ended on that date in accordance with section 297 of the Corporations Act 2001;
  - (iii) the International Financial Reporting Standards issued by the International Accounting Standards Board; and
- (c) they have been provided with the declarations required by section 295A of the Corporations Act 2001.

Made on 22 August 2019 in accordance with a resolution of the Board of Directors.



**Brian Schwartz AM**  
Chairman



**Michael Ihlein**  
Director

# Independent Audit Report

TO MEMBERS OF CARINDALE PROPERTY TRUST



## REPORT ON THE AUDIT OF THE FINANCIAL REPORT

### OPINION

We have audited the financial report of Carindale Property Trust (the Trust), which comprises the balance sheet as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, notes to the financial statements including a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

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

- (i) giving a true and fair view of the Trust's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### KEY AUDIT MATTERS

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

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

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

<i>Why significant</i>	<i>How our audit addressed the key audit matter</i>
<p>Carindale Property Trust holds a 50% economic interest in the Carindale shopping centre which is carried at fair value of \$853 million at 30 June 2019 and represents 99% of total assets.</p> <p>Fair value was determined by the Trust at the end of the reporting period with changes in fair value recognised in the statement of comprehensive income.</p> <p>We considered this to be a key audit matter as property valuations are based on a number of assumptions, such as capitalization rates, market rent, occupancy levels, re-leasing and capital expenditure, which are judgmental in nature. Minor changes in certain assumptions can lead to significant changes in the valuation.</p> <p>Note 3 of the financial report discloses the sensitivity of these valuations to changes in key assumptions.</p> <p>Note 3 of the financial report describes the accounting policy treatment for this asset.</p>	<ul style="list-style-type: none"><li>– Our audit procedures included the following:</li><li>– We assessed the effectiveness of the Trust's controls over the leasing process and associated tenancy reports which are used as source data in the property valuations by testing a sample of the relevant controls.</li><li>– We assessed key net income, lease expiry and vacancy assumptions adopted in the valuation to the actual net income, lease expiry profile and vacancy levels of the underlying asset in considering the reasonableness of the assumptions adopted in the valuation, including re-leasing and capital expenditure requirement assumptions. Where available we corroborated these assumptions to supporting lease documentation or external market data.</li><li>– We involved our real estate valuation specialists to assist with:<ul style="list-style-type: none"><li>– the assessment of capitalization rates adopted; and</li><li>– the assessment of the property valuation.</li></ul></li><li>– Where relevant we assessed the reasonableness of comparable transactions utilised by the Trust in the valuation process.</li><li>– We assessed the qualifications, competence and objectivity of the external valuers used by the Trust.</li><li>– We evaluated the suitability of the valuation methodology and tested the valuation report for mathematical accuracy.</li></ul>

#### 2. Interest bearing liabilities and financing costs

<i>Why significant</i>	<i>How our audit addressed the key audit matter</i>
<p>The Trust's finance facility has outstanding interest bearing liabilities of \$256 million at 30 June 2019. During the year the Trust incurred and recognised \$16 million of financing and interest costs.</p> <p>This was considered to be a key audit matter as the Trust's gearing, liquidity, solvency, covenant obligations and financing cost profile are influenced by this facility.</p> <p>Note 12 of the financial report discloses the Trust's interest bearing liabilities and contains a description of the accounting policies treatment for these liabilities.</p> <p>Note 10 of the financial report discloses the Trust's financing costs and contains a description of the accounting policies.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>– We assessed the effectiveness of the Trust's processes over recording and reporting the terms and conditions of interest bearing liabilities, including their classification as either current or non-current and associated costs.</li><li>– We confirmed the outstanding balance and facility limits of interest bearing liabilities with all applicable counterparties.</li><li>– We re-calculated interest recognised as an expense and assessed whether it was recognised in accordance with Australian Accounting Standards.</li><li>– We assessed whether the interest bearing liabilities were classified appropriately at balance date.</li><li>– We considered the Trust's assessment of its compliance with financial covenants.</li></ul>

## INFORMATION OTHER THAN THE FINANCIAL REPORT AND AUDITOR'S REPORT

The Director of Scentre Management Limited, the Responsible Entity of the Trust, are responsible for the other information. The other information comprises the information included in the Trust's Annual Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

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

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

**Ernst & Young**

Sydney  
22 August 2019

**St Elmo Wilken**  
Partner

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# Directors' Report

The Directors of Scentre Management Limited, as responsible entity of the Trust (Responsible Entity or Company), submit the following report for the year ended 30 June 2019 (Financial Year).

## 1. Review of Operations and Results of Operations

### 1.1 Operating environment

Westfield Carindale is located in the suburb of Carindale, approximately 12 kilometres south east of the Brisbane CBD. The centre is a premier retail destination in Brisbane's south east.

As at 30 June 2019, the centre was 99% leased. With annual retail sales of \$896.3 million, Carindale had the second highest sales of all centres in the Brisbane market.

During the Financial Year, the David Jones lease, which was for two levels, expired. David Jones entered into a new lease for one level of 7,635 sqm, which is currently being fitted out in David Jones' latest concept design. The fit out is progressing well and the new store is scheduled to open in late 2019.

As at 30 June 2019, the centre was independently valued at \$1.7 billion (the Trust's share \$0.85 billion), representing a revaluation gain of \$1.7 million since 30 June 2018.

### 1.2 Financial results

The Trust's net property income for the Financial Year was \$38.8 million, representing a 6.2% decrease on the previous year.

Funds from operations (FFO) for the Financial Year (which excludes unrealised fair value adjustments and tenant allowances amortisation of \$6.6 million) were \$25.7 million compared to \$28.2 million in the previous financial year.

The Trust's net profit for the Financial Year was \$19.0 million.

As at 30 June 2019, total assets of the Trust were \$857.3 million and total unit holder funds attributable to members were \$563.4 million.

The net tangible asset backing as at 30 June 2019 was \$8.05 per unit, representing a 1.1% decrease on last year primarily due to the fair value movements on the Trust's interest rate derivatives.

The Trust has a secured syndicated facility. As at 30 June 2019, borrowings were \$256.0 million with a gearing of 30%. During the period, the Trust refinanced its existing facility with a new \$300 million syndicated facility. The increase in facility primarily covers the current reconfiguration project for the David Jones store and the acquisition of sundry property.

The total amount to be distributed to members for the Financial Year is \$25.3 million, representing a full year distribution of 36.20 cents per unit. Details of interim distributions are set out in section 3 of this report.

<b>Profit after tax, FFO and distribution for the year</b>	Note	<b>30 Jun 19 \$'000</b>	30 Jun 18 \$'000
Net property income		<b>38,835</b>	41,411
Manager's service charge		<b>(5,132)</b>	(4,861)
Overheads		<b>(329)</b>	(359)
Net financing costs		<b>(16,019)</b>	(8,527)
Property revaluation		<b>1,692</b>	(674)
Profit attributable to members of the Trust		<b>19,047</b>	26,990
Adjustments:			
— Property revaluation		<b>(1,692)</b>	674
— Tenant allowances amortised	2	<b>1,085</b>	1,081
— Net fair value loss/(gain) on interest rate derivatives	10	<b>6,446</b>	(558)
— Financing costs - amortisation of modification gains on borrowing facility <sup>(i)</sup>	10	<b>213</b>	-
— Loss on extinguishment of borrowing facility <sup>(i)(ii)</sup>	10	<b>580</b>	-
<b>FFO</b>		<b>25,679</b>	28,187
Amount transferred to other reserves		<b>(339)</b>	(47)
<b>Distributable Amount</b>		<b>25,340</b>	28,140
<b>FFO per unit</b>		<b>36.68</b>	40.27
<b>Distributable Amount per unit</b>		<b>36.20</b>	40.20

<sup>(i)</sup> The Trust has a floating rate borrowing facility that has been refinanced during previous financial periods. Under AASB 9, the accounting for the modification of a financial liability that has not resulted in derecognition, requires an adjustment to the amortised cost of the liability, with any gain or loss being recognised immediately in the statement of comprehensive income. The Trust assessed that the cumulative gain on initial application was \$648,000, which was credited to opening retained profits at 1 July 2018. During the twelve months to 30 June 2019, this amount has been recognised as a charge to the statement of comprehensive income, with \$213,000 being amortised within financing costs and \$435,000 charged following the extinguishment of this facility pursuant to the refinancing during the period.

<sup>(ii)</sup> Prepaid facility fees of \$145,000 were extinguished and charged to the statement of comprehensive income as a result of the facility refinancing.

### 1.3 Principal activity

The principal activity of the Trust during the Financial Year was the long term ownership of a 50% interest in Westfield Carindale shopping centre.

There were no significant changes to the nature of the principal activity of the Trust or the state of affairs of the Trust during the Financial Year.

### 1.4 Strategy and outlook

Kmart will be introduced to Westfield Carindale and will be located on the second level of the existing David Jones store. The fitout of the latest format David Jones store is progressing well and is on track to open in October 2019, following which the fitout of the Kmart store will commence.

The distribution for the year ending 30 June 2020 is forecast to be 36.2 cents per unit.

### 1.5 Risks

The Trust's sole investment is a 50% interest in Westfield Carindale, and as such is exposed to the risks inherent in the ownership of a single asset. The performance of the Trust may be affected by the local economic and retail conditions in south east Queensland specifically and Australia more generally.

### 1.6 Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the Financial Period that has significantly affected, or may significantly affect, the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

## 2. Sustainability

Environmental laws and regulations in force in the jurisdictions in which Scentre Group operates are applicable to areas of the Group's operations, including the Trust and in particular to its development, construction and shopping centre management activities.

The Group has in place processes and procedures to identify and comply with such requirements, including where applicable, obtaining and complying with the conditions of relevant authority consents and approvals and the obtaining of any necessary licences. These compliance processes and procedures are regularly reviewed and audited and their application closely monitored.

Scentre Group's 2018 Sustainability Report can be found at [www.scentre.com](http://www.scentre.com).

## 3. Distributions

The total amount to be distributed to members for the Financial Year is \$25.3 million representing a full year distribution of 36.20 cents per unit, which includes the distribution paid on 28 February 2019 and the distribution to be paid on 30 August 2019.

The following distributions were paid to members of the Trust during the Financial Year:

	\$'000
20.10 cents per unit for the 6 months ended 30 June 2018, paid 31 August 2018	\$14,070
18.10 cents per unit for the 6 months ended 31 December 2018, paid 28 February 2019	\$12,670

The following distribution was recommended and declared for payment to members, but not paid, during the Financial Year:

	\$'000
18.10 cents per unit for the 6 months ended 30 June 2019, payable on 30 August 2019	\$12,670

## 4. Directors and Secretaries

### 4.1 Board Membership and qualifications

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

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

Steven Lowy retired as a Director of the Responsible Entity on 4 April 2019 and Steven Leigh was appointed at that date.

Scentre Group was established on 30 June 2014. Prior to that date, Scentre Management Limited formed part of the prior Westfield Group and the appointment dates of Brian Schwartz (6 May 2009) and Peter Allen (25 May 2011) pre-date the establishment of the Group. Andrew Harmos and Michael Ihlein were both appointed on the establishment of the Group on 30 June 2014. Aliza Knox was appointed on 7 May 2015, Carolyn Kay and Margaret Seale on 24 February 2016 and Steven Leigh on 4 April 2019.

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



## Directors' Report (continued)

Details of the qualifications, experience and specific responsibilities of each of the Directors as at the date of this report are set out below. Details of the attendance of Board and Committee meetings are set out in the Corporate Governance Statement.

### **Mr Brian M Schwartz, AM**

#### *Independent Chairman*

Brian Schwartz is the non-executive Chairman of Scentre Group. He is also Chairman of the Group's Nomination Committee. In a career with Ernst & Young Australia spanning more than 25 years, he rose to the positions of Chairman (1996 - 1998) and then CEO of the firm from 1998 to 2004. From 2005 to 2009, Brian was the CEO of Investec Bank (Australia) Limited. Brian is a director on the board of a Guardian Early Learning Group company, part of Partners Group, a global private markets investment manager, and was recently appointed as the Chair of the Centennial Park and Moore Park Trust. He is a fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants. Brian was previously Chairman of Insurance Australia Group Limited, Deputy Chairman of Westfield Corporation, Deputy Chairman of Football Federation Australia Limited and a Director of Brambles Limited.

### **Mr Peter K Allen**

#### *Chief Executive Officer*

Peter Allen is an executive Director and Chief Executive Officer of Scentre Group. Prior to the establishment of Scentre Group in 2014, Peter was an executive Director and Chief Financial Officer of Westfield Group. Peter joined Westfield in 1996 and between 1998 and 2004 was Westfield's CEO of the United Kingdom / Europe and responsible for establishing Westfield's presence in the United Kingdom. Peter is Chairman of the Shopping Centre Council of Australia and a Director of the Victor Chang Cardiac Research Institute and Essendon Football Club. He is a member of the President's Council of the Art Gallery of NSW and is a member of the Property Council of Australia including his role as a Property Male Champion of Change.

### **Mr Andrew W Harnos**

#### *Independent Director*

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

### **Mr Michael F Ihlein**

#### *Independent Director*

Michael Ihlein is a non-executive Director of Scentre Group. He is also Chairman of the Group's Audit and Risk Committee and a member of the Nomination Committee. Mike is a highly experienced corporate and finance executive with a long career with Coca-Cola Amatil Limited (and related companies) where he was Managing Director, Poland (1995 - 1997) and Chief Financial Officer and Executive Director (1997 - 2004). Mike joined Brambles as Chief Financial Officer and Executive Director in March 2004 and held the position of Chief Executive Officer from July 2007 until his retirement in November 2009. Mike holds a Bachelor of Business Studies (Accounting) from the University of Technology, Sydney. He is currently a non-executive Director and Chair of the Audit & Risk Committee of CSR Limited and is also a Fellow of the Australian Institute of Company Directors, CPA Australia and the Financial Services Institute of Australasia. Mike was formerly a Director of Murray Goulburn Co-operative Co. Limited, from 2012 to 2017, and of Snowy Hydro Limited, from 2012 to 2019.

### **Ms Carolyn Kay**

#### *Independent Director*

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

### **Ms Aliza Knox**

#### *Independent Director*

Aliza Knox is a non-executive Director of Scentre Group. She is also a member of the Group's Human Resources Committee. Aliza has more than three decades of broad international marketing and management experience. She holds an MBA in Marketing (Honors) from New York University-Leonard N. Stern, School of Business, and a B.A., Applied Mathematics and Economics (Magna Cum Laude) from Brown University. Aliza is currently the Head of Asia for Cloudflare Inc. Her previous roles include Chief Operating Officer at Unlocked, Vice President, Asia Pacific at Twitter from 2012 to 2017, Managing Director of Commerce and Online Sales & Operations for Asia Pacific at Google Asia Pacific Pte. Ltd. from 2007 to 2012, Senior Vice President, Commercial Solutions and Global Product Platforms at Visa International (from 2002 to 2007) and Senior Vice President, International Wireless and Global Expansion Asian Focus at Charles Schwab Corporation (from 1999 to 2001). Aliza was also a non-executive Director of InvoCare from 2011 to 2015, a member of the supervisory board of GfK from 2014 to 2017, a member of ANZ's International Technology and Digital Business Advisory Panel from 2015 to 2017 and a non-executive Director of Singapore Post Limited from August 2013 to July 2018.

### **Mr Steven Leigh**

#### *Independent Director*

Steven Leigh is a non-executive Director of Scentre Group. Steven's career in the real estate investment management and development industry spans more than three decades. He has in depth knowledge of real estate economics and experience in retail assets. During a 25 year career at QIC, Steven held a number of senior positions including most recently Managing Director - Global Real Estate with QIC. Steven's prior roles also include Managing Director of Trinity Limited and subsequently the Chief Executive Officer of the wholesale unlisted funds management business. Following LaSalle Investment Management's acquisition of Trinity Funds Management, Steven held the position of Head of Australia for LaSalle Investment Management. He is a non-executive Director of the ASX listed stapled entity, National Storage REIT. Steven is also one of the founding members of Male Champions of Change established by the Property Council of Australia. He is a registered valuer, having started his career as a valuer with National Mutual Life. Steven is a graduate of Gatton College (now part of the University of Queensland) and the Queensland University of Technology in the disciplines of real estate valuation and project management. He is also a member of the Australian Property Institute.

## **Ms Margaret Seale**

### *Independent Director*

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

### **4.2 Secretaries**

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

#### **Ms Maureen McGrath**

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

#### **Mr Paul Giugni**

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

### **5. Directors' Relevant Interests**

None of the Directors hold a relevant interest in units in the Trust.

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

### **6. Options**

No options were granted over unissued interests in the Trust during or since the end of the Financial Year to any of the Directors or officers of the Company as responsible entity of the Trust.

There are no unissued interests in the Trust under option.

No interests in the Trust were issued during or since the end of the Financial Year as a result of the exercise of an option over unissued interests in the Trust.

### **7. Indemnities and Insurance Premiums**

No insurance premiums were paid during or since the end of the Financial Year out of the assets of the Trust in regards to insurance cover provided to either officers of the Responsible Entity or the auditors of the Trust. As long as the Company, as responsible entity of the Trust, acts in accordance with the constitution of the Trust and the Corporations Act 2001, it remains fully indemnified out of the assets of the Trust against any losses incurred while acting as the responsible entity of the Trust.

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

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

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

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

### **8. Information for Registered Schemes**

\$7,802,404 in fees and \$20,511,216 in construction progress billings were paid or payable to the Company, as responsible entity of the Trust and its associates out of the assets of the Trust during the Financial Year. Details of the fees are set out in Note 25 to the financial statements.

Scentre Management Limited as responsible entity of Scentre Group Trust 1 held 41,718,977 units in the Trust as at the end of the Financial Year.

No interests were issued in the Trust during the Financial Year. No withdrawals were made from the Trust during the Financial Year.

Details of the value of the Trust's assets as at the end of the Financial Year are set out in Note 3 and Note 21 to the financial statements. The basis of valuation of the centre is set out in Note 3.

As at 30 June 2019, there were 70,000,000 units on issue in the Trust.

## Directors' Report (continued)

### 9. Audit

#### 9.1 Audit and Risk Committee

At the date of this report, the Responsible Entity had an Audit and Risk Committee.

#### 9.2 Audit Fees and non-audit services

The amounts paid to the auditors are set out in Note 24 to the financial statements. No non-audit services were undertaken by the auditor during the Financial Year.

#### 9.3 Auditor's Independence Declaration



#### Auditor's Independence Declaration to the Directors of Scentre Management Limited, the Responsible Entity of Carindale Property Trust

As lead auditor for the audit of the financial report of Carindale Property Trust for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

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

**Ernst & Young**

Sydney, 22 August 2019

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**St Elmo Wilken**

Partner

### 10. ASIC Disclosures

#### 10.1 Rounding

Pursuant to ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated. Amounts shown as 0.0 represent amounts less than \$500 that have been rounded down.

#### 10.2 Synchronisation of Financial Year

The Trust is a consolidated entity of each of Scentre Group Trust 1 and Scentre Group Limited. By orders dated 21 November 2001 and 27 June 2005 respectively made by the Australian Securities and Investment Commission, the directors of the Company, as responsible entity of Scentre Group Trust 1 and Scentre Group Limited have been relieved of compliance with the requirement to ensure that the financial year of the Trust coincides with the financial year of Scentre Group Trust 1 and Scentre Group Limited.

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

**Brian Schwartz AM**

Chairman

22 August 2019

**Michael Ihlein**

Director

# Corporate Governance Statement

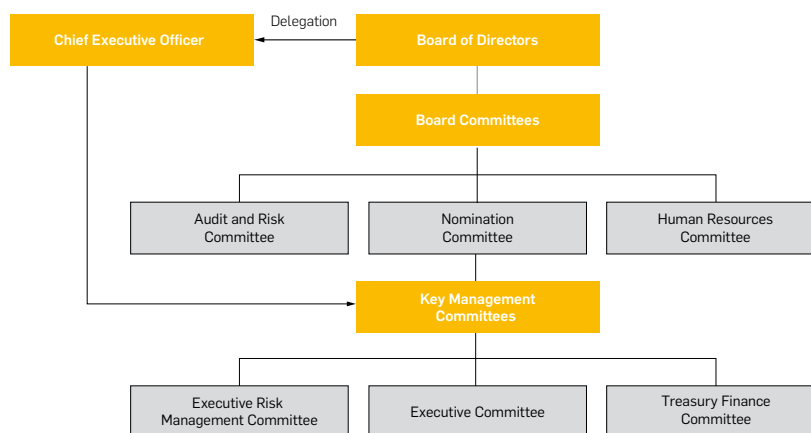
The Responsible Entity, through its Board and the executives of its parent company, Scentre Group Limited, is committed to ensuring that its policies and practices reflect a high level of corporate governance.

This statement outlines the Responsible Entity's main corporate governance practices during the financial year and the extent of compliance with those practices as at the end of the financial year by reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (published in 2014) (Principles and Recommendations).

The corporate governance practices of the Responsible Entity should be reviewed having regard to the following:

- The Trust is a single centre property trust which owns a 50% interest in Westfield Carindale, located in suburban Brisbane, Queensland.
- The Trust is an externally managed entity. Accordingly, a number of recommendations do not apply to the Trust. However, as the Responsible Entity is a member of Scentre Group, it has adopted, and is bound by, the terms of the various charters and policies implemented by Scentre Group.
- Neither the Trust nor the Responsible Entity has any employees. As an externally managed entity, the operations of the Trust are carried out by Scentre Group executives and employees (see 8.1 below). The management of Westfield Carindale is also conducted by subsidiaries of Scentre Group Limited.

Scentre Group's governance framework is outlined in the diagram below. The Group's corporate governance documentation, including charters and relevant corporate policies and codes, can be found in the corporate governance section on the Trust's website – <http://www.carindalepropertytrust.com.au/>.



## 1. The Board of the Responsible Entity

Scentre Group is a stapled entity comprising a company and three managed investment schemes. The Boards of Scentre Group Limited, Scentre Management Limited (responsible entity of Scentre Group Trust 1 and Carindale Property Trust), RE1 Limited (responsible entity of Scentre Group Trust 2) and RE2 Limited (responsible entity of Scentre Group Trust 3) have common membership. Each Board has adopted a common Board Charter which sets out the objectives and responsibilities of the Scentre Group Board.

The Board of Scentre Management Limited is responsible for overseeing the effective management, governance and operation of the Trust. The Board seeks to ensure that the business objectives of the Trust are aligned with the expectations of members, and that the operations of the Trust are being effectively managed in a manner that is focussed on those business objectives, as well as conforming to regulatory and governance requirements.

As noted, the Board of the Responsible Entity, Scentre Management Limited, is identical to the Boards of Scentre Group Limited, RE1 Limited and RE2 Limited. Directors (other than the Chief Executive Officer, as Managing Director) are subject to election or re-election by securityholders of Scentre Group at the Annual General Meeting (AGM) of Scentre Group Limited. If a Director ceases to be a Director of Scentre Group Limited for any reason, they must also resign as a Director of the Scentre Management Limited, RE1 Limited and RE2 Limited.

Notwithstanding that recommendations 1.1 to 1.7, 2.1, 2.2, 2.4 to 2.6 and 8.1 to 8.3 are not applicable to the Trust as an externally managed entity; the following describes the corporate governance practices of the Responsible Entity as part of Scentre Group. Details of the fees payable to the Responsible Entity are set out in note 25 to the financial statements.

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Membership and attendance at Board and Committee meetings are set out below.

	Board		Audit and Risk Committee		Human Resources Committee		Nomination Committee	
	Number attended	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings
Brian Schwartz	6	6					6	6
Peter Allen	6	6						
Andrew Harnos	6	6			6	6	6	6
Michael Ihlein	6	6	5	5			6	6
Carolyn Kay	6	6	5	5				
Aliza Knox	6	6			6	6		
Steven Leigh	1	*						
Steven Lowy	5	*						
Margaret Seale	6	6	5	5	6	6		

1 Directors also attend meetings of Committees of which they are not a member. The Chairman of the Board typically attends meetings of the Audit and Risk Committee and Human Resources Committee. This attendance is not reflected in the table.

2 The Committees are comprised of the following non-executive Directors: Audit and Risk Committee: Michael Ihlein (Chair), Carolyn Kay and Margie Seale; Human Resources Committee: Andrew Harnos (Chair), Aliza Knox and Margie Seale; Nomination Committee: Brian Schwartz (Chair), Andrew Harnos and Michael Ihlein.

\* Steven Leigh was appointed to the Board of Scentre Management Limited on 4 April 2019. Steven Lowy retired from the Board of Scentre Management Limited on 4 April 2019.

### 1.1 Responsibilities of Board and management

#### Board Charter

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

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

Key responsibilities of the Board are to:

- define Scentre Group's purpose and setting the strategic direction of Scentre Group, including the Trust;
- instil the Group's culture and values;
- approve and monitor key budgets, business plans, financial statements, financial policies and reporting;
- establish, promote and maintain proper processes and controls to maintain the integrity of financial accounting, financial records and reporting;
- develop and implement key corporate policies, procedures and controls as necessary to ensure appropriate standards of accountability, risk management and corporate governance and responsibility;
- oversee the adequacy of managerial resources to ensure there is adequate depth of resources and appropriate succession planning;
- monitor the performance of senior executives and the implementation of strategy;
- approve proposals for major new investments, capital expenditure and capital management initiatives as proposed by management;
- ensure that members of the Trust receive high quality, relevant and accurate information in a timely manner and that investors generally can trade in the Trust's units in a market which is efficient, competitive and informed;
- determine and adopt distribution policies for the Trust; and
- oversee compliance by Scentre Group with its legal and regulatory obligations.

#### Board Committees

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

As the composition of the Board of each of Scentre Group Limited, Scentre Management Limited, RE1 Limited and RE2 Limited are identical each Committee operates, for all purposes, as one "Scentre Group" Committee. However, as an externally managed entity, the Trust is not required to have a Nomination Committee or a Committee, such as the Group's Human Resources Committee, that addresses remuneration matters.

Typically, the Chair of the Board (who also chairs the Nomination Committee) also attends meetings of the Audit and Risk Committee and Human Resources Committee.

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

The Chair of each Committee reports to the Board at the Board's next meeting on any matters relevant to the Committee's duties and responsibilities. The Board also receives copies of the minutes of all Committee meetings. This ensures that all Directors have oversight and the opportunity for full discussion of the issues being considered by the Committees.

#### Delegation to Management

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

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

The CEO reports regularly to the Board on the progress being made by the Trust in all aspects of its business including shopping centre operations and developments. The CFO also provides comprehensive reports on the Trust's financial performance and other relevant matters such as gearing and liquidity.

# Corporate Governance Statement (continued)

## 1.2 New appointments/Re-election of Directors

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

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

## 1.3 Written agreements with Directors

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

The letter of appointment clearly defines the role of Directors, including expectations in terms of independence, participation, time commitment and continuous development. Directors are required to disclose, on an on-going basis, circumstances that may affect, or be perceived to affect their ability to exercise independent judgment so that the Board can determine independence on a regular basis. The letter provides that if a Director ceases to be a Director of Scentre Group Limited for any reason, they must also resign as a Director of the Responsible Entity, RE1 Limited and RE2 Limited.

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

## 1.4 Role of the Company Secretary

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

## 1.5 Diversity

Neither the Trust nor the Responsible Entity have any employees or had any employees during the financial year. During the financial year, the operations of the Trust were undertaken by Scentre Group executives and employees. While, as an externally managed entity, the Trust is not required to report on diversity, Scentre Group's approach to diversity is outlined in Scentre Group's corporate governance statement in its 2018 Annual Financial Report which is available at [www.scentregroup.com](http://www.scentregroup.com).

## 1.6 Board Self-Assessment and Performance

The Scentre Group Board considers ongoing self-assessment on various aspects of the Board's performance including skill sets as an important tool in reviewing the performance of the Board and the Directors.

The Board undertakes an annual performance review. This process includes an assessment and review of the performance of the Board, its Committee, individual Directors, the composition and skill sets of the Board and the Board's relationship with management. During the year the review was conducted by the Chairman, Brian Schwartz, who presented the results of the review to the Board.

Overall, the results of the review were positive. Matters considered by the Board survey included an assessment of the performance of the Board, the Board Committees and individual Directors, the composition and skills set of the Board, succession planning, the Board's relationship with management and the type and quality of the information provided to the Board.

## 1.7 Process for Evaluating the Performance of Senior Executives, including Executive Directors

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

KPIs are established each year under a performance and development system. KPIs are designed to measure both financial and nonfinancial performance and a balance of measures are used that underpin the growth and sustainability of the Group's business. The Group's remuneration philosophy and link to business strategy is outlined in the Group's Remuneration Report.

During the year, each member of the senior executive team, including the CEO, was subject to a performance review as described above. Details of the performance criteria against which the CEO was assessed in 2018 are set out in the Scentre Group's Remuneration Report published in its 2018 Annual Financial Report.

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

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

### 2.1 Structure of the Board and role of the Nomination Committee

As the Responsible Entity is a wholly owned subsidiary of Scentre Group Limited, recommendations relating to the composition of the Board of the Responsible Entity are made by the Nomination Committee of Scentre Group Limited. The Responsible Entity does not have its own Nomination Committee.

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

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

#### Nomination Committee

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

The responsibilities of the Nomination Committee include:

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

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

The Board, on the recommendation of the Nomination Committee, determines if it will endorse a retiring Director for re-election. The notice of meeting for the AGM of Scentre Group Limited provides information that is material to the decision of Scentre Group securityholders as to whether or not to support the re-election of a Director.

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

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

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

The Nomination Committee may retain the services of external recruitment specialists to help identify potential candidates for appointment to the Board. Once a candidate is identified the Nomination Committee, with the assistance of external consultants where required, conducts appropriate background and reference checks before the candidate is appointed to the Board or put forward to Scentre Group Limited securityholders for election.

## 2.2 Board Skills Matrix

The Responsible Entity notes that ASX Corporate Governance Council's recommendation 2.2 that listed entities should disclose a board skills matrix does not apply to externally managed entities.

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

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

A board skills matrix is published in Scentre Group's 2018 Annual Financial Report. As noted in that report, the Nomination Committee had actively reviewed the need for additional property skills on the Board, particularly in light of Steven Lowy's retirement. Steven Leigh, whose career in the real estate investment management and development industry spans more than three decades, was appointed on 4 April 2019, the date of Steven Lowy's retirement.

## 2.3 Directors' Independence

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

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

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

- independent of management
- free of any interest, position or association that might influence or reasonably be perceived to influence, in a material respect, their capacity to bring independent judgement to bear on issues before the Board;
- capable of making decisions without bias and which are in the best interests of members.

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

- is a substantial securityholder of Scentre Group or an officer of, or otherwise associated directly with, a substantial securityholder of Scentre Group;
- is, or within the last 3 years had been, employed in an executive capacity by any member of Scentre Group;
- is, or within the last 3 years had been, a partner or a senior management executive with audit responsibilities of a firm which has acted in the capacity of statutory auditor of any member of the Group;
- is, or within the last 3 years had been, a principal, senior employee of a material professional adviser to any member of the Group;
- is, or within the last 3 years had been, a principal, senior employee or associate of a material supplier to, or material customer of, any member of the Group;
- has a material contractual relationship with any member of the Group other than as a Director of the Board; and
- has any interest or business or other relationship which could materially interfere with the Director's ability to act in the best interests of the Group and independently of management;
- has close family ties with any person who falls within any of the categories described above; or
- has been a Director of Scentre Group for such period that their independence may have been compromised.

## 2.4 Independent Directors

All seven non-executive Directors are considered to be independent.

Details of the length of service of each Director is set out in the Directors' Report.

## 2.5 Chairperson and Independence

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

## 2.6 Induction and ongoing education

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

The Group recognises that developing industry and corporate knowledge is an ongoing process. Regular briefing sessions to the Board and Board Committee are conducted on a number of topics including:

- the Group's core operation including trends in international and domestic retail;
- legal and regulatory developments including health and safety laws, competition laws, corporate governance principles, tax and accounting changes;
- emerging and disruptive business models, technologies including cyber threats and security.

## Corporate Governance Statement (continued)

Directors are also given the opportunity for site visits to better understand the Group's operations including those of the Trust. During the year, the Board visited New Zealand with senior executives to tour a number of the Group's centres. The Board also visited China on a study trip to gain an understanding of the commercial environment in China including physical retail as well as new and developing retail formats.

### PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

#### 3.1 Codes of Conduct

##### *Directors' Code of Conduct*

The Directors' Code of Conduct outlines the responsibilities of Directors in maintaining Scentre Group's commitment to high standards of ethical conduct. The Code of Conduct is available in the corporate governance section of the Trust's website.

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

##### *Scentre Group Values*

Scentre Group's values are referred to as the Group's "DNA" which is the cultural blueprint for the Group's organisational behaviour. The Group is committed to high standards of ethical conduct and actively promotes a diverse and inclusive culture where employees are encouraged to succeed to the best of their ability.

During the year, the Group evolved its DNA to ensure that its values continue to reflect the standards required to guide behaviour.

Scentre Group's DNA is expressed as:

- We put the customer first
- We act with integrity
- We strive for excellence
- We succeed together
- We are constantly curious
- We create a positive legacy

##### *Employee Handbook*

Scentre Group's core principles are supplemented by the Employee Handbook which is provided to all employees at the time of joining the Group. The handbook outlines, among other matters, the high standards of personal conduct and ethical behaviour expected of all employees.

##### *Compliance Manuals*

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

##### *Whistleblower Policy*

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

### PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

#### 4.1 Audit and Risk Committee

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

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

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

- (a) monitoring and reviewing:
  - the accuracy, integrity and reliability of financial reports and statements of listed entities of the Group (including the Trust);
  - the effectiveness of the Group's internal control environment including the systems of internal controls, risk management and legal compliance;
  - the objectivity and effectiveness of the internal audit function; and
  - the independence, objectivity and effectiveness of the external audit function;
- (b) overseeing the processes for:
  - identifying and managing significant risks faced by the Group;
  - the Group's compliance with applicable laws and regulations; and
  - implementing appropriate and adequate control, monitoring and reporting systems; and
- (c) making recommendations to the Board in relation to the appointment of the external auditors and approving the remuneration and terms of their engagement.

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

Assessment of material economic, environment and social sustainability risks forms part of the Group's Enterprise Risk Management Framework. As the Trust's investment is a 50% interest in Westfield Carindale and, as such, the Trust is exposed to the risks inherent in the ownership of a single asset.

The Committee, on an annual basis, reviews the appropriateness of the Enterprise Risk Management Policy and the Enterprise Risk Management Framework and control systems adopted by Scentre Group. The Committee undertook such a review during the year.

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

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

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

##### *Non-Audit Services Protocol*

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

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



### **Executive Risk Management Committee**

Risk oversight is a key function of our Executive Committee and while that Committee continues to have oversight of business risks, during the year we enhanced our risk management processes by establishing a dedicated Executive Risk Management Committee. The purpose of the Executive Risk Management Committee is to assist and support the Board and the Audit and Risk Committee in its oversight of the Group's systems of risk management and internal control.

Membership of the Committee comprises the CEO, CFO, COO, CSO, the Director, Risk and Internal Audit, the General Counsel and the Director, Security.

### **4.2 CEO and CFO declarations**

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

- the financial statements present a true and fair view;
- that this assertion is founded on a sound system of financial risk management and internal compliance and control which implements the policies adopted by the Board; and
- that the financial risk management and internal compliance and control systems are operating efficiently and effectively in all material respects in relation to financial reporting risks.

### **4.3 AGM**

As a managed investment scheme, the Trust is not required by the Corporations Act to hold an AGM.

## **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

### **5.1 Continuous Disclosure and Communications Policy**

The Responsible Entity is committed to providing members with comprehensive, timely and equal access to information about its activities to enable them to make informed investment decisions.

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

The policy includes a vetting and authorisation process to ensure that all disclosures are factual, do not omit material matters and are expressed in a clear and objective manner. The policy also outlines how the Responsible Entity identifies and disseminates information to members and the market generally.

## **PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITYHOLDERS**

### **6.1 Corporate website**

The Trust monitors and continues to utilise a range of communication approaches including direct communications with members and publication of all relevant Trust information in the Investor Services section of the Trust's website.

The Trust's website is part of its communication platform to members and the broader investment community. Current and past media releases and interim and full year financial reports are available on the website. These announcements, presentations and reports continue to be posted on the Trust's website immediately after they have been released to the market.

### **6.2 Investor relations program**

Members are encouraged to contact the Trust via the Investor Relations Team.

### **6.3 Meetings of members**

The Responsible Entity notes that recommendation 6.3 does not apply to the Trust as an externally managed entity.

### **6.4 Electronic communications**

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

The Trust's registry provides members with the option to update their details electronically via their website.

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

Scentre Group adopts a rigorous approach to understanding and managing its business risks, including in relation to the Trust. There is a discussion on the Group's approach to risk under Principle 4.

## **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

### **8.1 Human Resources Committee**

Neither the Trust nor the Responsible Entity has any employees. During the financial year, the operations of the Trust were performed by Scentre Group executives and staff. Reference should be made to the Scentre Group remuneration report in the 2018 Annual Financial Report for details of the Group's remuneration philosophy and framework.

As the Board of the Responsible Entity and Scentre Group Limited are identical, no additional fees were paid to the non-executive Directors of the Responsible Entity by the Responsible Entity or the Trust in respect of their work in relation to the Trust.

Non-executive Directors receive their fees in cash. They do not participate in equity-based incentive schemes designed for the remuneration of executives, nor did they receive any options or other equity-based entitlements or bonus payments. Non-executive Directors are not entitled to any payment upon retirement or resignation from the Board.

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

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

The Committee is responsible for oversight of, and where appropriate makes recommendations to the Board on:

- remuneration policies and practices affecting the Group;
- remuneration packages for the executive Key Management Personnel (KMP). The Committee also reviews the CEO's recommendations on the remuneration packages for the senior executive team;
- the Group's equity linked performance plans;
- succession planning policies in relation to the senior executive team;
- policies that promote and support equal opportunity and diversity within the Group;
- termination entitlements of executive KMP and other members of the senior executive team; and
- fees for non-executive Directors.

*This statement which is current as at 22 August 2019 has been approved by the Board of Scentre Management Limited as responsible entity of Carindale Property Trust.*

# Investor Relations

## Carindale Property Trust Distribution Details

The final distribution of 18.10 cents per unit will be paid to members on 30 August 2019. An interim distribution of 18.10 cents per unit was paid on 28 February 2019.

## Carindale Property Trust Website

The following information can be obtained from the Trust's website.

- Unit price and graph
- News and announcements
- Unitholding details
- Annual reports
- Current and historical tax information
- Downloadable unitholder forms
- Calendar
- Corporate Governance charters and policies

## Electronic Information

By becoming an electronic investor and registering your email address, you can receive, via email, distribution statements, taxation statements and Annual Reports.

## Secure Access to Your Unitholding Details 24 Hours a Day

**Online** – You can go to [www.carindalepropertytrust.com.au](http://www.carindalepropertytrust.com.au) to access your unitholding information including distribution and taxation statements, as well as forms in relation to change of address, direct credit and tax file number. To view your unitholding, you will need your SRN/HIN and you will be asked to verify your postcode (inside Australia) or your country of residence (outside Australia).

**Phone** – You can confirm your holding balance, request forms and access dividend and trading information by phoning 1300 730 458, then by pressing 2. You may be asked to enter your SRN/HIN.

## Distribution

To ensure timely receipt of your distribution, please consider the following:

### Direct Credit

You can receive your distribution payment efficiently and safely by having it direct credited to your bank account. If you wish to register for direct credit, please complete the form and return it to the registry. A form can be downloaded from [www.carindalepropertytrust.com.au](http://www.carindalepropertytrust.com.au) or by phoning our registry on 1300 730 458 (please have your SRN/HIN available for you to quote).

## Carindale Property Trust – Calendar 2019/2020

Date	Event
30 December 2019	Units trade ex-distribution
31 December 2019	Record date for Carindale Property Trust, 6 months to 31 December 2019
February 2020	Half-year results released, 6 months to 31 December 2019
28 February 2020	Payment date for Carindale Property Trust distribution, 6 months to 31 December 2019
29 June 2020	Units trade ex-distribution
30 June 2020	Record date for Carindale Property Trust, 6 months to 30 June 2020
August 2020	Full year results and Annual Report released
31 August 2020	Payment date for Carindale Property Trust distribution, 6 months to 30 June 2020. Annual Tax Statement issued.

## Tax File Number (TFN)

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

However, if you do not provide your TFN, ABN or Exemption, withholding tax at the highest marginal rate, currently 49% for Australian resident members may be deducted from distributions paid to you.

If you have not supplied this information and wish to do so, please advise the registry or your sponsoring broker.

## Annual Tax Statement and Tax Guide

The Annual Tax Statement and Tax Guide is dispatched to members every year in late August.

## Share Registry

All changes of name, tax file number, address, payment instructions and document requests should be passed to the Registry or submitted online.

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney NSW 2000

GPO Box 2975  
Melbourne VIC 3001

Telephone: 1300 730 458  
International: +61 3 9946 4471

Facsimile: +61 3 9473 2500

E-mail: [www.investorcentre.com/contact](http://www.investorcentre.com/contact)

Website: [www.computershare.com](http://www.computershare.com)

All other queries can be directed to Investor Relations.

Investor Information  
Carindale Property Trust  
Level 30  
85 Castlereagh Street  
Sydney NSW 2000 Australia

Telephone: +61 2 9358 7877

Facsimile: +61 2 9358 7881

E-mail: [investor@scentregroup.com](mailto:investor@scentregroup.com)

Website: [www.carindalepropertytrust.com.au](http://www.carindalepropertytrust.com.au)

## Listing

ASX Code: CDP

## Members' Information

FOR THE YEAR ENDED 30 JUNE 2019

### Twenty largest ordinary members as at 8 August 2019

	Number of Ordinary Units	% of Issued Ordinary Units
Scentre Management Limited as responsible entity of Scentre Group Trust 1	41,718,977	59.60
J P Morgan Nominees Australia Pty Limited	7,967,517	11.38
National Nominees Limited	3,348,507	4.78
HSBC Custody Nominees (Australia) Limited	2,804,116	4.01
CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	770,000	1.10
Sonice Pty Limited <THE SPRINGFIELD A/C>	761,127	1.09
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	738,418	1.05
HSBC Custody Nominees (Australia) Limited-Gsi Eda	678,347	0.97
BNP Paribas Noms Pty Ltd <DRP>	415,115	0.59
Maleela Holdings Pty Ltd	254,825	0.36
Neweconomy Com Au Nominees Pty Limited <900 ACCOUNT>	248,177	0.35
Going Hiking Pty Ltd <SOMERSET S/F A/C>	236,705	0.34
Citicorp Nominees Pty Limited	211,440	0.30
Citicorp Nominees Pty Limited <COLONIAL FIRST STATE INV A/C>	198,512	0.28
Mutual Trust Pty Ltd	152,975	0.22
Barland Investments Pty Ltd	150,000	0.21
Mr Peter Campbell-Innes + Mrs Beryl Campbell-Innes <CAMPBELL-INNES FAMILY A/C>	120,924	0.17
Mr Peter Oakley + Mrs Clara Oakley <OAKLEY FAMILY S/FUND A/C>	105,000	0.15
Mr Robert Elliot Beresford Grant	100,000	0.14
Panavos Pty Ltd <C & M SCLAVOS SUPER A/C>	90,500	0.13
	<b>61,071,182</b>	<b>87.22</b>

### Spread of ordinary members as at 8 August 2019

Holding	No. of Members	No. of units
1 – 1,000	391	157,229
1,001 – 5,000	737	2,080,134
5,001 – 10,000	252	2,017,257
10,001 – 100,000	209	4,864,698
100,001 and over	20	60,880,682
<b>Total</b>	<b>1,609</b>	<b>70,000,000</b>

### Voting rights for each class

At a meeting of members, on a show of hands, every member who is present in person or by proxy (and who is not otherwise disentitled from voting) has one vote. On a poll, every such member has one vote for each dollar of the value of their total holding in the trust.

### Unmarketable parcel

As at 8 August 2019, there were 114 members with less than a marketable parcel of quoted securities.

### Substantial Holders

The names of the Trust's substantial holders and the number of ordinary units in which each has a relevant interest, as disclosed in the substantial holders notices given to the Trust, are as follows:

Name of Substantial Holder	No. of units
Scentre Management Limited as responsible entity of Scentre Group Trust 1	41,718,977

# Corporate Directory

## CARINDALE PROPERTY TRUST

ABN 29 192 934 520  
ARSN 093 261 744

## RESPONSIBLE ENTITY

Scentre Management Limited  
ABN 41 001 670 579  
AFS Licence 230329

## REGISTERED OFFICE

Level 30  
85 Castlereagh Street  
Sydney NSW 2000  
Telephone +61 2 9358 7000  
Facsimile +61 2 9028 8500

## SECRETARIES

Maureen T McGrath  
Paul F Giugni

## AUDITORS

Ernst & Young  
200 George Street  
Sydney NSW 2000

## INVESTOR INFORMATION

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## LISTINGS

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