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14 April 2014

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The Manager
Company Announcements Office
ASX Limited
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Dear Sir/Madam

WESTFIELD GROUP (ASX:WDC)
MEDIA RELEASE AND SECURITYHOLDER BOOKLET

Please find attached media release and securityholder booklet for the proposal for a restructure and merger with Westfield Retail Trust.

Yours faithfully
WESTFIELD GROUP

Simon Tuxen
Company Secretary

Encl.

Westfield Holdings Limited ABN 66 001 671 496

Westfield Management Limited ABN 41 001 670 579 AFS Licence 230329
as responsible entity for **Westfield Trust** ABN 55 191 750 378 ARSN 090 849 746

Westfield America Management Limited ABN 66 072 780 619 AFS Licence 230324
as responsible entity for **Westfield America Trust** ABN 27 374 714 905 ARSN 092 058 449

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14 April 2014

INDEPENDENT EXPERT FINDS RESTRUCTURE PROPOSAL TO BE FAIR AND REASONABLE, AND IN THE BEST INTERESTS OF SECURITYHOLDERS

The Westfield Group (ASX:WDC) today released its Securityholder Booklet for the proposal to form Westfield Corporation for its international business and merge its Australia/New Zealand business with Westfield Retail Trust (ASX: WRT) to form Scentre Group.

The Booklet includes an Independent Expert's report from Grant Samuel & Associates, which finds the proposal to be fair and reasonable, and therefore in the best interests of WDC securityholders, in the absence of a superior proposal.

Westfield Group Chairman, Mr Frank Lowy AC said: "I believe this restructure proposal, creating two leading and independent groups, will generate greater long-term growth and value for both WDC and WRT investors."

One of the analyses considered by Grant Samuel & Associates in its report was the relative contribution by WDC securityholders to the formation of Scentre Group, on a number of bases. The report states that the relative contribution by WDC securityholders to the formation of Scentre Group should be between 48% and 56% of Scentre Group, depending on the basis adopted[1].

Under the proposal, WDC securityholders are receiving 48.6% of Scentre Group.

The proposal has the unanimous support of the Board of WDC.

Securityholders will meet on 29 May 2014 to vote on the proposal.

The Securityholder booklet includes further detailed information in relation to financial metrics and forecasts made when the proposal was announced on 4 December 2013. The WDC booklet will be mailed to securityholders shortly and is available at www.westfieldgroup.com

For further queries call the Westfield Group Securityholder Information Line on 1800 674 015 (within Australia) or on +61 3 9415 4121 (outside Australia) at any time from 8.30am to 5.00pm (Sydney time) Monday to Friday.

ENDS

MEDIA RELEASE

[1] Reference should be had to the analysis and the assumptions and qualifications to the analysis set out in the Grant Samuel report.

The Westfield Group (ASX Code: WDC) is an internally managed, vertically integrated, shopping centre group undertaking ownership, development, design, construction, funds/asset management, property management, leasing and marketing activities and employing approximately 4,000 staff worldwide. The Westfield Group has interests in and operates one of the world's largest shopping centre portfolios with investment interests in 90 shopping centres across Australia, the United States, the United Kingdom and New Zealand, encompassing over 20,500 retail outlets and total assets under management of $70bn.

This release contains forward-looking statements, including statements regarding future earnings and distributions. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this release. You should not place undue reliance on these forward-looking statements. These forward-looking statements are based on information available to us as of the date of this presentation. Except as required by law or regulation (including the ASX Listing Rules) we undertake no obligation to update these forward-looking statements.

MEDIA RELEASE

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WESTFIELD GROUP

SECURITYHOLDER BOOKLET

PROPOSAL FOR A RESTRUCTURE AND MERGER WITH WESTFIELD RETAIL TRUST

VOTE IN FAVOUR

Your directors unanimously recommend that you vote in favour of the Proposal. The Independent Expert has concluded that the Proposal is in the best interests of Westfield Group Securityholders, in the absence of a superior proposal.

This is an important document and requires your immediate attention. You should read this Securityholder Booklet in full before deciding whether or not to vote in favour of the Resolutions to facilitate the Proposal and, if necessary, seek advice from your financial, accounting, legal, tax and / or other professional adviser(s).

You can call the Westfield Securityholder Information Line on 1800 674 015 (within Australia) or on +61 3 9415 4121 (outside Australia) at any time from 8.30am to 5.00pm (Sydney time) Monday to Friday if you have any questions.

Combined explanatory statement, notices of meeting and product disclosure statement dated 14 April 2014

Westfield Holdings Limited (ABN 66 001 671 496)
Westfield Management Limited (ABN 41 001 670 579) (AFSL No. 230329) as responsible entity of Westfield Trust (ARSN 090 849 746)
Westfield America Management Limited (ABN 66 072 780 619) (AFSL No. 230324) as responsible entity of Westfield America Trust (ARSN 092 058 449)
RE1 Limited (ABN 80 145 743 862) (AFSL No. 380202) as responsible entity of Westfield Retail Trust 1 (ARSN 146 934 536)
RE2 Limited (ABN 41 145 744 065) (AFSL No. 380203) as responsible entity of Westfield Retail Trust 2 (ARSN 146 934 652)

IMPORTANT NOTICES

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This Securityholder Booklet contains information from Westfield Holdings Limited (ABN 66 001 671 496) (**Westfield Holdings**), Westfield Management Limited (ABN 41 001 670 579) (AFSL No. 230329) (**Westfield Management**) as responsible entity of Westfield Trust (ARSN 090 849 746) (**Westfield Trust**) and Westfield America Management Limited (ABN 66 072 780 619) (AFSL No. 230324) (**Westfield America Management**) as responsible entity of Westfield America Trust (ARSN 092 058 449) (**Westfield America Trust**) (together with their respective related bodies corporate, **Westfield Group**), and RE1 Limited (ABN 80 145 743 862) (AFS Licence 380202) (**RE1**) as responsible entity of Westfield Retail Trust 1 (ARSN 146 934 536) (**Westfield Retail Trust 1**) and RE2 Limited (ABN 41 145 744 065) (AFSL No. 380203) (**RE2**) as responsible entity of Westfield Retail Trust 2 (ARSN 146 934 652) (**Westfield Retail Trust 2**) (together with their respective related bodies corporate, **Westfield Retail Trust**).

This Securityholder Booklet contains details of the Proposal to restructure Westfield Group and merge its Australian and New Zealand business with Westfield Retail Trust, and the approvals that are required to implement the Proposal.

It is important that you read the entire Securityholder Booklet before voting on the Resolutions to be considered at the Scheme Meeting and the General Meetings, and if necessary, contact your financial, accounting, legal, tax and / or other professional adviser(s).

Status of this Securityholder Booklet
This Securityholder Booklet comprises an explanatory statement and notices of meeting for Westfield Group Securityholders in relation to the Resolutions required to implement the Proposal, including:

- an explanatory statement required by section 412(1) of the Corporations Act in relation to the Scheme;
- an explanatory statement required by section 256C(4) of the Corporations Act in relation to the Capital Reduction Resolution; and
- an explanatory statement required by section 219 of the Corporations Act, in relation to the giving of related party benefits under the Proposal, as contemplated by the Stapling Deed Resolution.

It also comprises:

- a product disclosure statement (**PDS**) for the purposes of Chapter 7 of the Corporations Act, issued by Westfield Management, in relation to the transfer of WFD Trust Units; and
- a PDS issued by RE1 and RE2, in relation to the issue of units in Westfield Retail Trust 1 and Westfield Retail Trust 2.

This Securityholder Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act, in respect of the transfer of Westfield Corporation Limited Shares. Section 708(17) of the Corporations Act provides that an offer of securities does not need disclosure under Chapter 6D if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by the Court under section 411(1) or (1A) of the Corporations Act.

Westfield Retail Trust Securityholder Booklet
A separate securityholder booklet has been prepared for Westfield Retail Trust Securityholders (**Westfield Retail Trust Securityholder Booklet**) comprising an explanatory statement and notices of meeting for Westfield Retail Trust Securityholders in relation to the Westfield Retail Trust Securityholder approvals required to implement the Proposal, a prospectus issued by Westfield Holdings for the issue of shares in Westfield Holdings and a PDS issued by Westfield Management for the issue of units in Westfield Trust. The Westfield Retail Trust Securityholder Booklet is available on Westfield Retail Trust's website at www.westfieldretailtrust.com.

Lodgement and listing
A copy of this Securityholder Booklet (including the Independent Expert's Report and Independent Limited Assurance Reports) has been lodged with, and registered by, ASIC for the purposes of section 412(6) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement it will be produced to the Court at the time of the Second Court Hearing.

Westfield Corporation Limited (ABN 12 166 995 197) and Westfield America Management as responsible entity of WFD Trust will apply for the admission of Westfield Corporation Limited and WFD Trust to the Official List and quotation of Westfield Corporation Limited Shares and WFD Trust Units on ASX (as components of the Westfield Corporation Securities) within 7 days after the date of this Securityholder Booklet, such applications being conditional on the Scheme becoming Effective.

Westfield Holdings, Westfield Management as responsible entity of Westfield Trust, RE1 as responsible entity of Westfield Retail Trust 1 and RE2 as responsible entity of Westfield Retail Trust 2 will apply for quotation on ASX of the new Westfield Holdings Shares, new Westfield Trust Units, new Westfield Retail Trust 1 Units and new Westfield Retail Trust 2 Units issued as part of the Proposal (as components of the Scentre Group Securities), such applications being conditional on the Scheme becoming Effective.

The fact that ASX may admit Westfield Corporation Limited or WFD Trust to the Official List does not make any statement regarding, and should not be taken in any way as an indication of, the merits of the Proposal. A copy of this Securityholder Booklet has been lodged with ASX.

None of ASIC, ASX, or their respective officers take any responsibility for the contents of this Securityholder Booklet.

Important Notice associated with Court Order under subsection 411(1) of Corporations Act
The fact that under subsection 411(1) of the Corporations Act the Court has ordered that a meeting be convened and has approved this Securityholder Booklet does not mean that the Court:

- has formed any view as to the merits of the proposed scheme or as to how members should vote (on this matter members must reach their own decision); or
- has prepared, or is responsible for the content of, this Securityholder Booklet.

The above important notice applies equally in relation to the giving of judicial advice by the Court.

Responsibility for Information
Except for the Westfield Retail Trust Information, the Independent Limited Assurance Reports, the Independent Expert's Report and the Australian Taxation Letter, this Securityholder Booklet has been prepared by Westfield Holdings, Westfield Management and Westfield America Management and their respective directors, and is the responsibility of Westfield Group.

The Westfield Retail Trust Information which relates to the business, assets and financial information of Westfield Retail Trust has been prepared by RE1 and RE2 and their respective directors, and is the responsibility of Westfield Retail Trust.

Ernst & Young Transaction Advisory Services Limited (ABN 87 003 599 844) (AFSL No. 240585) has prepared the Independent Limited Assurance Reports set out in section 10 and takes responsibility for those reports.

Grant Samuel & Associates Pty Limited (ABN 28 050 036 372) (AFSL No. 240985) has prepared the Independent Expert's Report set out in section 11, and takes responsibility for that report.

Greenwoods & Freehills Pty Ltd (ABN 60 003 146 852) has prepared the Australian Taxation Letter set out in section 12 and takes responsibility for that letter.

Not investment advice
The information provided in this Securityholder Booklet is not financial product advice and is general information only and has been prepared without taking into account your individual investment objectives, financial circumstances or particular needs. Accordingly, nothing in this Securityholder Booklet should be construed as a recommendation or statement of opinion by Westfield Group, Westfield Retail Trust, or any associates of Westfield Group or Westfield Retail Trust, or any other person concerning an investment in Westfield Group or Westfield Retail Trust.

In considering the Proposal, it is important that you consider the risk factors of the Proposal (see section 3.4), and the risks of an investment in Scentre Group (see section 6) and Westfield Corporation (see section 9). You should carefully consider these factors and whether the information in this Securityholder Booklet is appropriate for you in light of your personal objectives, financial situation or needs and consult your financial, accounting, legal, tax and / or other professional adviser(s) about the Proposal before deciding on whether and how to vote on the Proposal.

Privacy and personal information
Westfield Group, Westfield Retail Trust and their respective share registries may collect personal information in the process of implementing the Scheme and the Proposal and administering the securityholdings arising from the Proposal. The personal information may include the names, addresses, other contact details and details of the securityholdings of Westfield Group Securityholders, and the names of individuals appointed by Westfield Group Securityholders as proxies, corporate representatives or attorneys at the Scheme Meeting and the General Meetings.

Westfield Group Securityholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact the Westfield Registry on 1800 674 015 (within Australia) or on +61 3 9415 4121 (outside Australia) on Business Days from 8.30am to 5.00pm (Sydney time) in the first instance if they wish to request access to that personal information.

The personal information is collected for the primary purpose of implementing the Scheme and the Proposal and administering the Scentre Group and Westfield Corporation securityholdings arising from the Proposal. The personal information may be disclosed to Westfield Group's, Westfield Retail Trust's, Scentre Group's and Westfield Corporation's security registries, to securities brokers, to print and mail service providers and to any other service providers and advisers engaged by Westfield Group, Westfield Retail Trust, Scentre Group, Westfield Corporation, or their respective share registries for this purpose.

The main consequence of not collecting the personal information outlined above would be that Westfield Group and Westfield Retail Trust may be hindered in, or prevented from, conducting the Scheme Meeting and the General Meetings and implementing the Proposal. Westfield Group Securityholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting and the General Meetings should inform such individual of the matters outlined above.

Foreign jurisdictions
This Securityholder Booklet does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register the Scentre Group Securities, Westfield Corporation Securities, Westfield Corporation Limited Shares, WFD Trust Units, Westfield Retail Trust 1 Units or Westfield Retail Trust 2 Units or otherwise permit an offering of Scentre Group Securities, Westfield Corporation Securities, Westfield Corporation Limited Shares, WFD Trust Units, Westfield Retail Trust 1 Units or Westfield Retail Trust 2 Units in any jurisdiction outside of Australia.

The distribution of this Securityholder Booklet (electronically or otherwise) outside Australia may be restricted by law. If you come into possession of this Securityholder Booklet (electronically or otherwise), you should observe any such restrictions and should seek your own advice on such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. Refer to section 16.32 for further information on restrictions in other foreign jurisdictions.

This Securityholder Booklet does not constitute an offer to any person in the US, any US person (as such term is defined in Regulation S under the U.S. Securities Act of 1933 (**Securities Act**)) (**U.S. Person**), or any person acting for the account or benefit of a U.S. Person. Securities may not be offered or sold in the US or to, or for the account or benefit of, U.S. Persons unless they are registered under the Securities Act or exempt from registration.

Warning for New Zealand investors
The warning statement below is required under the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008 (New Zealand) and relates to the transfer of Westfield Corporation Limited Shares and WFD Trust Units, and the issue of Westfield Retail Trust 1 Units and Westfield Retail Trust 2 Units to Westfield Group Securityholders which are made pursuant to those Regulations in New Zealand.

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Corporations Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Corporations Regulations set out how the offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

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The dispute resolution process described in this offer document is only available in Australia and is not available in New Zealand.

Disclaimer
No person is authorised to give any information or make any representation in connection with the Proposal described in this Securityholder Booklet, which is not contained in this Securityholder Booklet. Any information or representation not contained in this Securityholder Booklet may not be relied on as having been authorised by Westfield Group or Westfield Retail Trust in connection with the Proposal.

Forward looking statements
This Securityholder Booklet contains forecast financial information along with forward looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends", and other similar words that involve risks and uncertainties. These forecasts and forward looking statements are subject to various risk factors that could cause Westfield Group's, Westfield Retail Trust's, Scentre Group's and / or Westfield Corporation's actual results to differ materially from the results expressed or anticipated in these forecasts or statements. These risk factors are set out in sections 6 and 9 of this Securityholder Booklet. These and other factors could cause actual results to differ materially from those expressed in any forecast or forward looking statement made by, or on behalf of, Westfield Group, Westfield Retail Trust or Scentre Group or Westfield Corporation.

Past performance information
This Securityholder Booklet contains information relating to the past performance of Westfield Group and Westfield Retail Trust. Past performance information may not be a reliable indicator of the performance of their constituent entities, Scentre Group or Westfield Corporation going forward.

Up to date information
Westfield Group will issue or procure the issue of a supplementary document to this Securityholder Booklet if Westfield Group or Westfield Retail Trust becomes aware of any of the following between the date of this Securityholder Booklet and the Implementation Date:

- a material statement in this Securityholder Booklet is misleading or deceptive;
- a material omission from this Securityholder Booklet; or
- a new circumstance has arisen which would have been required to be included in this Securityholder Booklet if known at the date of this Securityholder Booklet.

However, if the change will not be materially adverse, a supplementary document may not be issued. Updated information that is not materially adverse may change from time to time, and will be made available to you on Westfield Group's website at www.westfieldgroup.com or by calling the Westfield Securityholder Information Line on 1800 674 015 (within Australia) or on +61 3 9415 4121 (from outside Australia) at any time from 8.30am to 5.00pm (Sydney time) Monday to Friday. A paper copy of any updated information is available free on request.

Estimates
Unless otherwise indicated, all references to estimates and derivations of the same in this Securityholder Booklet are references to estimates by Westfield Group or Westfield Retail Trust management (as applicable). Management estimates are based on views at the date of this Securityholder Booklet and actual facts or outcomes may be different from those estimates.

Effect of rounding
A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Securityholder Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Securityholder Booklet.

Financial amounts and currency
Money as expressed in this Securityholder Booklet is in Australian dollars unless otherwise indicated. Unless otherwise specified, the exchange rates:

- for the FY14 pro forma forecast and the forecast information in this Securityholder Booklet are A$1/US$0.91, A$1/£0.57 and A$1/NZ$1.15 (as relevant); and
- for items in the Pro Forma Historical Statements of Net Assets, or which are otherwise sated to be as at 31 December 2013, are the exchange rates as at 31 December 2013 of A$1/US$0.8932, A$1/£0.5401 and A$1/NZ$1.0869 (as relevant).

Definitions and abbreviations
Defined terms and abbreviations used in this Securityholder Booklet are explained in the Glossary at the end of this Securityholder Booklet.

Date of this Securityholder Booklet
This Securityholder Booklet is dated 14 April 2014.

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FRANK LOWY AC

CHAIRMAN'S LETTER

Dear Securityholder,

I am pleased to present this booklet which describes the proposal to restructure Westfield Group (**Proposal**) which was announced on 4 December 2013.

The purpose of this document is to provide investors with the rationale for the Proposal and all relevant detailed information ahead of the Securityholders' Meeting to consider the Proposal to be held in Sydney on 29 May 2014.

The Proposal has the unanimous support of the Westfield Group board and the independent directors of Westfield Retail Trust. The Independent Expert appointed to review the Proposal has concluded that the Proposal is in the best interests of Westfield Group Securityholders, in the absence of a superior proposal. In addition, the independent expert appointed by Westfield Retail Trust, KPMG Financial Advisory Services (Australia) Pty Limited, has similarly concluded that in the absence of a superior proposal, the Proposal is in the best interests of Westfield Retail Trust Securityholders.

In essence, the Proposal is to separate Westfield Group's Australian and New Zealand business, including its extensive operating platform, from the international business of the Westfield Group. The Australian and New Zealand business will then merge with Westfield Retail Trust to form a new group to be known as Scentre Group.

Scentre Group will own and operate all existing Australian and New Zealand shopping centres which will continue to feature the distinctive Westfield brand. Compared with Westfield Group, an investment in Scentre Group will be less complicated by foreign market and currency risk.

The international business of Westfield Group will be known as Westfield Corporation. Westfield Corporation will own and operate Westfield Group's portfolio in the US and UK/Europe.

The two new groups will be independent of each other, with certain corporate support services provided from Scentre Group to Westfield Corporation during a transitional period (estimated to be two years). Assuming the Proposal is implemented, I will assume the role of non-executive Chairman of each of those groups.

The rationale for the proposal is that Westfield's international business and its Australian and New Zealand business have both grown in scale to the stage where they can now stand on their own. That growth has created the strong balance sheet, high quality earnings and strong operational base which each of the new groups will enjoy. By being independent, they can each operate more efficiently, and I believe that over time they will generate greater growth and value for investors. The new structure will allow each group to pursue their individual strategic plans.

The investment proposition for investors will also be greatly simplified, and will provide investors with a clear choice as to what they invest in, both in terms of geographic focus and currency exposure.

Both new groups will be leaders in their respective fields and both have exciting prospects, which are described in the following section, "Proposal at a glance".

The counterpoint to this advantage is that Scentre Group and Westfield Corporation will not enjoy the benefits of scale and geographic diversification to the same extent as enjoyed by Westfield Group in its current form. There are also a number of risks associated with the Proposal and investments in Scentre Group and Westfield Corporation, including that the expected advantages of the Proposal may not materialise and uncertainty about the combined market value of Scentre Group Securities and Westfield Corporation Securities after the implementation of the Proposal.

The Westfield Group Board actively considered a range of alternatives before they recommended the Proposal, including maintaining the existing Westfield Group structure.

However, after careful consideration of the advantages, disadvantages and risks of the Proposal, and assessing the Proposal and other alternatives against a number of criteria including the potential to maximise value, the Westfield Group Directors determined that the Proposal is the preferred option to create long term value for Westfield Group Securityholders. These considerations are set out in detail in this Securityholder Booklet. I encourage you to read this Securityholder Booklet carefully and in its entirety.

The Lowy family is committed to the success of both Scentre Group and Westfield Corporation and intends to maintain a substantial investment in both groups.

Over its 53-year history, Westfield has undergone several major restructures, each one aimed at providing the best possible financial and operational structure with a view to generating better returns for investors.

The same is true of this Proposal. I commend it to you and look forward to seeing you at the Securityholder Meetings on 29 May.

Frank Lowy AC
Chairman

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PROPOSAL AT A GLANCE

What the Proposal involves

Westfield Group is proposing a transaction which involves:

- separating its Australian and New Zealand business, including its vertically integrated[1] retail property operating platform, from the international business of Westfield Group; and
- merging Westfield Group's Australian and New Zealand business with Westfield Retail Trust.

The proposal will create two new listed retail property groups, Scentre Group and Westfield Corporation (**Proposal**):[2]

- **Scentre Group**

  Scentre Group will be an industry leading internally managed[3] retail property group focused on investing and operating retail property in Australia and New Zealand. It will have the largest and most productive shopping centre portfolio in Australia and New Zealand with the highest annual specialty sales per square metre, a key measure of sales productivity.

  Scentre Group will own a vertically integrated Australian and New Zealand retail property operating platform with capabilities including property management, leasing, design, development, construction, marketing and funds management. The operating platform will include the existing highly experienced Australian and New Zealand management team of Westfield Group. Scentre Group will have an exclusive royalty free licence to use the Westfield brand in Australia and New Zealand.

  Scentre Group's high quality property portfolio will comprise interests in 47 shopping centres in Australia and New Zealand, operating under the Westfield brand, with total assets of $29.3 billion and assets under management of $38.6 billion. The portfolio generates annual retail sales of $22 billion, with approximately 12,500 retailers and 555 million customer visits annually. Scentre Group's shopping centre portfolio will include 14 of the top 20 shopping centres in Australia, measured by annual sales, including Westfield Sydney, Bondi Junction, Doncaster, Chermside and Carindale. Scentre Group's portfolio will include 26 wholly owned shopping centres in Australia and New Zealand valued at $18.9 billion.

  Scentre Group will have $4.9 billion of current and future development projects (Scentre Group share: $2.6 billion). $1.9 billion of these projects are currently under construction, including Miranda in Sydney and Mt Gravatt in Brisbane, with further major development opportunities in Sydney, Brisbane and Adelaide.

  Scentre Group will have a strategy of owning, developing and operating major shopping centres in Australia and New Zealand with a focus on maximising income and capital growth through intensive management, value enhancing development and potential acquisitions.

  Scentre Group is expected to be a top 20 ASX listed group based on market capitalisation and the largest ASX listed real estate investment trust (**REIT**).

- **Westfield Corporation**

  Westfield Corporation will be a pre-eminent internally managed and vertically integrated international retail property group with an initial focus on the US, the UK and Europe. Westfield Corporation will pursue a strategy of owning, developing and operating world class retail destinations[4] in major world cities by integrating food, fashion, leisure and entertainment and using technology to better connect retailers with consumers.

  Westfield Corporation's portfolio will comprise interests in 43 shopping centres with approximately 425 million customer visits annually and US$17 billion in annual retail sales. Westfield Corporation will have total assets of US$18.4 billion and assets under management of US$28.6 billion on implementation of the Proposal.[5] Westfield Corporation's portfolio will include world class retail destinations such as Westfield London and Stratford City, widely recognised as two of the premium shopping centres in UK / Europe, and Century City, Garden State Plaza, Old Orchard, San Francisco, Topanga, UTC, Valley Fair and Westfield World Trade Center in the US.

1 This term is defined in the Glossary.
2 Portfolio statistics are presented on a pro forma basis as at 31 December 2013 or for the financial year ended 31 December 2013, as the context requires.
3 This term is defined in the Glossary.
4 This term is defined in the Glossary.
5 On 20 March 2014 Westfield Group announced that it had entered into a conditional agreement to divest its interests in three UK shopping centres. See sections 7.7, 8.2 and 8.9 for further details of the proposed divestments.

PROPOSAL AT A GLANCE CONTINUED

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Westfield Corporation's world class, industry leading retail property operating platform will have capabilities in property management, leasing, design, development, construction, marketing, digital and funds management. The operating platform will include the existing highly experienced international management team of Westfield Group.

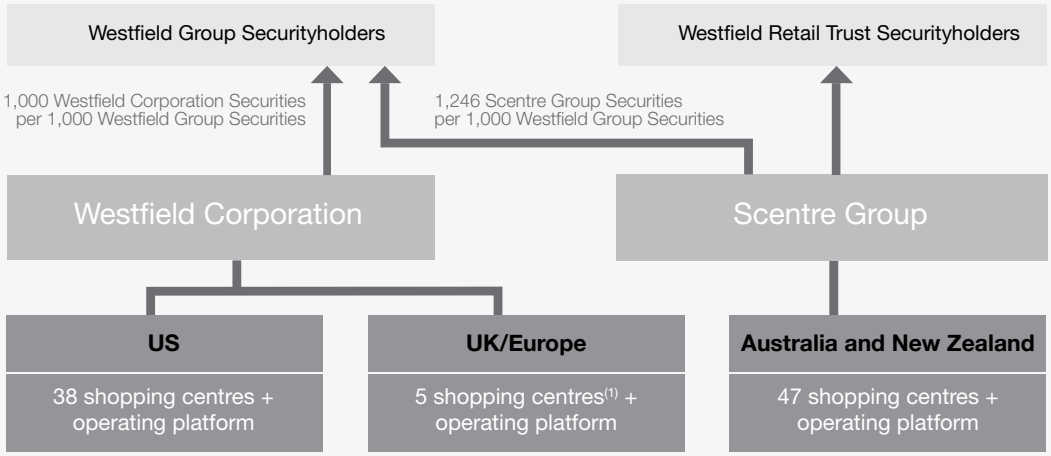
Westfield Corporation will have US$11.8 billion of current and future projects (Westfield Corporation share: US$6.0 billion), representing 41% of assets under management. US$2.8 billion of these projects are currently under construction (Westfield Corporation share: US$2.0 billion), with future opportunities, including flagship developments at London and Croydon in the UK, Milan in Italy and Century City and Valley Fair in the US.

Westfield Corporation will continue the current strategy of Westfield Group but focused on international markets. It will continue to own, develop and operate world class retail destinations in major world cities with a focus on enhancing returns and long term growth through intensive management, value enhancing development, potential acquisitions and redeployment of capital to higher return opportunities.

Westfield Corporation is expected to be a top 25 ASX listed group based on market capitalisation and one of the largest listed global retail REITs. Following implementation of the Proposal, Westfield Corporation intends to investigate the appropriate location for its longer term listing.

What you will receive if the Proposal is implemented

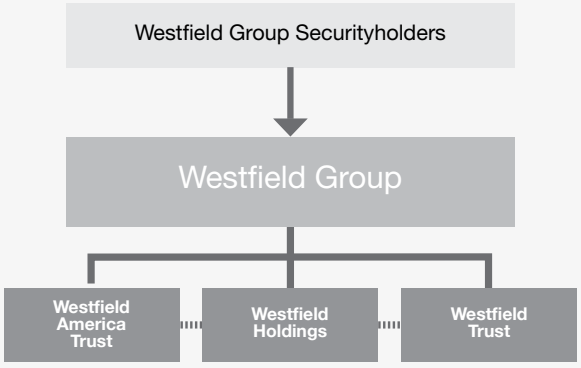
If the Proposal is implemented, Eligible Securityholders will hold 1,246 Scentre Group Securities and 1,000 Westfield Corporation Securities for every 1,000 Westfield Group Securities held. This will result in existing Westfield Retail Trust Securityholders holding 51.4% of Scentre Group and existing Westfield Group Securityholders holding 48.6% of Scentre Group. Westfield Group Securityholders will hold 100% of Westfield Corporation.



(1) If the divestment of the Merry Hill, Derby and Sprucefield shopping centres in the UK which was announced on 20 March 2014 completes, this number will reduce to two. See sections 7.7, 8.2 and 8.9 for further details of the proposed divestments and their financial impact.

Simplified existing and post implementation structure

The current structure of a Westfield Group Securityholder's interest in Westfield Group is set out in simplified form in the chart below:



The proposed structure of a Westfield Group Securityholder's interests in Westfield Corporation and Scentre Group following

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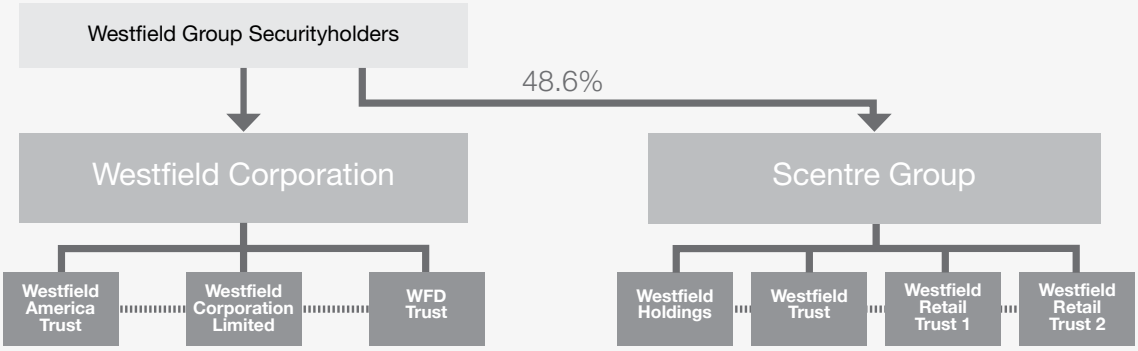
implementation of the Proposal is set out in simplified form in the chart below.



Background and rationale

Throughout its history, Westfield has adapted and evolved its structure in order to be better positioned for growth and to deliver greater value over the long term for securityholders. Westfield has continually explored options to ensure securityholders benefit to the greatest extent possible from the high quality assets and management capabilities of the Westfield group. This began with the original float of Westfield Development Corporation Limited in 1960, and continued with the establishment of Westfield Property Trust in 1979 (relaunched as Westfield Trust in 1982) and Westfield America Trust in 1996.

Westfield Group, formed by the merger in 2004 of Westfield Holdings Limited (**Westfield Holdings**), Westfield Trust and Westfield America Trust, combined the financial strengths and capabilities of those entities into a single group. This created the scale and capital base with which to pursue major acquisition opportunities globally at that time, and assisted in the funding of Westfield Group's major development opportunities.

Since 2004, Westfield Group has acquired interests in $10 billion worth of assets in Australia, the US and UK / Europe (Westfield Group share: $7 billion), and developed more than $15 billion of assets, including world class shopping centres such as Westfield London and Stratford City in the UK, Century City, Garden State Plaza and San Francisco in the US, and Westfield Sydney, Bondi Junction, Chermside and Carindale in Australia.

Beginning in late 2010, through the establishment of Westfield Retail Trust as a separately listed group to co-own Westfield Group's Australian and New Zealand property portfolio, Westfield Group focused on decreasing its total invested capital, increasing assets under management and increasing return on equity. During this period, Westfield Group has divested $5 billion of assets (Westfield Group share: $4 billion) in Australia and New Zealand, the US and UK, has joint ventured $9 billion of assets (Westfield Group share: $4 billion), and has returned $2.4 billion to Westfield Group Securityholders while completing $5 billion of developments and $2 billion of acquisitions (Westfield Group share: $500 million).

As a result, since 2010, the invested capital of Westfield Group has reduced by $13.4 billion from $47.4 billion (prior to the creation of Westfield Retail Trust) to $34.0 billion, assets under management have increased from $61.7 billion to $70 billion and return on contributed equity has increased from less than 9% to 11.8%.

Westfield Group's global portfolio and operating platform has grown substantially creating scale and a franchise for Westfield Group's international business and further strengthening its Australian and New Zealand business. The successful strategic repositioning of Westfield Group's portfolio has significantly improved its quality, resulting in market leading portfolios in Australia, New Zealand, the US and UK. Westfield Group is currently in a strong position in each of the markets in which it operates.

In light of Westfield Group's evolution, the Westfield Group Board considers that Westfield Group's international business and its Australian and New Zealand business both have the scale, quality and management platform to operate as separately listed, independent and internally managed groups.

As a result, the Westfield Group Board proposes splitting the Westfield Group into two distinct groups:

— an Australian and New Zealand focused group uncomplicated by foreign market and currency risks; and

— a group focused on international markets and opportunities.

A restructure of Westfield Group by separating its Australian and New Zealand business, without a subsequent merger with Westfield Retail Trust, would result in two publicly traded vehicles representing the same portfolio of assets in Australia and New Zealand. The Westfield Group Directors believe merging Westfield Group's Australian and New Zealand business with Westfield Retail Trust to create one publicly traded group is preferable for both Westfield Group Securityholders and Westfield Retail Trust Securityholders.

PROPOSAL AT A GLANCE CONTINUED

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The Westfield Group Board believes that the formation of Scentre Group and Westfield Corporation under the Proposal will allow the boards and management teams of each group to focus on growth opportunities, and pursue independent operating and capital strategies appropriate for the markets in which they operate. Westfield Corporation will continue the successful strategic repositioning of its portfolio focusing on world class retail destinations in major world cities. Scentre Group will continue to focus on strengthening its leading market position in Australia and New Zealand.

The new structure provides a clearer investment proposition, enabling investors to determine the level of their investment in Westfield Group's international business and Australian and New Zealand business and better manage the currency exposure of their investment.

Accordingly, the Proposal is expected, over time, to create greater value for Westfield Group Securityholders than the current structure.

Advantages of the Proposal

The Proposal is expected to provide a number of advantages to Westfield Group Securityholders. The main advantages include:

- the creation of two distinct ASX listed property groups separated along different geographic lines[6] with the ability to pursue separate operating and capital strategies appropriate for their target markets thereby creating a better platform for further growth and expected returns for securityholders;
- simplification of the investment proposition for investors as a result of investors being able to invest in geographically aligned retail property groups, expected to facilitate better realisation of value for both groups of securityholders over time;
- flexibility for investors to adjust the level of their investment in Westfield Group's international business and Australian and New Zealand business;
- the ability for Westfield Group Securityholders to better manage the foreign currency exposure associated with their investment in the international business and the Australian and New Zealand business; and
- expected funds from operations (**FFO**) accretion for Westfield Group Securityholders.

Disadvantages of the Proposal

There are a number of disadvantages associated with the Proposal which you should take into account in deciding how to vote. The main disadvantages include:

- Scentre Group and Westfield Corporation will not enjoy the benefits of scale and geographic diversification to the same extent enjoyed by Westfield Group in its current form;
- substantially all of the existing unsecured financing arrangements in place for Westfield Group will need to be terminated and refinanced;
- for an estimated two year transitional period, Scentre Group and Westfield Corporation will be required to co-operate in relation to the separation of shared resources and support services and establish their own capabilities;
- transaction and implementation costs will be incurred in respect of the Proposal, estimated to be approximately $150 million (to be shared equally between Scentre Group and Westfield Corporation), as well as refinancing costs of approximately $1.3 billion (comprising a forecast market premium over face value of bonds which will be repurchased or redeemed of $0.9 billion, an expected bond buy back premium over market value of the bonds of $0.2 billion and other debt restructuring costs associated with the Proposal of approximately $0.2 billion)[7]; and
- there may be additional complexity and costs associated with holding two separately quoted stapled securities and the listing of additional stapled entities.

Risks of the Proposal

There are a number of potential risks associated with the Proposal which you should take into account in deciding how to vote. These potential risks include:

- the advantages of the Proposal may not materialise;
- while the Independent Expert has provided an estimated trading price for Scentre Group Securities (for the purposes of valuing the Proposal), there is no guarantee that Scentre Group Securities and Westfield Corporation Securities will trade at particular prices after the implementation of the Proposal; and
- the Proposal is subject to execution risk including delays, unexpected costs or other separation and integration issues in establishing Scentre Group and Westfield Corporation as standalone groups.

6 While there is no restriction on Westfield Corporation re-entering the Australian and New Zealand shopping centre market, it would be restricted from using the Westfield brand on any Australian and New Zealand shopping centres. Likewise, Scentre Group cannot use the Westfield brand outside Australia or New Zealand.

7 The market premium component represents the present value of higher future interest outflows that would have been payable on these bonds had they remained in place to maturity compared to the cost that would be payable at current market rates. This cost is expected to be largely recoverable over time through lower interest rates payable on the new financing arrangements which replace the existing arrangements. See section 3.3 for further details.

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Alternatives to the Proposal

The Westfield Group Board actively considered a range of alternatives before they recommended the Proposal. After careful consideration, the Westfield Group Board determined that the Proposal is the preferred option to create long term value for Westfield Group Securityholders.

The main alternatives to the Proposal considered by the Westfield Group Board were as follows:

- maintaining the existing Westfield Group structure;
- demerging Westfield Group's Australian and New Zealand business from Westfield Group without merging with Westfield Retail Trust;
- selling additional interests in individual Australian properties of Westfield Group;
- implementing the Proposal, but with Westfield Corporation maintaining an interest in certain of the iconic Australian properties; and
- creating separate classes of securities which track the economic performance of each of Westfield Group's international business and its Australian and New Zealand business.

The Westfield Group Board determined a number of criteria against which the Proposal and other alternatives are assessed including the potential to maximise value. These criteria are set out in section 3.6.

Conditions of the Proposal

The implementation of the Proposal remains subject to the following conditions precedent:

- ASIC, ASX, the Foreign Investment Review Board and any other regulatory authority providing such consents or approvals, waivers or such other acts which the parties agree are reasonably necessary or desirable to effect the Proposal;
- the Court making orders approving the Scheme at the Second Court Hearing;
- the Court providing judicial advice;
- no regulatory authority or judicial entity or authority having taken any action or made any preliminary or final order or decree (or having commenced to do so) which restrains or prohibits the implementation of the Proposal;
- the parties to the Implementation Deed that are admitted to the Official List continuing to be so admitted;
- Westfield Group and Westfield Retail Trust having received from the ATO, and the ATO not withdrawing or threatening to withdraw, the taxation rulings (including drafts) in relation to the Proposal;
- satisfaction of conditions precedent to drawdown of Westfield Group's, Scentre Group's and Westfield Corporation's financing facilities;
- the independent expert appointed by Westfield Group opining and not revoking its opinion that the Proposal is in the best interests of Westfield Group Securityholders and the independent expert appointed by Westfield Retail Trust opining and not revoking its opinion that the Proposal is in the best interests of Westfield Retail Trust Securityholders;
- no person exercising (or purporting to or indicating that they intend to exercise) any rights as a result of implementation of the Proposal or associated implementation arrangements where the relevant event is likely to have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses or prospects of Westfield Group or Westfield Retail Trust, or following implementation of the Proposal, Scentre Group or Westfield Corporation;
- the Westfield Group Securityholders approving each of the Resolutions to be considered at the General Meetings, and the Westfield Retail Trust Securityholders approving each of the Westfield Retail Trust Resolutions at the Westfield Retail Trust General Meetings, by the requisite majorities; and
- amendment of the Westfield Trust, Westfield Holdings, Westfield America Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 constitutions on terms contemplated by the Constitution Amendment Resolutions and the Westfield Retail Trust Resolutions (as applicable), including required lodgement with ASIC.

The status of each of these conditions precedent is set out in section 2.4.

Board and management

Mr Frank Lowy and Mr Brian Schwartz will join the existing Westfield Retail Trust Directors to form the Scentre Group Board. Mr Peter Allen will retire from the Westfield Group Board and the remaining Westfield Group Directors will form the Westfield Corporation Board.

It is intended that Mr Lowy assume the role of Chairman of both Scentre Group and Westfield Corporation. Despite the recommendation in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Guidelines**) that listed entities should have an independent director as chairman, Mr Lowy is considered the most appropriate person to act as chairman of the Scentre Group Board and the Westfield Corporation Board.

Mr Lowy is the co-founder of the Westfield Group and has overseen the success of the Westfield Group since 1960. With over 50 years direct experience in the design, construction and management of shopping centres and associated fund and asset management, Mr Lowy's extensive knowledge, experience and reputation is unrivalled in the global retail property industry.

PROPOSAL AT A GLANCE CONTINUED

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Apart from Mr Lowy's unrivalled industry knowledge and experience, it is expected that Mr Lowy's assumption of this role will provide an important element of continuity in dealings with all stakeholders, including over 2,000 employees who will continue in their current roles in Westfield Group's Australian and New Zealand business, but under the Scentre Group banner.

The Independent Westfield Retail Trust Directors and Westfield Group Board unanimously support Mr Lowy's appointment as Chairman of Scentre Group.

At such time as Mr Lowy resigns from his role as Scentre Group Chairman, his successor will be chosen by the then current members of the Scentre Group Board.

Immediately following implementation of the Proposal:

- Mr Peter Lowy and Mr Steven Lowy will assume the roles of Co-Chief Executive Officers of Westfield Corporation. Mr Peter Lowy will also be appointed as Chief Financial Officer. At the time of announcing the Proposal in December 2013, it was noted that, following a transitional period of approximately 18 months, Mr Peter Lowy will step down from his executive roles, but remain on the Westfield Corporation Board as a non-executive director. Apart from the usual duties associated with his positions, during that transitional period it is expected that Mr Peter Lowy will be closely involved in a number of projects including the potential disposal by Westfield Corporation of non-core assets, the refinancing activities of Westfield Corporation and consideration of the appropriate location for Westfield Corporation's longer term listing; and
- Mr Peter Allen and Mr Mark Bloom will assume the roles of Chief Executive Officer and Chief Financial Officer respectively of Scentre Group.

Relationship between Scentre Group and Westfield Corporation following implementation of the Proposal

Following implementation of the Proposal, Scentre Group and Westfield Corporation will operate as separate and independent groups.[8] Scentre Group and Westfield Corporation will have the following ongoing contractual arrangements:

- Scentre Group will have an exclusive, continuing, royalty free licence to use the Westfield brand for its shopping centre business in Australia and New Zealand under the terms of the Trade Mark Licence Agreement. Westfield Corporation may not use the Westfield brand in Australia or New Zealand, except for the corporate promotion of Westfield Corporation;
- Under the LABS Agreement, Scentre Group will have access to the digital innovation activities of Westfield Corporation provided by Westfield Labs for an initial term until 31 December 2016; and
- Scentre Group will provide corporate infrastructure services to Westfield Corporation under the Transitional Services Agreement, while the groups develop standalone resources and support services. The transition is expected to be substantially completed within 2 years.

Your directors' recommendation

Each of your directors recommends that you vote in favour of the Proposal.

The Westfield Group Board believes for the reasons set out in section 3.2 that the advantages of the Proposal outweigh its disadvantages and risks. In the Westfield Group Directors' unanimous opinion, the Proposal is in the best interests of Westfield Group Securityholders. The Westfield Group Board believes that if the Proposal is implemented, Securityholders will be better off than if the Proposal does not occur.

Independent Expert's opinion

The Independent Expert has concluded that the Proposal is in the best interests of Westfield Group Securityholders, in the absence of a superior proposal. The Westfield Group Directors encourage you to read the Independent Expert's Report in its entirety.

Your vote is important

You should read this Securityholder Booklet in full before making any decision on how to vote (whether in person, by attorney or corporate representative or by Proxy) at the Scheme Meeting to be held on Thursday, 29 May 2014 commencing at 10.00am (Sydney time) (or as soon thereafter as the AGM has concluded), and at the General Meetings to be held on Thursday, 29 May 2014 commencing at 10.30 am (or as soon thereafter as the Scheme Meeting has concluded) at Grand Ballroom, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000. For your proxy vote to be considered, your blue Scheme Meeting Proxy Form must be lodged with Computershare Investor Services Pty Limited no later than 10.00am (Sydney time) on Tuesday, 27 May 2014 and your green General Meetings Proxy Form, no later than 10.30am (Sydney time) on Tuesday, 27 May 2014.

If you have any further questions, you can call the Westfield Securityholder Information Line on 1800 674 015 (within Australia) or on +61 3 9415 4121 (from outside Australia) at any time from 8.30am to 5.00pm (Sydney time) Monday to Friday. If necessary, you should seek your own independent advice on any aspect about which you are not certain.

8 As noted above, Mr Frank Lowy will assume the role of Chairman of both Scentre Group and Westfield Corporation. Including the Chairman, there will initially be three common directors between Scentre Group and Westfield Corporation (see sections 4.8 and 7.9 for further details).

KEY DATES (*)

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Event	Indicative Date (Sydney time)
Date of the First Court Hearing at which the Court ordered the convening of the Scheme Meeting	Friday, 11 April 2014
Latest time and date by which the blue Scheme Meeting Proxy Form must be received by the Westfield Registry	10.00am on Tuesday, 27 May 2014
Latest time and date by which the green General Meetings Proxy Form must be received by the Westfield Registry	10.30am on Tuesday, 27 May 2014
Latest time and date for determining eligibility to vote at the Scheme Meeting and the General Meetings	7.00pm on Tuesday, 27 May 2014
Scheme Meeting to be held at Grand Ballroom, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000	10.00am (or as soon thereafter as the AGM has concluded) on Thursday, 29 May 2014
General Meetings to be held at Grand Ballroom, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000	10.30am (or as soon thereafter as the Scheme Meeting has concluded) on Thursday, 29 May 2014

Following the Meetings

Event	Indicative Date (Sydney time)
Date of the Second Court Hearing for approval of the Scheme and grant of judicial advice	Friday, 13 June 2014
Effective Date Last day of trading in Westfield Group Securities and Westfield Retail Trust Securities	Monday, 16 June 2014
Scentre Group Securities and Westfield Corporation Securities commence trading on a deferred settlement basis	Tuesday, 17 June 2014
Record Date — All Securityholders on the Westfield Register at this time and date will be entitled to participate in the Proposal unless they are Ineligible Foreign Securityholders — All Securityholders on the Westfield Register at this time and date will be entitled to receive the Westfield Group distribution for the period from 1 January 2014 to the Implementation Date	7.00pm Thursday, 19 June 2014
Date of implementation of the Proposal (**Implementation Date**) Eligible Securityholders receive Scentre Group Securities and Westfield Corporation Securities	Monday, 30 June 2014
Despatch of holding statements for Scentre Group Securities and Westfield Corporation Securities	Monday, 30 June 2014
Scentre Group Securities and Westfield Corporation Securities commence trading on a normal T+3 settlement basis	Tuesday, 1 July 2014
Settlement of on-market trades conducted on a deferred settlement basis and first settlement of trades conducted on a T+3 basis	Friday, 4 July 2014
Despatch of payment of Westfield Group distribution for the period 1 January 2014 to the Implementation Date	By Friday, 29 August 2014

(*) Other than the date of the First Court Hearing, all dates and times are indicative only. Westfield Group reserves the right to vary these dates and times. All dates and times in this Securityholder Booklet refer to the time in Sydney, Australia. Westfield Group will make an announcement to ASX of any changes if they occur.

ACTIONS REQUIRED

of Westfield Group Securityholders

What should you do next?

STEP 1: CAREFULLY READ THIS SECURITYHOLDER BOOKLET

You should read this Securityholder Booklet in full before making any decision on how to vote on the Resolutions required to implement the Proposal.

There are answers to some questions you may have in the "Questions and answers" section of this Securityholder Booklet. If you have any further questions, you can call the Westfield Securityholder Information Line on 1800 674 015 (within Australia) or on +61 3 9415 4121 (from outside Australia) at any time from 8.30am to 5.00pm (Sydney time) Monday to Friday. If necessary, you should seek your own independent advice on any aspect about which you are not certain.

STEP 2: VOTE AT THE SCHEME MEETING AND GENERAL MEETINGS

Location of Scheme Meeting and General Meetings

The details of the Scheme Meeting and General Meetings are as follows:

Date	Thursday, 29 May 2014
Commencement of Scheme Meeting	10.00am (Sydney time) (or as soon thereafter as Westfield Group's 2014 Annual General Meeting (**AGM**) has concluded)
Commencement of General Meetings	10.30am (Sydney time) (or as soon thereafter as the Scheme Meeting has concluded)
Venue	Grand Ballroom, Sofitel Sydney Wentworth 61-101 Phillip Street Sydney NSW 2000

Who is entitled to vote?

Securityholders who are registered on the Westfield Register at 7.00pm on Tuesday, 27 May 2014 may vote at the Scheme Meeting and the General Meetings (**Meetings**).

Voting by poll

Voting at the Meetings will be conducted by way of a poll. For the purposes of Westfield Holdings, you have one vote for each Westfield Holdings Share you hold. For the purposes of Westfield Trust and Westfield America Trust, you have one vote for each dollar of the value of the total interests you hold in Westfield Trust and Westfield America Trust.

How to vote

Securityholders may vote at the Scheme Meeting and the General Meetings:

- **In person**, by attending the Meetings. If you wish to vote in person at the Meetings, please arrive at least 30 minutes prior to the time designated for the meeting so that we may check the number of your Westfield Group Securities and note your attendance. The Scheme Meeting will be held on Thursday, 29 May 2014, commencing at 10.00am (Sydney time) (or as soon thereafter as the AGM has concluded), and the General Meetings will commence at 10.30am (Sydney time) (or as soon thereafter as the Scheme Meeting has concluded).
- **By attorney or corporate representative.** You may appoint an attorney or, in the case of a company, a corporate representative, to vote on your behalf.
  - Those persons attending as an attorney must bring the original power of attorney unless Westfield Group has already noted it. The power of attorney must be returned in the same manner, and at the same time, as outlined for the proxy forms below.
  - Those persons attending as a corporate representative must bring evidence of their authority, such as a letter or certificate evidencing their appointment.

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— **By Proxy:**
  – by lodging a proxy online via www.westfieldgroup.com – click on the "Vote online" section and follow the instructions provided;
  – by mailing the enclosed blue Scheme Meeting Proxy Form and green General Meetings Proxy Form to Computershare Investor Services Pty Limited, GPO Box 242 Melbourne, Victoria 3001 Australia using the reply paid envelope provided;
  – by faxing the enclosed blue Scheme Meeting Proxy Form and green General Meetings Proxy Form to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
  – by hand delivering the enclosed blue Scheme Meeting Proxy Form and green General Meetings Proxy Form to Level 4, 60 Carrington Street, Sydney 2000.

  To be valid, a Scheme Meeting Proxy Form must be received by the Westfield Registry by 10.00am on Tuesday, 27 May 2014 and a General Meetings Proxy Form must be received by the Westfield Registry by 10.30am on Tuesday, 27 May 2014. For further information on proxy voting, please refer to the detailed instructions contained in your blue Scheme Meeting Proxy Form and green General Meetings Proxy Form.

Further information on the procedure for voting at the Meetings can be found in the "Questions and answers" section, the Notice of Scheme Meeting at Appendix 1 and the Notice of General Meetings at Appendix 2 of this Securityholder Booklet.

STEP 3: PARTICIPATE IN THE PROPOSAL

If you are eligible and wish to participate in the Proposal you will need to ensure that you do not sell your Westfield Group Securities prior to the Record Date on Thursday, 19 June 2014.

Otherwise you do not need to do anything to participate in the Proposal.

The first day you can trade Scentre Group Securities and Westfield Corporation Securities that you will receive through the Proposal is Tuesday, 17 June 2014 on a deferred settlement basis. On this day, you will not have received your holding statement which sets out the number of Scentre Group Securities and Westfield Corporation Securities you hold. If you trade your Scentre Group Securities and Westfield Corporation Securities on ASX in this period you do so at your own risk.

Holding statements are expected to be despatched on Monday, 30 June 2014 and you should receive your holding statement in the subsequent days.

Ineligible Foreign Securityholders

Ineligible Foreign Securityholders will not participate in the Proposal or receive Scentre Group Securities or Westfield Corporation Securities, but will instead receive the proceeds from the sale of the Scentre Group Securities or Westfield Corporation Securities which they would have otherwise received.

Ineligible Foreign Securityholders should refer to section 2.9 for further information.

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SECTION 1
QUESTIONS AND ANSWERS

Unless otherwise specified, the financial information and operating statistics referred to in this section are on a pro forma basis as at 31 December 2013 or for the financial year ended 31 December 2013, as the context requires.

Questions	Answer	Where to find more information
Overview of the Proposal		
Why have you received this Securityholder Booklet?	This Securityholder Booklet has been sent to you because you are a Westfield Group Securityholder and you are being asked to vote on the Proposal. This Securityholder Booklet is intended to help you to decide on how to vote on: – the Scheme Resolution, to be considered at the Scheme Meeting; and – the General Meetings Resolutions to be considered at the General Meetings. Each of the above Resolutions must be passed to allow the Proposal to proceed. The Proposal is also subject to a number of other conditions precedent. The Resolutions and conditions precedent are described in sections 2.4 and 15.1.	Sections 2 and 15.1
What is the Proposal?	The Proposal is a transaction under which Westfield Group's Australian and New Zealand business, including its vertically integrated retail property operating platform, is separated from Westfield Group's international business and merged with Westfield Retail Trust, to create two new listed retail property groups: – Scentre Group (ASX: SCG); and – Westfield Corporation (ASX: WFD).	Section 2
What is the retail property operating platform which will form part of Scentre Group?	The retail property operating platform which will form part of Scentre Group is Westfield Group's vertically integrated retail property operating platform in Australia and New Zealand. The operating platform comprises capabilities to operate retail properties, including property management, leasing, design, development, construction, marketing and funds management. The operating platform includes the highly experienced Australian and New Zealand operating management team of Westfield Group.	Section 4.3
What does vertically integrated mean?	Vertically integrated means having in-house capabilities including property management, leasing, design, development, construction, marketing and funds management. As a result Scentre Group will capture the full economic and strategic benefits of the operating platform with control over all elements of value creation in the ownership, management and development of shopping centres. This is in contrast to the passive returns from solely owning property investments.	Sections 4.1 and 7.1

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Questions	Answer	Where to find more information
How will the Proposal be implemented?	The Proposal will be implemented primarily by way of a court-ordered scheme of arrangement and amendments to the Westfield Group Constitutions and the Westfield Retail Trust Constitutions, and only after satisfaction of certain conditions.	Sections 2.3, 2.4, 15.2 and 15.5
What will Westfield Group Securityholders receive if the Proposal is implemented?	If the Proposal proceeds each Eligible Securityholder will hold 1,246 Scentre Group Securities and 1,000 Westfield Corporation Securities for every 1,000 existing Westfield Group Securities held. This will result in existing Westfield Group Securityholders holding approximately 48.6% of Scentre Group and existing Westfield Retail Trust Securityholders holding approximately 51.4% of Scentre Group in accordance with the Merger Ratio. Westfield Group Securityholders will continue to hold 100% of Westfield Corporation.	Sections 2.1 and 2.5
What distributions will a Westfield Group Securityholder receive in 2014?	Up to the implementation of the Proposal, Westfield Group Securityholders will receive Westfield Group distributions in line with what Westfield Group would have paid absent the Proposal. From implementation of the Proposal, Eligible Securityholders will hold Scentre Group Securities and Westfield Corporation Securities and are expected to receive distributions in line with the respective distribution policies of Scentre Group and Westfield Corporation. Westfield Group has announced a forecast FY14 distribution of 52.5 cents per Westfield Group Security (absent the Proposal). If the Proposal is implemented on 30 June 2014, Westfield Group Securityholders who continue to hold their Westfield Corporations Securities and Scentre Group Securities are expected to receive aggregate distributions for FY14 of no less than 52.5 cents on a per existing Westfield Group Security basis comprising:[9] – a distribution of 26.25 cents per Westfield Group Security for the 6 months to 30 June 2014 (paid by Westfield Group);[10] – a distribution of US12.3 cents (13.5[11] cents) per Westfield Corporation Security received by Eligible Securityholders for the 6 months to 31 December 2014 (paid by Westfield Corporation);[12] and – a distribution of 12.7 cents per the 1.246 Scentre Group Securities received by Eligible Securityholders for the 6 months to 31 December 2014 (paid by Scentre Group).[13] If the Proposal does not proceed, Westfield Group Securityholders are expected to receive an aggregate forecast FY14 distribution of 52.5 cents per Westfield Group Security.	Sections 5.6 and 8.5
What is the recommendation of the Westfield Group Directors?	Each Westfield Group Director recommends that you vote in favour of each Resolution.[14] The Westfield Group Board believes for the reasons set out in section 3.2 that the advantages of the Proposal outweigh its disadvantages and risks. In the Westfield Group Directors' unanimous opinion, the Proposal is in the best interests of Westfield Group Securityholders. The Westfield Group Board believes that if the Proposal is implemented, Securityholders will be better off than if the Proposal does not occur.	Sections 3.1 and 3.2

9 Assumes an Implementation Date of 30 June 2014 and an exchange rate of AUD1.00 = US0.91 cents. Distributions paid by Westfield Corporation will be determined in US dollars and converted into Australian dollars on payment. Fluctuations in value of the US dollar compared to the Australian dollar will impact the value of Australian dollar distributions paid by Westfield Corporation. See sections 8.5 and 9.2 for further details of exchange rate sensitivities and risks in respect of Westfield Corporation's distributions.

10 Represents 50% of Westfield Group's announced forecast distribution for FY14 of 52.5 cents per Westfield Group Security. Westfield Group's distributions have historically been evenly spread in the first and second halves of the financial year.

11 Based on an exchange rate of AUD1.00 = USD0.91.

12 Represents 50% of Westfield Corporation's pro forma forecast distribution for FY14 of US24.6 cents per Westfield Corporation Security. See section 8.5 for further details of Westfield Corporation's distribution policy. See footnote 9 above in relation to foreign exchange risks.

13 Represents 50% of Scentre Group's pro forma forecast distribution for FY14 of 20.4 cents per Scentre Group Security. See section 5.6 for further details of Scentre Group's distribution policy.

14 If an alternative proposal emerges, Westfield Group Directors will carefully consider it and advise you of their recommendation.

SECTION 1

QUESTIONS AND ANSWERS

Questions	Answer	Where to find more information
Overview of the Proposal continued		
What is the Independent Expert's opinion on the Proposal?	The Independent Expert has concluded that the Proposal is in the best interests of Westfield Group Securityholders, in the absence of a superior proposal.	Section 11
How was the Merger Ratio determined?	The Merger Ratio has been agreed by the Westfield Group Board and the Independent Westfield Retail Trust Directors based on the relative pro forma forecast FY14 FFO contribution by Westfield Group's Australian and New Zealand business and Westfield Retail Trust to Scentre Group. The Merger Ratio determines the proportion of Scentre Group Securities that will be held by Westfield Group Securityholders and Westfield Retail Trust Securityholders respectively.	Section 2.5
Why was the Merger Ratio determined by reference to FY14 FFO?	FFO is an internationally recognised and accepted measure of profitability used by the real estate industry. The Westfield Group Board believes a merger ratio based on FY14 FFO is appropriate because it recognises the full economic value and income of Westfield Group's operating platform which will be contributed to Scentre Group. A merger ratio based on balance sheet metrics, such as net tangible assets (**NTA**), would not reflect the full economic value or income of Westfield Group's Australian and New Zealand business relative to Westfield Retail Trust as the balance sheet of Westfield Group's Australian and New Zealand business does not reflect any value for its property management and development platform.	Section 2.5
What are the main advantages of the Proposal?	The main advantages of the Proposal include: – the creation of two distinct ASX listed property groups separated along different geographic lines with the ability to pursue separate operating and capital strategies appropriate for their target markets; – simplification of the investment proposition for investors as a result of investors being able to invest in geographically aligned, internally managed retail property groups. This will allow for a more direct comparison with relevant peers and is expected to facilitate better realisation of value for both groups; – the flexibility for investors to adjust the level of their investment in Westfield Group's international business and Australian and New Zealand business; – the ability for Westfield Group Securityholders to better manage the foreign currency exposure associated with their investment in the international business and the Australian and New Zealand business; and – expected FFO accretion for Westfield Group Securityholders.	Section 3.2

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Questions	Answer	Where to find more information
What are the main disadvantages of the Proposal?	The main disadvantages of the Proposal include: – the formation of two separate groups, Scentre Group and Westfield Corporation, which do not enjoy the benefits of scale and geographic diversification to the same extent enjoyed by Westfield Group in its current form; – substantially all of the existing unsecured financing arrangements in place for Westfield Group will need to be terminated and refinanced; – for an estimated two year transitional period Scentre Group and Westfield Corporation will be required to co-operate in relation to the separation of shared resources and corporate support services and establish their own capabilities; – transaction and implementation costs will be incurred in respect of the Proposal, estimated to be approximately $150 million (to be shared equally between Scentre Group and Westfield Corporation), as well as refinancing costs of approximately $1.3 billion (comprising a forecast market premium over face value of bonds which will be repurchased or redeemed of $0.9 billion, an expected bond buy back premium over market value of the bonds of $0.2 billion and other debt restructuring costs associated with the Proposal of approximately $0.2 billion)[15]; – Westfield Group Securityholders' exposure to Westfield Group's Australian and New Zealand operating and management platform will be diluted; and – there may be additional complexity and costs associated with holding two separately quoted stapled securities and the listing of additional stapled entities. Reference should also be had to the Independent Expert's assessment of the disadvantages of the Proposal and other consequences set out in the Independent Expert's Report.	Section 3.3
What are the potential risks associated with the Proposal?	Potential risks associated with the Proposal include: – the expected advantages of the Proposal may not materialise; – while the Independent Expert has provided an estimated trading price for Scentre Group Securities (for the purposes of valuing the Proposal), there is no guarantee that Scentre Group Securities and Westfield Corporation Securities will trade at particular prices after the implementation of the Proposal; – Scentre Group and Westfield Corporation may be required to refinance their bridge facilities on less attractive terms; – the Proposal may not proceed if certain conditions are not satisfied; and – the Proposal is subject to execution risk, including delays, unexpected costs or other separation and integration issues in establishing Scentre Group and Westfield Corporation as standalone groups. A more detailed discussion of these risks is set out in section 3.4. In addition, specific risks associated with an investment in Scentre Group or Westfield Corporation are set out in sections 6 and 9 respectively.	Section 3.4

15 The market premium component represents the present value of higher future interest outflows that would have been payable on these bonds had they remained in place to maturity compared to the cost that would be payable at current market rates. This cost is expected to be largely recoverable over time through lower interest rates payable on the new financing arrangements which replace the existing arrangements. See section 3.3 for further details.

SECTION 1

QUESTIONS AND ANSWERS

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Questions	Answer	Where to find more information
Overview of the Proposal continued		
How is Westfield Group refinancing its debt and dealing with its hedging arrangements?	Westfield Group has entered into a bridge facility agreement comprising four tranches having commitments of A$7.2 billion, NZ$0.6 billion, US$3.35 billion and £1.35 billion. In addition, Westfield Group is transferring certain existing facilities to Westfield Corporation (effective upon implementation of the Scheme). The bridge facility has sufficient commitment to repay all of the outstanding unsecured debt of Westfield Group. The obligations of Westfield Group under the bridge facility will effectively be repaid shortly after they are drawn from funding available under the separate Scentre Group and Westfield Corporation bridge facilities and the bilateral bank loan / syndicated loans as referred to in section 2.6. The bridge facilities have a two year term from the date of execution plus an option for the borrower to extend by a further 12 months. Westfield Group's financial derivative contracts will mostly remain within existing entities that will become part of either Scentre Group or Westfield Corporation. A small number of derivatives may be terminated prior to the implementation of the Proposal. A table summarising the existing financing arrangements for Westfield Group and Westfield Retail Trust, and the proposed financing arrangements for Scentre Group and Westfield Corporation is set out in section 2.6 (see Table 2.6.1).	Section 2.6
What happens if the Proposal does not proceed?	If the Proposal does not proceed: – Westfield Group will continue to operate as it does now; – the potential benefits of the Proposal will not be realised; – Westfield Group's Australian and New Zealand business will not merge with Westfield Retail Trust; – you will not receive any Scentre Group Securities or Westfield Corporation Securities; – Westfield Group will incur transaction and refinancing costs of approximately $43.1 million; – the potential disadvantages and risks of the Proposal will not arise; and – Westfield Group will reconsider other alternatives that deliver similar benefits to the Proposal.	Section 3.5
What alternative transactions were considered?	After careful consideration, the Westfield Group Board believes that the Proposal is the preferred option to create long term value for Westfield Group Securityholders. The main alternative transactions considered by the Westfield Group Board were: – maintaining the existing Westfield Group structure; – demerging Westfield Group's Australian and New Zealand business from Westfield Group without merging with Westfield Retail Trust; – selling additional interests in individual Australian properties of Westfield Group; – implementing the Proposal, but with Westfield Corporation maintaining an interest in certain iconic Australian properties; and – creating separate classes of securities which track the economic performance of each of Westfield Group's international business and its Australian and New Zealand business. The Westfield Group Board determined a number of criteria against which the Proposal and other alternatives are assessed including the potential to maximise value. These criteria are set out in section 3.6.	Section 3.6

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Questions	Answer	Where to find more information
Overview of Scentre Group		
What will Scentre Group's business look like if the Proposal proceeds?	If the Proposal proceeds, Scentre Group will be an industry leading internally managed retail property group focused on investing and operating retail property in Australia and New Zealand. It will have the largest and most productive shopping centre portfolio in Australia and New Zealand with the highest annual specialty sales per square metre, a key measure of sales productivity. Scentre Group will own a vertically integrated Australian and New Zealand retail property operating platform with capabilities including property management, leasing, design, development, construction, marketing and funds management. Scentre Group's operating platform will include the highly experienced Australian and New Zealand operating management team of Westfield Group. Scentre Group will employ over 2,000 employees with its corporate head office in Sydney and offices across Australia and New Zealand. Scentre Group is expected to be a top 20 ASX listed group based on market capitalisation and the largest ASX listed REIT.	Section 4.1
What assets will Scentre Group own?[16]	Scentre Group will own a property portfolio comprising interests in 47 shopping centres in Australia and New Zealand, with total assets of $29.3 billion and assets under management of $38.6 billion. The portfolio generates annual retail sales of $22 billion, with approximately 12,500 retailers and 555 million customer visits annually. Scentre Group will have an exclusive licence to use the Westfield brand in Australia and New Zealand for its shopping centre portfolio. Scentre Group will own the highest quality shopping centre portfolio in Australia with 14 of the top 20 shopping centres in Australia measured by annual sales. 91% of Scentre Group's portfolio by value will be located in Australia, with 38 shopping centres in Australia and 9 shopping centres in New Zealand. Scentre Group's portfolio will initially include major assets such as Westfield Sydney, Bondi Junction, Doncaster, Chermside and Carindale, each of which achieve annual specialty sales productivity in excess of $10,000 per square metre and total annual sales in excess of $800 million. These flagship shopping centres continue to be leading destinations of choice for both domestic and international retailers. Scentre Group will have $4.9 billion of current and future development projects (Scentre Group share: $2.6 billion). $1.9 billion of these projects are currently under construction, including Miranda in Sydney and Mt Gravatt in Brisbane, in addition to major development opportunities in Sydney, Brisbane and Adelaide.	Sections 4.1, 4.3 and 4.6
What will Scentre Group's strategic priorities be?	Scentre Group's strategic priorities will include: – intensive management of its existing portfolio to maximise the sales productivity of retailers and to provide superior experiences to consumers; – improving the quality of the portfolio to adapt to the next generation of retail; – generating new income opportunities by leveraging the scale of Scentre Group's portfolio; – executing its current and future development pipeline to enhance the value, scale and quality of the portfolio; – active management of its capital position to enhance long term earnings growth potential and return on equity; and – using digital technology to better connect retailers with consumers.	Sections 4.4 and 4.5

16 Financial information and statistics are presented on a pro forma basis as at 31 December 2013 or for the financial year ended 31 December 2013, as the context requires.

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Questions	Answer	Where to find more information
Overview of Scentre Group continued		
What are the risks associated with an investment in Scentre Group?	Scentre Group will be subject to a range of risks that may adversely affect the future operating or financial performance, prospects, investment returns or value of Scentre Group Securities. Many of the risks are similar to those currently faced by Westfield Group in relation to its Australian and New Zealand business. The key risks fall into four main categories: – property ownership risks: – tenant default and occupancy risk; – anchor tenants default or closure risk; – changes in consumer sentiment or shopping preferences; – emergence of alternative retail channels especially online retailing; – conflicts of interest with co-owners of properties; – property management and development risks: – development activities risk; – property management activities risk; – financing risks: – refinancing risk; – leverage risk; – cash flow risk; – funding risk for development, redevelopment programme and acquisitions; – credit rating risk; – market structure risks: – geographical concentration of Scentre Group's portfolio; – acquisition risk; – competition from other participants in the retail property industry. Further discussion on the risks in each of these categories and other risks is set out in section 6. Many of these risks are similar to those which Westfield Corporation will be subject to, both being retail property groups although separated along different geographic lines. The risks of an investment in Westfield Corporation are set out in section 9.	Section 6
What currency will Scentre Group be reporting in?	Scentre Group will report in Australian dollars. Scentre Group will be subject to minimal foreign currency exposure with approximately 90% of its assets and earnings located in Australia and approximately 10% of its assets and earnings located in New Zealand.	Section 3.2
What will be the distributions from Scentre Group in 2014?	Scentre Group's distribution for the period from the Implementation Date to 31 December 2014 is expected to be 10.2 cents per Scentre Group Security (12.7 cents per the 1.246 Scentre Group Securities received by Eligible Securityholders).[17] Scentre Group expects to pay this distribution in February 2015.	Section 5.6

17 Assumes an Implementation Date of 30 June 2014. Represents 50% of Scentre Group's pro forma forecast distribution for FY14 of 20.4 cents per Scentre Group Security. See section 5.6 for further details of Scentre Group's distribution policy.

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Questions	Answer	Where to find more information
What will be Scentre Group's distribution policy?	Scentre Group's proposed distribution policy will be to pay out up to 100% of FFO. The policy allows for retention to fund capital expenditure requirements as determined from time to time by the Scentre Group Board, and is subject to review by the Scentre Group Board at its discretion, including in relation to general business and financial conditions.	Section 5.6
Who will be on the board of Scentre Group?	On implementation of the Proposal, the Scentre Group Board will initially comprise the following directors: – Mr Frank Lowy AC – Chairman; – Mr Brian Schwartz AM – Deputy Chairman; – Mr Peter Allen – Chief Executive Officer; – Mr Laurence Brindle – Non-Executive Director; – Mr Richard Egerton-Warburton AO LVO – Non-Executive Director; – Mr Andrew Harmos – Non-Executive Director; – Mr Michael Ihlein – Non-Executive Director; – Mr Steven Lowy AM – Non-Executive Director; and – Ms Sandra McPhee AM – Non-Executive Director.	Section 4.7
Who will be part of the Scentre Group senior executive team?	The Scentre Group management team will include: – Mr Peter Allen – Chief Executive Officer; – Mr Mark Bloom – Chief Financial Officer; – Mr John Batistich – Director, Marketing; – Ms Janine Frew – Director, Human Resources; – Mr Paul Giugni – General Counsel; – Mr Andy Hedges – Director, Shopping Centre Management; – Mr Ian Irving – Director, Design & Construction; – Mr Peter Leslie – Director, Leasing; – Mr Justin Lynch – Director, New Zealand; – Mr John Widdup – Chief Operating Officer – Development, Design & Construction; and – Mr Richard Williams – Treasurer.	Section 4.7
What is the proposed capital structure of Scentre Group?	On implementation of the Proposal, Scentre Group will have approximately 5.3 billion Stapled Securities on issue and approximately $15 billion of net assets. Scentre Group will have gearing of 38.4% on a pro forma basis as at 31 December 2013. Scentre Group's aim is to maintain gearing levels in the range of 30% to 40%. Scentre Group's interest cover will be 3.3 times on a pro forma forecast basis for FY14.	Sections 4.5 and 16.17
What is a Scentre Group Security?	A Scentre Group Security is a Stapled Security comprising one Westfield Holdings Share, one Westfield Trust Unit, one Westfield Retail Trust 1 Unit and one Westfield Retail Trust 2 Unit.	Section 4.2
When will Scentre Group Securities commence trading on ASX?	It is expected that trading of Scentre Group Securities on ASX will commence on Tuesday, 17 June 2014, initially on a deferred settlement basis.	Key dates
What will be the price of Scentre Group Securities after the Proposal?	There is no certainty as to the price of Scentre Group Securities after the Proposal is implemented.	Section 3.4

SECTION 1

QUESTIONS AND ANSWERS

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Questions	Answer	Where to find more information
Overview of Westfield Corporation		
What will Westfield Corporation's business look like if the Proposal proceeds?	If the Proposal proceeds, Westfield Corporation will be a pre-eminent internally managed and vertically integrated international retail property group with an initial focus on the US, the UK and Europe. Westfield Corporation will pursue a strategy of owning, developing and operating world class retail destinations in major world cities by integrating food, fashion, leisure and entertainment and using technology to better connect retailers with consumers. Westfield Corporation will own a world class, industry leading retail property operating platform with capabilities in property management, leasing, design, development, construction, marketing, digital and funds management. Westfield Corporation will employ approximately 2,000 employees with principal offices in Sydney, Los Angeles, San Francisco, London and New York. Westfield Corporation is expected to be a top 25 ASX listed group based on market capitalisation and is expected to be one of the largest listed global retail REITs.	Section 7.1
What assets will Westfield Corporation own?[18]	On implementation of the Proposal, Westfield Corporation will have a portfolio comprising 43 shopping centres with approximately 425 million customer visits annually and US$17 billion in annual retail sales. Westfield Corporation will have total assets of US$18.4 billion and total assets under management of US$28.6 billion.[19] Westfield Corporation's portfolio will include world class retail destinations such as Westfield London and Stratford City, widely recognised as two of the premium shopping centres in UK / Europe, and Century City, Garden State Plaza, Old Orchard, San Francisco, Topanga, UTC, Valley Fair and Westfield World Trade Center in the US. Westfield Corporation will have US$11.8 billion of current and future development projects (Westfield Corporation share: US$6.0 billion), representing 41% of assets under management. US$2.8 billion of these projects are currently under construction, with future development opportunities, including flagship developments at Westfield London and Croydon in the UK, Milan in Italy and Century City and Valley Fair in the US. Westfield Corporation will own the Westfield brand. Under the Trade Mark Licence Agreement Westfield Corporation will grant Scentre Group the royalty free right to exclusively use the Westfield brand in Australia and New Zealand for Scentre Group's existing shopping centre portfolio and any new shopping centres which meet certain agreed characteristics.[20]	Sections 7.1, 7.5 and 7.7

18 Financial information and statistics are presented on a pro forma basis as at 31 December 2013 for the financial year ended 31 December 2013, as the context requires.

19 On 20 March 2014 Westfield Group announced that it had entered into a conditional agreement to divest its interests in three UK shopping centres. See sections 7.7, 8.2 and 8.9 for further details of the proposed divestments.

20 Details of the Trade Mark Licence Agreement are set out in section 2.7.

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Questions	Answer	Where to find more information
What will Westfield Corporation's strategic priorities be?	Consistent with Westfield Group's existing strategy, Westfield Corporation will seek to enhance returns through: – intensive management of the portfolio and generating new income opportunities by leveraging the Westfield global brand and Westfield Corporation's portfolio of world class retail destinations; – diversification of income streams through the introduction of food, entertainment, lifestyle and leisure, enhancing the stability of cashflows; – execution of the development pipeline, including flagship developments at Westfield London, Croydon, Milan, Century City and Valley Fair, at value enhancing investment returns; – integration of digital technology through Westfield Labs in San Francisco; – acquisition opportunities focused on creating world class retail destinations in major world cities; and – redeployment of capital from the introduction of joint ventures and divestment of non-core assets into the development pipeline and acquisition opportunities.	Sections 7.3 and 7.4

What are the risks associated with an investment in Westfield Corporation?	Westfield Corporation will be subject to a range of risks that may adversely affect the future operating or financial performance, prospects, investment returns or value of Westfield Corporation Securities. Many of the risks are similar to those currently faced by Westfield Group in relation to its international business. The key risks fall into five main categories:
	– property ownership risks:
	  – tenant default and occupancy risk;
	  – anchor tenants default or closure risk;
	  – changes in consumer sentiment or shopping preferences;
	  – emergence of alternative retail channels especially online retailing;
	  – conflicts of interest with co-owners of properties;
	– foreign exchange risk on earnings and distributions;
	– market structure and growth risks:
	  – risk of operating in international markets;
	  – risk of growth and expansion into new markets;
	  – acquisitions risk;
	  – competition from other participants in the retail property industry;
	– property management and development risks:
	  – development activities risk;
	  – property management activities risk;
	– financing risks:
	  – refinancing risk;
	  – leverage risk;
	  – cash flow risk;
	  – funding risk for development, redevelopment programme and acquisitions;
	  – credit rating risk.
	Further discussion of the risks in each of these categories and other risks is set out in section 9.
	Many of these risks are similar to those which Scentre Group will be subject to, both being retail property groups although separated along different geographic lines. The risks of an investment in Scentre Group are set out in section 6.
		Section 9

SECTION 1

QUESTIONS AND ANSWERS

Questions	Answer	Where to find more information
Overview of Westfield Corporation continued		
What will be the distributions from Westfield Corporation in 2014?	Westfield Corporation's distribution for the period from the Implementation Date to 31 December 2014 is expected to be US12.3 cents (13.5[21] cents) per Westfield Corporation Security. Westfield Corporation expects to pay this distribution in February 2015.[22]	Section 8.5
What will be Westfield Corporation's distribution policy?	The Westfield Corporation Board will set Westfield Corporation's distribution target at the start of each year having regard to the prior year's distribution, forecast changes in FFO, capital expenditure plans as well as other general business and financial considerations. The aim of this distribution policy is to provide greater overall returns to the investors of Westfield Corporation through appropriate capital management. The flexibility to vary the distribution provides financial capacity to continue to invest in opportunities with strong returns.	Section 8.5
What currency will Westfield Corporation be reporting in?	Westfield Corporation will report in US dollars. Westfield Corporation will be subject to foreign currency exposure to the extent that its assets and earnings are denominated in currencies other than US dollars. For FY14, approximately 70% to 75% of Westfield Corporation's assets and earnings are expected to be derived in US dollars and approximately 25% to 30% of Westfield Corporation's assets and earnings are expected to be derived in foreign currencies, primarily GBP.	Sections 3.2 and 8.5
What currency will Westfield Corporation be paying distributions in?	As an ASX listed group with US dollar reporting, the distributions paid by Westfield Corporation will be determined in US dollars and converted into Australian dollars on payment. The amount of Australian dollars Westfield Corporation Securityholders will receive will depend upon the exchange rate available on or about the day Westfield Corporation arranges to pay distributions.	Sections 3.2 and 8.5
Will Westfield Corporation pursue a listing outside of Australia?	Westfield Corporation intends to investigate the appropriate location (including retaining an ASX listing) for its longer term listing following implementation of the Proposal.	Sections 2.1 and 7.1
Who will be on the board of Westfield Corporation?	On implementation of the Proposal, the Westfield Corporation Board will initially comprise the following directors: – Mr Frank Lowy AC – Chairman; – Mr Brian Schwartz AM – Deputy Chairman; – Mr Peter Lowy – Co-Chief Executive Officer and Chief Financial Officer; – Mr Steven Lowy AM – Co-Chief Executive Officer; – Ms Ilana Atlas – Non-Executive Director; – Mr Roy Furman – Non-Executive Director; – The Right Hon. Lord Peter Goldsmith QC PC – Non-Executive Director; – Mr Mark G Johnson – Non-Executive Director; – Mr Mark R Johnson AO – Non-Executive Director; – Mr John McFarlane – Non-Executive Director; and – Professor Judith Sloan – Non-Executive Director.	Section 7.8

21 Based on an exchange rate of AUD1.00 = USD0.91.

22 Represents 50% of Westfield Corporation's pro forma forecast distribution for FY14 of US24.6 cents per security. Distributions paid by Westfield Corporation will be determined in US dollars and converted into Australian dollars on payment. Fluctuations in value of the US dollar compared to the Australian dollar will impact on the value of Australian dollar distributions paid by Westfield Corporation. See sections 8.5 and 9.2 for further details of exchange rate sensitivities and risks in respect of Westfield Corporation's distributions.

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Questions	Answer	Where to find more information
Who will be part of the Westfield Corporation senior executive team?	The Westfield Corporation management team will include: – Mr Peter Lowy – Co-Chief Executive Officer and Chief Financial Officer; – Mr Steven Lowy AM – Co-Chief Executive Officer; – Mr Michael Gutman – President and Chief Operating Officer; – Mr Elliott Rusanow – Deputy Chief Financial Officer; – Mr Simon Tuxen – General Counsel; – Mr Kevin McKenzie – Chief Digital Officer; – Mr Greg Miles – Managing Director, US; – Mr Peter Miller – Chief Operating Officer, UK / Europe; – Mr Peter Schwartz – General Counsel, US; – Mr Mark Stefanek – Treasurer; and – Mr David Temby – Tax Counsel.	Section 7.8
What is the proposed capital structure of Westfield Corporation?	On implementation of the Proposal, Westfield Corporation will have approximately 2.1 billion Stapled Securities on issue and approximately US$7.4 billion of net assets. Westfield Corporation will have gearing of 36.3% on a pro forma basis as at 31 December 2013. Westfield Corporation's aim is to maintain gearing levels in the range of 30% to 40%. Westfield Corporation's interest cover will be 5.0 times on a pro forma forecast basis for FY14.[23]	Sections 7.4 and 16.17
What is a Westfield Corporation Security?	A Westfield Corporation Security is a Stapled Security comprising one Westfield Corporation Limited Share, one WFD Trust Unit and one Westfield America Trust Unit.	Section 7.2
When will Westfield Corporation Securities commence trading on ASX?	It is expected that trading of Westfield Corporation Securities on ASX will commence on Tuesday, 17 June 2014, initially on a deferred settlement basis.	Key dates
What will be the price of a Westfield Corporation Security after the Proposal?	There is no certainty as to the price of Westfield Corporation Securities after the Proposal is implemented.	Section 3.4
Implementation and process		
What are the key steps involved in the Proposal?	Broadly, the Proposal will be implemented in three main stages: – a restructure stage, where Westfield Group's international business is transferred to Westfield Corporation Limited and WFD Trust, and Westfield Corporation Limited Shares and WFD Trust Units are distributed to Westfield Group Securityholders and become stapled to Westfield Group; – a destapling stage, where Westfield Holdings Shares and Westfield Trust Units are each destapled from Westfield Group and from each other; and – a merger stage, where Westfield Holdings Shares and Westfield Trust Units become stapled to Westfield Retail Trust 1 Units and Westfield Retail Trust 2 Units, forming Scentre Group Securities. The Proposal will be implemented in part by way of a Court ordered scheme of arrangement.	Section 2.3

23 If the divestment of the Merry Hill, Derby and Sprucefield shopping centres in the UK which was announced on 20 March 2014 completes, prior to the redeployment of capital pro forma gearing is expected to improve by 3.3% to 33.0% and pro forma interest cover is expected to improve from 5.0 times to 5.2 times. See sections 7.7, 8.2 and 8.9 for further details of the proposed divestments and their financial impact.

SECTION 1

QUESTIONS AND ANSWERS

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Questions	Answer	Where to find more information
Implementation and process continued		
Is the Proposal subject to any conditions?	The Proposal is subject to a number of conditions precedent. For example: – the Court approving the Scheme and providing judicial advice; – the ATO issuing and not withdrawing, or threatening to withdraw, the private or class (including draft) rulings; – satisfaction of conditions precedent to drawdown of Westfield Group's, Scentre Group's and Westfield Corporation's financing facilities; – no person exercising adverse rights as a result of implementation of the Proposal; and – Westfield Group Securityholders approving each of the Resolutions and Westfield Retail Trust Securityholders approving each of the Westfield Retail Trust Resolutions.	Sections 2.4 and 16.1
What if Westfield Retail Trust Securityholders do not approve the Proposal?	As the Proposal is conditional on the Westfield Retail Trust Resolutions being passed by the requisite majorities of Westfield Retail Trust Securityholders (including a 75% majority for some Westfield Retail Trust Resolutions), if the Westfield Retail Trust Resolutions are not passed, the Proposal will not proceed. The Recommending Westfield Retail Trust Directors have recommended that the Westfield Retail Trust Securityholders vote in favour of each Westfield Retail Trust Resolution in the absence of a superior proposal and the independent expert appointed by Westfield Retail Trust has concluded that in the absence of a superior proposal, the Proposal is in the best interests of Westfield Retail Trust Securityholders. However, Westfield Retail Trust Securityholders may not approve the Proposal by the required majorities if a sufficient number do not consider the Proposal to be in their best interests.	Sections 3.1, 15.9 and 15.10
What will be the relationship between Scentre Group and Westfield Corporation following implementation of the Proposal?	Following implementation of the Proposal, Scentre Group and Westfield Corporation will operate as separate and independent groups. Scentre Group and Westfield Corporation will have the following ongoing contractual arrangements: – Scentre Group will have an exclusive, continuing, royalty free licence to use the Westfield brand for its shopping centre business in Australia and New Zealand under the terms of the Trade Mark Licence Agreement. Westfield Corporation may not use the Westfield brand in Australia or New Zealand, except for the corporate promotion of Westfield Corporation; – Under the LABS Agreement Scentre Group will have access to the digital innovation activities of Westfield Corporation provided by Westfield Labs for an initial term until 31 December 2016; and – Scentre Group will provide corporate infrastructure services to Westfield Corporation under the Transitional Services Agreement, while the groups develop standalone resources and support services. The transition is expected to be substantially completed within two years. In addition, Scentre Group and Westfield Corporation will initially have 3 common board members being Mr Frank Lowy, Mr Brian Schwartz and Mr Steven Lowy.	Section 2.7
If the Proposal is implemented, what intentions do the Lowy family have in relation to their securityholding in Scentre Group and Westfield Corporation?	The Lowy family is committed to the success of both Scentre Group and Westfield Corporation and intends to maintain a substantial investment in both groups. Upon implementation of the Proposal, the Lowy family will hold approximately 4.1% of Scentre Group Securities[24] and approximately 8.4% of Westfield Corporation Securities (the same as their current holding in Westfield Group).	Chairman's Letter

24 Subject to rounding described in section 15.4.

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Questions	Answer	Where to find more information
What is the impact of the Proposal on my current holdings?	If the Proposal proceeds, then on implementation of the Proposal, you will no longer hold Westfield Group Securities. Instead, from the Implementation Date, eligible Westfield Group Securityholders will hold 1,246 Scentre Group Securities and 1,000 Westfield Corporation Securities for every 1,000 Westfield Group Securities held as at the Record Date. The last day of trading in Westfield Group Securities and Westfield Retail Trust Securities on ASX is expected to be Monday, 16 June 2014, with deferred settlement trading of Scentre Group Securities and Westfield Corporation Securities expected to commence on Tuesday, 17 June 2014.	Sections 2.3 and 2.5 and Key dates
Who is eligible to receive Scentre Group Securities and Westfield Corporation Securities under the Proposal?	The following persons are eligible to receive Scentre Group Securities and Westfield Corporation Securities under the Proposal: (a) Securityholders on the Westfield Register on the Record Date who are not Foreign Securityholders (a Foreign Securityholder is a Securityholder on the Record Date whose address is, or who is a citizen or resident of, a place outside of Australia and New Zealand and their respective external territories or who acts on behalf of such a person); and (b) Foreign Securityholders in the following jurisdictions: – the US (to the extent an investor who is exempt from the registration requirements of the U.S. Securities Act of 1933); – the UK (to the extent an exempt investor); – Norway; – the Netherlands; – Japan; – Singapore (to the extent an exempt investor); – Hong Kong; – Canada; or – any other jurisdiction where Westfield Group and Westfield Retail Trust determine it is lawful, not unduly onerous or unduly impractical for the relevant Foreign Securityholder to receive securities under the Proposal. All other Foreign Securityholders are Ineligible Foreign Securityholders. The Sale Nominee will participate in the Proposal in respect of Westfield Group Securities held by Ineligible Foreign Securityholders on the Record Date.	Sections 2.8 and 16.32
What happens if I am an Ineligible Foreign Securityholder?	Ineligible Foreign Securityholders will not receive Scentre Group Securities or Westfield Corporation Securities under the Proposal. Instead, they will have their full holding of Westfield Group Securities exchanged for cash through the Sale Facility. Ineligible Foreign Securityholders will receive the Westfield Group distribution from 1 January 2014 to the Implementation Date in the normal course.	Section 2.9
What are the Stapling Distributions, and will I receive them in cash?	To give effect to the stapling elements of the Proposal, Eligible Securityholders will receive the following distributions: – a capital distribution from Westfield Holdings, in the form of one Westfield Corporation Limited Share per Westfield Group Security; – a capital distribution from Westfield Trust, in the form of one WFD Trust Unit per Westfield Group Security; and – a capital distribution from Westfield Trust to be compulsorily applied to subscribe for one Westfield Retail Trust 1 Unit and one Westfield Retail Trust 2 Unit per Westfield Group Security (in each case as described in section 2.3 following conversions of the number of units). None of these distributions will be paid in cash.	Sections 2.3 and 15.3

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QUESTIONS AND ANSWERS

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Questions	Answer	Where to find more information
Implementation and process continued		
Can I choose to receive cash instead of Scentre Group Securities or Westfield Corporation Securities?	No. There is no option for Eligible Securityholders to elect to receive cash instead of Scentre Group Securities or Westfield Corporation Securities. However, once Scentre Group Securities and Westfield Corporation Securities commence trading on the ASX, you may sell some or all of these securities on the ASX. You may also sell your existing Westfield Group Securities before the Proposal becomes Effective.	
Can I receive more Scentre Group Securities or Westfield Corporation Securities?	No. The number of Scentre Group Securities and Westfield Corporation Securities received for each Westfield Group Security under the Proposal is fixed in accordance with the Merger Ratio. However, following implementation of the Proposal, you can buy more Scentre Group Securities or Westfield Corporation Securities through normal trading on the ASX.	
Will I need to make any payments to participate in the Proposal?	No.	
Do I have to pay brokerage fees under the Proposal?	No.	
Do I have to pay stamp duty under the Proposal?	No.	
What costs are associated with the Proposal?	Transaction costs in relation to the Proposal are estimated to be approximately $150 million and will be equally shared between Scentre Group and Westfield Corporation. These include third party advisory fees, listing and administrative fees, and other expenses associated with the Proposal. Approximately $21.1 million of these costs will have been paid by Westfield Group prior to the Meetings when Westfield Group Securityholders will vote on the Proposal. In addition, there will be refinancing costs of $1.3 billion as follows: – as part of the Proposal, Westfield Group's outstanding bonds will be repurchased or redeemed at a higher price than their face value. The total estimated premium over face value of $1.1 billion comprises an expected bond buyback premium over market value of the bonds of $0.2 billion and a forecast market premium over face value of the bonds of $0.9 billion. The market premium component represents the present value of higher future interest outflows that would have been payable on these bonds had they remained in place to maturity compared to the cost that would be payable at current market rates. This cost is expected to be largely recoverable over time through lower interest rates payable on the new financing arrangements which replace the existing arrangements. As such, this cost is not considered as a typical transaction cost. The actual costs will differ from the above estimates depending on the prevailing interest and exchange rates at the date the bond repurchases occur. The amount of market premium recovered will depend on movements in interest and exchange rates after the bonds are repurchased and the term to maturity and credit margin applicable to the replacement financing; and – debt restructuring costs associated with the Proposal are estimated to be approximately $140 million comprising the expenses of brought forward unamortised debt establishment costs of $95 million on existing debt, new debt establishment costs of $35 million, and professional and other costs of $10 million. Approximately $22 million of these costs will have been incurred prior to the Meetings when Westfield Group Securityholders will vote on the Proposal.	Sections 3.3 and 16.10

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Questions	Answer	Where to find more information
What significant interests and benefits are payable to Westfield Group Directors, Westfield Retail Trust Directors and other persons connected with the Proposal?	Following implementation of the Proposal, Mr Frank Lowy and Mr Brian Schwartz will join the existing Westfield Retail Trust Directors to form the board of Scentre Group. Mr Peter Allen will retire from the Westfield Group Board and the remaining Westfield Group Directors will form the board of Westfield Corporation. In addition, Mr Peter Allen will be appointed as Chief Executive Officer of Scentre Group, and Mr Peter Lowy and Mr Steven Lowy will be appointed as Co-Chief Executive Officers of Westfield Corporation. The director's fee arrangements and the executive remuneration arrangements for Scentre Group and Westfield Corporation are set out in sections 4.9 and 7.10 respectively. In addition, the number of Scentre Group Securities and Westfield Corporation Securities which will be held by each Westfield Group Director and Westfield Retail Trust Director on implementation of the Proposal and their existing holdings of Westfield Group Securities and Westfield Retail Trust Securities are set out in sections 16.12 and 16.13.	Sections 4.9, 7.10, 16.10, 16.12 and 16.13
Voting on the Proposal		
What Resolutions need to be passed by Westfield Group Securityholders for the Proposal to proceed?	To implement the Proposal, Westfield Group Securityholders must pass Resolutions to: – approve the scheme of arrangement between Westfield Holdings and its members; – approve the capital reduction of Westfield Holdings (the transfer being in the form of an in-specie distribution of Westfield Corporation Limited Shares to Westfield Group Securityholders); – approve the conversion of each Westfield Holdings Share into 1.246 Westfield Holdings Shares; – amend the constitutions of Westfield Holdings, Westfield Trust and Westfield America Trust; – in the case of Westfield Trust and Westfield America Trust, approve the Proposal for all purposes; – approve the giving of financial benefits by Westfield Holdings to related parties under the Scentre Group Stapling Deed; and – approve the change of name of Westfield Holdings from Westfield Holdings Limited to Scentre Group Limited. Each of the Resolutions must be passed for the Proposal to be implemented (as well as satisfaction or waiver of the conditions to the Proposal).	Section 15
What are the voting thresholds?	For the Scheme Resolution, a majority in number of members who voted and 75% of the votes cast. For the Constitution Amendment Resolutions and the Westfield Holdings Name Change Resolution, 75% of the votes cast. For the Capital Reduction Resolution, the Capital Conversion Resolution, the Proposal Approval Resolutions and the Stapling Deed Resolution, 50% of the votes cast.	Section 15.11
Who can vote at the Meetings?	Securityholders on the Westfield Register at 7.00pm on Tuesday, 27 May 2014.	Actions required of Westfield Group Securityholders, Appendix 1 and Appendix 2
Is the Lowy family eligible to vote on the Proposal?	Yes, the Lowy family is eligible to vote on the Proposal and have indicated that they will be voting in favour of the Proposal.	Chairman's Letter

SECTION 1

QUESTIONS AND ANSWERS

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Questions	Answer	Where to find more information
Voting on the Proposal continued		
When are the Meetings?	The Scheme Meeting will be held on Thursday, 29 May 2014 commencing at 10.00am (Sydney time) (or as soon thereafter as the AGM has concluded). The General Meetings will be held on Thursday, 29 May 2014 commencing at 10.30am (Sydney time) (or as soon thereafter as the Scheme Meeting has concluded). The Meetings will be held at: Grand Ballroom, Sofitel Sydney Wentworth 61-101 Phillip Street Sydney NSW 2000	Actions required of Westfield Group Securityholders, Appendix 1 and Appendix 2
How do I vote?	Securityholders who are entitled to vote may do so by: – attending the Meetings in person; or – by lodging your blue Scheme Meeting Proxy Form and green General Meetings Proxy Form online via www.westfieldgroup.com; – by returning your Proxy Forms in accordance with the instructions in the notices of meeting set out in Appendices 1 and 2. To vote by proxy, your blue Scheme Meeting Proxy Form must be completed and received by the Registry no later than 10.00am on Tuesday, 27 May 2014 and your green General Meetings Proxy Form must be completed and received by the Registry no later than 10.30am on Tuesday, 27 May 2014.	Actions required of Westfield Group Securityholders, Appendix 1 and Appendix 2
What if I do not vote or if I vote against the Proposal?	If all of the Resolutions are approved by Westfield Group Securityholders, the Westfield Retail Trust Resolutions are approved by Westfield Retail Trust Securityholders and all other conditions to the Proposal (including Court approval) are either satisfied or waived, then the Proposal will proceed and become binding on all Westfield Group Securityholders (even if you do not vote, or you vote against the Proposal). If you are eligible and choose to participate in the Proposal, your existing Westfield Group Securities will be exchanged for Scentre Group Securities and Westfield Corporation Securities. If you are not eligible to participate in the Proposal because you are an Ineligible Foreign Securityholder, your existing Westfield Group Securities will be exchanged for cash through the Sale Facility. Alternatively, you may choose to sell your Westfield Group Securities prior to the Effective Date.	Sections 2.3 and 2.4 and Actions required of Westfield Group Securityholders
When will the result of the Meetings be known?	The results of each Meeting will be available shortly after the conclusion of all Meetings on Thursday, 29 May 2014 and will be announced to ASX as soon as practicable. Even if the Proposal is approved at the Meetings, the Proposal will be subject to a number of conditions including approval of the Scheme by the Court (the Second Court Hearing is currently anticipated to be on Friday, 13 June 2014).	Section 15.2 and Appendix 1 and 2
What if I want to oppose the Proposal?	You may: 1 attend the Meetings in person or by proxy and vote against the Resolutions; or 2 attend the Second Court Hearing to oppose the Court exercising its discretion to grant orders approving the Scheme. The Second Court Hearing is presently scheduled for 13 June 2014 and you should file and serve a notice of appearance in Supreme Court of New South Wales Proceedings Number 2014/94612 together with any affidavit on which you wish to rely at the hearing, at least one day before the hearing. The address for service is that of Westfield Group's Australian legal adviser set out in the Corporate Directory (attention: Mr Alexander Morris).	

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Questions	Answer	Where to find more information
Australian taxation implications		
What are the Australian tax implications of the Proposal for Eligible Securityholders?	The Australian tax implications of the Proposal for Eligible Securityholders are described in section 12. Westfield Group expects to receive a draft class ruling from the Australian Taxation Office (**ATO**) as described in section 12. In general terms, if you are an Eligible Securityholder and hold your Westfield Group Securities on capital account, you will be able to choose capital gains tax (**CGT**) roll-over relief in respect of the Proposal with the result that you will have either no, or no material, Australian tax to pay in respect of the implementation of the Proposal. You will, in general terms, be required to apportion the cost base that you have in your Westfield Holdings Shares and Westfield Trust Units just before the Proposal is implemented between the different securities you will have in Scentre Group and Westfield Corporation after the Proposal is implemented. Guidance as to how to perform the required cost base allocations is set out in section 12 and worked examples will be posted on the Scentre Group and Westfield Corporation websites. The ATO is also expected to publish various Fact Sheets in respect of the Proposal to assist you in completing your tax return. If you have a nil cost base in your Westfield Trust Units at the time the Proposal is implemented, you will realise a nominal capital gain in respect of the Stapling Distribution. Section 12 also sets out a general description of the Australian tax consequences of holding your Scentre Group Securities and Westfield Corporation Securities.	Section 12
Do I have to provide my Tax File Number (**TFN**) to participate in the Proposal?	No. However, if you are an Australian resident, tax may be deducted from distributions that are paid to you. The Westfield Group proposes to provide the TFN information that it has to Westfield Corporation Limited, WFD Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2. However, you may request that Westfield Group not provide these details to Westfield Corporation Limited, WFD Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2.	Section 12
Further questions		
What is the dispute resolution procedure to deal with complaints?	Westfield America Management as responsible entity of WFD Trust and Westfield America Trust will provide a complaints handling and dispute resolution procedure in accordance with the Corporations Act and the constitutions of Westfield Corporation. Westfield Management as responsible entity of Westfield Trust, RE1 as responsible entity of Westfield Retail Trust 1 and RE2 as responsible entity of Westfield Retail Trust 2, will provide a complaints handling and dispute resolution procedure in accordance with the Corporations Act and the constitutions of Scentre Group.	Section 16.30
Who can I contact if I have further questions in relation to this Securityholder Booklet or the Proposal?	Call the Westfield Securityholder Information Line on 1800 674 015 (within Australia) or on +61 3 9415 4121 (from outside Australia) between 8.30am to 5.00pm (Sydney time) Monday to Friday until Thursday, 31 July 2014.	
What should I do now?	Read this Securityholder Booklet in full before making any decision in relation to the Proposal. If necessary seek professional financial, legal and/or taxation advice as this Securityholder Booklet does not take into account the financial situation, investment objectives and particular needs of any Westfield Group Securityholder. Determine how you wish to vote on the Proposal. Vote at the Meetings.	Actions required of Westfield Group Securityholders

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SECTION 2
DESCRIPTION OF THE PROPOSAL

Unless otherwise specified, the financial information and operating statistics referred to in this section are on a pro forma basis as at 31 December 2013 or for the financial year ended 31 December 2013, as the context requires.

2.1 Overview

Westfield Group is proposing a transaction which involves:

- separating its Australian and New Zealand business, including its retail property operating platform, from the international business of Westfield Group; and
- merging Westfield Group's Australian and New Zealand business with Westfield Retail Trust.

The proposal will create two new listed retail property groups, Scentre Group and Westfield Corporation (**Proposal**).

(a) Scentre Group

Scentre Group will be an industry leading internally managed[25] retail property group focused on investing and operating retail property in Australia and New Zealand. It will have the largest and most productive shopping centre portfolio in Australia and New Zealand with the highest annual specialty sales per square metre, a key measure of sales productivity.

Scentre Group will own a vertically integrated[26] Australian and New Zealand retail property operating platform with capabilities including property management, leasing, design, development, construction, marketing and funds management. The operating platform will include the existing highly experienced Australian and New Zealand management team of Westfield Group. Scentre Group will have an exclusive royalty free licence to use the Westfield brand in Australia and New Zealand.

Scentre Group's high quality property portfolio will comprise interests in 47 shopping centres in Australia and New Zealand, operating under the Westfield brand, with total assets of $29.3 billion and assets under management of $38.6 billion. The portfolio generates annual retail sales of $22 billion, with approximately 12,500 retailers and 555 million customer visits annually. Scentre Group's shopping centre portfolio will include 14 of the top 20 shopping centres in Australia, measured by annual sales, including Westfield Sydney, Bondi Junction, Doncaster, Chermside and Carindale. Scentre Group's portfolio will include 26 wholly owned shopping centres in Australia and New Zealand valued at $18.9 billion.

Scentre Group will have $4.9 billion of current and future development projects (Scentre Group share: $2.6 billion), representing 13% of assets under management. $1.9 billion of these projects are currently under construction, including Miranda in Sydney and Mt Gravatt in Brisbane, with further major development opportunities in Sydney, Brisbane and Adelaide.

Scentre Group will have a strategy of owning, developing and operating major shopping centres in Australia and New Zealand with a focus on maximising income and capital growth through intensive management, value enhancing development and potential acquisitions.

Scentre Group is expected to be a top 20 ASX listed group based on market capitalisation and the largest ASX listed REIT.

The stapled entities of Scentre Group will comprise Westfield Holdings, Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2, to be renamed Scentre Group Limited, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 respectively.[27]

25 This term is defined in the Glossary.
26 This term is defined in the Glossary.
27 For simplicity, other than in sections 4 and 7, this Securityholder Booklet refers to the existing names of these entities.

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(b) Westfield Corporation

Westfield Corporation will be a pre-eminent internally managed and vertically integrated international retail property group with an initial focus on the US, the UK and Europe. Westfield Corporation will pursue a strategy of owning, developing and operating world class retail destinations[28] in major world cities by integrating food, fashion, leisure and entertainment and using technology to better connect retailers with consumers.

Westfield Corporation's portfolio will comprise 43 shopping centres with approximately 425 million customer visits annually and US$17 billion in annual retail sales. Westfield Corporation will have total assets of US$18.4 billion and assets under management of US$28.6 billion on implementation of the Proposal.[29] Westfield Corporation's portfolio will include world class retail destinations such as Westfield London and Stratford City, widely recognised as two of the premium shopping centres in UK / Europe, and Century City, Garden State Plaza, Old Orchard, San Francisco, Topanga, UTC, Valley Fair and Westfield World Trade Center in the US.

Westfield Corporation's world class, industry leading retail property operating platform will have capabilities in property management, leasing, design, development, construction, marketing, digital and funds management. The operating platform will include the existing highly experienced international management team of Westfield Group.

Westfield Corporation will have US$11.8 billion of current and future projects (Westfield Corporation share: US$6.0 billion), representing 41% of assets under management. US$2.8 billion of these projects are currently under construction with future opportunities including flagship developments at Westfield London and Croydon in the UK, Milan in Italy and Century City and Valley Fair in the US.

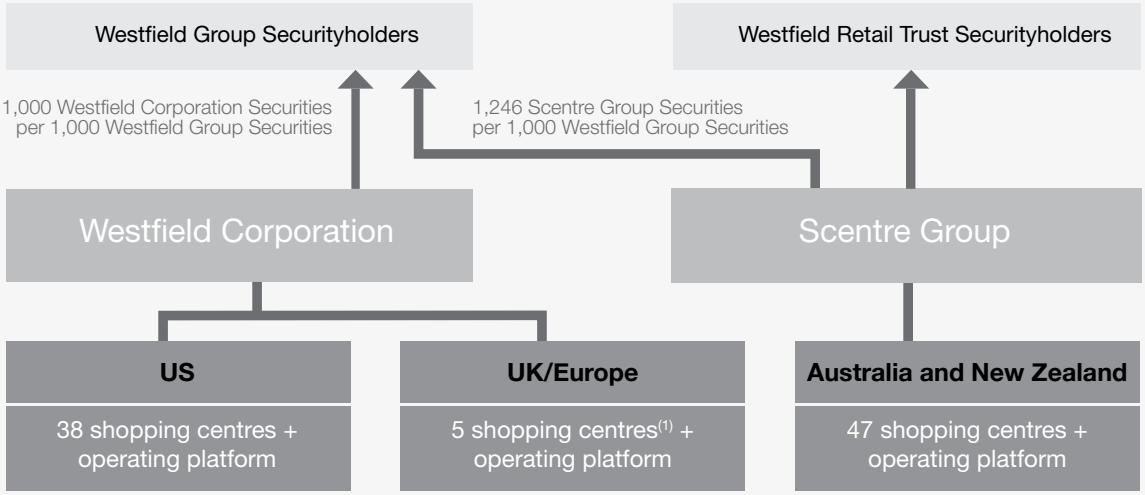
The successful execution by Westfield Corporation of its extensive development pipeline is expected to result in significant value enhancement for Westfield Corporation Securityholders, particularly given the lower amount of invested capital of Westfield Corporation when compared with Westfield Group.

Westfield Corporation will continue the current strategy of Westfield Group but focused on international markets. It will continue to own, develop and operate world class retail destinations in major world cities with a focus on enhancing returns and long term growth through intensive management, value enhancing development, potential acquisitions and redeployment of capital to higher return opportunities.

Westfield Corporation is expected to be a top 25 ASX listed group based on market capitalisation and one of the largest listed global retail REITs. Following implementation of the Proposal, Westfield Corporation intends to investigate the appropriate location for its longer term listing.

The stapled entities of Westfield Corporation will comprise Westfield America Trust, a newly established company, Westfield Corporation Limited and a new trust, WFD Trust.

After the Proposal is implemented, Eligible Securityholders will hold 1,246 Scentre Group Securities and 1,000 Westfield Corporation Securities for every 1,000 Westfield Group Securities held. This will result in existing Westfield Retail Trust Securityholders holding 51.4% of Scentre Group and existing Westfield Group Securityholders holding 48.6% of Scentre Group. Westfield Group Securityholders will hold 100% of Westfield Corporation.



(1) If the divestment of the Merry Hill, Derby and Sprucefield shopping centres in the UK which was announced on 20 March 2014 completes, this number will reduce to two. See sections 7.7, 8.2 and 8.9 for further details of the proposed divestments and their financial impact.

28 This term is defined in the Glossary.

29 On 20 March 2014 Westfield Group announced that it had entered into a conditional agreement to divest its interests in three UK shopping centres. See sections 7.7, 8.2 and 8.9 for further details of the proposed divestments.

SECTION 2

DESCRIPTION OF THE PROPOSAL

If the Proposal is approved, it is expected to be implemented on or about 30 June 2014. Scentre Group will trade on ASX under the ticker "SCG", and Westfield Corporation will trade on ASX under the ticker "WFD".

2.2 Background and rationale

Throughout its history, Westfield has adapted and evolved its structure in order to be better positioned for growth and to deliver greater value over the long term for securityholders. Westfield has continually explored options to ensure securityholders benefit to the greatest extent possible from the high quality assets and management capabilities of the Westfield group. This began with the original float of Westfield Development Corporation Limited in 1960, and continued with the establishment of Westfield Property Trust in 1979 (relaunched as Westfield Trust in 1982) and Westfield America Trust in 1996.

Westfield Group, formed by the merger in 2004 of Westfield Holdings, Westfield Trust and Westfield America Trust, combined the financial strengths and capabilities of those entities into a single group. This created the scale and capital base with which to pursue major acquisition opportunities globally at that time, and assisted in the funding of Westfield Group's major development opportunities.

Since 2004, Westfield Group has acquired interests in $10 billion worth of assets in Australia, the US and UK / Europe (Westfield Group share: $7 billion), and developed more than $15 billion of assets, including world class retail destinations such as Westfield London and Stratford City in the UK, Century City, Garden State Plaza and San Francisco in the US, and Westfield Sydney, Bondi Junction, Chermside and Carindale in Australia.

Beginning in late 2010, through the establishment of Westfield Retail Trust as a separately listed group to co-own Westfield Group's Australian and New Zealand property portfolio, Westfield Group focused on decreasing its total invested capital, increasing assets under management and increasing return on equity. During this period, Westfield Group has divested $5 billion of assets (Westfield Group share: $4 billion) in Australia and New Zealand, the US and UK, has joint ventured $9 billion of assets (Westfield Group share: $4 billion), and has returned $2.4 billion to Westfield Group Securityholders while completing $5 billion of developments and $2 billion of acquisitions (Westfield Group share: $500 million).

As a result, since 2010, the invested capital of Westfield Group has reduced by $13.4 billion from $47.4 billion (prior to the creation of Westfield Retail Trust) to $34.0 billion, assets under management have increased to $70 billion and return on contributed equity has increased from less than 9% to 11.8%.

Westfield Group's global portfolio and operating platform has grown substantially creating scale and a franchise for Westfield Group's international business and further strengthening its Australian and New Zealand business. The successful strategic repositioning of Westfield Group's portfolio has significantly improved the quality of the portfolio which now has market leading portfolios in Australia, New Zealand, the US and UK. Westfield Group is currently in a strong position in each of the markets in which it operates.

In light of Westfield Group's evolution, the Westfield Group Board considers that Westfield Group's international business and its Australian and New Zealand business both have the scale, quality and management platform to operate as separately listed, independent and internally managed groups.

As a result, Westfield Group Board proposes splitting the Westfield Group into two distinct groups:

- an Australian and New Zealand focused group uncomplicated by foreign market and currency risks; and
- a group focused on international markets and opportunities.

A restructure of Westfield Group by separating its Australian and New Zealand business, without a subsequent merger with Westfield Retail Trust, would result in two publicly traded vehicles representing the same portfolio of assets in Australia and New Zealand. The Westfield Group Directors believe merging Westfield Group's Australian and New Zealand business with Westfield Retail Trust to create one publicly traded group is preferable for both Westfield Group Securityholders and Westfield Retail Trust Securityholders.

The Westfield Group Board believes that the formation of Scentre Group and Westfield Corporation under the Proposal will allow the boards and management teams of each group to focus on growth opportunities, and pursue independent operating and capital strategies appropriate to the markets in which they operate. Westfield Corporation will continue the successful strategic repositioning of its portfolio focusing on world class retail destinations in major world cities. Scentre Group will continue to focus on strengthening its leading market position in Australia and New Zealand.

The new structure provides a clearer investment proposition, enabling investors to determine the level of their investment in Westfield Group's international business and Australian and New Zealand business and better manage the currency exposure associated with their investment.

Accordingly, the Proposal is expected, over time, to create greater value for Westfield Group Securityholders than the current structure.

The advantages, disadvantages and risks of the Proposal for Westfield Group Securityholders are explained in section 3.

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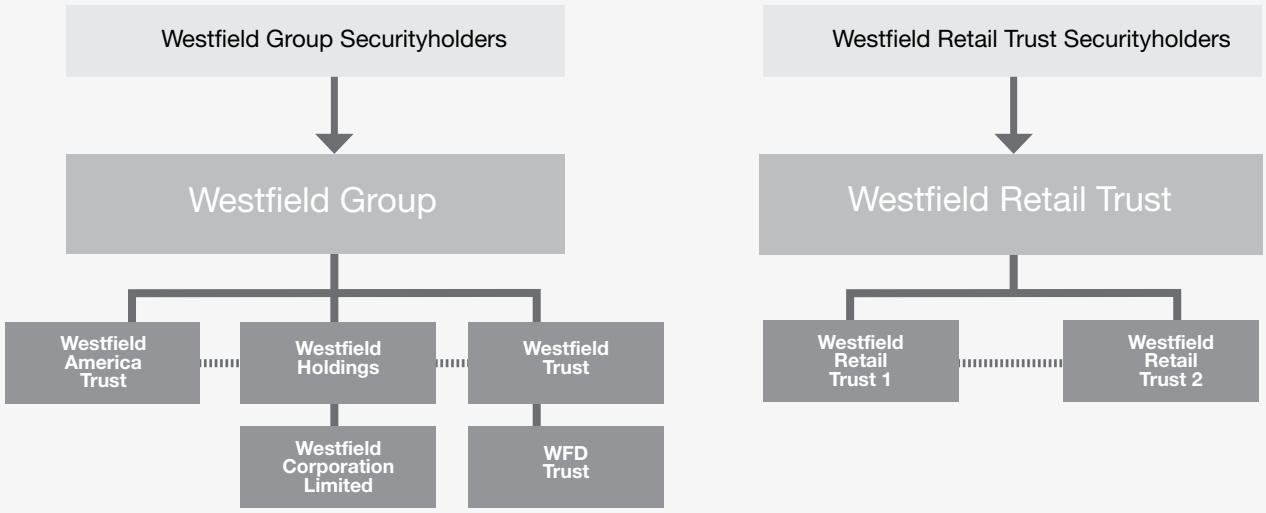
2.3 Steps to implement the Proposal

The Proposal will be implemented in accordance with the steps below.

The current structure of Westfield Group and Westfield Retail Trust is set out in simplified form in the chart below:

Chart 2.3.1: Simplified existing structure



Note: Dotted lines indicate Stapling of securities.

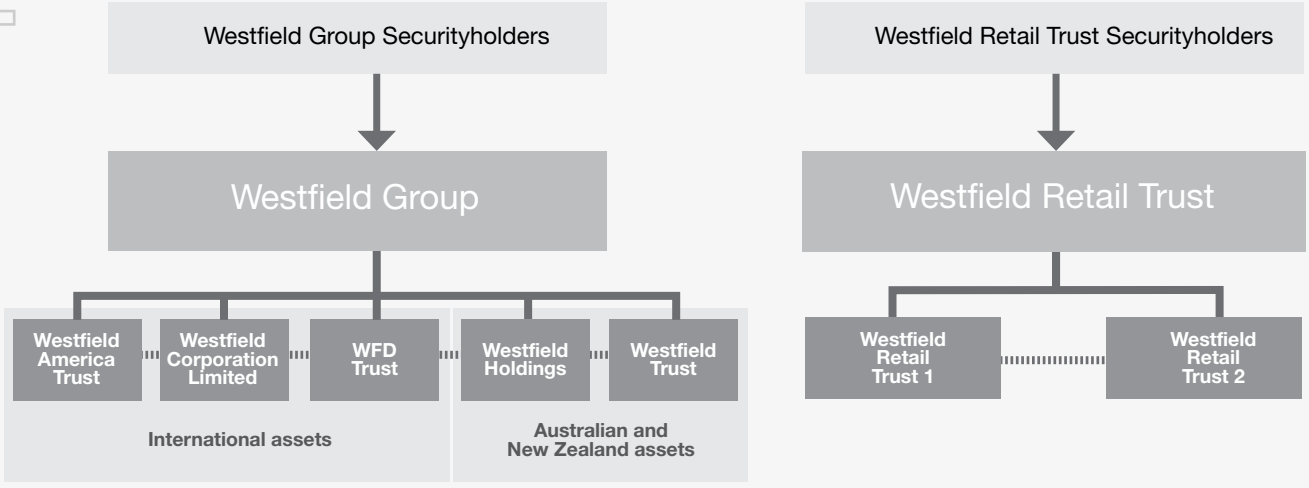
Westfield Group has established two new entities, Westfield Corporation Limited and WFD Trust, to hold those parts of Westfield Group's international business which are currently held by Westfield Holdings and Westfield Trust. Westfield Corporation Limited and WFD Trust are currently wholly owned by Westfield Holdings and Westfield Trust respectively.

Prior to the implementation of the Proposal, Westfield Holdings' current interest in the international business will be transferred to Westfield Corporation Limited. On the Implementation Date, Westfield Corporation Limited Shares will be distributed to Westfield Group Securityholders by way of a return of capital. Similarly, Westfield Trust will distribute WFD Trust Units to Westfield Group Securityholders.

Westfield Corporation Limited Shares and WFD Trust Units will then be stapled to Westfield Group Securities and Westfield Trust's current interest in the international business will be transferred to WFD Trust.

At the completion of the Westfield Group restructure, Westfield Group will briefly consist of five stapled entities with Westfield Group's international business being held by Westfield America Trust, Westfield Corporation Limited and WFD Trust and Westfield Group's Australian and New Zealand business held by Westfield Holdings and Westfield Trust.

Chart 2.3.2: Simplified structure after Westfield Group's restructure



Note: Dotted lines indicate Stapling of securities.

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Following the restructure and on the same Implementation Date, Westfield Holdings Shares and Westfield Trust Units will be destapled from Westfield Group. Each Westfield Holdings Share and each Westfield Trust Unit will be converted to 1.246 Westfield Holdings Shares and 1.246 Westfield Trust Units, with each holding being rounded up to the nearest whole number.

Each Eligible Securityholder will then receive one Westfield Retail Trust Security for each Westfield Trust Unit held following the conversion and the Westfield Retail Trust Securities will be stapled to the Westfield Trust Units and Westfield Holdings Shares. As a result, each Eligible Securityholder will hold 1,246 Scentre Group Stapled Securities for every 1,000 Westfield Group Securities they hold on the Record Date.

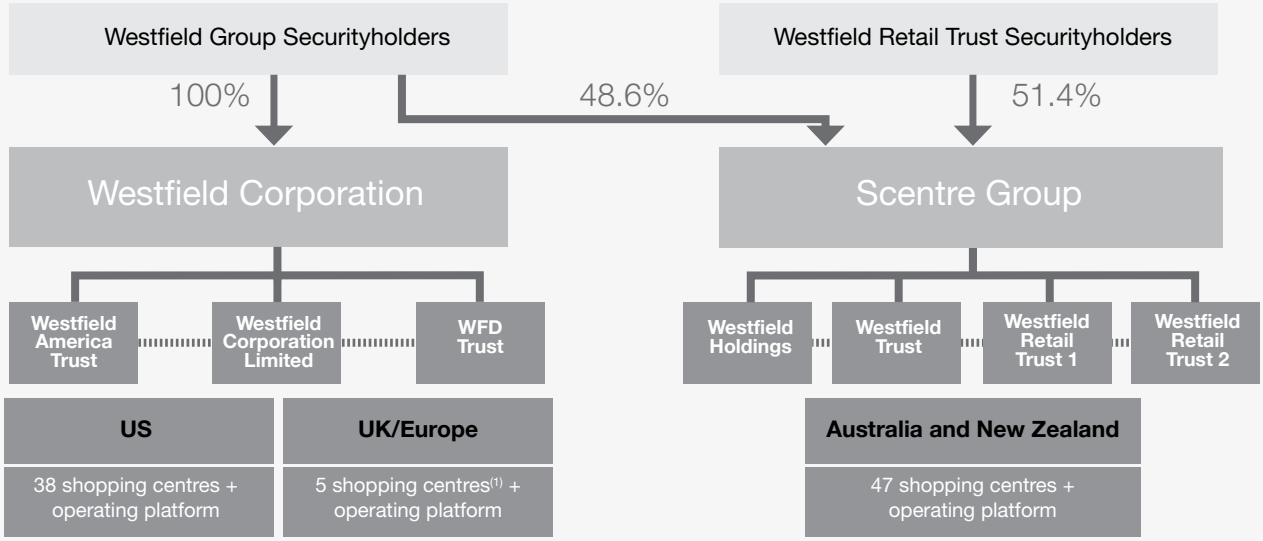
The Westfield Retail Trust Securities are made available to each Eligible Securityholder through participation in a Stapling Distribution from Westfield Trust which is applied to subscribe for Westfield Retail Trust 1 Units and Westfield Retail Trust 2 Units. The Australian tax consequences of the Stapling Distribution are described in section 12.

As a result, on implementation of the Proposal, Scentre Group will be held by Westfield Group Securityholders and Westfield Retail Trust Securityholders in accordance with the Merger Ratio of 48.6% to 51.4%. Westfield Corporation will be held 100% by Westfield Group Securityholders on the Record Date.

Scentre Group will be a Stapled group comprising Westfield Holdings, Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2. Westfield Corporation will be a Stapled group comprising Westfield America Trust, Westfield Corporation Limited and WFD Trust.

The proposed structure following implementation of the Proposal is set out in simplified form in the chart below.

Chart 2.3.3: Simplified post implementation structure



(1) If the divestment of the Merry Hill, Derby and Sprucefield shopping centres in the UK which was announced on 20 March 2014 completes, this number will reduce to two. See sections 7.7, 8.2 and 8.9 for further details of the proposed divestments and their financial impact.

Note: Dotted lines indicate Stapling of securities.

As an illustration, if you hold 700 Westfield Group Securities on the Record Date, after the Implementation Date you will hold:

- *873 Scentre Group Securities: comprising 873 Westfield Holdings Shares, 873 Westfield Trust Units, 873 Westfield Retail Trust 1 Units and 873 Westfield Retail Trust 2 Units.*

  This results from each of your Westfield Holdings Shares and Westfield Trust Units being converted into 1.246 Westfield Holdings Shares and Westfield Trust Units (700 x 1.246 = 873) and the Stapling Distribution from Westfield Trust being applied to subscribe for 873 Westfield Retail Trust 1 Units and 873 Westfield Retail Trust 2 Units.[30]
- *700 Westfield Corporation Securities.*

  Westfield Group Securityholders will hold one Westfield Corporation Security for each Westfield Group Security.

30 Subject to rounding described in section 15.4.

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2.4 Conditions precedent to the Proposal

The implementation of the Proposal is subject to the following conditions precedent:

	Condition precedent	Status
1	**Regulatory:** ASIC, ASX, the Foreign Investment Review Board and any other regulatory authority provide such consents or approvals, waivers or such other acts which the parties agree are reasonably necessary or desirable to effect the Proposal.	ASIC has agreed to grant the relief necessary to implement the Proposal. ASX has agreed to grant the waivers and confirmations necessary to implement the Proposal. The Foreign Investment Review Board has approved the transfer of assets from Westfield Holdings and Westfield Trust to Westfield Corporation Limited and WFD Trust.
2	**Court approval:** The Court convenes the Scheme Meeting at the First Court Hearing, and makes orders pursuant to sections 411(4)(b) and 411(6) of the Corporations Act approving the Scheme at the Second Court Hearing.	On Friday, 11 April 2014, the Court made an order to convene the Scheme Meeting. Court approval of the Scheme will be sought on or about Friday, 13 June 2014.
3	**Judicial advice:** Judicial advice in respect of Westfield Management and Westfield America Management described in section 15.2 is obtained, and similar judicial advice is obtained from the Court by RE1 and RE2.	On Friday, 11 April 2014, the Court confirmed that Westfield Management, Westfield America Management, RE1 and RE2 are justified in convening the Meetings and the Westfield Retail Trust General Meetings. If the Resolutions and Westfield Retail Trust Resolutions are approved, the remaining judicial advice will be sought at the Second Court Hearing (expected to be Friday, 13 June 2014).
4	**Restraints:** No regulatory authority or judicial entity or authority has taken any action or made any preliminary or final order or decree (or has commenced to do so) which restrains or prohibits the implementation of the Proposal.	Westfield Group is not aware of any such restraints or prohibition.
5	**ASX Listing:** The parties to the Implementation Deed that are admitted to the Official List continue to be so admitted.	Satisfied as at the date of this Securityholder Booklet.
6	**Tax:** Westfield Group and Westfield Retail Trust have received from the ATO, and the ATO has not withdrawn or threatened to withdraw, the taxation rulings (including drafts) in relation to the Proposal.	Westfield Group and Westfield Retail Trust expect to receive draft class rulings and private binding rulings from the ATO as described in section 12.
7	**Financing:** Westfield Group, Scentre Group and Westfield Corporation satisfy the conditions precedent to the financing facilities described in section 2.6.	Westfield Group, Scentre Group and Westfield Corporation have entered into bridging and other financing facilities as at the date of this Securityholder Booklet. The conditions precedent to these facilities, which include Securityholders and the Court approving the Proposal have not yet been met. Subject to Securityholders and the Court approving the Proposal, Westfield Group is not aware of any reason why these conditions precedent will not be met.
8	**Independent experts:** The independent expert appointed by Westfield Group opines and does not revoke its opinion that the Proposal is in the best interests of Westfield Group Securityholders and the independent expert appointed by Westfield Retail Trust opines and does not revoke its opinion that the Proposal is in the best interests of Westfield Retail Trust Securityholders.	Satisfied as at the date of this Securityholder Booklet.
9	**Restructure:** No person exercises (or purports to or indicates that they intend to exercise) any rights as a result of implementation of the Proposal or associated implementation arrangements which has or where the relevant event is likely to have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses or prospects of Westfield Group or Westfield Retail Trust, or following implementation of the Proposal, Scentre Group or Westfield Corporation.	Westfield Group is not aware of any such exercise of rights.

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	Condition precedent	Status
10	**Securityholders approval:** The Westfield Group Securityholders approve each of the Resolutions to be considered at the Scheme Meeting and General Meetings, and the Westfield Retail Trust Securityholders approve each of the Westfield Retail Trust Resolutions at the Westfield Retail Trust General Meetings, by their requisite majorities.	The Scheme Meeting is to be held on Thursday, 29 May 2014, commencing at 10.00am (Sydney time) (or as soon thereafter as the AGM has concluded). The General Meetings are to be held on Thursday, 29 May 2014, commencing at 10.30am (Sydney time) (or as soon thereafter as the Scheme Meeting has concluded). The Meetings will be held at Grand Ballroom, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000. The Westfield Retail Trust General Meetings are to be held on Thursday, 29 May, commencing at 2.00pm at Grand Ballroom, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000.
11	**Constitution amendments:** Amendment of the Westfield Trust, Westfield Holdings, Westfield America Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 constitutions on terms contemplated by the Constitution Amendment Resolutions and the Westfield Retail Trust Resolutions (as applicable), including required lodgement with ASIC.	If the Resolutions are approved by the Westfield Group Securityholders and Westfield Retail Trust Resolutions are approved by the Westfield Retail Trust Securityholders, the constitution amendments for Westfield Trust, Westfield America Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 will be lodged with ASIC immediately after the Scheme becomes effective.
12	**Transaction documents:** Entry into the Trade Mark Licence Agreement, Transitional Services Agreement, Implementation Deeds Poll and LABS Agreement.	The Trade Mark Licence Agreement, Transitional Services Agreement, Implementation Deeds Poll and LABS Agreement have been entered into.

Some of the conditions may not be satisfied even if the Resolutions are approved by the requisite majority of Westfield Group Securityholders and the Westfield Retail Trust Resolutions are approved by the requisite majority of Westfield Retail Trust Securityholders. For example, the Court may refuse to grant the order and judicial advice referred to in 2 and 3 above.

Further detail on the Court and Securityholder approvals is set out in section 15.

2.5 Background to the Merger Ratio

Overview

The Merger Ratio determines what proportion of Scentre Group Securities will be received by Westfield Group Securityholders and Westfield Retail Trust Securityholders, following implementation of the Proposal.

The Merger Ratio was agreed based on the relative pro forma forecast FY14 FFO contribution from each of Westfield Group's Australian and New Zealand business and Westfield Retail Trust to Scentre Group:

- Westfield Group's Australian and New Zealand business will contribute forecast FY14 FFO of $542 million representing 48.6% of the total contributed FY14 FFO; and
- Westfield Retail Trust will contribute forecast FY14 FFO of $574 million representing 51.4% of the total contributed FY14 FFO.

As a consequence of the Merger Ratio:

- for every 1,000 Westfield Group Securities held as at the Record Date each Westfield Group Securityholder will receive 1,246 Scentre Group Securities; and
- for every 1,000 Westfield Retail Trust Securities held as at the Record Date each Westfield Retail Trust Securityholder will receive 918 Scentre Group Securities and will receive a payment of $285.30. The cash payment will be effected through an $850 million pro rata capital return by Westfield Retail Trust 1 of $0.2853 per Westfield Retail Trust 1 Unit.

  The Merger Ratio has been calculated on the basis that the cash payment is made exclusively by Westfield Retail Trust to Westfield Retail Trust Securityholders immediately prior to the merger.

  The level of the cash payment was determined by Westfield Retail Trust having regard for the capacity of Westfield Retail Trust to undertake a capital return, the relative ownership by Westfield Group Securityholders and Westfield Retail Trust Securityholders in Scentre Group, the appropriate capital structure for Scentre Group on establishment and the impact on Scentre Group's pro forma FY14 FFO.

Westfield Group Securityholders will also hold one Westfield Corporation Security for each Westfield Group Security held as at the Record Date.

The pro forma forecast FY14 FFO for Westfield Group's Australian and New Zealand business and Westfield Retail Trust, which are the basis for their FFO contribution to Scentre Group, are set out in Table 2.5.1 below.

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The key financial assumptions relating to the pro forma forecast FY14 FFO for Westfield Group's Australian and New Zealand business and Westfield Retail Trust are discussed in section 5.8.

The Independent Expert, Grant Samuel & Associates Pty Limited, has concluded that the Proposal is in the best interests of Westfield Group Securityholders, in the absence of a superior proposal. In addition, the independent expert for Westfield Retail Trust, KPMG Financial Advisory Services (Australia) Pty Limited, has similarly concluded that in the absence of a superior proposal, the Proposal is in the best interests of Westfield Retail Trust Securityholders.

FY14 FFO as the basis for the Merger Ratio

The Westfield Group Board believes that the most appropriate basis on which to determine the Merger Ratio is the relative FFO contribution from each of Westfield Group's Australian and New Zealand business and Westfield Retail Trust to Scentre Group for the following reasons:

- FFO is an internationally recognised and accepted measure of profitability used by the real estate industry. It is considered to be the most appropriate earnings based measure for valuation purposes;
- FFO is the primary earnings metric published by Westfield Group and Westfield Retail Trust and is an important measure of profitability for both groups. FFO is used extensively in Westfield Group's and Westfield Retail Trust's budgeting and forecasting and is referred to widely by equity research analysts;
- FFO is an earnings measure which attributes value to income and expenses generated by Westfield Group's Australian and New Zealand operating platform, including additional property net operating income earned on internally managed assets, property management income from joint venture partners, funds management, project income and overheads; and
- a merger ratio based solely on balance sheet metrics, such as NTA, would not reflect the full economic value or income of Westfield Group's Australian and New Zealand business relative to Westfield Retail Trust in the formation of Scentre Group. As discussed below, the balance sheet of Westfield Group's Australian and New Zealand business does not include any value for its property management and development platform.

Using FFO as a basis for the Merger Ratio attributes value to income streams from Westfield Group's Australian and New Zealand business and Westfield Retail Trust in the same way. Substantially all of the income for Scentre Group comprises property net operating income from an almost identically co-owned portfolio of assets and associated property management income, which Westfield Group believes has similar characteristics to property net operating income.

Forecast FFO for FY14 (as adjusted as set out below) has been used as the basis for determining the Merger Ratio as the FY14 pro forma forecast of FFO, as distinct from FFO in any other period, is considered to be an appropriate reflection of the relative economic contribution by Westfield Group's Australian and New Zealand business and Westfield Retail Trust in the establishment of Scentre Group.

Westfield Group's Australian and New Zealand business' historic FFO were not considered to be an appropriate measure for this purpose because it is not possible to retrospectively allocate the capital and debt structures of the Australian and New Zealand business and the international business for historic periods and achieve a meaningful outcome. In addition, there has been significant change in the capital and debt structure of Westfield Group in the historical period including the impact of significant asset sales and the buy back of securities.

The Pro Forma Historical Income Statements for Scentre Group in section 5 presents Pro Forma Historical FFO before any allocation of interest and taxes (see section 5.2(a)).

Whilst forecast FFO for FY14 was chosen as the basis for the Merger Ratio, regard was also had to the relative value attributed to securityholders of both Westfield Group and Westfield Retail Trust by the stock market over time.

The Proposal was not viewed by either Westfield Group or Westfield Retail Trust as an acquisition or takeover and therefore is not being effected at either a premium or discount for control.

The Westfield Group Board believes the relative valuation placed on Westfield Group's Australian and New Zealand business and Westfield Retail Trust under the Merger Ratio appropriately reflects their economic contribution to the new Scentre Group.

Merger Ratio calculation

Table 2.5.1 provides a summary of pro forma forecast FY14 FFO for Westfield Group's Australian and New Zealand business and Westfield Retail Trust for purposes of calculating the Merger Ratio.

The pro forma forecast FY14 FFO for Westfield Group's Australian and New Zealand business includes the following items:

- property net operating income of $938 million comprising $892 million of property net operating income from the identically co-owned portfolio (including $55 million of internal property management fees) and $46 million property net operating income from Carindale and the additional ownership interest in Tea Tree Plaza;
- property management income of $107 million comprising $55 million in property management income from Westfield Retail Trust and $52 million of property management income from third parties. For the purposes of the Merger Ratio, property management income excludes $4 million in asset management fees relating to the Property Linked Notes; and
- $92 million project income comprising $77 million from third parties and $15 million from Westfield Retail Trust.

SECTION 2

DESCRIPTION OF THE PROPOSAL

The pro forma forecast FFO for Westfield Retail Trust includes the following items:

- $837 million in property net operating income comprising $892 million in property net operating income before management fees, less $55 million in property management fees paid to Westfield Group's Australian and New Zealand business.

The pro forma forecast FFO contribution of each group to the Merger Ratio has been adjusted for the following items:

- for Westfield Group's Australian and New Zealand business to exclude:
  - $47 million of project profits from Westfield Retail Trust and third parties relating to project profits not yet recognised on completed projects, including Westfield Sydney and Fountain Gate, and scope changes on third party projects; and
  - $4 million in asset management fee income relating to the Property Linked Notes.

  This additional income above was excluded from the Merger Ratio, as a result of negotiations with Westfield Retail Trust.
- for Westfield Retail Trust to include the additional interest cost of $38 million associated with the $850 million pro rata capital return to Westfield Retail Trust Securityholders.

Table 2.5.1: Merger Ratio calculation

Pro forma ($m) (FY14)	Westfield Group's Australian and New Zealand business	Westfield Retail Trust[1]	Total
Property net operating income	938	837	
Property management income	107	–	
Project income	92[2]	–	
Overheads	(74)	(33)	
Currency derivatives	–	(1)	
EBIT	**1,063**	**804**	
Interest	(430)[3]	(212)[3]	
Tax	(80)	(18)	
Minorities	(12)[4]	–	
FFO	**542**	**574**	**1,115[6]**
Scentre Group ownership proportion (Merger Ratio)	**48.6%**	**51.4%**	
Securities on issue (pre conversion)	2,072	2,979	
Conversion ratio	1.246x	0.918x[5]	
Securities on issue (post conversion)	2,582	2,734	5,311[7]
% of securities on issue (Merger Ratio)	**48.6%**	**51.4%**	

(1) Westfield Retail Trust forecast FY14 FFO is post the additional interest cost relating to the $850 million pro rata capital return.
(2) Excludes $47 million of project income relating to completed projects including Westfield Sydney and Fountain Gate and scope changes on third party projects.
(3) Interest expense for Westfield Group's Australian and New Zealand business based on a hedging profile consistent with that for Westfield Retail Trust and A$ and NZ$ yield curves at announcement of the Proposal and includes coupon payable on Property Linked Notes of $84 million. Interest expense for Westfield Retail Trust based on existing hedging profile and A$ and NZ$ yield curves at announcement of the Proposal.
(4) Relates to the net income attributable to minority interests in Carindale Property Trust.
(5) Westfield Retail Trust Securityholders will also receive 28.53c per Westfield Retail Trust Security held as at the Record Date.
(6) Pre adjustments as detailed on Table 2.5.2 showing Scentre Group's Pro Forma Forecast FFO for FY14.
(7) Net of 5.9 million securities held by the Westfield Executive Share Option Plan Trust in Westfield Retail Trust.

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Scentre Group's FY14 Pro Forma Forecast FFO

Scentre Group's FY14 Pro Forma Forecast FFO reflects adjustments arising from the merger of Westfield Group's Australian and New Zealand business and Westfield Retail Trust (see Table 2.5.2 below), including:

- an increase in property net operating income by $55 million. Scentre Group will reclassify $55 million of external property management currently paid by Westfield Retail Trust to Westfield Group's Australian and New Zealand business to property net operating income;
- a reduction in property management income of $51 million comprising:
  - reallocation of $55 million in external property management income currently paid by Westfield Retail Trust from property management income to property net operating income as described above; and
  - the inclusion of $4 million in asset management fees relating to the Property Linked Notes. This income was excluded from Westfield Group's Australian and New Zealand business's pro forma forecast FFO for the purposes of the Merger Ratio as calculated in Table 2.5.1.
- a reduction in project income of $15 million because project income paid by Westfield Retail Trust is no longer recognised in FFO. In Scentre Group, project income on internally owned assets is not recognised in FFO but will be recognised in earnings from property revaluations or development gains through reduced project costs under the Australian Equivalent of International Financial Reporting Standards (**A-IFRS**);
- $9 million in overhead synergies expected to be achieved by Scentre Group; and
- $19 million reduction in interest expense reflecting interest efficiencies and interest hedging in relation to the proposed refinancing, and the impact of mark to market of fixed rate debt.

The reclassification of $55 million of property management income to property net operating income does not impact Scentre Group's FFO because the increase in property net operating income is offset by a reduction in property management income.

Table 2.5.2: Scentre Group's FY14 Pro Forma Forecast FFO

Pro forma ($m) (FY14)	Westfield Group's Australian and New Zealand and Westfield Retail Trust	Adjustments	Scentre Group's Pro forma Forecast FFO
Property net operating income			
– Westfield Retail Trust	837	–	837
– Westfield Group	938	55	993
Property net operating income sub-total	**1,775**	**55**	**1,830**
Property management income	107	(51)	56
Project income	92	(15)	77
Overheads	(107)	9	(98)
Currency derivatives	(1)	–	(1)
EBIT	**1,866**	**(2)**	**1,864**
Interest	(641)	48	(594)
Tax	(98)	8	(90)
Minorities	(12)	–	(12)
FFO	**1,115**	**54**	**1,169**
Adjustment to exclude mark to market of Westfield Retail Trust fixed rate debt and derivatives[1]	_	(29)	(29)
Adjusted FFO	**1,115**	**25**	**1,140**
Securities (post)			*5,311*
Adjusted FFO per security (cents)			**21.5**

(1) Represents an estimate of the non-cash mark to market accounting adjustment to Westfield Retail Trust fixed rate debt and derivatives in accordance with acquisition accounting requirements.

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Westfield Group's Australian and New Zealand property management and development platform

As discussed above, a merger ratio based on balance sheet metrics would not reflect the full economic value or income of Westfield Group's Australian and New Zealand business relative to Westfield Retail Trust in the formation of Scentre Group.

Westfield Group's Australian and New Zealand business and Westfield Retail Trust identically co-own $27.3 billion of assets. Westfield Group's Australian and New Zealand business also owns a 25% indirect interest in Carindale and an additional 12.5% ownership interest in Tea Tree Plaza.

The property investments of Westfield Group's Australian and New Zealand business and Westfield Retail Trust are valued on the basis that property management fees are paid to an external manager.

However, Westfield Group's Australian and New Zealand business recognises additional property net operating income relative to Westfield Retail Trust and joint ventures parties, because as the property manager, Westfield Group's Australian and New Zealand business earns internal property management fees on its ownership interests which are recognised as property net operating income.

This additional property net operating income is not valued on the balance sheet of Westfield Group's Australian and New Zealand business.

In addition, substantial third party income from Westfield Group's Australian and New Zealand operating platform including property management income and project income, representing development, design and leasing fees, is not valued on Westfield Group's balance sheet.

As shown in Table 2.5.3 below, Westfield Group's Australian and New Zealand business operating platform is expected to generate $253 million in forecast FFO (pre-overheads) for FY14 and $268 million in forecast economic income (pre-overheads) for FY14.

This represents income attributable to the operating platform in excess of income recognised by a passive owner, such as Westfield Retail Trust. A passive owner would only recognise property net operating income net of property management fees payable to an external manager. The economic income (pre-overheads) of the platform comprises:

- $110 million of property management income representing $55 million of property management income earned by Westfield Group from Westfield Retail Trust and $56 million of third-party property management income;[31]
- $50 million of additional property net operating income relating to internal management fees on Westfield Group's economic interest in the identically co-owned portfolio, 25% indirect interest in Carindale and additional 12.5% ownership interest in Tea Tree Plaza.

  Certain Australian shopping centre interests in the identically co-owned portfolio are the subject of Property Linked Notes which provide a return based on the economic performance of the assets, resulting in Westfield Group's Australian and New Zealand's economic interest being less than its ownership interest.

  Westfield Group's Australian and New Zealand business recognises additional property net operating income earned from internal management fees based on its economic interest rather than its ownership interest;

  As a result, additional property net operating income of $50 million recognised by Westfield Group's Australian and New Zealand business is less than the $55 million of property management income earned from Westfield Retail Trust on the identically co-owned portfolio;[32]
- $92 million of project income from Westfield Retail Trust and other third parties; and
- $15 million of project income on Westfield Group's Australian and New Zealand business' owned assets.

Table 2.5.3 Westfield Group's Australian and New Zealand business economic income

FY14 ($m)	Total
Property management income	$110
Additional property net operating income earned by Westfield Group's Australian and New Zealand business	$50
Project income	$92
Total FFO (pre overheads)	**$253**
Project income on owned assets	$15
Total economic income (pre overheads)	**$268**

31 Numbers may not add up due to rounding. Property management income from third parties includes $4 million in asset management fees relating to the Property Linked Notes.

32 Additional property net income comprises $55 million of internal management fees on the identically co-owned portfolio, $1 million of management fees on Carindale and Tea Tree Plaza, less the $6 million of internal property management fees relating to the Property Linked Notes.

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Total economic income shown in Table 2.5.3 includes $15 million of project income on assets owned by Westfield Group's Australian and New Zealand business that is not recognised in FFO. This project income is recognised as earnings from property revaluations or development gains under A-IFRS through reduced project costs compared to joint venture partners.

Further details of the breakdown of Westfield Group's Australian and New Zealand forecast property management income and project income (including development gains) for FY14, and the key assumptions on which the forecast is based, are set out in section 5.8.

The components of Westfield Group's Australian and New Zealand economic income including additional property net operating income earned by Westfield Group relative to Westfield Retail Trust, property management income and project income including development gains are described in further detail below.

Additional property net operating income earned by Westfield Group relative to Westfield Retail Trust on identically co-owned assets

Westfield Group's Australian and New Zealand business earns additional property net operating income, compared with Westfield Retail Trust, on identically co-owned properties notwithstanding that Westfield Group carries the same book value as Westfield Retail Trust on its balance sheet for these properties. This is because, as the property manager, Westfield Group's Australian and New Zealand business earns internal property management fees on its ownership interests.

Table 2.5.4 compares the property net operating income and book value of the identically co-owned portfolio for Westfield Group and Westfield Retail Trust.

Table 2.5.4: Return on book value – Westfield Retail Trust compared with Westfield Group's Australian and New Zealand business

	Westfield Retail Trust			Westfield Group's Australian and New Zealand business		
Pro forma forecast FY14 ($m)	Property NOI	Shopping Centre Book Value Dec-13	Property NOI Yield on Book Value	Property NOI	Shopping Centre Book Value Dec-13	Property NOI Yield on Book Value
Property net operating income – identically co-owned portfolio						
Net operating income (pre-property management fee)	892			892		
Property management fee	(55)			–		
Net operating income (post-property management fee)	**837**	**13,632**	**6.1%**	**892**	**13,632**	**6.5%**
Other net operating income	–			46		
Property net operating income	**837**			**938**		

Each of Westfield Group's Australian and New Zealand business and Westfield Retail Trust's identically co-owned portfolio is valued on the basis that property management fees are paid to an external property manager. The identically co-owned portfolio is valued at $13.6 billion on the balance sheet of each entity.

However, as the property manager, Westfield Group's Australian and New Zealand business earns an additional $55 million in property net operating income as compared with Westfield Retail Trust relating to internal management fees.

The additional $55 million in property net operating income includes $6 million of property net operating income related to assets in the identically co-owned portfolio which are subject to the Property Linked Notes and in which Westfield Group's Australian and New Zealand business' economic interest is below its ownership interest.

For the identically co-owned portfolio, Westfield Group generates a yield on book value of 6.5% versus 6.1% for Westfield Retail Trust, based on forecast property net operating income for FY14. The higher yield on book value is due to the additional property net operating income not being separately valued on the balance sheet of Westfield Group's Australian and New Zealand business.

Westfield Group's Australian and New Zealand business also has an additional $46 million of other property net operating income on assets in which its ownership interests is greater than Westfield Retail Trust, including its 25% indirect interest in Carindale and 12.5% ownership interest in Tea Tree Plaza.

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Property management income

As the property manager, Westfield Group derives property management income based on property management agreements with co-owners, including Westfield Retail Trust. These agreements cover the provision of property management services (including leasing services).

In relation to Westfield Retail Trust, Westfield Group receives a property management fee equal to 5% of Westfield Retail Trust's share of the annual gross income of its portfolio as well as tenancy co-ordination fees.

In addition, under a co-operation deed between Westfield Group and Westfield Retail Trust, Westfield Retail Trust must at all times support Westfield Group being appointed as property manager for any acquisition opportunities.

The property management agreements with Westfield Retail Trust are materially consistent with those in place for other third-party joint venture parties.

Given the long term nature of property management income under Westfield Group's property management agreements, including the limited rights of joint venture partners to remove Westfield Group as manager while it retains at least a 25%[33] direct or indirect interest in the relevant property, and the direct linkage of property management income to annual gross income, Westfield Group believes property management income has characteristics akin to property net operating income including a similar risk and growth profile as property net operating income.

For providing property management services, Westfield Group is effectively entitled to a higher proportion of property net operating income relative to Westfield Group's ownership interests. For example:

- for a property owned 50% by Westfield Group and 50% by joint venture partners, Westfield Group effectively receives 53.5% of property net operating income; and
- for a property owned 25% by Westfield Group and 75% by joint venture partners, Westfield Group effectively receives 30.25% of property net operating income.

The value of this additional effective interest in property net operating income is not reflected in the Westfield Group balance sheet.

A summary of the fee arrangements generally applicable to joint ventures properties is shown in Table 2.5.5 below:

Table 2.5.5: Fee arrangements under property management agreements

Property management fee (including operational leasing)	5% of annual gross income of the property
Tenancy co-ordination fee	As negotiated and agreed with co-owners

As shown in Table 2.5.6, based on the pro forma forecast FY14 FFO, Westfield Group's Australian and New Zealand business is forecast to generate $110 million in property management income, comprising $55 million from Westfield Retail Trust, which is recognised as property net operating income, and $56 million from third parties.[34]

Table 2.5.6: Property management income

	Pro forma historical			Pro forma forecast
	FY11 $million	FY12 $million	FY13 $million	FY14 $million
Westfield Group Australia and New Zealand[(1),(2)]	91	96	104	110
Consolidation adjustments attributable to Westfield Retail Trust	(46)	(49)	(52)	(55)
Scentre Group property management income[(2)]	**45**	**47**	**52**	**56**

(1) Excludes corporate service charge earned by Westfield Group from Westfield Retail Trust.

(2) Includes $4 million in asset management fees relating to the Property Linked Notes which was not included in the Merger Ratio.

This additional property management income is not reflected on the balance sheet of Westfield Group's Australian and New Zealand business. For further detail please refer to management discussion and analysis of Scentre Group's Financial Information in section 5.7.

33 In a limited number of cases, the minimum ownership interest Westfield Group is required to hold is lower than 25%.

34 Numbers may not add up due to rounding. Property management income from third parties includes $4 million in asset management fees relating to the Property Linked Notes.

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Project income

Westfield Group is appointed under long term development framework agreements as the development, design and construction manager for Westfield Retail Trust and other joint venture partners.

The nature of shopping centre ownership requires continual investment and redevelopment of the shopping centres in order that they remain at the forefront of retail trends and relevant to the consumer.

Westfield Group derives project income from developments based on these development framework agreements.

In relation to Westfield Retail Trust, Westfield Group receives project income comprising a property development fee, design fee and project leasing fee based on the value of projects undertaken as well as other leasing and tenancy co-ordination fees related to developments.

In addition, under these agreements with Westfield Retail Trust, Westfield Group is appointed as design and construction contractor and enters into lump sum fixed price construction arrangements, as opposed to cost-plus construction arrangements.

The development framework agreements with Westfield Retail Trust are generally consistent with those in place with other third-party joint venture parties.

A summary of the fee arrangements generally applicable to joint ventures properties is shown in Table 2.5.7 below:

Table 2.5.7: Fee arrangements for development framework agreements, design and construction agreements and project leasing agreement

Property development fee	3% of project price
Design fee	10% of project price
Project price	Lump sum fixed price
Project leasing fee	10%-15% of the first year's rent for leases that become available
Major tenant new lease and renewal lease fee	As negotiated and agreed with co-owners
Major tenant market rent review fee	As negotiated and agreed with co-owners
Tenancy co-ordination fee	Up to $6,700 per specialty store (as increased over time by CPI)

As part of the development framework agreements, Westfield Group is appointed to provide development, design and construction services on an exclusive basis in relation to the future development of properties while it retains at least a 25%[35] direct or indirect interest in the relevant property.

Based on the pro forma forecast FY14 FFO, Westfield Group's Australian and New Zealand business is forecast to generate $92 million of project income, comprising $15 million from Westfield Retail Trust and $77 million from other third parties.

For 2014, Westfield Group's Australian and New Zealand business's project income relates primarily to Mt Gravatt, Miranda, Macquarie Centre and Pacific Fair.

The pro forma forecast for FY14 for project income of $92 million excludes:

- $47 million of project profits from Westfield Retail Trust and third parties relating to project profits not yet recognised on completed projects, including Westfield Sydney and Fountain Gate, and scope changes on third party projects; and
- development gains on assets owned by Westfield Group's Australian and New Zealand business and Westfield Retail Trust.

As shown in Table 2.5.8, adjusting for these exclusions, Westfield Group's Australian and New Zealand business is forecast to achieve $139 million of project income in FY14. This is consistent with historic project income for Westfield Group's Australian and New Zealand business of between $79 million and $126 million between FY11 and FY13.

The Australian and New Zealand business is also forecast to achieve $231 million of development gains in FY14 which is broadly consistent with the up to $430 million of development gains achieved between FY11 and FY13.

35 In a limited number of cases, the minimum ownership interest Scentre Group will be required to hold is lower than 25%. One of the development framework agreements is for a term expiring in September 2017.

Table 2.5.8: Australian and New Zealand project income and development gains

	Pro forma historical			Pro forma forecast
	FY11 $million	FY12 $million	FY13 $million	FY14 $million
Project income	**79**	**117**	**126**	**139**
Development gains				
Westfield Group – Australia and New Zealand	87	322	11	131
Westfield Retail Trust	26	108	–	100
Sub Total	**113**	**430**	**11**	**231**
Total	**192**	**548**	**137**	**370**

Westfield Group's Australian and New Zealand business has a long history of generating project profits and development gains. Between FY11 and FY13, as shown in Table 2.5.9 below, Westfield Group's Australian and New Zealand business has completed over $2.0 billion of projects.

Table 2.5.9: Australian and New Zealand active projects evolution[1]

	FY11				FY12				FY13			
	Total project cost	Westfield Group share	Westfield Retail Trust share	Third[2] party	Total project cost	Westfield Group share	Westfield Retail Trust share	Third[2] party	Total project cost	Westfield Group share	Westfield Retail Trust share	Third[2] party
Active projects – opening	**1,625**	**813**	**663**	**150**	**1,820**	**910**	**760**	**150**	**485**	**24**	**24**	**438**
Project commencements	320	160	160	–	519	41	34	444	835	309	309	218
Project completions	(125)	(63)	(63)	–	(1,854)	(927)	(770)	(157)	(95)	(24)	(24)	(48)
Active projects – closing	**1,820**	**910**	**760**	**150**	**485**	**24**	**24**	**438**	**1,225**	**309**	**309**	**608**

Project status	FY11	FY12	FY13
Commencement / active	Westfield Sydney Carindale Fountain Gate	Westlakes Macquarie Centre (Third party project)	Macquarie Centre (Third party project) Mt Gravatt Miranda
Completion	Belconnen	Fountain Gate Carindale Westfield Sydney	Westlakes

(1) Projects at Westfield Sydney and Belconnen were underway when Westfield Retail Trust was established in late 2010.
(2) Third party includes joint venture partner's interest plus Macquarie Centre which is being completed on behalf of AMP Capital.

Westfield Group's Australian and New Zealand business currently has $1.9 billion of projects underway including Miranda, Mt Gravatt, Macquarie Centre and Pacific Fair (see section 4.3).

The additional property net operating income, property management income and project income described above are not reflected on the balance sheet of Westfield Group's Australian and New Zealand business.

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2.6 Debt restructuring

Termination of Westfield Group's existing debt facilities

On or shortly before the Implementation Date, Westfield Group will:

- repay and cancel substantially all existing unsecured loan facilities; and
- repurchase or redeem all outstanding bonds on issue.

Westfield Group has entered into a bridge facility agreement (with four tranches with commitments of A$7.2 billion, NZ$0.6 billion, US$3.35 billion and £1.35 billion) that is sufficient to meet those repayment, repurchase, redemption and termination obligations which will be drawn for that purpose.

The Westfield Group bridge facility will be repaid shortly after it is drawn by drawings on financing facilities entered into by Scentre Group and Westfield Corporation in amounts sufficient to effect a repayment of the Westfield Group bridge facility and to meet their ongoing operational funding and liquidity requirements after implementation of the Proposal.

- Scentre Group has entered into new financing facilities totalling A$9.05 billion, comprising an A$5.0 billion bridge facility and unsecured revolving bank loan facilities totalling A$4.05 billion. Westfield Retail Trust's existing A$3.8 billion of financing facilities remain on foot.
- Westfield Corporation has entered into new financing facilities totalling US$8.95 billion, comprising a US$5.5 billion bridge facility and a US$3.25 billion unsecured syndicated revolving loan facility and a US$0.2 billion unsecured bilateral revolving bank loan facility.

The refinancing costs associated with Westfield Group's existing financing arrangements are estimated to be $1.3 billion as detailed in section 3.3.

The table below provides an overview of the existing key financing arrangements for Westfield Group and the proposed key financing arrangements for Scentre Group and Westfield Corporation.

Table 2.6.1: Summary of key financing arrangements before and directly following implementation of the Proposal

Before Proposal[1]	After Proposal
Westfield Group: – US$5.5 billion and £1.05 billion of bonds (terms of up to 9 years, average 5.1 years) – A$6.0 billion of bank loan facilities (average term of 2.8 years) – US$2.5 billion of secured loan facilities (average term of 6.4 years) **Westfield Retail Trust:** – A$1.9 billion of bonds and A$1.9 billion of bank loan facilities (together an average term of 4.7 years)	**Westfield Corporation:** – US$5.5 billion bridge facility (term of 2 years with an option to extend for 1 year) – US$3.25 billion unsecured syndicated revolving loan facility (term of 4 years with two 6-month extension options) – US$0.2 billion unsecured bilateral revolving bank loan facility (term of 3 years) – US$2.5 billion of Westfield Group's existing secured loan facilities **Scentre Group:** – A$5.0 billion bridge facility (term of 2 years with an option to extend for 1 year) – A$4.05 billion unsecured revolving bank loan facilities (terms of 2 to 6 years) – A$1.9 billion of Westfield Retail Trust's existing bonds and A$1.9 billion of Westfield Retail Trust's existing bank loan facilities

(1) As at 31 December 2013.

Scentre Group's debt facilities

The A$5.0 billion bridge facility for Scentre Group has a term of 2 years from the date of execution with an option for Scentre Group to extend for a further year and provides for drawings in AUD.

The A$4.05 billion of unsecured revolving bank loan facilities for Scentre Group have terms to maturity ranging from 2 to 6 years and provide for drawings in AUD and NZD. These facilities are supported by the Scentre Group Master Guarantee and Master Negative Pledge as described in section 5.12.

Westfield Corporation's debt facilities

The US$5.5 billion bridge facility for Westfield Corporation has a term of 2 years from the date of execution with an option for Westfield Corporation to extend for a further year and provides for drawings in USD and GBP. This facility is supported by a Master Guarantee and Master Negative Pledge as described in section 8.11.

The US$3.25 billion unsecured syndicated revolving loan facility for Westfield Corporation has a term of 4 years with two six-month extension options and provides for drawings in USD, GBP, EUR and AUD. This facility incorporates terms (including financial covenants) and conditions that are consistent with the terms of the Westfield Corporation Master Negative Pledge and is supported by a Westfield Corporation guarantee on essentially the same terms as the Westfield Corporation Master Guarantee.

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The US$0.2 billion unsecured bilateral revolving bank loan facility for Westfield Corporation has a term of 3 years. This facility is supported by the Westfield Corporation Master Guarantee and Master Negative Pledge.

Refinancing of Scentre Group's and Westfield Corporation's bridge facilities

It is intended that the Scentre Group and Westfield Corporation bridge facilities will be refinanced, in whole or part, over the course of 2 years by issuance of new bonds in the global debt capital markets, including the USD, GBP, EUR and AUD bond markets. Bonds are expected to be issued with a range of maturities up to 12 years.

Interest rate hedging arrangements

Given that the refinancing of Westfield Group's bonds involves the replacement of fixed rate bonds with floating rate bridge facilities, it is intended that the resultant interest rate exposure that arises in Scentre Group and Westfield Corporation, after taking into account any derivatives that each group assumes from Westfield Group, will be hedged to an extent deemed to be prudent by the relevant entities using interest rate derivatives (including swaps and options).

It is expected that the majority of Westfield Group's existing interest rate derivatives will remain within existing entities that will become part of either Scentre Group or Westfield Corporation, with the relevant counterparties agreeing to accept guarantees from either Scentre Group or Westfield Corporation in substitution for the existing Westfield Group guarantee.

2.7 Relationship between Scentre Group and Westfield Corporation

Following implementation of the Proposal, Scentre Group and Westfield Corporation will operate as separate and independent groups, each with their own boards, management and operating platforms. Scentre Group and Westfield Corporation will have the following ongoing contractual arrangements.

Scentre Group will have an exclusive, continuing, royalty free licence to use the Westfield brand for its existing shopping centres and any future shopping centres in Australia and New Zealand meeting certain agreed characteristics

Scentre Group's existing shopping centres and any new shopping centres in Australia and New Zealand will continue to be branded Westfield under an exclusive, continuing, royalty free licence from Westfield Corporation. No value has been attributed to this licence for the purposes of calculating the Merger Ratio or in Scentre Group's Pro Forma Historical Net Assets Statement.

Under the Trade Mark Licence Agreement, Scentre Group will have the royalty free right to use (and to sub-license) the Westfield brand in Australia and New Zealand in relation to its existing shopping centres and any new shopping centres managed by Scentre Group which meet certain agreed characteristics.

At the date of the agreement the agreed characteristics are:

- shopping centres which either have:
  - annual sales (or in the case of a completed development, projected annual sales in accordance with a board approved feasibility) in excess of $300 million (increasing annually by Australian CPI); or
  - GLA in excess of 40,000sqm, and is of a standard which is comparable with the average shopping centre which forms part of the Scentre Group business at the relevant time; or
- retail concessions which form part of an airport located in a capital city in Australia or New Zealand.

Scentre Group and Westfield Corporation will review the agreed characteristics for qualifying shopping centres every five years to ensure those characteristics reflect changes to the market and qualifying shopping centres in Australia and New Zealand.

Scentre Group may also use the Westfield brand in relation to consumer or retailer focused activities, goods or services which are incidental to the operation of the Westfield branded shopping centres, including activities such as gift cards, event ticketing and other promotional activities. Scentre Group also may use the Westfield brand outside of Australia and New Zealand for the corporate promotion of the Scentre Group (including communicating with investors and other equity and debt market participants) or in the promotion by Scentre Group of its Australia and New Zealand business to potential tenants of that business.

The licence is exclusive to Scentre Group in Australia and New Zealand. Westfield Corporation may not use the Westfield brand in Australia or New Zealand. However, Westfield Corporation may use the Westfield brand in Australia and New Zealand for the corporate promotion of Westfield Corporation (including communicating with investors and other equity and debt market participants), as part of the corporate or business names of the members of the Westfield Corporation group or in the promotion by Westfield Corporation of its offshore business to potential Australian and New Zealand tenants of that business.

Scentre Group may promote its business online and may use the Westfield brand on websites which are available for access outside Australia and New Zealand and fulfil customer orders for goods and services available at a Westfield branded shopping centre in Australia and New Zealand. However, the principal target for the use of any such websites must be persons resident in Australia and New Zealand and Scentre Group must not take steps to actively promote the website to persons outside Australia and New Zealand or to customise such websites for use by persons outside Australia and New Zealand. Similar restrictions apply to Westfield Corporation in respect of online promotion on websites which may be accessible in Australia and New Zealand.

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Westfield Corporation may only terminate Scentre Group's licence where:

- Scentre Group or a sub-licensee challenges or disputes the validity of any of the licensed trademarks;
- Scentre Group is insolvent;
- Scentre Group does not use the trade marks in relation to at least one shopping centre for a continuous period of 6 months.

Scentre Group will also lose the right to brand a particular shopping centre as a Westfield shopping centre if the shopping centre ceases to meet the agreed characteristics (other than shopping centres branded Westfield at the date of the agreement) or if Scentre Group has failed to follow agreed trade mark use guidelines in respect of that shopping centre (relating to matters such as trade mark application) and subsequently fails to ensure within 90 business days of being notified by Westfield Corporation that the shopping centre meets the agreed characteristics or that the use of the brand complies with agreed trade mark use guidelines.

Scentre Group will have access to the digital innovation activities of Westfield Labs

Westfield Labs is a San Francisco based team of Westfield Group which serves as a global digital lab focused on innovating and developing the technological platform and infrastructure necessary to better connect consumers with physical shopping centre assets. Westfield Corporation will own Westfield Labs if the Proposal proceeds.

Scentre Group and Westfield Corporation have entered into an agreement under which Scentre Group will have access to core digital services to be provided by Westfield Labs in return for an agreed contribution to the funding of Westfield Labs over the term of the agreement and to product innovations by LABS on a case by case basis. Scentre Group may, but is not obliged to, use LABS to develop its own digital initiatives, again on a case by case basis. The LABS Agreement has been entered into for an initial term until 31 December 2016.

Under the LABS Agreement, Westfield Labs will provide agreed core services to Scentre Group, which will include services relating to the Searchable Mall, data analytics, mobile applications, consumer website development, platform (including publishing) hosting and maintenance, consumer insights reporting and certain research and development. In return Scentre Group will pay Westfield Labs up to $5.5 million for the period to December 2014, and will not without agreement of the parties be required to pay more than $11.2 million for the year ending 31 December 2015 or $11.6 million for the year ending 31 December 2016.

Westfield Labs may also provide to Scentre Group the following supplementary services, at Scentre Group's request:

- briefings on initiatives and applications as they relate specifically to the Australian and New Zealand markets. The fees for such services will be negotiated with reference to Westfield Labs' daily rate schedule as agreed with Scentre Group annually;
- new products, applications and services which are proposed by Westfield Labs and which are offered to Scentre Group for use in Australia and New Zealand. Scentre Group may accept or reject a proposal from Westfield Labs for the provision of such services. If Scentre Group rejects the proposal, Westfield Labs is free to develop and exploit the services, including in Australia and New Zealand (subject to the restrictions on the use of the Westfield brand in those markets); and
- products, applications and services which are developed by Westfield Labs at the request of and in collaboration with Scentre Group for use by Scentre Group in Australia and New Zealand. The terms of provision and fees for such services will be agreed between the parties.

Westfield Labs must use reasonable endeavours to deliver the services with due care and skill.

There is no obligation on Scentre Group to use the supplementary services of Westfield Labs and Scentre Group is free to obtain similar services from third parties or rely on in house capability. However, if Scentre Group wishes to retain a third party to undertake software development services of a kind capable of being provided by Westfield Labs for the development of applications relating to the interaction of retailers, consumers and physical shopping centres, Scentre Group must first offer Westfield Labs the opportunity to provide that service.

Where Westfield Labs and Scentre Group collaborate with respect to a product in accordance with the LABS Agreement, Westfield Labs will grant Scentre Group an exclusive royalty free licence to use that product in Australia and New Zealand and to sub-licence that product to third parties in Australia and New Zealand. The licence granted by Westfield Labs to Scentre Group will be a continuing licence and will not be affected by termination on expiry of the LABS Agreement. Further, any data collected by Westfield Labs in the course of providing services to Scentre Group will remain the property of Scentre Group and may not be used by Westfield Labs other than for the purposes of providing services required by Scentre Group under the LABS Agreement.

The LABS Agreement may only be terminated by a party where the other party:

- is insolvent; or
- commits a breach which is not capable of being remedied or is not remedied within 40 business days of the party being notified.

The parties have agreed to take reasonable steps to allow each other to participate in investment opportunities which they identify during the term and which involve the purchase of minority interests in third parties whose business is primarily the development or exploitation of digital technology that may be relevant to the business of owning or managing shopping centres.

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Scentre Group will provide transitional services to Westfield Corporation while the groups develop standalone resources and support services

Westfield Group and Westfield Retail Trust currently rely on various shared resources and support services within Westfield Group, including corporate head office, treasury, tax, finance, compliance, insurance, human resources and information technology.

Upon implementation of the Proposal, Scentre Group and Westfield Corporation will be separate groups and, after a transitional period, both groups will establish these capabilities independent of each other.

As part of the transition, Scentre Group and Westfield Corporation have entered into a Transitional Services Agreement, under which Scentre Group will provide various corporate infrastructure services to Westfield Corporation for a transitional period. The annualised fees payable by Westfield Corporation to Scentre Group for these transitional services are approximately $9 million (assuming services are provided for the full year). This fee is expected to reduce substantially after the first year as the parties move closer to a full separation. The transition is expected to be substantially completed within two years.

Westfield Corporation will also provide corporate affairs services to Scentre Group.

The scope and level of the relevant services to be provided by the parties to each other under the Transitional Services Agreement are intended to reflect services being provided immediately prior to implementation of the Proposal, to provide each of the parties with transitional assistance while it undertakes a process to migrate those services or replicate its own services.

Board composition of Scentre Group and Westfield Corporation

In addition, Scentre Group and Westfield Corporation will initially have 3 common board members – Mr Frank Lowy, Mr Brian M Schwartz and Mr Steven M Lowy. Each board will have a majority of independent directors.

Further information on the composition and independence of the Scentre Group and Westfield Corporation boards is set out in sections 4.8 and 7.9 respectively.

2.8 Foreign Securityholders

A Foreign Securityholder is any Westfield Group Securityholder on the Record Date whose address is, or who is a citizen or resident of, a place outside of Australia and New Zealand and their respective external territories or who acts on behalf of such a person.

Restrictions in certain foreign countries may make it impractical or unlawful to offer or receive securities in those countries. Accordingly, not all Foreign Securityholders will be eligible to receive securities under the Proposal.

Foreign Securityholders are eligible to participate in the Proposal only to the extent Westfield Group determines that it is lawful and not unduly onerous or unduly impracticable for the relevant Foreign Securityholder to receive securities under the Proposal (such Foreign Securityholders being **Eligible Foreign Securityholders**).

As at the date of this document, Westfield Group has determined that Foreign Securityholders in the following jurisdictions and who satisfy the applicable conditions below are Eligible Foreign Securityholders:

- the US, provided that the Foreign Securityholder is an investor who is exempt from the registration requirements of the U.S. Securities Act of 1933 (see section 16.32);
- the UK, provided that the Foreign Securityholder is an exempt investor (as described in section 16.32);
- the Netherlands;
- Norway;
- Japan;
- Singapore, provided that the Foreign Securityholder is an institutional investor (as described in section16.32); or
- Hong Kong;
- Canada; or
- any other jurisdiction where Westfield Group and Westfield Retail Trust determine it is lawful, not unduly onerous or unduly impractical for the relevant Foreign Securityholder to receive securities under the Proposal.

All other Foreign Securityholders will be Ineligible Foreign Securityholders, and dealt with under the Sale Facility as discussed below.

2.9 Ineligible Foreign Securityholders, Sale Facility and Sale Nominee

Sale Facility

Ineligible Foreign Securityholders will not receive Scentre Group Securities or Westfield Corporation Securities under the Proposal. Rather, the existing holding of Westfield Group Securities held by Ineligible Foreign Securityholders will be transferred to the Sale Nominee pursuant to the terms of the Sale Facility. Under the Sale Facility:

- Westfield Group Securities held by Ineligible Foreign Securityholders will be transferred to the Sale Nominee on or before the Implementation Date without the need for any further action by the Ineligible Foreign Securityholders;
- the Sale Nominee will participate in the Proposal in respect of those Westfield Group Securities, in the same way as other Westfield Group Securityholders. After the implementation of the Proposal, the Sale Nominee will hold the Scentre Group Securities and Westfield Corporation Securities which would otherwise have been received by Ineligible Foreign Securityholders;
- as soon as is reasonably practicable after the Implementation Date (and in any event within 30 days of the Implementation Date), the Sale Nominee will sell the Scentre Group Securities and Westfield Corporation Securities it holds. The sale will occur on market in the ordinary course of trading;

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- no later than 10 Business Days after the day on which the last of the proceeds of sale of all of the Scentre Group Securities and Westfield Corporation Securities are received, the sale proceeds will be paid to Ineligible Foreign Securityholders by cheque or bank draft or electronic funds transfer into a bank account nominated by the Ineligible Foreign Securityholder for the amount due to each Ineligible Foreign Securityholder together with a statement of how the amount is calculated.

Ineligible Foreign Securityholders should be aware that, pursuant to the Scheme and amendments to the constitutions of Westfield America Trust and Westfield Trust, each Ineligible Foreign Securityholder will be deemed to have warranted to Westfield Group that their Westfield Group Securities are not subject to any encumbrances or interests of third parties and that they have full power and capacity to sell and transfer such securities to the Sale Nominee.

Determination of sale proceeds

Each Ineligible Foreign Securityholder will participate in the Sale Facility and receive an amount equal to:

- the average price per security at which the Sale Nominee sold the Westfield Corporation Securities under the Sale Facility, multiplied by the number of Westfield Corporation Securities to which the Ineligible Foreign Securityholder would otherwise have been entitled had they participated under the Proposal; plus
- the average price per security at which the Sale Nominee sold the Scentre Group Securities under the Sale Facility, multiplied by the number of Scentre Group Securities to which the Ineligible Foreign Securityholder would otherwise have been entitled had they participated under the Proposal.

Westfield Group will bear any costs or fees of the Sale Nominee.

The sale price of Scentre Group Securities and Westfield Corporation Securities and the proceeds that the Ineligible Foreign Securityholder will receive cannot be guaranteed. The sale proceeds will not necessarily be the highest price at which the securities could be sold during the sale period. The Sale Nominee will sell the securities in such manner, at such prices and as the Sale Nominee determines in good faith with the objective of achieving the best prices reasonably obtainable at the time of the sales. Factors that may influence the price that may be obtained include:

- the total number of Scentre Group Securities and Westfield Corporation Securities that participate in the Sale Facility. If a large number of Scentre Group Securities and Westfield Corporation Securities participate in the Sale Facility, the sale price for those securities may be lower if the supply of securities available for sale is greater than the demand for the number of securities that investors would be seeking to buy in the absence of the availability of those securities pursuant to the sale process;
- the fact that there will be a concurrent sale facility for the purpose of selling Scentre Group Securities that would otherwise have been held by foreign Westfield Retail Trust Securityholders who were not eligible to participate in the Proposal;
- the prevailing market conditions, including the prevailing price of Scentre Group Securities and Westfield Corporation Securities on ASX and the prevailing demand for those securities; and
- the period during which the sale process is undertaken.

Alternatives to participating in Sale Facility

As an alternative to participating in the Sale Facility, Westfield Group Securityholders who expect to be Ineligible Foreign Securityholders may choose to sell their Westfield Group Securities on market by the last day of trading of Westfield Group Securities (expected to be Monday, 16 June 2014, being the Effective Date). There are a number of differences between selling Westfield Group Securities on market and participating in the Sale Facility, including:

- the price may be higher or lower;
- under the Sale Facility, Ineligible Foreign Securityholders have no control over the sale proceeds they will receive;
- Ineligible Foreign Securityholders will need to wait until after the Sale Facility process is completed before they receive the sale proceeds;
- transfers and sales under the Sale Facility will only proceed if the Proposal is implemented; and
- Ineligible Foreign Securityholders will need to pay brokerage fees if they sell Westfield Group Securities on market.

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SECTION 3
THE WESTFIELD GROUP DIRECTORS' RECOMMENDATION AND THE ADVANTAGES, DISADVANTAGES AND RISKS OF THE PROPOSAL

3.1 The Westfield Group Directors' recommendation

The Westfield Group Board believes for the reasons set out in section 3.2 that the advantages of the Proposal outweigh its disadvantages and risks. In the Westfield Group Directors' unanimous opinion, the Proposal is in the best interests of Westfield Group Securityholders. The Westfield Group Board believes that if the Proposal is implemented, Securityholders will be better off than if the Proposal does not occur.

Each Westfield Group Director recommends that Securityholders vote in favour of each Resolution proposed for consideration at the Meetings.

In addition, the Independent Expert, Grant Samuel & Associates Pty Limited, has concluded that the Proposal is in the best interests of Westfield Group Securityholders, in the absence of a superior proposal. The Independent Expert's Report is set out in section 11. The Westfield Group Directors encourage you to read the Independent Expert's Report in its entirety.

Each of the Recommending Westfield Retail Trust Directors has similarly recommended that Westfield Retail Trust Securityholders vote in favour of each Westfield Retail Trust Resolution required to implement the Proposal, in the absence of a superior proposal. In addition, the independent expert appointed by Westfield Retail Trust, KPMG Financial Advisory Services (Australia) Pty Limited, has similarly concluded that in the absence of a superior proposal, the Proposal is in the best interests of Westfield Retail Trust Securityholders. Further details of the basis of this recommendation and conclusion are contained in the Westfield Retail Trust Securityholder Booklet which is available on the Westfield Retail Trust website at www.westfieldretailtrust.com.

Under the Proposal, Westfield Group Securityholders will receive securities in Scentre Group and Westfield Corporation. As such the benefits, disadvantages and risks for Westfield Group Securityholders involve a consideration of both Scentre Group and Westfield Corporation.

3.2 Advantages of the Proposal

The main advantages of the Proposal for Westfield Group Securityholders fall into three categories:

- the creation of separate groups to better position the respective Westfield Group's businesses for growth by allowing greater focus on implementing separate operating and capital strategies appropriate for their businesses and their respective markets;
- the creation of a simplified investment proposition as a result of investors being able to invest in geographically aligned, internally managed retail property groups, which offers greater choice to existing and new investors seeking exposure to Westfield Group's assets and management capability; and
- forecast earnings and distribution accretion for Westfield Group Securityholders.

The Westfield Group Board believes that the separation of the businesses to create Scentre Group and Westfield Corporation will be more attractive than the current Westfield Group for those existing and new investors who wish to better manage their exposure to different geographic markets, different operating and capital strategies and different currency exposures.

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Through a combination of these strategic and investor orientated benefits, taking into account the disadvantages outlined in section 3.3, the Westfield Group Board believes that the aggregate value of the Scentre Group Securities and Westfield Corporation Securities received by Westfield Group Securityholders will, over time, be greater than the value of their existing Westfield Group Securities or the value provided to Westfield Group Securityholders under other potential options. In reaching this view, the Westfield Group Board considered a number of alternatives, as outlined in section 3.6.

Creates two distinct ASX listed property groups separated along different geographic lines with the ability to pursue separate operating and capital strategies appropriate for their target markets

The Proposal will enable Scentre Group and Westfield Corporation to tailor operating and capital strategies appropriate for their underlying market characteristics:

- each will pursue operating strategies focused on the specific opportunities and needs of their geographically focused portfolios including identifying development, acquisition, capital recycling, growth and revenue opportunities; and
- each will have the ability to tailor their capital position to achieve operating objectives whilst optimising return on equity and long-term earnings growth. This includes identifying the most efficient source of capital to fund their respective development pipelines as well as managing the level of gearing, composition and duration of borrowings, interest rate hedging profile and distributions.

The Proposal will enable the senior executives of both groups to focus on their respective strategies and markets, including a direct focus on their individual asset management, operating efficiencies, development and acquisition opportunities.

As compared to the capital management options available to Westfield Group today each of Scentre Group and Westfield Corporation will have better capacity to independently assess and pursue more tailored financing and capital management options, such as the ability to introduce joint venture partners.

The ability to tailor separate operating and capital management strategies will enable both groups to respond with greater flexibility to future opportunities and challenges and so is expected to enhance value for Westfield Group Securityholders over time.

Simplified investment proposition for investors is expected to facilitate better realisation of value for both groups of securityholders over time

Scentre Group and Westfield Corporation will each be internally managed, vertically integrated and geographically focused retail property groups:

- Scentre Group will be an industry leading internally managed and vertically integrated retail property group with the largest and most productive shopping centre portfolio in Australia and New Zealand, with the highest annual specialty sales per square metre, a key measure of sales productivity; and
- Westfield Corporation will be a pre-eminent internally managed and vertically integrated international retail property group with an initial focus on the US, the UK and Europe, and a strategy of owning, developing and operating world class retail destinations in major world cities.

The two groups will provide a simpler investment proposition than Westfield Group today and will allow a more direct comparison with relevant peers:

- investors will be able to benchmark Scentre Group against its listed peer group in Australia; and
- investors will be able to benchmark Westfield Corporation against its listed peer group in the US and UK / Europe.

Scentre Group will be the industry leader in Australia and New Zealand with more than twice the annual sales, retail lettable area and number of retailers as compared with its nearest listed peers. Scentre Group will have the highest annual specialty sales productivity and the highest percentage of portfolio with greater than $500 million in annual sales per shopping centre amongst its listed peers.

Westfield Corporation will have a high quality portfolio of world class assets and opportunities concentrated in major world cities such as New York, Los Angeles, San Francisco, San Jose, London and Milan. Assets in the Westfield Corporation portfolio are characterised by strong demographics, including high levels of income and wealth and high population densities. Westfield Corporation's core portfolio will have annual sales of US$667 per square foot and be 95.4% leased; 82% of core portfolio generates annual retail specialty sales in excess of US$500 per square foot (see section 7.6).

The Westfield Group Board believes the simplified investment proposition should lead to increased investor demand, given a broader universe of investors who will invest in geographically aligned, internally managed retail property groups. This is expected to facilitate better realisation of the value of Scentre Group and Westfield Corporation for Westfield Group Securityholders over time.

Provides investors the flexibility to adjust the level of investment in Westfield Group's international business and Australia and New Zealand business

At present, an investment in Westfield Group provides exposure to a global shopping centre portfolio where the geographic weighting between markets is determined by the Westfield Group.

SECTION 3

THE WESTFIELD GROUP DIRECTORS' RECOMMENDATION AND THE ADVANTAGES, DISADVANTAGES AND RISKS OF THE PROPOSAL

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The Proposal provides investors with the flexibility to adjust the level of their investment in Westfield Group's international business and Australian, with 14 of the top 20 shopping centres in Australia, measured by annual sales,business through the separate listings of Scentre Group and Westfield Corporation.

The investment characteristics of each of Scentre Group and Westfield Corporation are expected to appeal to investors with different investment objectives:

- Scentre Group will operate the largest and highest quality shopping centre portfolio in Australia, with 14 of the top 20 shopping centres in Australia, measured by annual sales, and is expected to provide a strong cash yield to investors coupled with development upside. Scentre Group will have forecast comparable property net operating income growth of 2.0% to 2.5% for Australia for the year ending 31 December 2014, gearing of 38.4% on a pro forma basis as at 31 December 2013, interest cover of 3.3 times on a pro forma forecast basis for FY14, and $4.9 billion of current and future projects (Scentre Group share: $2.6 billion). $1.9 billion of these projects are underway; and
- Westfield Corporation will own and operate a portfolio of world class retail destinations in major world cities. Westfield Corporation will have forecast comparable property net operating income growth of 4.0% to 5.0% for the US and 10.0% to 11.0% for the UK for the year ending 31 December 2014, gearing of 36.3% on a pro forma basis as at 31 December 2013, interest cover of 5.0 times on a pro forma forecast basis for FY14[36] and US$11.8 billion of current and future projects (Westfield Corporation share: US$6.0 billion) representing 41% of assets under management. US$2.8 billion of these projects are underway. Westfield Corporation's exposure to development will be higher (relative to assets under management) than Westfield Group today and Scentre Group post the Proposal.

Westfield Group Securityholders and other market participants will have the ability to weight their respective ownership interests in Scentre Group and Westfield Corporation in accordance with their individual investment objectives having regard to the investment profile of the groups as noted above.

Westfield Group Securityholders can maintain a holding which is broadly equivalent to their existing investment in Westfield Group by continuing to hold investments in both groups following implementation of the Proposal.

Ability for Westfield Group Securityholders to better manage the foreign currency exposure associated with their investment in the international business and Australian and New Zealand business

In addition to the ability to provide investors with the flexibility to adjust the level of their investment in Westfield Group's international business and Australian and New Zealand business through the separate listings of Scentre Group and Westfield Corporation, the Proposal will also provide investors with the ability to better manage the foreign currency exposure associated with their investment in the international business and Australian and New Zealand business.

At present, an investment in Westfield Group provides foreign currency exposure through Westfield Group's international business. This foreign currency exposure is managed by Westfield Group entering into foreign currency derivative instruments and by borrowing in foreign currencies.

The formation of Scentre Group and Westfield Corporation effectively allows Westfield Group Securityholders to choose the level and nature of their currency exposure through their respective ownership interests in the two groups.

Upon implementation of the Proposal, the currency exposure of each group will be different to Westfield Group today:

- Scentre Group's presentation currency will be Australian dollars. Scentre Group will be subject to minimal foreign currency exposure with approximately 90% of its assets and earnings located in Australia and approximately 10% of its assets and earnings located in New Zealand. Scentre Group will prepare its financial results in Australian dollars.
- Westfield Corporation's presentation currency will be US dollars. Westfield Corporation will be subject to foreign currency exposure to the extent that its UK and other non-US assets and earnings are denominated in currencies other than US dollars. For FY14, approximately 70% to 75% of Westfield Corporation's assets and earnings will be derived in US dollars and approximately 25% to 30% of Westfield Corporation's assets and earnings will be derived in foreign currencies, primarily GBP. Westfield Corporation will prepare its financial results in US dollars.

Both groups will continue to manage their foreign exchange exposure by entering into foreign currency derivative instruments and by borrowing in foreign currencies where appropriate.

Westfield Group Securityholders can also maintain a holding which is broadly equivalent to their existing foreign currency exposure in Westfield Group by continuing to hold investments in both vehicles following implementation of the Proposal.

36 If the divestment of the Merry Hill, Derby and Sprucefield shopping centres in the UK which was announced on 20 March 2014 completes, prior to the redeployment of capital pro forma gearing is expected to improve by 3.3% to 33.0% and pro forma interest cover is expected to improve from 5.0 times to 5.2 times. See sections 7.7, 8.2 and 8.9 for further details of the proposed divestments and their financial impact.

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The Proposal is expected to be 2.9% accretive to FFO for Westfield Group Securityholders

The Proposal is expected to be 2.9% accretive per security based on the combined Scentre Group and Westfield Corporation pro forma forecast FFO per existing Westfield Group Security for the year ending 31 December 2014.[37]

The pro forma forecast FFO per existing Westfield Group Security for the year ending 31 December 2014 for Scentre Group and Westfield Corporation is 70.5 cents comprising 26.7 cents per 1.246 Scentre Group Securities and 43.8 cents per Westfield Corporation Security (based on US39.8 cents per Westfield Corporation Securities). See further details at sections 5.4, 5.6, 8.4 and 8.5.[38]

FFO	FY13	FY14 Pro Forma Forecast FFO	Accretion
Westfield Group	**66.5c**	**68.6c**	
Scentre Group (21.5c[1] x 1.246)		26.7c	
Westfield Corporation[2]	US39.8c	43.8c	
Combined Scentre Group and Westfield Corporation		**70.5c**	**2.9%**

(1) Adjusted basic FFO per security. See section 5.4.
(2) Based on an exchange rate of AUD1.00 = USD0.91.

Westfield Group Securityholders will benefit from earnings accretion as a result of synergies associated with the formation of Scentre Group, higher leverage in Scentre Group relative to Westfield Group today and changes to the overall capital structure of Westfield Group. Scentre Group will have a higher interest cost than Westfield Group today, with borrowing predominantly in Australian dollars, and Westfield Corporation will have a lower average interest cost than Westfield Group today, with Westfield Corporation's borrowings primarily denominated in US dollars and GBP.

As a result of a higher expected combined FFO, the Proposal results in higher distribution potential for Westfield Group Securityholders.

3.3 Disadvantages of the Proposal

The main disadvantages of the Proposal are considered to be those set out below.

Reference should also be had to the Independent Expert's assessment of the disadvantages of the Proposal and other consequences set out in the Independent Expert's Report.

Scentre Group and Westfield Corporation will not enjoy the benefits of scale and geographic diversification to the same extent as enjoyed by Westfield Group in its current form

Westfield Group currently enjoys the benefits of scale and diversification through the ownership and management of shopping centres across Australia, New Zealand, the US and UK.

This diversification has proven beneficial to Westfield Group over many years as it experienced periods of outperformance in different regions at different times. For example, the Australian and New Zealand portfolio outperformed during the global financial crisis while the US portfolio has outperformed over the last few years.

Under the Proposal, neither Scentre Group nor Westfield Corporation will enjoy the same level of geographic diversification that Westfield Group enjoys at present. Scentre Group will own assets in Australia and New Zealand; Westfield Corporation will own assets located in the US and UK.

Nevertheless, Westfield Group Securityholders can achieve diversification through their own investment choices, and, in particular, by retaining their ownership of Scentre Group Securities and Westfield Corporation Securities after implementation of the Proposal.

The geographic diversification of Westfield Group has also resulted in opportunities to share information on trends and practices in the various markets and to transfer personnel between markets to supplement expertise and resources where required. The separation of the groups will limit these opportunities in the future.

In terms of scale, Westfield Corporation will be smaller than Westfield Group today. This reduction in global scale could impact the financing of its development pipeline, especially of large development projects. On the other hand, the future development pipeline will have a greater impact for Westfield Corporation Securityholders given the lower amount of invested capital. Westfield Corporation will undertake its development programme having regard to this balance sheet position and the risks inherent in development.

Substantially all of the existing unsecured financing arrangements in place for Westfield Group will need to be terminated and refinanced

Westfield Group currently has a debt portfolio which includes bonds maturing over the next 9 years. As of 31 December 2013, Westfield Group's average term of bonds and mortgages was 5.4 years and of bank facilities was 2.8 years.

37 If the divestment of the Merry Hill, Derby and Sprucefield shopping centres in the UK which was announced on 20 March 2014 completes, prior to the redeployment of capital pro forma gearing is expected to improve by 3.3% to 33.0% and pro forma interest cover is expected to reduce from 5.0 times to 4.2 times. See sections 7.7, 8.2 and 8.9 for further details of the proposed divestments and their financial impact.

38 As part of the Proposal, Westfield Corporation's financial results are to be reported in US dollars and Westfield Corporation will be providing any FFO forecasts in US dollars. The pro forma forecast FFO for the year ending 31 December 2014 has been prepared on the basis that the Proposal was implemented on 1 January 2014. The actual implementation date of the Proposal will have a timing impact on the reported income of the groups for FY14. See section 8.5 for further details.

SECTION 3

THE WESTFIELD GROUP DIRECTORS' RECOMMENDATION AND THE ADVANTAGES, DISADVANTAGES AND RISKS OF THE PROPOSAL

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Implementation of the Proposal will require all outstanding Westfield Group bonds and substantially all unsecured bank debt facilities to be repaid. This will result in a total cash requirement of approximately A$13 billion which will need to be financed initially by Westfield Group and subsequently by Scentre Group and Westfield Corporation primarily through bridge facilities and revolving bank loan facilities.

The terms and conditions of the bridge facilities are more restrictive (including due to terms that require mandatory repayment of the bridge with proceeds of certain new funding transactions and the inability to redraw any amounts repaid) than the terms ordinarily available to Scentre Group and Westfield Corporation in the normal course of business. Further details of the bridge facility terms are set out in sections 5.12 and 8.11. The bridge facilities have terms of two years from the date of execution with an option for the borrower to extend for a further year.

It is intended that the majority of Westfield Group's financial derivative contracts will remain within existing entities that will become part of either Westfield Corporation or Scentre Group. A small number of derivatives may be terminated prior to the implementation of the Proposal.

For an estimated two year transitional period, Scentre Group and Westfield Corporation will be required to co-operate in relation to the separation of shared resources and support services and establish their own capabilities

Westfield Group and Westfield Retail Trust currently rely on various shared resources and support services for the orderly operation of their day to day businesses and activities, including corporate head office, treasury, tax, finance, compliance, insurance and information technology.

As part of the implementation of the Proposal, Scentre Group and Westfield Corporation will need to separate these shared resources and support services, ensuring each group has appropriate internal capabilities. Some of these capabilities will be established upon implementation of the Proposal by the separation of existing resources into the respective businesses.

In respect of other services, Scentre Group and Westfield Corporation will enter into a Transitional Services Agreement for the provision, on an interim basis, of certain identified services on commercial terms.

Transaction, implementation and refinancing costs are expected to be incurred

Transaction and implementation costs incurred by Westfield Group in relation to the Proposal are estimated to be approximately $150 million (to be shared equally between Scentre Group and Westfield Corporation). Approximately $21.1 million of these costs will have been incurred by Westfield Group prior to the Meetings when Westfield Group Securityholders will vote on the Proposal.

In addition, there will be refinancing costs of $1.3 billion as follows:

- debt restructuring costs associated with the Proposal detailed in section 2.6 are estimated to be approximately $140 million comprising the expenses of brought forward unamortised debt establishment costs of $95 million on existing debt, new debt establishment costs of $35 million, and professional and other costs of $10 million. Approximately $22 million of these costs will have been incurred prior to the Meetings when Westfield Group Securityholders will vote on the Proposal; and
- as part of the Proposal, Westfield Group's outstanding bonds will need to be repurchased or redeemed at a higher price than their face value. The total estimated premium over face value of $1.1 billion comprises an expected bond buyback premium over market value of the bonds of $0.2 billion and a forecast market premium over face value of the bonds of $0.9 billion. The market premium component represents the present value of higher future interest outflows that would have been payable on these bonds had they remained in place to maturity compared to the cost that would be payable at current market rates. This cost is expected to be largely recoverable over time through lower interest rates payable on the new financing arrangements which replace the existing arrangements. As such, this cost is not considered as a typical transaction cost. The actual costs will differ from the above estimates depending on the prevailing interest and exchange rates at the date the bond repurchased occur. The amount of market premium recovered will depend on movements in interest and exchange rates after the bonds are repurchased and the term to maturity and credit margin applicable to the replacement financing.

Westfield Group Securityholders' exposure to Westfield Group's Australian and New Zealand operating and management platform will be diluted

Westfield Group Securityholders today own 100% of the Australian and New Zealand operating platform. Following implementation of the Proposal, Westfield Group Securityholders' ownership of the Australian and New Zealand operating platform will be reduced to approximately 48.6% (being their collective ownership of Scentre Group). The Westfield Group Board believes that the value of the Australian and New Zealand platform which Westfield Group is contributing to Scentre Group has been appropriately recognised in deriving Westfield Group Securityholders' share of Scentre Group.

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There may be additional complexity and costs associated with holding two separately quoted stapled securities and listing additional stapled entities

Westfield Group Securityholders today own a stapled security issued by three stapled entities. Following the implementation of the Proposal, Westfield Group Securityholders will hold two separately quoted stapled securities, one issued by three stapled entities and one issued by four stapled entities (see Chart 2.3.3). There may be added complexity and costs in holding two separate stapled securities, for example brokerage costs and professional advice fees.

In addition, there are two additional stapled entities which will be listed (Westfield Corporation Limited and WFD Trust), compared to the combined number of existing stapled entities in Westfield Group (being three) and Westfield Retail Trust (being two), with some additional listing fees.

3.4 Risks of the Proposal

The potential risks associated with the Proposal include the following:

The expected advantages of the Proposal may not materialise

Following implementation of the Proposal, Scentre Group and Westfield Corporation may not achieve some or all of the potential benefits of the Proposal, as set out in section 3.2. If Scentre Group and Westfield Corporation fail to achieve some or all of the benefits, their respective businesses, financial condition, results of operations and prospects could be adversely affected.

Uncertainty about the combined market value of Scentre Group Securities and Westfield Corporation Securities after the implementation of the Proposal

The Westfield Group Directors are of the view that the Proposal should enhance value for Westfield Group Securityholders over time. However, there is no certainty as to the market value of Scentre Group Securities and Westfield Corporation Securities following the Proposal.

There can be no assurance that Scentre Group Securities or Westfield Corporation Securities will trade at a particular price following implementation of the Proposal. There is a potential risk that the trading price of Scentre Group Securities and Westfield Corporation Securities will be less than their price on commencement of trading, and that the value of Scentre Group Securities and Westfield Corporation Securities received by Westfield Group Securityholders will be less than the market value of Westfield Group Securities. In this regard, following implementation of the Proposal, Securityholders who do not find the investment characteristics of the new groups suitable may adjust their holdings in Scentre Group and Westfield Corporation, creating volatility in the trading price of Scentre Group Securities and Westfield Corporation Securities after the Proposal.

In this regard, whilst the Independent Expert has provided an estimated trading price for Scentre Group Securities (for the purposes of valuing the Proposal), there is no guarantee that Scentre Group Securities and Westfield Corporation Securities will trade at particular prices after the implementation of the Proposal.

Westfield Group Securityholders should also note that if the Proposal does not proceed, there is no certainty regarding the future trading price of Westfield Group Securities.

Scentre Group and Westfield Corporation may be required to refinance their bridge facilities on less attractive terms

To the extent that the Scentre Group and Westfield Corporation bridge facilities are drawn, it is intended that they will be refinanced over the course of 2 years by issuance of new bonds in the global debt capital markets, including the USD, GBP, EUR and AUD bond markets. Bonds are expected to be issued in a range of maturities up to 12 years.

The relatively short timetable for the refinancing of both Westfield Corporation's and Scentre Group's bridge facilities over this 2 year period could expose Scentre Group and Westfield Corporation to the risk of unfavourable markets in terms of price and volume of refinancing. Such refinancing may not be available on commercially acceptable terms or at all.

The Court may not approve the Scheme or its approval may be delayed

There is a risk that the Court may not approve the Scheme or that the approval of the Court is delayed. If the Scheme is not approved by the Court, then unrecoverable transaction and refinancing costs already incurred by Westfield Group are estimated to be approximately $43.1 million.

The conditions precedent to Scentre Group's and Westfield Corporation's facilities may not be met

Westfield Group has negotiated a number of debt facilities for Scentre Group and Westfield Corporation to finance their respective proportion of Westfield Group's debt that they effectively assume. These debt facilities take the form of bridge facilities and a number of bilateral bank loan facilities, and in the case of Westfield Corporation, a syndicated bank loan facility, that become available on the Implementation Date subject to a number of conditions being met. These conditions include the provision of legal opinions and "know your customer" information for entities of both Scentre Group and Westfield Corporation and other assurances that are required to be satisfactory in all respects to the financiers. One or more of these conditions may not be able to be met in which case one or more of Westfield Group's, Scentre Group's or Westfield Corporation's debt facilities will not be able to be drawn and consequentially the Proposal may not proceed.

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ATO may withdraw or threaten to withdraw the rulings obtained by Westfield Group and Westfield Retail Trust in respect of the Proposal

The Proposal is conditional on Westfield Group and Westfield Retail Trust obtaining a number of tax rulings from the ATO in respect of the Proposal.

Westfield Group expects to receive a draft class ruling from the ATO in relation to the anticipated Australian tax outcomes of the Proposal for certain Eligible Securityholders.

Westfield Group also expects to receive private binding rulings from the ATO which confirm that Westfield Holdings will be entitled to tax relief in respect of the transfer of Westfield Corporation Limited Shares to Eligible Securityholders under the Proposal, such that any capital gain or capital loss arising as a result will be disregarded, and that Westfield Trust will be eligible to choose roll over relief in relation to its transfer of the relevant UK assets to WFD Trust under the Proposal.

Westfield Retail Trust has advised Westfield Group that it expects to receive draft class rulings from the ATO on the income tax consequences of the Proposal for eligible Westfield Retail Trust Securityholders.

If prior to implementation of the Proposal, the ATO withdraws or threatens to withdraw the private rulings or draft class rulings, then the condition precedent for implementation of the Proposal will not be met and the Proposal may not proceed.

Section 12 provides further information on the general income tax implications for Eligible Securityholders.

Inability to obtain third party consents

Certain contracts and guarantees that relate to Westfield Group's and Westfield Retail Trust's respective business will need to be restructured to align the contractual relationships with the relevant Scentre Group or Westfield Corporation entities after the Proposal. The consent or agreement of third parties to such restructuring is required in certain cases, key consents being required from Westfield Group's UK joint venture partners, financiers in relation to one of Westfield Group's UK properties and derivatives counterparties. Where this is the case, the third parties to the contracts may not be willing to provide the relevant consent or, in the case of the guarantees, release the relevant entity of Scentre Group or Westfield Corporation from their obligations under those guarantees following the Proposal. In addition, third parties to such contracts may seek to alter the terms of such contract at the time of providing their consent, as a condition to providing that consent.

If any such contracts and guarantees are not able to be restructured as required, Scentre Group may continue to have rights and obligations under the contracts and guarantees (even though they relate to the business of Westfield Corporation) or Westfield Corporation may continue to have rights and obligations under the contracts and guarantees (even though they relate to the business of Scentre Group). In those circumstances, the relevant member of Scentre Group or Westfield Corporation seeking to have the benefit of the contract or guarantee will need to rely on the contracting entity to pass through that benefit. Under the Implementation Deed, entities of Scentre Group and Westfield Corporation will cross indemnify each other for any claims made or payments to be made under the contracts or guarantees which relate to their respective business.

To this end, Westfield America Trust will have a continuing liability in respect of the Property Linked Notes in relation to certain Australian properties as a joint guarantor of the redemption value of the Property Linked Notes. As at 31 December 2013, the fair value of the Property Linked Notes was $1,371 million. Westfield America Trust will have the benefit of an indemnity from Scentre Group under the Implementation Deed in the event any such liability arises.

Potential for execution risk, including delays, unexpected costs or other separation and integration issues in establishing Scentre Group and Westfield Corporation as standalone groups

As a result of the Proposal, Scentre Group and Westfield Corporation will need to independently develop their own corporate resources and services, some of which they currently share. In addition, Scentre Group will acquire Westfield Group's Australian and New Zealand operating platform, which will be separated from Westfield Group and integrated with Westfield Retail Trust's existing operations.

During this transition process, Scentre Group and Westfield Corporation may each incur some one-off costs to implement these shared resources and support services, and separation and integration processes, and it may take some time to ensure that they are all operating fully and efficiently. The one-off costs in aggregate are expected to amount to approximately $5 million, to be shared equally by both groups. There is a risk that the establishment of these capabilities may take longer than expected, involve greater costs than anticipated or result in other separation and integration issues.

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3.5 Implications if the Proposal does not proceed

If Westfield Group Securityholders do not approve the Proposal, the Court does not approve the Scheme or any other conditions precedent to the Proposal are not satisfied or waived, the Proposal will not proceed.

In that event:

- the Westfield Group and Westfield Retail Trust will continue to operate as they do now;
- the potential benefits of the Proposal described in section 3.2 will not be realised;
- Westfield Group's Australian and New Zealand business will not merge with Westfield Retail Trust, and Westfield Group Securityholders will continue to benefit from Westfield Group's ownership of that business;
- Eligible Securityholders will not receive any new Scentre Group Securities or Westfield Corporation Securities;
- the potential disadvantages and risks of the Proposal described in sections 3.3 and 3.4 will not arise, except that Westfield Group will incur transaction and refinancing costs of approximately $43.1 million; and
- Westfield Group will reconsider other alternatives that deliver similar benefits to the Proposal.

3.6 Alternatives considered

The Westfield Group Board actively considered a range of alternatives before they recommended the Proposal. After careful consideration, the Westfield Group Board determined that the Proposal is the preferred option to create long term value for Westfield Group Securityholders.

The main alternatives to the Proposal considered by the Westfield Group Board were as follows:

- maintaining the existing Westfield Group structure;
- demerging Westfield Group's Australian and New Zealand business from Westfield Group without merging with Westfield Retail Trust;
- selling additional interests in individual Australian properties of Westfield Group;
- implementing the Proposal, but with Westfield Corporation maintaining an interest in certain of the iconic Australian properties; and
- splitting Westfield Group's balance sheet to create a separate line of stock which tracks the economic performance of Westfield Group's international business.

The Westfield Group Board assessed the Proposal and other alternatives against a number of criteria, including:

- the operating strategy of Westfield Group's international business, and Australian and New Zealand business;
- the scale, quality and management platform of Westfield Group's international business, and Australian and New Zealand business and their ability to operate as independent stand alone groups;
- the potential to maximise Westfield Group Securityholder value and allow Westfield Group Securityholders to participate in the Proposal;
- the capital structure and funding requirements of Westfield Group's international business, and Australian and New Zealand business;
- investor valuation of single characteristic businesses compared to integrated businesses; and
- investor demand for geographically focused property trusts.

An alternative proposal could emerge before the Meetings. However, as at the date of this Securityholder Booklet, no alternative proposal has emerged. If an alternative proposal does arise, this will be announced to ASX as required and the Westfield Group Directors will carefully consider the proposal and advise their recommendations.

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SECTION 4
PROFILE OF SCENTRE GROUP

Unless otherwise specified, the financial information and operating statistics referred to in this section are on a pro forma basis as at 31 December 2013 or for the financial year ended 31 December 2013, as the context requires.

4.1 Overview

Scentre Group will be an industry leading internally managed retail property group focused on investing and operating retail property in Australia and New Zealand. It will have the largest and most productive shopping centre portfolio in Australia and New Zealand with the highest annual specialty sales per square metre, a key measure of sales productivity.

Scentre Group will own Westfield Group's existing vertically integrated Australian and New Zealand retail property operating platform with capabilities including property management, leasing, design, development, construction, marketing and funds management. Westfield Group has a legacy of over 50 years of experience and success in Australia. Scentre Group will have an exclusive royalty free licence to use the Westfield brand in Australia and New Zealand for its existing shopping centre portfolio and any new shopping centres which meet certain agreed characteristics.[39]

The board of Scentre Group will be chaired by Mr Frank Lowy. The senior management of Scentre Group will comprise existing senior management of Westfield Group, led by Mr Peter Allen as Chief Executive Officer and Mr Mark Bloom as Chief Financial Officer. Scentre Group's operating platform will include the highly experienced Australian and New Zealand operating management team of Westfield Group.

Scentre Group will own a property portfolio comprising interests in 47 shopping centres in Australia and New Zealand with total assets of $29.3 billion and assets under management of $38.6 billion. The portfolio generates annual retail sales of $22 billion, with approximately 12,500 retailers and 555 million customer visits annually.

Scentre Group will own the highest quality shopping centre portfolio in Australia with 14 of the top 20 shopping centres in Australia, measured by annual sales, including Westfield Sydney, Bondi Junction, Doncaster, Chermside and Carindale. Scentre Group's portfolio will be the industry leader for retail property in Australia:

- approximately 70% of Australia's population lives within 30 minutes of a Westfield shopping centre;[40]
- over 70% of Scentre Group's Australian shopping centres (by value) generate annual sales in excess of $500 million; and
- the Scentre Group portfolio generates approximately 555 million customer visits annually.

The portfolio has a track record over many years of high occupancy, specialty sales, increasing specialty store rent per square metre and comparable net property income growth.

39 Details of the exclusive licence granted under the Trade Mark Licence Agreement are set out in section 2.7.

40 Calculation is based upon the 2012 estimated residential population within a 30 minute drive time of a Westfield centre, including states and territories in which there is no Westfield centre.

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The location of Scentre Group's Australian and New Zealand portfolio is shown in the chart below.

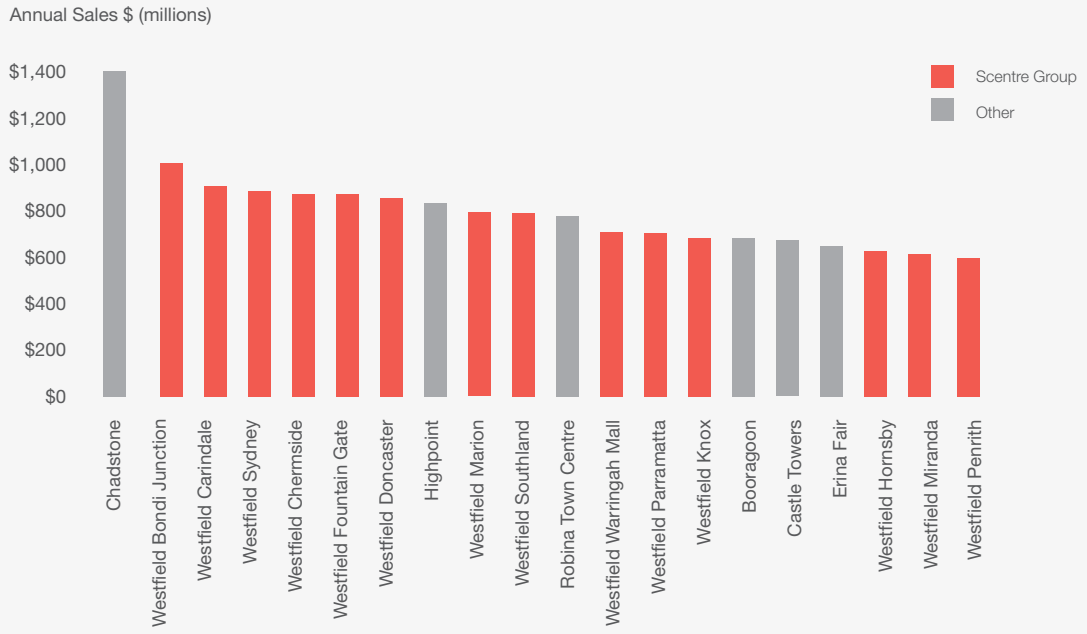
Chart 4.1.1: Location of shopping centres

(1) Economic interest held via Carindale Property Trust

Note: All assets managed by Scentre Group

The chart below shows the top shopping centres in Australia measured by annual sales as at 31 December 2013:

Chart 4.1.2: Top shopping centres in Australia by annual sales (12 months to 31 December 2013)



Source: Shopping Centre News – Big Guns 2014.

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PROFILE OF SCENTRE GROUP

Scentre Group will be the industry leader in Australia and New Zealand with portfolio metrics including total sales, retail lettable area and number of retailers more than twice its nearest listed peers (on a pro forma basis as at 31 December 2013).

Compared to its listed peers, Scentre Group will also have the highest annual specialty sales per square metre (on a pro forma basis as at 31 December 2013), a key measure of sales productivity, and the highest percentage of shopping centres with greater than $500 million in annual sales.

Chart 4.1.3: Peer comparison based on total retail GLA, number of retailers/tenants, total annual sales, annual specialty sales and percentage of portfolio with greater than $500 million in annual sales per shopping centre (12 months to December 2013).

Source: Public company filings for the financial year to 31 December 2013.
Note: Represents Australian portfolio only.

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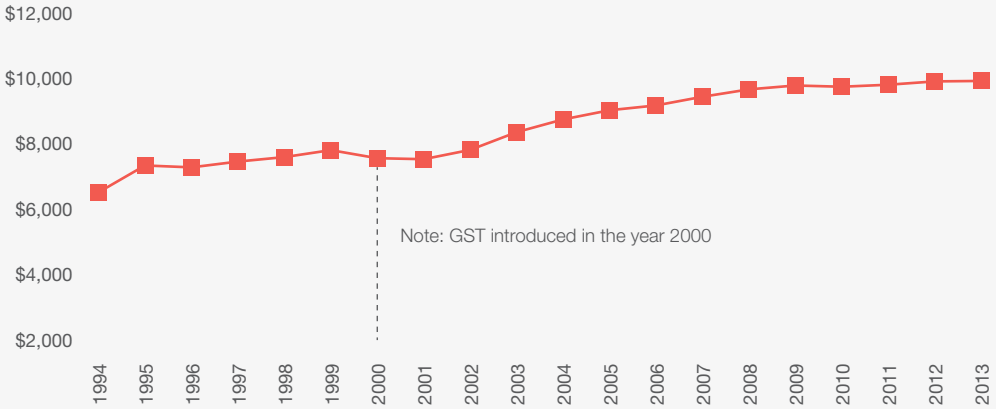
The chart below shows the changes in Australian annual specialty store sales per square metre for the past 20 years:

Chart 4.1.4: Australian annual specialty store sales per square metre

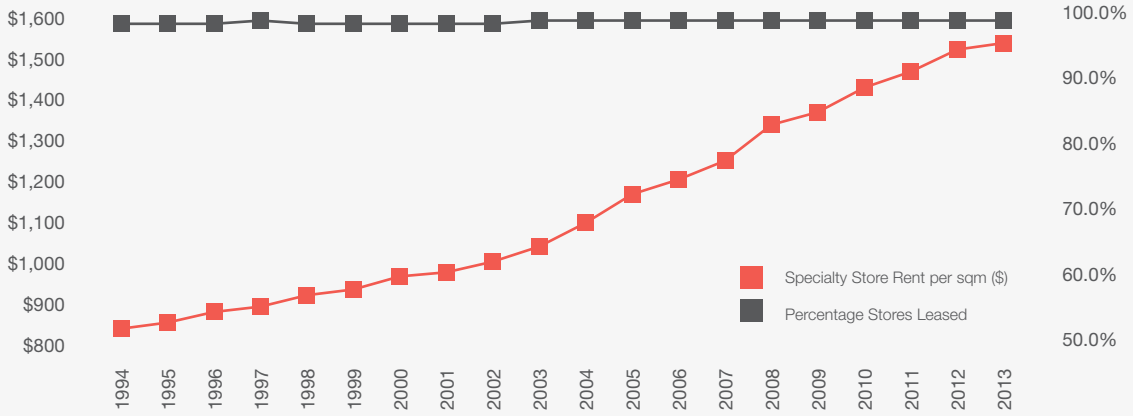


Note: Represents Australian portfolio as reported in the relevant year.

The portfolio has a long track record of being almost fully leased, being over 99% leased for the past 20 years and currently at over 99.5% leased.

The chart below shows the changes in Australian specialty store rent per square metre and the percentage of stores leased for the past 20 years:

Chart 4.1.5: Australian specialty store rent per square metre (LHS) and percentage stores leased (RHS)



Note: Represents Australian portfolio as reported in the relevant year.

Scentre Group will have $4.9 billion of current and future development projects on implementation of the Proposal (Scentre Group share: $2.6 billion), representing 13% of assets under management. $1.9 billion of these projects are currently under construction, including Miranda in Sydney and Mt Gravatt in Brisbane, with major development opportunities in Sydney, Brisbane and Adelaide.

Scentre Group will employ over 2,000 employees and have its corporate head office in Sydney and offices across Australia and New Zealand. Scentre Group is expected to be a top 20 ASX listed group based on market capitalisation and the largest ASX listed REIT.

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PROFILE OF SCENTRE GROUP

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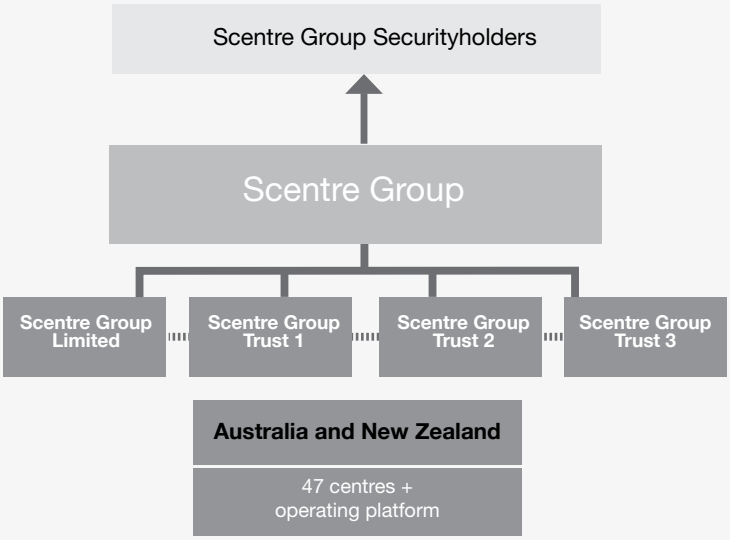
4.2 Structure diagram

Below is a simplified diagram of Scentre Group following implementation of the Proposal. The stapled entities of Scentre Group will comprise Scentre Group Limited, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3, trading on the ASX under the ticker "SCG".



Note: Dotted lines indicate Stapling of securities

4.3 Scentre Group will own Westfield Group's Australian and New Zealand retail property operating platform

Scentre Group will own Westfield Group's vertically integrated Australian and New Zealand retail property operating platform with capabilities including property management, leasing, design, development, construction, marketing and funds management.

Scentre Group will inherit Westfield Group's legacy as the industry leader in Australian retail property with an unparalleled depth of knowledge, a track record of innovation and experience gained over 50 years through owning and developing many of the leading shopping centres in Australia and New Zealand.

Westfield Group's Australian and New Zealand retail property operating platform has a high performance culture with a track record of efficiently operating its shopping centres, creating assets that are highly productive,[41] have strong franchise value and attract leading brands.

Scentre Group's operating strategy will be to create and own leading retail destinations across Australia and New Zealand by integrating food, fashion, leisure and entertainment and using digital technology to better connect retailers with consumers.

Scentre Group will intensively manage its shopping centres, with a particular emphasis on delivering an optimal mix of retailers, maximising the sales productivity of retailers at each shopping centre and providing superior experiences to consumers. These experiences range from parking, shopping centre ambience and retailer mix to food, leisure and entertainment precincts and digital connectivity.

41 By annual retail specialty sales per square metre.

42 By annual retail specialty sales per square metre.

(a) Property management, marketing and leasing

Property management involves day-to-day management, leasing and marketing of Scentre Group's shopping centres as well as the generation of new income opportunities.

Scentre Group will aim to maximise income and capital growth by creating an efficient and highly productive[42] environment for retailers and a superior experience for consumers. Scentre Group will work closely with retailers to provide a superior shopping experience and developing strong relationships with consumers through various marketing initiatives, including supporting the local community surrounding each shopping centre. Scentre Group's property management team will have over 500 executives in Australia and New Zealand across shopping centre management, leasing, marketing, business development, finance and research.

Scentre Group's property management capabilities are strengthened by the scale, quality and geographic diversification of its portfolio which provides a unique platform to engage with Scentre Group retailers, consumers and marketing partners. Scentre Group will:

— have unique relationships with national and international retailers due to its high quality portfolio, development pipeline and in depth understanding of each shopping centre's local operating environment. Scentre Group's portfolio attracts a superior mix of national and international retailers. On implementation of the Proposal, the portfolio will comprise approximately 12,500 retail outlets across 3.8 million square metres of gross lettable area in 47 shopping centres;

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- actively manage its tenancy mix and minimise vacancy by assessing demand by category, implementing its planned precinct strategies and assisting retailers in obtaining critical mass with multiple outlets across the portfolio. Scentre Group's leasing strategy will incorporate detailed research on market and retail trends, based on a unique perspective on retail. Scentre Group will have a fully integrated leasing process, from inception to shop opening, and will collaborate with retailers to deliver high quality innovative fit-outs and shop upgrades, enhancing the consumer experience. Across the Scentre Group portfolio, approximately 2,400 leases were executed during 2013;
- connect with consumers through multiple channels including digital, mobile and in-centre experiences and services providing incremental revenue opportunities across advertising, brand partnerships, sponsorship and gift cards. The scale and breadth of the audience within Scentre Group's shopping centres is highly attractive to brand partners and unique in the shopping centre environment across Australia and New Zealand. Approximately 70% of Australia's population lives within 30 minutes of a Westfield shopping centre[43] and the portfolio generates approximately 555 million customer visits annually;
- inherit a culture of excellence in customer service and an established track record of providing a clean, safe and inclusive environment for consumers. Scentre Group will provide a high level of service including concierge, valet parking and personal shopping and will actively engage with its consumers, creating vibrant social experiences in its shopping centres;
- be a highly attractive partner for service providers and businesses including contractors, suppliers, advertisers and leading national and international corporate brands;
- utilise marketing programmes to promote and advertise the shopping centre for the benefit of retailers. The scale, quality and reach of the portfolio achieves synergies in the development of research, experiential programmes, digital initiatives and communication programmes that are shared across the portfolio whilst allowing for local programmes that are relevant to local market needs. Programmes support key categories like fashion and beauty, fresh food, casual dining, seasonal events and Christmas gifting across a range of marketing channels including custom publications, TV advertising, social networks, mobile apps, in-centre events, consumer promotions, point of sale and public relations. In December 2013, Westfield Group launched the Searchable Mall, an important digital initiative, to help consumers find stores, deals, events and products from retailers in their local Westfield shopping centre across multiple devices; and
- aim to expand income opportunities through the provision of car parking services, storage and infrastructure services. Scentre Group will be one of the largest car park operators with over 150,000 car parking spaces under management in Australia and New Zealand processing over 200 million vehicle visits per annum.

Generally, under Scentre Group's property management agreements for properties co-owned with third parties, Scentre Group is entitled to a management fee of 5% of the annual gross income of the property and is entitled to be reimbursed for its out of pocket costs and for other costs agreed with the co-owners. Scentre Group is authorised by the owners to withdraw the management fee from the property's trust account maintained by Scentre Group. Scentre Group's appointment as property manager will continue (unless terminated in limited circumstances, such as breach) for so long as Scentre Group holds at least a 25% direct or indirect interest in the relevant property.[44]

(b) Development, design and construction

Scentre Group's development capabilities will include all elements of development, design, construction and project leasing for shopping centres in Australia and New Zealand.

Scentre Group will inherit Westfield Group's long and successful track record of shopping centre development in Australia and New Zealand.

Over many years, Westfield Group has maintained a focus on redevelopment and expansion of its shopping centres ensuring the shopping centres remain highly productive,[45] attract leading retailers and provide a high quality experience for consumers.

Westfield Group's most recent redevelopments, including Westfield Sydney, Fountain Gate and Carindale, showcase the innovative approach to design with an emphasis on integrating food, fashion, leisure and entertainment with the latest digital and other emerging technology.

The success of Westfield Group's development business in Australia and New Zealand is demonstrated by the value of projects completed over the last 10 years and the expansion of the development pipeline over this time:

- in 2004, Westfield Group had total assets under management of $16.3 billion in Australia and New Zealand with a current and future development pipeline of $2.6 billion; and
- by 31 December 2013, Westfield Group had total assets under management of $38.6 billion in Australia and New Zealand with a current and future development pipeline of $4.9 billion.

Chart 4.3.1 shows annual development commencements in Australia and New Zealand since 2004. Excluding 2009, commencements have averaged approximately $700 million per annum since 2004. The lack of commencements in 2009 reflects the decision by Westfield Group not to commence any major projects as a result of the global financial crisis.

43 See calculation basis set out in footnote 40.

44 In a limited number of cases, the minimum ownership interest Scentre Group will be required to hold is lower than 25%.

45 By annual retail specialty sales per square metre.

SECTION 4

PROFILE OF SCENTRE GROUP

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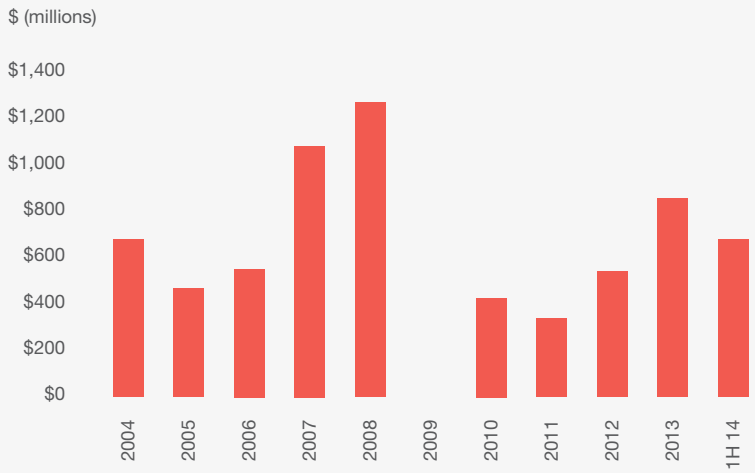
Chart 4.3.1: Australian and New Zealand development commencements 2004 to 1H14



Over the last ten years, the Australian and New Zealand business has successfully completed 26 developments with a value of $6 billion including the $1.2 billion project at Westfield Sydney, the $0.6 billion project at Doncaster, the $0.3 billion project at Carindale and the $0.3 billion project at Fountain Gate.

The nature of shopping centre ownership provides for a consistent pipeline of redevelopment and expansion opportunities for existing shopping centres in the portfolio. Many of the largest and most productive shopping centres[46] in Westfield Group's Australian and New Zealand portfolio, such as Chermside and Miranda, have been through two or more development cycles.

The senior management team responsible for development, design and construction in Australia and New Zealand has over 30 years' combined experience with Westfield. They have successfully executed numerous projects of significant scale and complexity both in Australia and overseas over that period. Scentre Group's development group will have approximately 400 executives in Australia and New Zealand across design (including over 70 architects), construction, development and project finance.

Scentre Group's developments are generally governed by development framework agreements for properties co-owned with third parties. Under the development framework agreements, Scentre Group is entitled to a development fee (3% of the project price), a design fee (10% of the project price) and a project leasing fee (up to 15% of the annual net rent payable by the tenant in the first year of each lease that becomes available as a result of the development). Scentre Group typically enters into fixed price construction contracts with joint venture partners and third parties.

Scentre Group's appointment as developer in relation to co-owned properties will continue (unless terminated in limited circumstances, such as breach) for so long as Scentre Group holds at least a 25% direct or indirect interest in the relevant property.[47]

Scentre Group will have $4.9 billion of current and future projects on implementation of the Proposal (Scentre Group share: $2.6 billion). The projects currently under construction and major identified future development opportunities for Scentre Group are detailed below.

Projects currently under construction

On implementation of the Proposal Scentre Group will have $1.9 billion of projects currently under construction (Scentre Group share: $0.6 billion) representing the forecast project investment by the property owners. Current projects include:

- **Miranda, New South Wales ($435 million; Scentre Group share: $218 million)** – The shopping centre is already one of the strongest performing shopping centres in Australia on a total annual sales basis and is located in a trade area that contains approximately 558,000 people. The $435 million project will expand the shopping centre by approximately 19,000 square metres to a total of approximately 127,000 square metres of GLA and is anticipated to be completed in 2015.
- **Mt Gravatt, Queensland ($400 million; Scentre Group share: $400 million)** – The shopping centre is also one of the strongest performing shopping centres in Australia on a total annual sales basis, catering to a large and diverse trade area that contains approximately 574,000 people. The $400 million project will expand the shopping centre area by approximately 40,000 square metres to a total of approximately 140,000 square metres of GLA.

46 By annual retail specialty sales per square metre.

47 In a limited number of cases, the minimum ownership interest Scentre Group will be required to hold is lower than 25%. One of the development framework agreements is for a term expiring in September 2017.

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On completion it is expected that Westfield Garden City in upper Mt Gravatt will become one of Australia's top 15 shopping centres by annual sales. The project is anticipated to be completed in 2014.

In addition, two third party construction projects at Pacific Fair and Macquarie Centre are being undertaken on behalf of AMP Group on assets which do not form part of the Scentre Group portfolio. These projects are being undertaken as part of a broader agreement between AMP Group and Westfield Group in 2012:

- **Pacific Fair, Queensland ($670 million; Scentre Group share: Nil)** – Upon completion Pacific Fair will be one of the largest shopping centres in Queensland. The project is anticipated to be completed in 2016.
- **Macquarie Centre, New South Wales ($390 million; Scentre Group share: Nil)** – Upon completion, Macquarie Centre will be one of the largest shopping centres in Sydney. The project is anticipated to be completed in 2014.

In addition, Westfield Group also has the design and construction rights for a future redevelopment of Booragoon in Western Australia.

Major development and construction opportunities

Scentre Group will have $3 billion (Scentre Group share: $2 billion) of identified development opportunities which are expected to create significant long term value, with between $1.5 billion and $2.0 billion of development projects expected to commence over the next three years. The targeted unlevered internal rates of return for development projects are between 12%-15%.

The future development opportunities in Australia and New Zealand include the following:

Table 4.3.1: Future development opportunities in Australia and New Zealand

Australia		New Zealand
– Carousel (WA)	– North Lakes (QLD)	– Albany
– Chatswood (NSW)(1)	– Plenty Valley (VIC)	– Newmarket(1)
– Chermside (QLD)(1)	– Tea Tree Plaza (SA)	– St Lukes
– Knox (VIC)	– Tuggerah (NSW)	
– Kotara (NSW)(1)	– Warringah (NSW)(1)	
– Marion (SA)(1)	– Whitford City (WA)	

(1) Expected to commence over the next three years.

Risks in relation to future development opportunities are as set out in section 6.2(a).

(c) Fund and asset management

Scentre Group will derive income from funds management activities, including through an annual manager's service fee from Carindale Property Trust.

Carindale Property Trust is a single asset trust which owns a 50% interest in Westfield Carindale. Westfield Group's Australian and New Zealand business owns 50% of the units of Carindale Property Trust and thereby retains a 25% indirect interest in Westfield Carindale.

Westfield Carindale is one of Brisbane's largest shopping centres and one of Australia's top 10 shopping centres based on annual retail sales. As at 31 December 2013, Westfield Carindale was in excess of 99% leased with total annual retail sales for the 12 months ending 31 December 2013 of $908 million, up 19% on the previous corresponding period. Westfield Carindale is valued at $1.37 billion (Carindale Property Trust share: $685 million).

Westfield Group's Australian and New Zealand business is forecast to generate an annual manager's service fee of $4 million from Carindale Property Trust for FY14.

In addition, Scentre Group will derive asset management income from the Property Linked Notes established in 2006 and 2007. These are notes issued by Westfield Group which are designed to provide returns based on the economic performance of the following shopping centres: Parramatta, Hornsby and Burwood in New South Wales, Southland in Victoria, Tea Tree Plaza in South Australia and Belconnen in the ACT. The current issue of Property Linked Notes is due to mature in late 2016. On maturity, in the event the notes are not renewed, Scentre Group will be able to elect whether the notes are repaid in cash or by way of transfer of the relevant underlying properties to the note holders.

Scentre Group's total assets under management are valued at $38.6 billion, including $10 billion of external assets under management.

4.4 Operating strategy

Scentre Group's operating strategy will be to create and own leading retail destinations across Australia and New Zealand by integrating food, fashion, leisure and entertainment and using digital technology to better connect retailers with consumers.

Scentre Group's portfolio will comprise 47 shopping centres which are destinations of choice for shopping, dining, entertainment, events and socialising in major cities across Australia and New Zealand.

Scentre Group will intensively manage its shopping centres, with a particular emphasis on delivering an optimal mix of retailers, maximising the sales productivity of retailers at each shopping centre and providing superior experiences to consumers. These experiences range from parking, shopping centre ambience and retailer mix to food, leisure and entertainment precincts and digital connectivity.

Improving the quality of the portfolio to adapt to the next generation of retail

Scentre Group will focus on improving the quality of its shopping centre portfolio through expansion and redevelopment. This will allow Scentre Group to adapt to the next generation of retail by focusing on four key areas:

- the quality of design and the standard of services;
- the continued introduction of leading local and international retail brands across its portfolio;

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- the highest standard of food and the integration of dining precincts with fashion and entertainment; and
- great consumer experiences.

Scentre Group will combine these elements through its development programme to ensure their shopping centres are an essential part of the community's social and economic fabric.

The ability of Scentre Group to adapt in these key areas is highlighted by recently completed developments, and current projects under development:

- The $1.2 billion project at Westfield Sydney, completed in 2012, has changed the face of retailing in the Sydney CBD by combining a mix of domestic and international luxury and high street retailers integrated with a premium dining experience. This shopping centre achieved annual specialty sales of $16,482 per square metre for 2013, the highest in Westfield Group's global portfolio.
- Westfield Miranda, a $435 million project, will create an exciting retail destination for Sydney's southern region. The 19,000 square metre expansion will incorporate the latest high quality design specifications and a premium level of services. It will comprise a new Woolworths and upgraded Big W, a fully refurbished Myer Department Store, new mini-majors, and approximately 100 new specialty retailers as well as a new dining, entertainment and leisure precinct incorporating a 10-screen multiplex Event cinema.

Generating new income opportunities by leveraging the scale of Scentre Group's portfolio

Scentre Group will continue Westfield Group's focus on generating new income opportunities across its portfolio. This includes a focus on expanding media and advertising revenues, digital, storage, car parking and infrastructure services as well as the provision of customer services such as valet parking and other concierge services.

Using digital technology to better connect retailers with consumers

Scentre Group's operating strategy will recognise the emergence of digital technology as an important element in better connecting the retailer with the consumer and improving the shopping experience for both groups.

As an example, in December 2013, Westfield Group launched a new online website capability, Searchable Mall, an important digital initiative in Australia. Searchable Mall gives consumers the ability to search Westfield shopping centres across Australia and find products from retailers as well as offers, deals, events, opening hours, movie times and more. This new capability enhances Scentre Group's online and in-centre experience.

4.5 Capital management strategy

Scentre Group's capital management strategy will be to invest capital in the ownership and development of high quality shopping centres across Australia and New Zealand and position Scentre Group to enhance long term earnings growth and return on equity.

On implementation of the Proposal Scentre Group will have:

- a strong financial position and balance sheet with total assets of $29.3 billion, net debt of $11.1 billion with the capacity to pursue its operating strategy, including funding future identified capital expenditures; and
- property management income and project income representing 10% to 12% of pro forma forecast FFO for FY14.

Scentre Group intends to maintain on a pro forma basis as at 31 December 2013 a target gearing ratio in the 30% to 40% range. Scentre Group will have gearing of 38.4% on a pro forma basis as at 31 December 2013 and interest cover of 3.3 times on a pro forma forecast basis for FY14 (see section 5.10).

Scentre Group's distribution policy is set out in section 5.6.

4.6 Property portfolio

Scentre Group's shopping centres are geographically diversified across major cities in Australia and New Zealand, located in prime trade areas, anchored by long term tenancies with major retailers with a diversified mix of specialty, national and international retailers.

The majority of Scentre Group's portfolio will be located in Australia, with 38 shopping centres representing 91% of the portfolio by value ($26.0 billion). Scentre Group will also own 9 shopping centres in New Zealand representing 9% of the portfolio by value ($2.6 billion). Scentre Group will wholly own 26 shopping centres in Australia and New Zealand valued at $18.9 billion.

Scentre Group's portfolio will include assets such as Westfield Sydney and Bondi Junction in Sydney, Carindale and Chermside in Brisbane and Doncaster in Melbourne. Each of these assets achieves annual specialty sales productivity in excess of $10,000 per square metre and total annual sales in excess of $800 million. These flagship shopping centres continue to be leading destinations of choice for both domestic and international retailers.

The key attributes of Scentre Group's portfolio include:

- **high sales productivity and occupancy** – the portfolio has annual retail specialty sales of $9,901 per square metre in Australia, the highest annual specialty sales per square metre compared to its listed peers and has maintained an occupancy rate of over 99% for the last 20 years and currently at over 99.5%;
- **stability of income** – the leases are structured both to provide stability and to drive income growth. Leases with anchor tenants generally have lease terms of 15 to 25 years with stepped increases throughout the term which can be fixed, CPI based or sales turnover based. Specialty tenants are typically on shorter lease terms, averaging 5 to 7 years, with annual contracted increases of either CPI plus a fixed percentage or fixed percentage increases. Over 99% of the total rental income is currently derived from minimum contracted base rent, with approximately 1% being directly linked to retailer sales;

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— **consistent net operating income growth** – active leasing and property management has supported long term comparable net operating income growth. Over the last 10 years, the portfolio has delivered compound annual growth in comparable net operating income of 4.5%. More recently, net operating income growth has slowed with property net operating income growth of 2.0% in Australia in 2013. Comparable net operating income growth is forecast to grow in Australia by 2.0% – 2.5% in 2014.

Scentre Group will be a major landlord to retail stores including David Jones, Myer, Farmers, Target, Kmart, Big W, Coles and Woolworths.

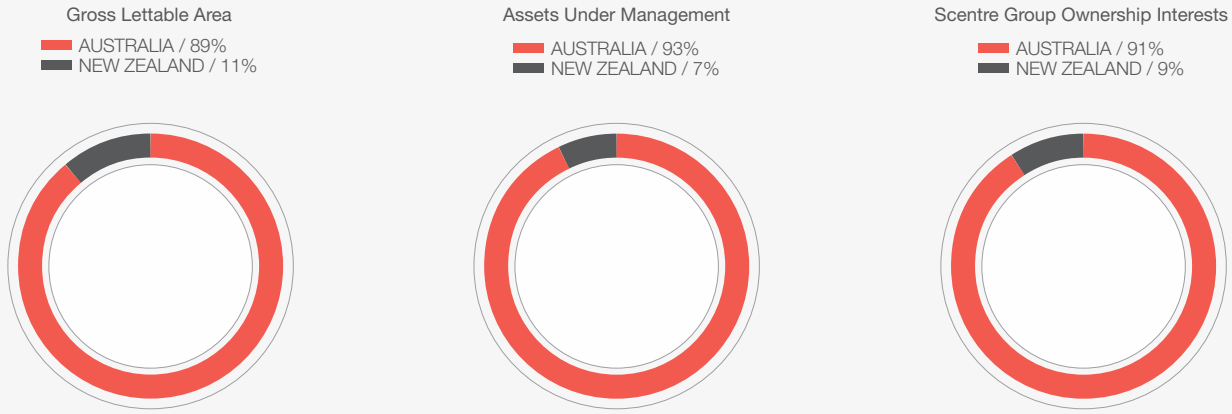
Scentre Group's shopping centre investments will be undertaken through direct ownership, joint ventures and co-ownership arrangements and its shopping centres will be managed internally.

The key ownership statistics for Scentre Group are set out in the table below:

Table 4.6.1: Key portfolio ownership statistics (as at 31 December 2013)(1)

	Australia	New Zealand	Total
Scentre Group ownership interests (billion)	A$26.0	NZ$2.8	A$28.6
Capital partner ownership interests (billion)	A$10.0	NZ$0.0	A$10.0
Assets under management (billion) (AUM)	A$36.0	NZ$2.8	A$38.6
Scentre Group share of AUM	72%	100%	74%

(1) Shopping centre assets and includes construction in progress and assets held for development.



The key operating statistics for the Scentre Group property portfolio are set out in the table below:

Table 4.6.2: Portfolio summary (as at 31 December 2013)

	Australia	New Zealand	Total
Shopping centres	38	9	47
Retail outlets	11,135	1,409	12,544
GLA (million square metres)	3.4	0.4	3.8
Portfolio leased %	>99.5%	99.5%	>99.5%
Total annual sales (billion)	$20.2	NZ$2.0	$22.0
Annual specialty sales per square metre	$9,901	NZ$8,542	N/A
Weighted average estimated valuation yield(1)	5.9%	7.3%	6.0%

(1) Based on property Tables 4.6.3 and 4.6.4.

The assets that will initially comprise Scentre Group's Australian and New Zealand portfolio are listed below.

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Table 4.6.3: Scentre Group – pro forma shopping centre interests – Australian properties

						Retail Sales				
Shopping Centre	Joint Venture Partner(s)	Pro forma Consolidated or Equity Accounted Interest 31 Dec 13	Fair value 100% 31 Dec 13 $million	Pro forma Scentre Group share Fair value 31 Dec 13 $million	Pro forma Estimated Valuation Yield 31 Dec 13	Total Annual Sales $million	Specialty Annual Sales $psm	Lettable Area (square metres)	No of Retail Outlets	Anchor Tenants
Belconnen		100.0	808.0	808.0	6.00%	507.7	7,864	94,718	290	Myer, Target, Kmart, Harris Scarfe, Coles, Woolworths, Aldi, Hoyts, Toys R Us, Dan Murphys
Woden	GPT	50.0	650.0	325.0	6.25%	369.0	8,674	72,292	255	David Jones, Big W, Coles, Woolworths, Hoyts
Australian Capital Territory			1,458.0	1,133.0	6.07%					
Bondi Junction		100.0	2,253.8	2,253.8	5.25%	1,006.3	13,406	127,716	510	Myer, David Jones, Target, Coles, Woolworths, Harvey Norman, Event Cinemas
Burwood		100.0	840.2	840.2	6.00%	430.8	9,536	63,319	248	David Jones, Target, Kmart, Coles, Woolworths, Event Cinemas
Chatswood		100.0	905.8	905.8	6.00%	493.4	9,081	77,107	274	Myer, Target, Coles, Aldi, Toys R Us, Hoyts
Figtree		100.0	155.0	155.0	7.50%	180.2	8,795	21,997	99	Kmart, Coles, Woolworths
Hornsby		100.0	894.4	894.4	6.00%	626.3	7,938	99,953	335	Myer, David Jones, Target, Kmart, Coles, Woolworths, Aldi, Dan Murphys, Event Cinemas
Hurstville	Dexus	50.0	540.0	270.0	7.00%	413.6	9,529	62,542	261	Myer, Target, Kmart, Coles, Aldi, Food for less, Dan Murphys, Toys R Us, Greater Union
Kotara		100.0	710.0	710.0	6.25%	446.7	9,264	68,491	260	David Jones, Target, Kmart, Coles, Woolworths, Toys R Us
Liverpool	AMP Capital Investors	50.0	900.0	450.0	6.25%	484.8	8,372	85,199	343	Myer, Target, Big W, Coles, Woolworths, Toys R Us, Event Cinemas
Miranda[#]	Dexus	50.0	1,386.0	693.0	5.75%	614.1	11,698	107,929	397	Myer, David Jones, Target, Big W, Woolworths, Franklins, Aldi, Toys R Us, Greater Union
Mt Druitt	Dexus	50.0	474.8	237.4	7.00%	392.7	7,861	60,190	243	Target, Kmart, Coles, Woolworths, Harvey Norman, Hoyts
North Rocks		100.0	123.0	123.0	7.25%	147.1	6,659	22,577	87	Kmart, Coles, Aldi
Parramatta	GIC	50.0	1,618.0	809.0	5.75%	705.7	10,155	137,321	493	Myer, David Jones, Target, Kmart, Coles, Woolworths, Toys R Us, Event Cinemas
Penrith	GPT	50.0	1,095.2	547.6	6.00%	596.0	10,452	91,690	345	Myer, Target, Big W, Woolworths, Aldi, Hoyts
Tuggerah		100.0	660.0	660.0	6.25%	474.9	7,962	83,391	266	David Jones, Target, Big W, Coles, Woolworths, Aldi, Dan Murphys, Event Cinemas
Warrawong		100.0	187.0	187.0	8.00%	216.2	6,021	57,114	142	Target, Big W, Coles, Aldi, Bunnings Warehouse, Hoyts
Warringah Mall	AMP Capital Investors	50.0	1,150.0	575.0	6.00%	710.0	9,651	126,634	320	Myer, David Jones, Target, Big W, Coles, Woolworths, Bunnings Warehouse, Hoyts
Westfield Sydney[(i)]		100.0	3,358.2	3,358.2	5.29%	885.8	16,482	167,975	364	Myer
New South Wales			17,251.4	13,669.4	5.80%					

Centre currently under redevelopment

(i) Westfield Sydney comprises Sydney Central Plaza, the Sydney City retail complex and office towers. The estimated yield on Westfield Sydney is 5.59%, comprising retail 5.29% (Sydney City 5.13% and Sydney Central Plaza 5.75%) and office 6.46%.

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Table 4.6.3: Scentre Group – pro forma shopping centre interests – Australian properties continued

Shopping Centre	Joint Venture Partner(s)	Pro forma Consolidated or Equity Accounted Interest 31 Dec 13	Fair value 100% 31 Dec 13 $million	Pro forma Scentre Group share Fair value 31 Dec 13 $million	Pro forma Estimated Valuation Yield 31 Dec 13	Retail Sales: Total Annual Sales $million	Retail Sales: Specialty Annual Sales $psm	Lettable Area (square metres)	No of Retail Outlets	Anchor Tenants
Carindale[ii]	APPF	50.0	1,370.2	685.1	5.75%	908.5	10,788	135,496	423	Myer, David Jones, Target, Big W, Coles, Aldi, Woolworths, Richies Supa IGA, Harvey Norman, Birch Carroll & Coyle
Chermside		100.0	1,648.6	1,648.6	5.50%	874.3	13,434	150,927	412	Myer, David Jones, Harris Scarfe, Target, Kmart, Big W, Coles, Woolworths, Dan Murphys, Event Cinemas
Helensvale	QIC	50.0	390.0	195.0	6.50%	360.8	10,716	44,626	189	Target, Kmart, Coles, Woolworths, Aldi
Mt Gravatt#		100.0	918.8	918.8	6.00%	508.9	8,915	98,651	313	David Jones, Kmart, Big W, Coles, Woolworths, Harvey Norman, Toys R Us, Birch Caroll & Coyle
North Lakes	Dexus	50.0	465.2	232.6	6.25%	408.8	10,272	61,428	215	Myer, Target, Big W, Coles, Woolworths, Aldi, Dan Murphys
Strathpine		100.0	275.0	275.0	7.25%	267.2	8,083	44,652	165	Target, Big W, Coles, Woolworths, Aldi, Birch Caroll & Coyle
Queensland			5,067.8	3,955.1	5.86%					
Marion	APPF	50.0	1,180.0	590.0	5.90%	794.0	11,030	135,241	332	Myer, David Jones, Target, Kmart, Big W, Harris Scarfe, Coles, Woolworths, Dan Murphys, Bunnings Warehouse, Event Cinemas
Tea Tree Plaza	AMP Capital Investors	50.0	683.8	341.9	6.00%	478.1	10,298	93,974	258	Myer, Target, Kmart, Big W, Harris Scarfe, Coles, Woolworths, Toys R Us, Hoyts
West Lakes	Dexus	50.0	520.0	260.0	6.25%	375.2	9,688	72,823	260	David Jones, Target, Kmart, Harris Scarfe, Coles, Woolworths, Reading Cinemas
South Australia			2,383.8	1,191.9	6.00%					
Airport West	Perron Group	50.0	345.0	172.5	7.00%	289.6	7,366	52,190	175	Target, Kmart, Harris Scarfe, Coles, Woolworths, Aldi, Village Roadshow
Doncaster	M&G Asia Property Fund & ISPT	50.0	1,620.0	810.0	5.50%	855.6	12,242	123,190	442	Myer, David Jones, Target, Big W, Coles, Woolworths, Toys R Us, Village Roadshow
Fountain Gate		100.0	1,455.0	1,455.0	5.75%	872.3	8,816	174,900	469	Myer, Target, Kmart, Big W, Harris Scarfe, Coles, Woolworths, Aldi, Harvey Norman, Kmart Garden, Village Roadshow
Geelong	Perron Group	50.0	480.0	240.0	6.25%	278.8	8,174	51,643	184	Myer, Target, Big W, Coles
Knox	State Super	50.0	1,030.0	515.0	6.50%	685.4	8,452	141,934	409	Myer, Target, Kmart, Harris Scarfe, Coles, Harvey Norman, Toys R Us, Village Roadshow
Plenty Valley	Dexus	50.0	315.0	157.5	6.50%	319.0	6,780	53,845	179	Target, Kmart, Coles, Woolworths, Aldi
Southland	AMP Capital Investors	50.0	1,356.0	678.0	5.85%	791.5	8,516	129,167	403	Myer, David Jones, Harris Scarfe, Target, Kmart, Big W, Coles, Woolworths, Aldi, Village Roadshow
Victoria			6,601.0	4,028.0	5.93%					

Centre currently under redevelopment

(ii) 50% interest in this shopping centre through Carindale Property Trust is consolidated and 25% is shown as non controlling interest.

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Table 4.6.3: Scentre Group – pro forma shopping centre interests – Australian properties continued

Shopping Centre	Joint Venture Partner(s)	Pro forma Consolidated or Equity Accounted Interest 31 Dec 13	Fair value 100% 31 Dec 13 $million	Pro forma Scentre Group share Fair value 31 Dec 13 $million	Pro forma Estimated Valuation Yield 31 Dec 13	Retail Sales: Total Annual Sales $million	Retail Sales: Specialty Annual Sales $psm	Lettable Area (square metres)	No of Retail Outlets	Anchor Tenants
Carousel		**100.0**	**990.0**	**990.0**	**5.50%**	584.0	11,105	82,370	295	Myer, Target, Kmart, Coles, Woolworths, Hoyts
Innaloo		**100.0**	**274.0**	**274.0**	**7.00%**	308.4	8,820	47,461	175	Target, Kmart, Coles, Woolworths, Progressive IGA
Whitford City	GIC	**50.0**	**600.0**	**300.0**	**6.75%**	517.6	8,689	77,751	305	Target, Big W, Coles, Woolworths, Bunnings Warehouse, Grand Cinemas
Western Australia			**1,864.0**	**1,564.0**	**6.00%**					
Total Australian portfolio			**34,626.0**	**25,541.4**	**5.86%**	**20,178.6**		**3,400,424**	**11,135**	

Table 4.6.4: Scentre Group – pro forma shopping centre interests – New Zealand properties

Shopping Centre	Location	Pro forma Consolidated or Equity Accounted Interest 31 Dec 13	Fair value 100% 31 Dec 13 NZ$million	Pro forma Scentre Group share Fair value 31 Dec 13 NZ$million	Pro forma Estimated Valuation Yield 31 Dec 13	Retail Sales: Total Annual Sales NZ$million	Retail Sales: Specialty Annual Sales NZ$psm	Lettable Area (square metres)	No of Retail Outlets	Anchor Tenants
Albany	Auckland	100.0	434.0	434.0	6.50%	313.4	9,978	53,217	145	Farmers, Kmart, New World, Event Cinemas
Chartwell	Hamilton	100.0	175.0	175.0	8.25%	127.6	5,913	29,020	129	Farmers, Countdown, Event Cinemas
Glenfield	Auckland	100.0	106.0	106.0	8.38%	134.5	4,914	30,489	117	Farmers, The Warehouse, Countdown
Manukau	Auckland	100.0	335.6	335.6	7.63%	212.3	8,065	45,528	199	Farmers, Countdown, Event Cinemas
Newmarket	Auckland	100.0	249.0	249.0	7.13%	130.3	10,971	31,491	117	Countdown
Queensgate	Wellington	100.0	312.0	312.0	7.25%	226.5	7,180	51,399	182	Farmers, The Warehouse, Countdown, Event Cinemas
Riccarton	Christchurch	100.0	470.0	470.0	7.50%	432.9	11,539	55,379	198	Farmers, Kmart, Pak n Save, Hoyts
St Lukes	Auckland	100.0	447.0	447.0	6.88%	270.9	10,473	39,699	179	Farmers, Kmart, Countdown, Event Cinemas
WestCity	Auckland	100.0	181.0	181.0	8.38%	150.3	6,310	36,180	143	Farmers, The Warehouse, Countdown, Event Cinemas
Total New Zealand portfolio			**2,709.6**	**2,709.6**	**7.33%**	**1,998.7**		**372,403**	**1,409**	
Exchange rate			1.0869	1.0869						
Total New Zealand portfolio in A$			**2,493.0**	**2,493.0**						

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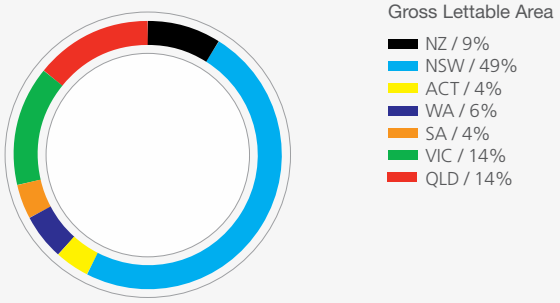
The chart below shows the geographic distribution of Scentre Group's portfolio by asset value on a pro forma basis as at 31 December 2013:

Chart 4.6.1: Geographic distribution by asset value (as at 31 December 2013)

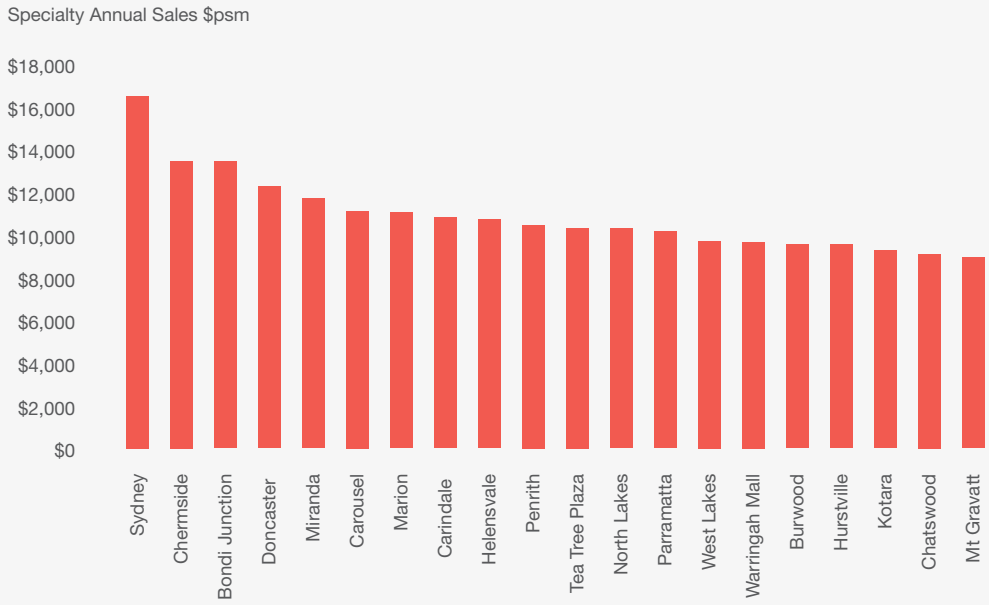


The size and quality of Scentre Group's portfolio will be unrivalled in the Australian market, with over 70% of the portfolio's Australian shopping centres (by book value) achieving annual retail sales in excess of A$500 million. The portfolio already achieves high annual sales productivity for retailers, with:

- average annual specialty retail sales of A$9,901 per square metre, and average specialty rents of A$1,537 per square metre for the Australian properties; and
- average annual specialty retail sales of NZ$8,542 per square metre, and average specialty rents of NZ$1,128 per square metre for the New Zealand properties.

The chart below shows annual specialty sales per square metre for the top 20 shopping centres in Scentre Group's Australian portfolio for the 12 month period to 31 December 2013:

Chart 4.6.2: Australian annual specialty sales $psm (12 months to 31 December 2013)



The table below shows annual sales for Scentre Group's Australian portfolio for the 12 month period to 31 December 2013. Over 70% of the Australian shopping centres (by value) generate annual sales over $500 million.

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Table 4.6.5: Australian annual sales (12 month period to 31 December 2013)

					Proportion of Australian Portfolio
>$800m	Bondi Junction Carindale Westfield Sydney	$1,006.3m $908.5m $885.8m	Chermside Fountain Gate Doncaster	$874.3m $872.3m $855.6m	40%
$700m – $800m	Marion Southland Warringah Mall	$794.0m $791.5m $710.0m	Parramatta	$705.7m	11%
$600m – $700m	Knox Hornsby Miranda	$685.4m $626.3m $614.1m			8%
$500m – $600m	Penrith Carousel Whitford City	$596.0m $584.0m $517.6m	Mt Gravatt Belconnen	$508.9m $507.7m	14%
$400m – $500m	Chatswood Liverpool Tea Tree Plaza Tuggerah	$493.4m $484.8m $478.1m $474.9m	Kotara Burwood Hurstville North Lakes	$446.7m $430.8m $413.6m $408.8m	17%
<$400m	Mt Druitt West Lakes Woden Helensvale Plenty Valley Innaloo	$392.7m $375.2m $369.0m $360.8m $319.0m $308.4m	Airport West Geelong Strathpine Warrawong Figtree North Rocks	$289.6m $278.8m $267.2m $216.2m $180.2m $147.1m	10%

The portfolio includes approximately 12,500 retail outlets covering the whole spectrum of retail, leisure and lifestyle. The two charts below show Australian annual sales by trading category and Australian annual specialty sales by trading category:

Chart 4.6.3: Australian annual sales by trading category (12 months to 31 December 2013)

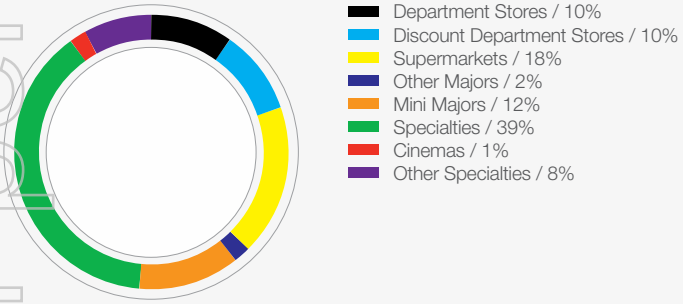
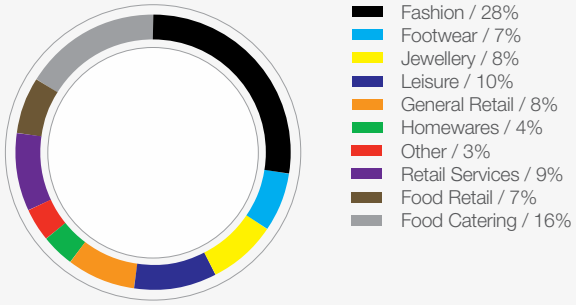


Chart 4.6.4: Australian annual specialty sales by trading category (12 months to 31 December 2013)



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The two charts below show Australian and New Zealand lease expiry by year, based on total store area and specialty store area.

Chart 4.6.5: Lease expiry by year – Australia and New Zealand – total store area (as at 31 December 2013)

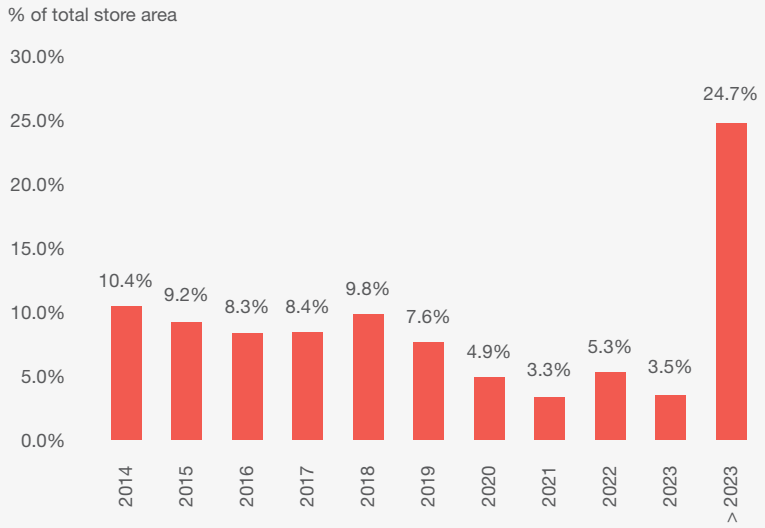
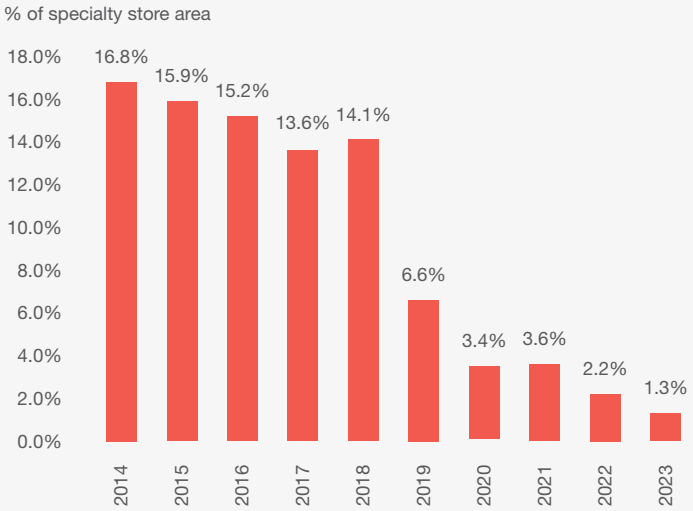


Chart 4.6.6: Lease expiry by year – Australia and New Zealand – specialty store area (as at 31 December 2013)



Portfolio operating information

(a) Lease structure

Approximately 83% of total annual rental income in Scentre Group's shopping centre portfolio is derived from specialty stores. Standard specialty shop lease terms are five to seven years with current annual contracted rent increases of either CPI plus a fixed percentage or fixed percentage rent increases. The remainder comes from anchor tenants which generally have lease terms of 15 to 25 years with stepped rent increases throughout the term which can be fixed, CPI based or sales turnover based.

(b) Operating data

Anchor tenants

Generally, anchor tenants are major stores whose merchandise appeals to a broad range of consumers and traditionally have been a significant factor in attracting consumers to shopping centres. The following table lists anchor tenants within their broad trading categories, the number of stores leased by each anchor tenant, anchor tenant GLA and anchor tenant GLA as a percentage of total GLA:

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Table 4.6.6: Anchor tenant key statistics – Australia and New Zealand (as at 31 December 2013)

Anchor	Number of anchor stores	Anchor GLA (000's sqm)	Anchor GLA as a % of Total GLA	Average lease term remaining (years)
Department Stores				
Myer	22	413.8	11.6%	10.3
David Jones	16	236.1	6.6%	13.5
Farmers	8	56.3	1.6%	11.0
Harris Scarfe	9	26.9	0.8%	7.3
Subtotal	**55**	**733.1**	**20.5%**	**11.3**
Discount Department Stores				
Target	33	242.7	6.8%	11.5
Kmart	25	177.6	5.0%	5.6
Big W	19	154.3	4.3%	12.4
The Warehouse	3	18.4	0.5%	1.3
Subtotal	**80**	**593.0**	**16.6%**	**9.6**
Supermarkets				
Coles	36	136.0	3.8%	10.4
Woolworths	31	127.6	3.6%	9.2
Countdown	8	32.7	0.9%	4.8
Aldi	17	24.3	0.7%	6.3
Progressive Supa IGA	2	7.9	0.2%	6.6
Pak N Save	1	6.3	0.2%	10.5
Franklins	1	2.2	0.1%	11.0
New World	1	3.4	0.1%	8.7
Food for Less	1	1.3	0.0%	0.0
Subtotal	**98**	**341.7**	**9.5%**	**9.0**
Cinemas				
Event Cinemas	14	84.2	2.3%	8.4
Hoyts	10	48.1	1.3%	5.7
Village	5	30.2	0.8%	11.5
Birch Carroll & Coyle	3	15.4	0.4%	5.6
Greater Union	2	7.0	0.2%	0.0
Reading Cinemas	1	4.3	0.1%	5.9
Grand Cinemas	1	3.2	0.1%	0.9
Subtotal	**36**	**192.5**	**5.4%**	**7.5**
Other				
Toys R Us	11	32.3	0.9%	3.0
Bunnings Warehouse	4	30.0	0.8%	4.8
Harvey Norman	6	24.3	0.7%	3.3
Dan Murphy's	7	9.8	0.3%	6.2
Kmart Garden	1	4.2	0.1%	4.9
Subtotal	**29**	**100.5**	**2.8%**	**4.0**
Total	**298**	**1,960.8**	**54.7%**	**9.6**

Anchor tenants occupied approximately 54.7% of the total GLA as at 31 December 2013, and contributed approximately 17.0% of the total rental income on a pro forma Scentre Group basis for the year ended 31 December 2013, with no single tenant contributing more than 2.6% of such total rental income.

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Specialty stores

The following table sets out, with respect to the 10 largest specialty store retailers, by way of either common trading name or through their various operating divisions, the number of specialty stores leased, their specialty store GLA and their specialty store GLA as a percentage of total store GLA:

Specialty stores consist of mini-majors and specialty shops (retail stores occupying less than 400 square metres of GLA).

Table 4.6.7: Specialty store key statistics – Australia and New Zealand (as at 31 December 2013)

Specialty Retailer	Number of Specialty Stores Leased	Specialty Store GLA (000's sqm)	% of Total GLA
Super Retail Group[1]	32	45.3	1.3%
Cotton On Group[2]	199	36.0	1.0%
JB Hi Fi	31	34.0	1.0%
Just Group[3]	224	31.2	0.9%
Best & Less[4]	27	25.3	0.7%
Dick Smith[5]	35	23.0	0.6%
Specialty Fashion Group[6]	137	20.9	0.6%
Australian Pharmaceutical Industries[7]	45	18.9	0.5%
James Pascoe Group[8]	117	18.3	0.5%
BB Retail Capital[9]	160	18.2	0.5%
Total	**1,007**	**271.0**	**7.6%**

(1) Super Retail Group includes Rebel Sport, Ray's Outdoors and Supercheap Auto.
(2) Cotton On Group includes Cotton On, Cotton On Kids, Cotton On Body, Typo, Rubi Shoes, Factorie, T Bar and Supre.
(3) Just Group includes Just Jeans, Jay Jays, Jacqui E, Peter Alexander, Portmans, Dotti and Smiggle.
(4) Best & Less includes The Kidstore.
(5) Dick Smith includes Dick Smith Electronics and Dick Smith Powerhouse.
(6) Specialty Fashion Group includes Millers, Katies, Autograph, City Chic, Crossroads and Rivers.
(7) Australian Pharmaceutical Industries includes Priceline, Priceline Pharmacy and Soul Pattinson.
(8) James Pascoe Group includes Prouds Jewellers, Angus & Coote, Goldmark, Pascoes the Jewellers, Stevens, Stewart Dawsons Jewellers, Whitcoulls, Kids by Farmers and Borders (NZ).
(9) BB Retail Capital includes Diva, Bras N Things, Dusk, Adairs, Lovisa and Honey Birdette.

The 10 largest specialty store retailers occupied approximately 7.6% of the total GLA as of 31 December 2013 and contributed approximately 10.3% of the total rental income on a pro forma Scentre Group basis for the year ended 31 December 2013, with no single retailer contributing more than 2.0% of such total rental income.

4.7 Board and senior management

Board of directors

Following implementation of the Proposal, the Scentre Group Board will comprise the boards of directors of Scentre Group Limited and the Scentre Group Responsible Entities, each of which have a common membership.

The Scentre Group Board will comprise the following directors:

Mr Frank Lowy AC	Chairman
Mr Brian Schwartz AM	Deputy Chairman
Mr Peter Allen	Chief Executive Officer
Mr Laurence Brindle	Non-Executive Director
Mr Richard Egerton-Warburton AO, LVO	Non-Executive Director
Mr Andrew Harmos	Non-Executive Director
Mr Michael Ihlein	Non-Executive Director
Mr Steven Lowy AM	Non-Executive Director
Ms Sandra McPhee AM	Non-Executive Director

SECTION 4

PROFILE OF SCENTRE GROUP

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The profiles of Mr Frank Lowy, Mr Brian Schwartz and Mr Steven Lowy are set out in section 7.8. The profiles of the remaining directors are as follows:

Mr Peter Allen

Mr Allen was appointed as an Executive Director of Westfield Group in May 2011 and is currently Westfield Group's Group Chief Financial Officer. Mr Allen worked for Citibank in Melbourne, New York and London before joining Westfield in 1996 as Director for Business Development. From 1998 to 2004, he was based in London as Chief Executive Officer of UK/Europe and was responsible for establishing Westfield Group's presence in the UK. Mr Allen is also currently a director of Westfield Retail Trust and is on the board of the Kolling Foundation. He is also an associate member of the Australian Property Institute.

Mr Laurence Brindle

Mr Brindle was appointed as a director of Westfield Retail Trust in December 2010. He has extensive experience in property investment. From 1988 to 2009, Mr Brindle served as an executive with Queensland Investment Corporation (**QIC**) where he held various positions including Head of Global Real Estate as well as serving as a long term member of QIC's Investment Strategy Committee. Mr Brindle is Chairman of the National Storage REIT. He is the former Chairman of the Shopping Centre Council of Australia and the Chief Executive Officer of Trinity Limited. Mr Brindle holds a Bachelor of Engineering (Honours) and a Bachelor of Commerce from the University of Queensland and a Master of Business Administration from Cass Business School, London.

Mr Richard Egerton-Warburton AO, LVO

Mr Egerton-Warburton was appointed as a director of Westfield Retail Trust in December 2010 and is currently Chairman of Westfield Retail Trust. Prior to becoming a professional director, he was the Chairman and Chief Executive Officer of DuPont Australia and New Zealand where he was responsible for DuPont's petro-chemical business operations in Australia and New Zealand. Mr Egerton-Warburton is currently Chairman of Magellan Flagship Fund and Citigroup Pty Limited. He was previously Chairman of David Jones Limited, AurionGold Limited, Caltex Australia Limited and the Board of Taxation, and a director of Tabcorp Holdings Limited, Southcorp Limited, Nufarm Limited and the Reserve Bank of Australia. Mr Egerton-Warburton is a Fellow (and former National President) of the Australian Institute of Company Directors.

Mr Andrew Harmos

Mr Harmos was appointed as a director of Westfield Retail Trust in December 2010. He is one of the founding directors of Harmos Horton Lusk Limited, an Auckland based specialist corporate legal advisory firm, where he specialises in takeover advice and structuring, securities offerings, company acquisitions and disposals and strategic and board corporate legal advice. He was formerly a senior partner of Russell McVeagh and a director of Westfield New Zealand Group. Mr Harmos is Chairman of the New Zealand Stock Exchange, a director of AMP Life Limited, The National Mutual Life Association of Australasia and Elevation Capital Management Limited. He is also a Trustee of the Arts Foundation of New Zealand. Mr Harmos holds a Bachelor of Commerce and a Bachelor of Laws (Honours) from the University of Auckland.

Mr Michael Ihlein

Mr Ihlein was appointed as a director of Westfield Retail Trust in December 2010. He is a highly experienced corporate and finance executive. Mr Ihlein had a long career with Coca-Cola Amatil Limited (and related companies), where he was Managing Director, Poland (1995-1997) and Chief Financial Officer (1997-2004). He joined Brambles as Chief Financial Officer in March 2004 and held the position of Chief Executive Officer from July 2007 until his retirement in November 2009. Mr Ihlein is currently a director of CSR Limited, Snowy Hydro Limited and Murray Goulburn Co-operative Co. Limited. He is a Fellow of the Australian Institute of Company Directors, CPA Australia and the Financial Services Institute of Australasia (Finsia). He is also Chair of Australian Theatre for Young People. Mr Ihlein holds a Bachelor of Business Studies (Accounting) from University of Technology, Sydney.

Ms Sandra McPhee AM

Ms McPhee was appointed as a director of Westfield Retail Trust in December 2010. She has extensive international experience as a non-executive director and senior executive in consumer facing industries including retail, funds management and transport and logistics, most recently with Qantas Airways Limited. Ms McPhee serves on the boards of AGL Energy Limited, Fairfax Media Limited, Tourism Australia and Kathmandu Limited. She is Chairman of St Vincent's and Mater Health Sydney Advisory Council and was previously Deputy President of the Board of Trustees of the Art Gallery of New South Wales. Her previous non-executive director roles include Coles Group Limited, Australia Post, Perpetual Limited, Primelife Corporation, CARE Australia and Deputy Chairman of South Australian Water. She is a Fellow of the Australian Institute of Company Directors.

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Scentre Group senior management

The Scentre Group senior management team will include:

Mr Peter Allen	Chief Executive Officer
Mr Mark Bloom	Chief Financial Officer
Mr John Batistich	Director, Marketing
Ms Janine Frew	Director, Human Resources
Mr Paul Giugni	General Counsel
Mr Andy Hedges	Director, Shopping Centre Management
Mr Ian Irving	Director, Design & Construction
Mr Peter Leslie	Director, Leasing
Mr Justin Lynch	Director, New Zealand
Mr John Widdup	Chief Operating Officer – Development, Design & Construction
Mr Richard Williams	Treasurer

The profile of Mr Peter Allen is set out above in this section 4.7. The profiles of the remaining key members of the senior management team are as follows:

Mr Mark Bloom

Mr Bloom was appointed Deputy Group Chief Financial Officer of Westfield Group in 2005. Mr Bloom has over 30 years' experience in senior finance roles at large listed financial corporations. Prior to joining Westfield Group, Mr Bloom was Finance Director and a member of the board of Liberty Group in Johannesburg where he was responsible for all aspects of Finance including Group Strategy, Legal, Treasury, Investor Relations and Mergers and Acquisitions. At Westfield Group, he is currently responsible for Group Treasury, Financial Reporting, Global IT and the Operational Finance functions across the Westfield Group. Mr Bloom holds a Bachelor of Commerce and Bachelor of Accounting from the University of Witwatersrand and is a member of the Institute of Chartered Accountants in Australia.

Mr John Batistich

Mr Batistich was appointed Director, Marketing at Westfield Group in October 2011. Mr Batistich holds a Masters in Management from Macquarie Graduate School of Management majoring in Human Resources, a Bachelor of Business (marketing) from the University of Western Sydney and a Certificate in Digital Marketing from Australian Direct Marketing Association. Mr Batistich has been a member of the Australian Market & Social Research Society Client Advisory Board and is a member of the Board of Governors for The Heart Research Institute. Mr Batistich joined Westfield Group in 2007 as General Manager, Marketing. Prior to joining Westfield Group, he had experience with Lion Nathan, Kimberley Clark, PepsiCo and the Wrigley Company.

Ms Janine Frew

Ms Frew was appointed Director of Human Resources of Westfield Group in December 2012. Ms Frew is a highly skilled Human Resources professional with over 25 years' experience. She has extensive involvement across all disciplines of Human Resources including Employee Relations, OH&S, Training and Development, Recruitment and HR Planning in both the Retail and FMCG industries. Ms Frew joined Westfield Group in 2007 as the HR Business Partner for Shopping Centre Management and has held various positions including Human Resources Director UK. Prior to joining Westfield Group, Ms Frew held the position of Head of HR, Australia and New Zealand with Coca-Cola Company as well as a long tenure with the Coles Myer Group.

Mr Paul Giugni

Mr Giugni was appointed General Counsel – Australia and New Zealand of Westfield Group in January 2012. He holds a Bachelor of Economics and a Bachelor of Laws (Honours) from the University of Sydney. Mr Giugni joined Westfield in September 1998. Mr Giugni is responsible for the Australian and New Zealand operating divisions legal advice, matters and transactions. Prior to joining Westfield, Mr Giugni was a solicitor at Freehill Hollingdale and Page (now Herbert Smith Freehills).

Mr Andy Hedges

Mr Hedges was appointed to Director, Shopping Centre Management & Marketing of Westfield Group in October 2007. Mr Hedges is an Associate Member of the Chartered Institute of Management Accountants (UK) and is a Fellow of the Australian Institute of Management. Prior to Westfield Group, he was employed with Reckitt Benckiser for 20 years in various management roles, most recently as Senior Vice President and Regional Director for Australia and New Zealand region. During his 20 years with Reckitt's, he worked in senior management roles in both Canada and the UK. In 2011, Mr Hedges was appointed as Director of Shopping Centre Management.

Mr Ian Irving

Mr Irving was appointed Director, Design & Construction of Westfield Group in 2009. He holds a Bachelor of Science (Building) from the University of Technology Sydney and an MBA (Executive) from the Australian Graduate School of Management. Mr Irving brings 25 years working experience in the construction industry to Westfield Group. He joined Westfield Group in 2004 as General Manager of Westfield Design & Construction, responsible for the delivery of a number of major Westfield Group projects throughout Australia including the management of the Westfield Sydney project. Prior to joining Westfield Group, he held a number of senior management positions with national construction companies within Australia. Mr Irving commenced his career with BHP Billiton at Australian Iron and Steel, Port Kembla.

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Mr Peter Leslie

Mr Leslie commenced with Westfield in October 2001 as General Manager, Leasing. In March 2002, he was promoted to Director of Leasing. Mr Leslie transferred to Westfield Group's US business as Senior Executive Vice President, Leasing in 2009 and spent four years with the US Leasing team. Early 2013 saw Mr Leslie return to the Australian business to once again head Westfield Group's Leasing Division. Prior to joining Westfield, Mr Leslie was employed at Gandel Group as General Manager – Leasing. Mr Leslie completed a Bachelor of Commerce at the University of Queensland.

Mr Justin Lynch

Mr Lynch was appointed as Director, New Zealand for Westfield Group in August 2007. He holds a property degree specialising in construction management from University of New South Wales and an MBA from Macquarie University. Mr Lynch joined Westfield in October 2000 as a Development Executive based in Sydney. In 2004, Mr Lynch relocated to New Zealand to take up the role of General Manager, Development. Mr Lynch has over 20 years of experience in property in both Australia and New Zealand specialising in construction project management, development and investment funds management.

Mr John Widdup

Mr Widdup joined Westfield in 1994 as Development Executive in Australia. He was appointed Asset General Manager for Queensland in 1996, Director, New Zealand in 2000 and Chief Operating Officer, US in 2007, responsible for all aspects of the group's business in the US. In 2011, Mr Widdup was appointed Chief Operating Officer Development, Design & Construction, Australia and is currently responsible for all development, design and construction initiatives undertaken by Westfield Group in Australia. Prior to joining Westfield, he was Managing Director at PMA, a property development company in South Africa. He has an extensive property development, finance and legal background with a successful management track record over the past 20 years. Mr Widdup has a Bachelor of Arts and Bachelor of Law from University of Natal in South Africa.

Mr Richard Williams

Mr Williams joined Westfield Group in 2005 and has held the position of Group Treasurer for the past 7 years. Mr Williams has over 28 years of treasury and financial markets experience and has previously held senior treasury roles at AMP, where he was Head of Capital Markets, and Australian Industry Development Corporation.

4.8 Corporate governance

It is recognised that good corporate governance and the commitment to complying with high standards of corporate governance are important.

The corporate governance framework for Scentre Group will be underpinned by the ASX Guidelines. The ASX Guidelines are for Australian listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. The recommendations are not prescriptions, but guidelines. Listed entities are required to disclose in their annual reports the extent of their compliance with the ASX Guidelines in the reporting period and to disclose why they have not adopted an ASX Guideline if they consider it to be inappropriate to do so in their particular circumstances. Scentre Group will be required to report against the ASX Guidelines.

The Scentre Group Board will include additional details of its corporate governance regime, including board and committee charters and relevant corporate policies and codes which will be available on the Scentre Group website once established, and a corporate governance statement will be included in Scentre Group's annual report outlining Scentre Group's system of governance during that reporting period and the extent of Scentre Group's compliance.

The key elements of Scentre Group's governance framework are set out below. Except as set out below, the Scentre Group Board does not anticipate that it will depart from the ASX Guidelines; however, it may do so in the future if it considers that such departure is reasonable.

Role of the Scentre Group Board

The Scentre Group Board will be accountable to Scentre Group Securityholders. Under its charter, the Scentre Group Board will seek to ensure that the business objectives of Scentre Group are aligned with the expectations of Scentre Group Securityholders and that Scentre Group is effectively managed in a manner that is properly focused on its business objectives as well as conforming to regulatory and ethical requirements.

In addition to the responsibilities outlined above, the primary objectives of the Scentre Group Board in discharging its functions will be to:

- oversee the effective management and control of Scentre Group, including the composition, performance and remuneration of the management team;
- set and review the strategic direction of Scentre Group;
- approve and monitor key budgets, business plans, financial statements and financial policies;
- approve all material transactions;
- establish, promote and maintain proper processes and controls to maintain the integrity of financial accounting, financial records and reporting;

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- develop and implement key corporate policies, procedures and controls as necessary to ensure appropriate standards of accountability, risk management and corporate governance and responsibility;
- ensure that Scentre Group Securityholders receive high quality, relevant and accurate information in a timely manner;
- determine and adopt Scentre Group's distribution policy in accordance with the constitutions of Scentre Group; and
- ensure compliance with Scentre Group's Australian financial services licences, the compliance plans (see below) and other rules and regulations.

Independence of the Scentre Group Board

The membership of Scentre Group Board will reflect an appropriate balance between executives possessing extensive direct experience and expertise in the core business activities of Scentre Group, and non-executive members who have outstanding track records and reputations attained at the highest levels of business and commerce generally, and who are able to bring to the Scentre Group Board a broad range of general commercial expertise and experience.

For the purposes of the Scentre Group Board, an independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be inferred to materially interfere with, the independent exercise of their judgement.

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;
- within the last 3 years has been employed in an executive capacity by any member of Scentre Group, or has been a director after ceasing to hold any such employment;
- within the last 3 years has 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 Scentre Group;
- within the last 3 years has been a principal, employee or consultant of a material professional adviser to any member of Scentre Group – for this purpose a material professional adviser is an adviser whose billings to Scentre Group exceed 1% of the adviser's total revenues;
- is a principal, employee or associate of a material supplier to, or material customer of, any member of Scentre Group – for this purpose a material supplier to Scentre Group means a supplier whose revenues from Scentre Group exceed 5% of the supplier's total revenues. A material customer is a customer whose payments to Scentre Group exceeds 1% of the customer's operating costs;
- has a material contractual relationship with any member of Scentre Group other than as a director of the Scentre Group 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 Scentre Group and independently of management.

With respect to the non-executive directors, applying the criteria set out in the Board Charter, it is determined that Mr Brian Schwartz, Mr Richard Egerton-Warburton, Mr Laurence Brindle, Mr Andrew Harmos, Mr Michael Ihlein and Ms Sandra McPhee are considered to be independent directors. This determination has been made on the basis of the above factors, as they apply to those directors in relation to Westfield Group and Westfield Retail Trust at the date of this Securityholder Booklet.

The recommendation in the ASX Guidelines that listed entities should have an independent director as chairman is noted. Mr Lowy is considered the most appropriate person to act as chairman of the Scentre Group Board. It is intended that Mr Lowy assume the role of Chairman of both Scentre Group and Westfield Corporation.

Mr Lowy is the co-founder of Westfield and has overseen the success of Westfield since 1960. With over 50 years direct experience in the design, construction and management of shopping centres and associated fund and asset management, Mr Lowy's extensive knowledge, experience and reputation is unrivalled in the industry.

Mr Lowy's exposure to and knowledge of the industry will be of significant value to the Scentre Group Board. Mr Lowy's status as a leading industry figure is widely acknowledged.

Apart from Mr Lowy's industry experience and knowledge, it is expected that Mr Lowy's assumption of the role of Chairman will provide an important element of continuity in dealings with all stakeholders including over 2,000 employees who will continue in their current roles in Westfield Group's Australian and New Zealand business, but under the Scentre Group banner.

For these reasons, the Independent Westfield Retail Trust Directors and Westfield Group Board unanimously support Mr Lowy as Chairman of Scentre Group.

There will be a majority of independent directors serving on the Scentre Group Board (6 out of the 9 directors on the Scentre Group Board), all of whom are senior individuals who are currently directors of either Westfield Retail Trust or Westfield Group who have experience with the business that will be conducted by Scentre Group.

Mr Brian Schwartz will act as Deputy Chairman.

At such a time as Mr Lowy resigns from his role as Scentre Group Chairman, his successor will be chosen by the then current members of the Scentre Group Board.

SECTION 4

PROFILE OF SCENTRE GROUP

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Constitutions and compliance plans

Scentre Group will be governed by its constitutions as outlined in section 16.6.

The compliance plans for Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 set out the measures that the Scentre Group Responsible Entities will apply in operating Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 to ensure compliance with the Corporations Act, the constitutions, any disclosure document, their Australian financial services licences and how these procedures will be monitored.

The compliance plans are required to contain adequate measures for ensuring that the property of Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 is clearly identified and held separately, that the properties are valued at regular intervals, the compliance plan is audited annually and adequate trust records are kept. The compliance plans are already in place and the operations of Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 will continue to be governed by their compliance plans.

Continuous disclosure policy and securityholder communications

The Scentre Group Board will be committed to providing relevant information to Scentre Group Securityholders about the operations of Scentre Group and to fulfil its duties to comply with its continuous disclosure obligations to the market generally.

The Scentre Group Board will adopt a continuous disclosure policy which is designed to ensure compliance with the Listing Rules and continuous disclosure obligations.

The Scentre Group Board will establish a Continuous Disclosure Committee comprising appropriate senior executives which will be responsible for:

- making decisions on what information should be disclosed to the market; and
- ensuring disclosure is made in a timely and efficient manner.

Scentre Group Securityholders will receive an annual report. Newsletters and updates may also be sent to Scentre Group Securityholders from time to time.

Securities Trading Policy

Scentre Group will adopt a Securities Trading Policy which details Scentre Group's policy, and rules for, trading in its securities (which includes Scentre Group Securities). The policy will apply to directors, officers, persons located in Scentre Group's head offices or personnel located in another office who have a corporate function or role, and other specified persons, and is additional to the legal prohibitions on insider trading in Australia.

Audit and Risk Committee

The objective of the Audit and Risk Committee is to assist the Scentre Group Board in fulfilling its corporate governance responsibilities. The duties and responsibilities of the Audit and Risk Committee are contained in the Audit and Risk Committee charter. The duties and responsibilities will include:

- monitoring and reviewing compliance with laws and regulations (including Scentre Group's compliance plans);
- monitoring and reviewing the accuracy and reliability of management and financial reporting;
- reporting to the Scentre Group Board on the half-year and annual reports and financial statements of Scentre Group;
- facilitating an effective and efficient audit (including making recommendations regarding the appointment, evolution and removal of Scentre Group's external auditor);
- monitoring and reviewing the effectiveness of Scentre Group's internal control environment, including the effectiveness of internal control procedures;
- overseeing the internal audit function; and
- monitoring the adequacy and effectiveness of compliance systems in relation to the legal exposures of Scentre Group.

The Audit and Risk Committee will meet with external auditors at least twice each year (and more frequently if required) to review the adequacy of existing external audit arrangements and the scope of the audit. The external auditors will have a direct line of communication at any time to either the Chairman of the Audit and Risk Committee or the Chairman of the Scentre Group Board.

The Audit and Risk Committee must comprise at least three non-executive independent directors. The chairperson will be appointed by the Audit and Risk Committee and must be a non-executive independent director and not the chairperson of the Scentre Group Board. The chairperson will report the activities of the Audit and Risk Committee to the Scentre Group Board after each meeting.

The external auditors, the internal auditors, Scentre Group's Chief Executive Officer and Chief Financial Officer will be invited to attend Audit and Risk Committee meetings at the discretion of the committee. At least twice annually, the Audit and Risk Committee will meet with the external auditors without management being present.

The members of the Audit and Risk Committee will initially comprise Mr Michael Ihlein (Chair), Mr Laurence Brindle and Mr Richard Egerton-Warburton.

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Human Resources Committee

The primary objective of the Human Resources Committee will be to provide advice to the Scentre Group Board relating to the effectiveness, integrity and legal compliance of Scentre Group's remuneration programmes. The responsibilities of the Human Resources Committee will include:

- determining and reviewing remuneration policies to apply to executives of Scentre Group;
- reviewing contractual rights of termination for members of the senior executive team;
- oversight of Scentre Group's diversity policies and programme;
- reviewing and approving the policy for participation by senior executives in any equity linked plans implemented in the future;
- reviewing the remuneration reporting in the financial statements of Scentre Group;
- reviewing and approving management's recommendations of the total proposed awards to be issued under any future plan; and
- administering any future equity linked plans as required in accordance with the rules of the plans.

Scentre Group's Human Resources Committee will comprise three non-executive, independent directors. The chairperson will be appointed by the Human Resources Committee and must not be the chairperson of the Scentre Group Board. The chairperson will report the activities of the Human Resources Committee to the Scentre Group Board after each meeting.

The members of the Human Resources Committee will initially comprise Mr Brian Schwartz (Chair), Mr Andrew Harmos and Ms Sandra McPhee.

Nomination Committee

Consistent with the ASX Guidelines Scentre Group will have a Nomination Committee. The objectives of the Nomination Committee will include:

- to evaluate the performance of the Scentre Group Board, its committees and directors;
- to monitor and evaluate the necessary and desirable competencies of the directors including the range of skills and experience of the directors; and
- to assess and ensure appropriate succession planning processes and plans for the Scentre Group Board.

The members of the Nomination Committee will initially comprise Mr Richard Egerton-Warburton (Chair), Mr Andrew Harmos and Mr Brian Schwartz.

4.9 Employment arrangements and remuneration

Transition to Scentre Group

Following implementation of the Proposal, the executive team and staff of Scentre Group (numbering approximately 2,000) will comprise a combination of employees who are currently employed by either a Westfield Group entity or a Westfield Retail Trust entity which (in both cases) will form part of Scentre Group following implementation.

Those employees will generally continue to be employed in the same roles and on the same terms and conditions as applied prior to implementation of the Proposal.

Executive remuneration

As the vast majority of Scentre Group employees will be former employees of Westfield Group, it is expected that the remuneration structure for Scentre Group will broadly follow that of Westfield Group. A full description of the remuneration policies and practices of Scentre Group will be included in its initial Annual Financial Report.

Remuneration for the senior executive team is expected to comprise the following elements:

Base salary

Base salary or fixed remuneration will be reviewed annually and advised to the executive.

Short term incentives (STI)

For the senior executive team, each STI has two components:

- a cash performance bonus paid shortly after the end of the relevant financial year; and
- the grant of awards under the Short Term Equity Linked Plan (**STEL Plan**) (see below) whereby 25 to 35% (depending on seniority) of the STI is deferred for a period, currently 3 years. The value of the deferred awards will fluctuate with movements in the market price of Scentre Group Securities and the value ultimately received by the executive will depend on the market price of Scentre Group Securities at the end of the deferral period.

STIs will be closely linked to the performance of the executive measured against objectives (**KPIs**) which are established each year pursuant to a performance review and development system. KPIs will be designed to recognise and reward both financial and non-financial performance. The objectives will vary according to the role of the particular executive and will typically relate to development, construction, retail management or corporate targets.

Prior to the commencement of each financial year, each member of the senior executive team will be advised of a target STI. The executive is also advised of a maximum STI. The maximum STI will typically exceed the target STI by 25%.

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STEL Plan

Eligibility	Participation will be offered to identified senior employees in the STEL Plan. The awards issued are a pre-determined percentage of the total STI paid to that employee in that year and represent a deferred component of 25 to 35% of the total STI.
Securities	Participants will receive rights to Scentre Group Securities to be delivered following a deferral period (i.e. the vesting date), currently 3 years from the date of grant subject to meeting specified service conditions and otherwise satisfying the terms of the STEL Plan.
Lapse / early vesting	Subject to certain exceptions in the case of retirement, death or permanent disablement, awards will typically vest early or lapse if the participant ceases to be employed by Scentre Group before the vesting date.
Performance hurdles	The awards represent a deferred component of an executive's total STI. As the STI is determined by reference to performance by the executive against agreed KPIs, the awards themselves are not subject to hurdles.
Voting and dividends	Awards do not carry either voting rights or a right to a cash dividend prior to the vesting date.
Other terms	The STEL Plan will also contain customary terms dealing with administration and variation of the STEL Plan and mechanical terms regulating the issue of awards and Scentre Group Securities under the STEL Plan.

Long term incentives (LTI)

Only the senior leadership team of Scentre Group will participate in the Long Term Equity Linked Plan (**LTI Plan**).

As was the case with the Westfield Group long term incentive plan, the LTI Plan will be designed to encourage a "partnership" amongst the senior leadership team of Scentre Group which emphasises the strategic leadership role of that team. Through the LTI Plan, the members of that partnership will be provided with a benefit which is fully aligned with the interests of Scentre Group Securityholders. The performance hurdles applicable under the LTI Plan will be determined annually by the Scentre Group Board. Currently the performance hurdles under the Westfield Group long term incentive plan relate to an operational measure, being FFO per security, and a financial measure, being return on contributed equity.

Prior to the commencement of each financial year, each participant in the LTI Plan will be advised of a target LTI. The participant is also advised of a maximum LTI. The maximum LTI will typically exceed the target LTI by 50%.

LTI Plan

Eligibility	Participation will be offered to the senior leadership team members in Scentre Group to encourage a strategic partnership within that team.
Securities	Participants will receive rights to Scentre Group Securities which will vest and be delivered in equal tranches on the date that is 4 and 5 years from the date of grant (i.e. the vesting date) subject to meeting specified service conditions and otherwise satisfying the terms of the LTI Plan.
Lapse / early vesting	Other than in special circumstances awards granted under the LTI Plan will lapse if the executive ceases to be employed by Scentre Group before the vesting date. The special circumstances include death, redundancy or retirement, and in those circumstances some or all of the awards may vest immediately or remain on issue as if the executive remained an employee.
Performance hurdles	Applicable performance hurdles will be determined annually in conjunction with the grant of awards. Hurdles will relate to both operational performance (e.g. FFO per security) and financial or capital management matters (e.g. return on contributed equity). More than one hurdle may be set in any year. Actual performance over a qualifying period applicable to each hurdle will determine the level of vesting against that hurdle.
Voting and dividends	Awards do not carry either voting rights or a right to any cash distributions prior to the vesting date.
Other terms	The LTI Plan will also contain customary and usual terms for dealing with administration, variation, acceleration and termination of the LTI Plan and/or awards issued under the Plan.

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Treatment of existing awards granted under Westfield Group Plans

Westfield Group currently operates four equity linked incentive plans (**Westfield Group Plans**). The Executive Deferred Award Plan (**EDA Plan**) and the Partnership Incentive Plan (**PIP Plan**) were introduced following the merger in 2004 and the Executive Performance Rights Plan (**EPR Plan**) and the Partnership Incentive Rights Plan (**PIR Plan**) were introduced in 2008 to provide Westfield Group with the flexibility to issue equity settled rights where considered appropriate. The EPR Plan and PIR Plan have subsequently been amended to provide Westfield Group with an election as to whether to settle awards with a cash payment or with Westfield Group equity. Typically, Westfield Group has elected to settle awards with equity. This section deals with the manner in which awards issued under these various plans prior to 31 December 2013 will be treated following implementation of the Proposal.

Although awards were due to be issued to participants in the Westfield Group Plans in January 2014, the issue of those awards has been deferred pending consideration by securityholders of the Proposal. On implementation of the Proposal, the awards that would otherwise have been issued to Scentre Group employees in January 2014 under the Westfield Group Plans will instead be issued under the Scentre Group plans outlined above. The usual terms of these awards will be modified so as to ensure that participants are not adversely impacted by the delay in issuing these awards.

Awards granted under the current Westfield Group Plans prior to 31 December 2013 will remain on foot following implementation of the Proposal. It is not proposed that the vesting of any awards be accelerated as a consequence of implementation of the Proposal.

Immediately following implementation, existing awards in the Australian versions of the Westfield Group Plans will be modified such that, at the option of the Plan participant, the awards will relate to either:

— securities in Scentre Group (rather than Westfield Group as is currently the case).

The number of awards to which prior grants relate will be adjusted in accordance with a formula which is designed to maintain the value of the awards held by participants in the various Westfield Group Plans, but over a greater number of securities given that the participant will no longer have an interest in those entities which currently own and operate the international business which, following implementation will form part of Westfield Corporation.

The adjustment will be made in accordance with the following formula:

$$\frac{\textit{(VWAP of a Scentre Group Security x 1.246) + VWAP of a Westfield Corporation Security}}{\textit{VWAP of a Scentre Group Security}}$$

Where the VWAP or Volume Weighted Average Price is calculated by taking the average of the daily volume weighted average of the selling price of the relevant securities traded on ASX on each of the 20 trading days on and from the first day that both Scentre Group Securities and Westfield Corporation Securities commence trading as separately quoted securities on ASX.

Using this formula will ensure that any adjustment to existing awards will take into account the relative value of Westfield Corporation Securities, which reflects the same value outcome for Westfield Group Securityholders who, after implementation of the Proposal, will hold Westfield Corporation Securities in addition to Scentre Group Securities; or

— securities in both Scentre Group and Westfield Corporation in the same proportions and on the same terms as implied through the application of the Merger Ratio to the holders of Westfield Group Securities. If participants elect this option, following implementation of the Proposal, their unvested awards will relate to securities in both Scentre Group and Westfield Corporation and they will effectively be put in the same position as Westfield Group Securityholders in respect of those existing awards.

For awards issued after 31 December 2013, which includes the 2014 awards which are to be issued under the new Plans for Scentre Group described above, all awards under those plans will relate solely to Scentre Group Securities.

In 2012 and 2013, Westfield Group issued awards under the PIR Plan which vest on the basis of a return on contributed equity (**ROCE**) hurdle. In 2012, those awards vesting on the basis of the ROCE hurdle constituted 25% of the total number of PIR Plan awards (2013: 50%). A full discussion of the nature of the ROCE hurdle is contained in the 2012 and 2013 remuneration reports published by Westfield Group. Essentially, vesting was to be determined by reference to the average annual ROCE of Westfield Group tested over a four year period. The actual level of vesting depended on performance against a graduated scale set by the Westfield Group Board.

Given the fundamental restructuring of Westfield Group, the Westfield Group Board has agreed that these ROCE hurdles for 2012 and 2013 should be waived and an appropriate level of vesting determined by the Westfield Group Board having regard to actual performance to the implementation of the Proposal (expected to be in June 2014) and the Westfield Group Board's assessment of expected performance over the balance of the testing period. A decision as to the appropriate level of vesting will be made shortly after implementation when the ROCE for the six month period to 30 June 2014 is known. As noted in Westfield Group's recent results presentation, Westfield Group's ROCE improved from 11.4% in 2012 to 11.8% in 2013.

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Treatment of existing awards granted under the Westfield Retail Trust Plan

Westfield Retail Trust has four employees who are participants under Westfield Retail Trust's equity linked incentive plan, the Westfield Retail Trust Executive Deferred Award Plan (dated June 2011) (**Westfield Retail Trust Plan**).

The Westfield Retail Trust Plan provides participating employees with benefits comparable to, or comprising an allocation, transfer or issue of Westfield Retail Trust Securities in the form of "Awards" (being an entitlement to either the allocation, transfer or issue of a number of Westfield Retail Trust Securities or a cash payout in an amount equal to the market value of those Westfield Retail Trust Securities). The Westfield Retail Trust Directors have a discretion as to whether Awards are to be satisfied by a cash payout or the delivery of Westfield Retail Trust Securities. The Westfield Retail Trust Directors have determined that all existing Awards granted to participants in the Westfield Retail Trust Plan will be satisfied by a cash payout.

The four employees who participate under the Westfield Retail Trust Plan will not automatically qualify for a payout as a result of the Proposal. An employee will, however, qualify for a payout in respect of their Awards in certain circumstances specified in the Westfield Retail Trust Plan including if they cease to be an employee, officer or director of Westfield Retail Trust, other than by reason of retirement, and they do not become an employee, officer or director of Scentre Group.

The amount of the payout to which a participating employee is entitled, is calculated in accordance with a formula set out in a schedule to the Westfield Retail Trust Plan. Currently the payout is calculated by reference to the trading price of Westfield Retail Trust Securities. Following the Implementation Date, the payout amount will be calculated by reference to the trading price of Scentre Group Securities.

In addition, pursuant to the existing terms of the Westfield Retail Trust Plan, certain adjustments will be required to be made to the determinants of the payout for the Awards for each of the participating employees to take account of the various changes to the capital structure of Westfield Retail Trust occurring under the Proposal, as reasonably determined by the Westfield Retail Trust Directors to ensure the employees are affected in the same way as Westfield Retail Trust Securityholders.

Executive service agreements and termination arrangements

Having regard to the transitional arrangements described above, the executive service agreements between Scentre Group and members of the senior executive team will be a combination of continuing employment arrangements inherited from both Westfield Group and Westfield Retail Trust. To the extent that there are differences in the terms of those agreements, it is expected that the terms of the Westfield Retail Trust executive service agreements will be amended so as to make them consistent with the terms described below.

The Scentre Group executive service agreements will not have a fixed term. Subject to local laws, Scentre Group will be able to terminate on one month's notice and the executives on three months' notice.

Payments to executives on termination will depend on the circumstances of the termination and will be subject to existing contractual arrangements and the requirements of the Corporations Act. The benefits that will be paid in the following circumstances, in addition to all accrued base salary and statutory entitlements, are:

- **Resignation (excluding retirement) and termination by Scentre Group for cause:**
  - pro-rata bonus for the relevant year may be considered in exceptional circumstances; and
  - all unvested entitlements under Scentre Group's equity linked incentive plans are forfeited, without payment, on termination.
- **Redundancy or termination by Scentre Group (other than for cause):**
  - a pro-rata performance bonus to the date of termination;
  - a redundancy payment of between 12 and 24 months' base salary depending on the length of service of the executive plus one month's base salary in lieu of notice; and
  - pro-rata vesting of outstanding awards under Scentre Group's equity linked incentive plans (excluding any awards which lapsed as a consequence of a failure to satisfy a performance hurdle).
- **Death or permanent disability:**
  - a pro-rata performance bonus to the date of termination; and
  - full vesting of outstanding awards under Scentre Group's equity linked incentive plans (excluding any awards which lapsed as a consequence of a failure to satisfy a performance hurdle) other than "retention awards" which vest pro-rata to the date of termination.

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- **Retirement:**[48]
  - a pro-rata performance bonus to the date of retirement; and
  - the right to continue in Scentre Group's equity linked incentive plans until the date of vesting of outstanding awards granted at least 6 months prior to the date of retirement (excluding any awards which lapsed as a consequence of a failure to satisfy a performance hurdle) or, in circumstances where continued participation in the equity linked incentive plans is not permitted under the terms of the equity linked incentive plans, the executive is entitled to a cash payment from Scentre Group equal to the amount that would have been received had the executive been permitted to continue in the equity linked incentive plans.

Remuneration of the Chief Executive Officer and Chief Financial Officer

In addition to the contractual terms noted above, the following table sets out the proposed (annualised) remuneration of the Chief Executive Officer and Chief Financial Officer for 2014.

	Mr Peter Allen Chief Executive Officer	**Mark Bloom** Chief Financial Officer
Fixed Remuneration (including superannuation)	$2,000,000	$1,100,000
Target STI for year ending 31 December 2014	127%	132%
Target LTI grant value for year ending 31 December 2014[49]	110%	77%
Termination	See above	
Post-employment restraints	No contractual post-employment restraints are in place for the Chief Executive Officer and Chief Financial Officer provided that the equity linked plans provide for forfeiture of outstanding awards in circumstances where a retiring executive (who is entitled to maintain unvested awards in the plan) competes with Scentre Group.	

Further information on the remuneration and employment terms of additional key personnel will be disclosed in the 2014 Scentre Group Annual Report.

Non-executive director remuneration

Non-executive directors will be paid fees for service on the Scentre Group Board and its Committees and will be reimbursed for out of pocket expenses. No other bonuses or benefits will be paid either during the tenure of a non-executive director or on retirement. Non-executive directors will not participate in any of Scentre Group's short or long term incentive plans.

Non-executive director remuneration will comprise a base fee (which is inclusive of superannuation guarantee contributions) and where relevant, a Committee fee and an additional fee for the role of deputy chair of the Scentre Group Board and for Committee chair.

The aggregate pool available for payment of fees to non-executive directors of Scentre Group is currently a maximum of $3.5 million being the same amount that was approved by securityholders at the annual general meeting of Westfield Holdings on 25 May 2011. On the assumption that there are eight non-executive directors appointed to the Scentre Group Board from the Implementation Date, it is expected that the total annualised fees paid to the non-executive directors (including fees for membership on board committees) will not exceed $2.1 million. It is expected that after the Proposal is implemented the Scentre Group Board will obtain advice from an external remuneration consultant as to the appropriate level of fees to be paid to the Scentre Group non-executive directors before they are fixed.

The remuneration of the non-executive directors will be determined by the Scentre Group Board (within the set limit), acting on recommendations made by the Remuneration Committee. The objective of the Committee in making its recommendations is to attract, retain and properly motivate high calibre non-executive directors to serve on the Scentre Group Board.

Mr Frank Lowy currently serves as non-executive Chairman of Westfield Group and in that capacity, receives an annual fee of $750,000. Following implementation of the Proposal, it is proposed that Mr Lowy assume the role of non-executive Chairman of both Scentre Group and Westfield Corporation. For his respective roles as Chairman of Scentre Group and Westfield Corporation, Mr Lowy will receive a fee of $500,000 from each resulting in a total from both groups of $1 million.

48 Scentre Group recognises that if an executive satisfies the retirement conditions described below, the termination of employment should be treated in a different manner to a resignation in the ordinary course. The retirement conditions are that the executive must have reached the age of 55 years with at least 5 years continuous service or the aggregate of the age of the participant and the number of years of service with Scentre Group (which will include prior service with a Westfield Group or Westfield Retail Trust entity) is equal to or greater than 70. Where permitted by law, the executive will also be required to comply with a continuing non-compete obligation which, if not satisfied, will result in forfeiture of all equity linked awards then outstanding.

49 See above for a discussion on the terms of the STI Plan and the LTI Plan.

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SECTION 5
FINANCIAL INFORMATION FOR SCENTRE GROUP

5.1 Overview

This section contains a summary of the pro forma historical financial information and pro forma forecast financial information of Scentre Group, comprising the Australian and New Zealand operations of Westfield Group, Westfield Retail Trust 1 and Westfield Retail Trust 2. Scentre Group will operate on a financial year ending 31 December, and all figures within this section are for years ended or ending 31 December unless otherwise noted.

The pro forma historical financial information and pro forma forecast financial information (**Financial Information**) have been prepared to reflect the implementation of the Proposal as described in section 2.

The pro forma historical financial information for Scentre Group (**Pro Forma Historical Financial Information**) comprises:

- pro forma historical income statements (before interest and tax) for the years ended 31 December 2011 (**FY11**), 31 December 2012 (**FY12**) and 31 December 2013 (**FY13**), which have been prepared in accordance with the basis as described in section 5.2(a) and are set out in Table 5.3.1 (**Pro Forma Historical Income Statements**);
- pro forma historical funds from operations (before interest and tax) for FY11, FY12 and FY13, which have been prepared in accordance with the basis as described in section 5.2(c) and are set out in Table 5.4.1 (**Pro Forma Historical FFO**); and
- pro forma historical statement of net assets, which has been prepared in accordance with the basis as described in section 5.2(a) and is set out in Table 5.10.1 (**Pro Forma Historical Statement of Net Assets**).

The pro forma forecast financial information for Scentre Group (**Pro Forma Forecast Financial Information**) comprises:

- pro forma forecast income statement for the year ending 31 December 2014 (**FY14**) prepared on the basis described in section 5.2(b) and is set out in Table 5.3.1 (**Pro Forma Forecast Income Statement**); and
- pro forma forecast funds from operations and pro forma forecast adjusted FFO for FY14, prepared on the basis described in section 5.2(c) and is set out in Table 5.4.1 (**Pro Forma Forecast FFO**).

Also summarised in this section are:

- Scentre Group's distribution policy and forecast distribution (refer to section 5.6);
- management's discussion and analysis of the Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement, Pro Forma Historical FFO and Pro Forma Forecast FFO (refer to section 5.7); and
- the Westfield Group Directors' and Westfield Retail Trust Directors' best estimate assumptions underlying Scentre Group's Pro Forma Forecast Financial Information and an analysis of related sensitivities (refer to sections 5.8 and 5.9).

The user should read the information in this section in conjunction with the risk factors for Scentre Group in section 6, the sensitivities set out in section 5.9 and other information set out in this Securityholder Booklet.

Scentre Group's Pro Forma Historical Financial Information and Scentre Group's Pro Forma Forecast Financial Information have been reviewed by Ernst & Young Transaction Advisory Services Limited, whose Independent Limited Assurance Report is set out in section 10. The user should note the scope and limitations of the Independent Limited Assurance Report.

5.2 Basis of Preparation

Scentre Group's Financial Information included in this section has been prepared in a manner consistent with the recognition and measurement principles prescribed in Australian Accounting Standards issued by the Australian Accounting Standards Board (which are consistent with International Financial Reporting Standards (**IFRS**) and Interpretations issued by the International Accounting Standards Board (**IASB**)).

Significant accounting policies relevant to Scentre Group Financial Information have been disclosed at Appendix 5 and in note 2 to the financial statements in Westfield

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Group's and Westfield Retail Trust's 2013 Annual Reports which have been lodged with ASIC and are available at www.westfieldgroup.com and www.westfieldretailtrust.com.

Scentre Group's Financial Information is based on the operations of Westfield Group's Australian and New Zealand shopping centre interests, property management and development operations and the operations of Westfield Retail Trust. The shopping centre interests of Scentre Group are set out in section 4.

(a) Preparation of Pro Forma Historical Income Statements and Pro Forma Historical Statement of Net Assets

The Pro Forma Historical Income Statements are presented to earnings before interest and tax. Westfield Group has undertaken a number of significant asset sales in FY11, FY12 and FY13, the proceeds of which were used to repay debt and fund the buy back of approximately 10% of Westfield Group Securities. As a result, there has been a significant change in Westfield Group's capital and debt structure over the historic period. Further significant debt restructuring will take place on implementation of the Proposal, as described in section 2.6, including the repayment of substantially all of Westfield Group's existing unsecured debt facilities and the repurchase of all outstanding bonds. Scentre Group will have a significantly different debt structure from Westfield Group. Therefore the Westfield Group Directors and the Westfield Retail Trust Directors do not consider the disclosure of historic interest expense meaningful in assessing the historic performance of Scentre Group on a pro forma basis as the debt structure in place during the historic periods was significantly different from the intended debt structures under the Proposal.

The Pro Forma Historical Statement of Net Assets reflects the merged net assets of the Australian and New Zealand operations of Westfield Group's and Westfield Retail Trust adjusted for transaction costs, estimated acquisition fair value accounting and refinancing. The Pro Forma Historical Statement of Net Assets has been prepared on the basis that the proposed demerger of Westfield Corporation and the accounting acquisition of Westfield Retail Trust was completed on 31 December 2013.

The Westfield Group Directors and Westfield Retail Trust Directors believe that this presentation is useful information as it permits investors to examine:

(a) the Pro Forma Historical Income Statements in a manner consistent with the Pro Forma Forecast Income Statement; and

(b) the impact on the Pro Forma Historical Statement of Net Assets of the Proposal and related refinancing.

A reconciliation of the Pro Forma Historical Income Statements for FY11, FY12 and FY13 to the audited historical statutory income statements has been included at section 5.13. A reconciliation of the Pro Forma Historical Statement of Net Assets to the audited historical net assets as at 31 December 2013 is set out in section 5.10.

The statutory financial statements of Westfield Group and Westfield Retail Trust have been audited by Ernst & Young and unqualified audit opinions were issued. Adjustments have been made to the historical statutory income statements as if the current operations of the Australian and New Zealand operations of Westfield Group and Westfield Retail Trust had been merged prior to 1 January 2011 to derive the Pro Forma Historical Income Statement.

(b) Preparation of Pro Forma Forecast Income Statement

The Pro Forma Forecast Income Statement, to the extent relevant, has been prepared by the Westfield Group Directors and the Westfield Retail Trust Directors based on an assessment of current economic and operating conditions and has been based on the best estimate assumptions of the Westfield Group Directors and the Westfield Retail Trust Directors as set out in section 5.8. The Westfield Group Directors and the Westfield Retail Trust Directors believe that they have prepared the Pro Forma Forecast Income Statement with due care and attention, and consider the best estimate assumptions to be reasonable at the time of preparing this Securityholder Booklet.

The Pro Forma Forecast Income Statement for FY14 has been prepared to demonstrate the implications of the Proposal as if it had been implemented on 31 December 2013 and accordingly demonstrate the implications of the Proposal over a full financial year. The Pro Forma Forecast FFO has been the basis for the calculation of the Merger Ratio outlined in section 2.5.

The actual result will differ from the Pro Forma Forecast Income Statement presented in this document, as described below.

On the Implementation Date, Westfield Group will demerge its international operations and merge with Westfield Retail Trust. This stapled entity will then become Scentre Group. For accounting purposes, the merger of the Australian and New Zealand operations of Westfield Group and Westfield Retail Trust will be treated as a business combination. Westfield Holdings is deemed the acquiring entity in the accounting for this business combination, such that the Scentre Group financial statements will be a continuation of the Westfield Group financial statements as Westfield Holdings is the parent entity of Westfield Group and will be the parent entity of Scentre Group. Westfield Holdings is considered the accounting acquirer as:

(a) Westfield Holdings initiated the Proposal for the restructure and merger with Westfield Retail Trust;

(b) the Chairman and the Deputy Chairman of Westfield Holdings will assume the role of Chairman and Deputy Chairman of Scentre Group;

(c) the executive management team, including the Chief Executive Officer and the Chief Financial Officer of Scentre Group comprises existing executives of Westfield Group; and

(d) wholly owned subsidiaries of Westfield Holdings act as the responsible entities for Westfield Retail Trust 1 and Westfield Retail Trust 2, and as the property manager and developer for the shopping centre interests owned by Westfield Retail Trust.

Therefore the final statutory profit after tax for FY14 for the newly formed Scentre Group (assuming the Proposal is approved) will be comprised as follows:

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(a) pre implementation profit – Westfield Group's results (including the international operations) until the Implementation Date;

(b) post implementation profit – the Australian and New Zealand operations of Westfield Group post the Implementation Date;

(c) post implementation profit – Westfield Retail Trust operations post the Implementation Date;

(d) transaction costs allocated to Scentre Group as described in section 3.3. This will include the impact of the refinancing described in section 3.3; and

(e) any profit/loss as a result of the demerger.

The value of the international net assets of approximately US$7.4 billion transferred by the Westfield Group to Westfield Corporation will be recorded as a charge to the Westfield Group Securityholder's equity. Should the initial market capitalisation of Westfield Corporation differ from the value of the net assets transferred by Westfield Group, the charge to securityholders' equity shall be adjusted to be equivalent to the "initial market value", and the difference recorded as income or expense in the Westfield Group's income statement. Any amount recorded in the income statement in respect of this adjustment is considered to be a capital item and does not affect Westfield Group's FFO or distribution.

A statutory forecast for FY14 on the above basis has not been prepared due to the uncertainty in relation to the timing and the complexity of items (a) to (e) as described above. The actual Implementation Date of the Proposal will have a significant impact on the quantum of reported income and expenses for the restructured group for FY14. For example, if the Proposal was to occur on 30 June 2014 then the actual Scentre Group results will comprise 6 months of pre implementation profit and 6 months of post implementation profit in the 31 December 2014 financial statements rather than the 12 months of post implementation profit presented in the Pro Forma Forecast Income Statement. Accordingly the preparation of a statutory forecast for FY14 is considered not relevant to the users assessing the Proposal.

(c) Preparation of Pro Forma Historical FFO and Pro Forma Forecast FFO

(i) Background

FFO is a non IFRS performance measure which is considered to be a useful supplemental measure of operating performance.

FFO is a measure that is widely accepted in offshore and domestic real estate markets, gaining further importance in the Australian market as more property trusts adopt FFO reporting.

The National Association of Real Estate Investment Trusts (**NAREIT**), a US based representative body for publicly traded real estate companies with an interest in US real estate and capital markets, defines FFO as net income (computed in accordance with United States Generally Accepted Accounting Principles), including interest capitalised on property development and excluding gains (or losses) from sales of property, plus depreciation and amortisation, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis.

Scentre Group's measure of FFO is based upon the NAREIT definition, adjusted to reflect that Scentre Group's profit after tax and non controlling interests reported in accordance with the Australian Accounting Standards and IFRS.

Scentre Group's FFO excludes property revaluations of consolidated and equity accounted property investments, unrealised currency gains/losses, net fair value gains or losses on interest rate hedges and other financial liabilities, deferred tax, gains/losses from capital transactions and amortisation of tenant allowances from the reported profit after tax. Scentre Group's adjusted FFO comprises the Scentre Group's FFO adjusted to exclude the impact of non cash mark to market adjustments relating to fixed rate debt and derivatives.

(ii) Basis of Scentre Group's Pro Forma Historical FFO and Pro Forma Forecast FFO

Scentre Group's Pro Forma Historical FFO and Pro Forma Forecast FFO have been calculated in section 5.4 from the pro forma earnings before interest and tax (**EBIT**). This has then been adjusted to add back unrealised currency gain/loss, gain/loss in respect of capital transactions, property revaluations, equity accounted – property revaluations, equity accounted – net interest expense, realised income hedging currency gain/loss and the amortization of tenant allowances to derive funds from operations before interest and tax. For the pro forma forecast net interest expense, current tax expense and FFO attributable to external non controlling interests have been deducted to determine FFO. To calculate pro forma forecast adjusted FFO, the impact of the non cash mark to market adjustments relating to fixed rate debt and derivatives have been deducted (**Pro Forma Forecast Adjusted FFO**).

(iii) Proportionate Format

The Pro Forma Historical FFO and Pro Forma Forecast FFO are presented on a proportionate format. This format consolidates Scentre Group's ownership share of revenues and expenses from its equity accounted investments (**Proportionate Format**).

The Proportionate Format is used by management in assessing and understanding the performance and results of operations of Scentre Group as it allows management to observe and analyse revenue and expense results and trends on a portfolio wide basis. Management considers that, given that the assets underlying both the consolidated and the equity accounted components of the statutory income statement are similar (that is, Australian and New Zealand shopping centres), most of the shopping centres are under common management, and therefore the drivers of their results are similar, the Proportionate Format provides a more useful way to understand the performance of the portfolio as a whole than the statutory format. This is because the Proportionate Format aggregates both revenue and expense items across the whole portfolio, rather than netting the revenue and expense items for equity accounted shopping centres and only reflecting their performance as a single item of profit or loss, as the statutory format requires.

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5.3 Scentre Group's Pro Forma Historical Income Statements and Pro Forma Forecast Income Statements

Table 5.3.1: Pro Forma Historical Income Statements and Pro Forma Forecast Income Statements

	Pro Forma Historical			Pro Forma Forecast
	FY11 $million	FY12 $million	FY13 $million	FY14 $million
Revenue				
Property revenue	1,966.5	2,076.3	2,138.4	2,173.0
Property development and management revenue	185.0	236.1	370.1	650.6
	2,151.5	**2,312.4**	**2,508.5**	**2,823.6**
Share of after tax profits of equity accounted entities				
Property revenue	137.5	125.8	116.5	106.6
Property revaluations[1]	39.8	37.4	14.8	
Property expenses, outgoings and other costs	(31.7)	(28.6)	(25.4)	(24.8)
Net interest expense	(1.8)	(2.0)	0.1	–
	143.8	**132.6**	**106.0**	**81.8**
Expenses				
Property expenses, outgoings and other costs[2]	(431.2)	(467.9)	(485.6)	(473.6)
Property development and management costs[2]	(110.9)	(158.0)	(292.7)	(517.5)
Overheads[2]	(103.8)	(101.4)	(104.0)	(98.0)
	(645.9)	**(727.3)**	**(882.3)**	**(1,089.1)**
Currency gain/(loss)[3]	(80.8)	(17.8)	192.1	(0.7)
Gain/(loss) in respect of capital transactions	34.6	5.5	39.3	
Property revaluations[1]	717.7	867.0	425.9	
Earnings before interest and tax (EBIT)	**2,320.9**	**2,572.4**	**2,389.5**	**1,815.6**
Net interest expense[4][5]				(593.6)
Mark to market of interest rate derivatives[4][6]				30.0
Profit before tax				**1,252.0**
Current tax expense[4][7]				(90.2)
Deferred tax expense[4][7]				(12.6)
Profit after tax[8]				**1,149.2**
External non controlling interest				(11.5)
Profit after tax attributable to members of Scentre Group				**1,137.7**

(1) Revaluation gains or losses from the revaluation of property investments have not been forecast due to their unpredictability. Revaluation gains and losses have no impact on the Pro Forma Forecast FFO nor the Pro Forma Forecast Adjusted FFO of Scentre Group.

(2) Property management and leasing overheads previously reported as part of property expenses, outgoings and other costs and property management costs in the Westfield Group have been reclassified as part of overheads for FY11, FY12 and FY13, consistent with the presentation of overheads in the FY14 Pro Forma Forecast Income Statement. With the exception of corporate overheads, overheads have been allocated in Westfield Group between the Australian and New Zealand operations of Westfield Group and Westfield Corporation on the same basis as the segment note in the Westfield Group financial statements. Corporate overheads have been allocated based on which entity receives the benefit for the expenditure.

(3) Currency gain/(loss) in the FY14 pro forma forecast relates to the New Zealand operations. The mark to market gain or loss of currency derivatives has not been forecast as the calculation is dependent on the closing exchange rate at 31 December 2014. Mark to market gain or loss on currency derivatives has no impact on the Pro Forma Forecast FFO nor the Pro Forma Forecast Adjusted FFO of Scentre Group. Realised currency gains/losses from income hedging have been included in the Pro Forma Forecast Income Statement.

(4) Westfield Group has undertaken a number of asset dispositions in FY11, FY12 and FY13. The proceeds from these dispositions were mainly used to repay debt and fund the buy back of 10% of Westfield Group Securities resulting in a significant change in Westfield Group's debt/capital structure. In addition, significant debt restructuring will occur as part of the implementation of the Proposal. As a consequence, the disclosure of historical interest expense and tax does not provide an appropriate comparison to Scentre Group's future capital structure and consequently has not been shown.

(5) Pro forma forecast net interest expense includes $29 million benefit from mark to market of fixed rate debt and interest rate derivative financial instruments.

(6) Pro forma forecast mark to market of interest rate derivative financial instruments represents the reversal of brought forward mark to market balances relating to interest cash flows that are included in net interest expense in the Pro Forma Forecast Income Statement. This has no impact on Scentre Group's Pro Forma Forecast FFO.

(7) Pro forma forecast current tax expense represents the tax expense on underlying operations and excludes any taxation on capital gains/losses, property revaluations and mark to market of interest rate and currency derivatives. Pro forma forecast deferred tax expense represents the potential deferred tax impact of estimated property depreciation in New Zealand.

(8) Pro forma forecast profit after tax excludes any transaction and refinancing costs as a result of the Proposal as described in section 5.10.

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5.4 Scentre Group's Pro Forma Historical FFO and Pro Forma Forecast FFO

Table 5.4.1: Pro Forma Historical FFO and Pro Forma Forecast FFO (Proportionate Format)

	Pro Forma Historical			Pro Forma Forecast
	FY11 $million	FY12 $million	FY13 $million	FY14 $million
Net property income	1,675.2	1,744.3	1,785.4	1,829.9
– Project income – the Australian and New Zealand operations of Westfield Group	79.3	117.4	125.7	139.2
– Project income – attributable to Westfield Retail Trust	(50.3)	(86.6)	(100.6)	(61.9)
Project income	29.0	30.8	25.1	77.3
Property management income	45.1	47.3	52.3	55.8
Overheads	(103.8)	(101.4)	(104.0)	(98.0)
Realised income hedging currency gain/loss	1.4	5.6	0.8	(0.7)
Funds from operations before interest and tax	**1,646.9**	**1,726.6**	**1,759.6**	**1,864.3**
Net interest expense[1]				(593.6)
Current tax expense				(90.2)
FFO attributable to external non controlling interest				(11.5)
Funds from operations				**1,169.0**
Adjustment to exclude mark to market of Westfield Retail Trust fixed rate debt and derivatives[2]				(29.0)
Adjusted funds from operations				**1,140.0**
Adjusted basic FFO per security attributable to members of Scentre Group (cents)				**21.5**

(1) Net interest expense includes coupons on the Property Linked Notes of $84.5 million, interest capitalised of $34 million and $29.0 million of estimated non cash mark to market accounting adjustment to Westfield Retail Trust fixed rate debt and derivatives based on market interest rates at 31 December 2013 and in accordance with acquisition accounting requirements.

(2) Represents an estimate of the non cash mark to market accounting adjustment to Westfield Retail Trust fixed rate debt and derivatives based on market interest rates at 31 December 2013 and in accordance with acquisition accounting requirements. The estimated mark to market amount may differ from the actual amount depending upon interest rates prevailing at Implementation Date.

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Table 5.4.2: Reconciliation of Pro Forma EBIT to Pro Forma FFO

	Pro Forma Historical			Pro Forma Forecast
	FY11 $million	FY12 $million	FY13 $million	FY14 $million
Pro forma EBIT	**2,320.9**	**2,572.4**	**2,389.5**	**1,815.6**
Add back:				
– Currency gain/loss	80.8	17.8	(192.1)	0.7
– Gain/loss in respect of capital transactions	(34.6)	(5.5)	(39.3)	
– Property revaluations	(717.7)	(867.0)	(425.9)	
– Equity accounted – property revaluations	(39.8)	(37.4)	(14.8)	
– Equity accounted – net interest expense	1.8	2.0	(0.1)	–
– Realised income hedging currency gain/loss	1.4	5.6	0.8	(0.7)
	1,612.8	**1,687.9**	**1,718.1**	**1,815.6**
Add back:				
– Amortisation of tenant allowances	34.1	38.7	41.5	48.7
Funds from operations before interest and tax	**1,646.9**	**1,726.6**	**1,759.6**	**1,864.3**
Net interest expense[1]				(593.6)
Current tax expense				(90.2)
FFO attributable to external non controlling interest				(11.5)
Funds from operations				**1,169.0**
Adjustment to exclude mark to market of Westfield Retail Trust fixed rate debt and derivatives[2]				(29.0)
Adjusted funds from operations				**1,140.0**

(1) Net interest expense includes coupons on the Property Linked Notes of $84.5 million, interest capitalised of $34 million and $29.0 million of estimated non cash mark to market accounting adjustment to Westfield Retail Trust fixed rate debt and derivatives based on market interest rates at 31 December 2013 and in accordance with acquisition accounting requirements.

(2) Represents an estimate of the non cash mark to market accounting adjustment to Westfield Retail Trust fixed rate debt and derivatives based on market interest rates at 31 December 2013 and in accordance with acquisition accounting requirements. The estimated mark to market amount may differ from the actual amount depending upon interest rates prevailing at Implementation Date.

Table 5.4.3: Average exchange rate for the period and forecast weighted average number of stapled securities

	FY11	FY12	FY13	FY14
Average exchange rate for the period				
– A$/NZ$	1.3058	1.2787	1.1795	1.1500
Forecast weighted average number of stapled securities (million)[1]				*5,311.5*

(1) Forecast weighted average number of stapled securities used in the calculation of adjusted basic FFO per security.

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5.5 Scentre Group's detail of FY14 Pro Forma Forecast FFO

The below table shows the Pro Forma Forecast FFO for the Australian and New Zealand operations of Westfield Group and Westfield Retail Trust (adjusted for the capital return) with eliminations and adjustments as described below. This forms the basis of the Merger Ratio described earlier in the Securityholder Booklet.

Table 5.5.1: Detail of FY14 Pro Forma Forecast FFO (Proportionate Format)

	The Australian and New Zealand operations of Westfield Group $million	Westfield Retail Trust $million	Eliminations and Adjustments[1] $million	Pro Forma Forecast FFO $million
Net property income	938.1	837.2	54.6[1(a)]	1,829.9
Project income	92.2[2]	–	(14.9)[1(b)]	77.3
Property management income	106.7	–	(50.9)[1(a)]	55.8
Overheads	(74.2)	(33.0)	9.2[1(c)]	(98.0)
Realised income hedging currency gain/loss	–	(0.7)	–	(0.7)
Funds from operations before interest and tax	**1,062.8**	**803.5**	**(2.0)**	**1,864.3**
Net interest expense[3]	(429.9)	(211.6)	47.9[1(d)]	(593.6)
Current tax expense	(79.6)	(18.3)	7.7	(90.2)
FFO attributable to external non controlling interest	(11.5)	–	–	(11.5)
Pro Forma Funds from operations	**541.8**	**573.6**	**53.6**	**1,169.0**
Adjustment to exclude mark to market of Westfield Retail Trust fixed rate debt and derivatives[4]	–	–	(29.0)	(29.0)
Adjusted funds from operations	**541.8**	**573.6**	**24.6**	**1,140.0**

(1) Adjustments represent:
- (a) Property management income earned by Westfield Group from Westfield Retail Trust now reclassified as net property income.
- (b) Project income earned by Westfield Group from Westfield Retail Trust no longer recognised in Pro Forma Forecast FFO upon consolidation.
- (c) Planned overheads synergies upon implementation of the Proposal.
- (d) Impact of interest efficiencies and interest hedging in relation to the proposed refinancing and includes $29.0 million of estimated non cash mark to market accounting adjustment to Westfield Retail Trust fixed rate debt and derivatives based on market interest rates at 31 December 2013 and in accordance with acquisition accounting requirements. The estimated mark to market amount may differ from the actual amount depending upon interest rates prevailing at Implementation Date.

(2) Excludes $47 million of project income relating to completed projects now 100% owned by Scentre Group including Fountain Gate and Sydney and scope changes on third party projects.

(3) Net interest expense includes coupons on the Property Linked Notes of $84.5 million and excludes refinancing costs.

(4) Represents an estimate of the non cash mark to market accounting adjustment to Westfield Retail Trust fixed rate debt and derivatives based on market interest rates at 31 December 2013 and in accordance with acquisition accounting requirements. The estimated mark to market amount may differ from the actual amount depending upon interest rates prevailing at Implementation Date.

Note: Assumes implementation on 1 January 2014, exchange rate of AUD/NZD: 1.15 and current market interest rate curve.

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5.6 Scentre Group's distribution policy and forecast distribution

Distribution policy and forecast distribution

Distributions to be paid by Scentre Group will comprise dividends from Westfield Holdings and distributions from each of Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2. Scentre Group's proposed distribution policy will be to pay out up to 100% of FFO after allowing for retentions to fund capital expenditure requirements as determined from time to time, and is subject to review by the Scentre Group Board at its discretion, including in relation to general business and financial conditions. However, it is expected that over time Scentre Group will retain sufficient earnings to finance its operational and leasing capital expenditure requirements.

The Scentre Group Board may determine in the future to revise its distribution policy based on a number of factors, including the financial condition and future earnings of Scentre Group, capital requirements and future prospects.

Based on the above policy the pro forma forecast distribution for Scentre Group in respect of FY14 is 20.4 cents per security. It is the intention of Scentre Group Board that the distributions will increase from year to year.

5.7 Management discussion and analysis on Scentre Group's Financial Information

(a) Key components of Scentre Group's Financial Information and their drivers

Management's discussion and analysis on Scentre Group's Financial Information, addresses among other items, the key factors and operational measures summarised below. These are the key factors that Westfield Group and Westfield Retail Trust expects may continue to affect the operating and financial performance of Scentre Group during the forecast period. This discussion together with the discussion of general factors affecting the operating results of Scentre Group should be read in conjunction with the description of the basis upon which Scentre Group's Financial Information has been prepared and the pro forma adjustments described in section 5.2, and best estimate assumptions underlying Scentre Group's Pro Forma Forecast Financial Information in section 5.8.

In addition to the items described below, FFO as described in section 5.2 above, is also a key financial metric of the Scentre Group.

(i) Property revenue and property expenses and outgoings

Scentre Group is expected to derive the majority of its revenue from leases with retail tenants at shopping centres. Property revenue includes minimum base rents, cart and kiosk rentals, expense recoveries and percentage rent based on tenants' sales volumes. Property expenses and outgoings consist of costs in connection with the ownership and operation of retail shopping centres such as property rates and taxes, repairs and maintenance, cleaning, security, advertising and promotions, insurance, ground rent, utilities and leasing expenses. A significant portion of these expenses and outgoings are recovered from Scentre Group's tenants. Key factors that affect the level of property revenue and property expenses and outgoings include:

(i) the ability to negotiate minimum base rents from existing or new tenants;

(ii) Scentre Group's ability to lease its shopping centres at near full or full occupancy; and

(iii) the level of acquisitions and dispositions as well as the level of development and redevelopment of its existing shopping centres, which changes the size and nature of its property portfolio.

The excess of property revenue over property expenses and outgoings is referred to as "Net property income" (refer also to "Net property income" under "Key operational measures" below).

(ii) Property revaluations

Investment properties include freehold and leasehold land, buildings, leasehold improvements and redevelopment and development projects. In accordance with IFRS, Scentre Group will carry its property investments on its balance sheet at their fair market values. At each reporting date, the Scentre Group Board will assess the carrying value of the investment property portfolio, and where the carrying value differs from the Scentre Group Board's assessment of fair value, Scentre Group will record an adjustment to the carrying value as appropriate. The Scentre Group Board's assessment of fair value of each shopping centre takes into account the latest independent valuations, with updates taking into account any changes in estimated yield, underlying income and valuations of comparable shopping centres. Investment properties undergoing redevelopment are independently valued on completion. The independent valuations are conducted using two methods, the "capitalisation of net income" method and/or the "discounting of future cash flows to their present value" method. See "Investment Properties" in Appendix 5.

The "capitalisation of net income" method involves directly capitalising stabilised net income based on the yields (calculated as the ratio of net income to sale price) produced by sales of comparable property investments, which are referred to as "capitalisation rates", and subtracting an amount equal to the forecast capital expenditure for the property for a one to three year period.

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To determine stabilised net income, valuers adjust the budgeted net income for the next 12 months from the valuation date to incorporate:

(i) adjustments to the rental revenues achieved as of the valuation date for any expiring tenancies that will occur within the next year, thereby taking into account the opportunity (or risk) of adjusting these revenues to the current market conditions;

(ii) adjustments to take into account vacancy allowances; and

(iii) adjustments to the level of tenant allowances that have been forecast to be spent during the period.

Factors that affect capitalisation rates include:

— the underlying financial and operational performance of the property and comparable properties;

— the general economic conditions in the areas where the comparable properties are located;

— the level of competition in the trade area that the comparable properties are located; and

— availability of funding.

Capitalisation rates are a useful tool for identifying industry wide conditions. Rising capitalisation rates may indicate higher initial property yields due to rising rents, falling property prices or both.

The "discounting of future cash flows to their present value" approach involves calculating the present value of estimated future net cash flows (i.e. property receipts less property payments and an assumed end of period sale) over a ten year period discounted at an appropriate risk adjusted rate.

Property revaluations may be affected by the size of the development and redevelopment programme.

Because investment properties are carried at fair value on the balance sheet, changes in the fair market value of investment properties from period to period may result in significant non-cash gains or write-downs, resulting in significant periodic fluctuations in the reported income statements.

(iii) Property development and project management revenue and property development and project management costs

Scentre Group's development and redevelopment programme is expected to provide long term earnings growth for Scentre Group. Revenue is earned from joint venture partners and third parties for property development and project management services Scentre Group provides at jointly owned and third party properties that it is developing. The key driver for property development and project management revenue and costs is the level of development activity undertaken at jointly owned and third party properties for which Scentre Group derives income. If the number of joint ventures and third party properties within the property portfolio increases, Scentre Group would expect its property development and project management revenue from joint venture partners and third parties, and associated costs, to increase correspondingly.

(iv) Property management income and property management costs

Scentre Group will manage certain assets on behalf of institutions and other investors for which it receives management fees. The income and costs that are recorded relate to the third parties' share of the costs of managing these joint venture properties. These fees are affected by the number of joint venture shopping centres held, the level of development activity with Scentre Group's joint venture partners and the gross income generated by its properties. If the number of joint ventures across its property portfolio increases, Scentre Group would expect its property management income from management fees, and associated costs, to increase correspondingly.

(v) Property acquisitions and divestments

Scentre Group will acquire properties that satisfy its investment criteria and divest assets that no longer meet its investment criteria. These acquisitions can take the form of a direct property acquisition or the acquisition of investment vehicles. The accounting treatment of acquired properties and the impact of property acquisitions on Scentre Group financial results are more fully described under Appendix 5.

(vi) Interest expense

Interest expense includes the cost of debt on borrowings and other financial liabilities and is impacted by the variable interest rate on Scentre Group's floating rate borrowings, the interest rate on fixed rate debt and the coupon payable on Scentre Group's other financial liabilities. Interest rate risk is managed by interest rate hedging.

Interest rate hedging reflects the objectives for the overall business and Scentre Group's financial goals, including financial covenant compliance and management of the impact of interest rate movements on earnings. It is expected that the interest rate exposure on borrowings will be actively hedged on a portfolio basis using a combination of fixed rate debt and derivative financial instruments. Interest expense is reduced by any capitalisation of interest on debt relating to properties under development. Refer to "Derivative and other financial instruments" in Appendix 5 for further details.

(vii) Taxation

Scentre Group will comprise taxable and non taxable entities. A liability for current and deferred taxation is only recognised in respect of taxable entities that are subjected to income and CGT.

Under current Australian income tax legislation Westfield Trust and Westfield Retail Trust are not liable for Australian income tax, including CGT, provided that members are presently entitled to the income of the trust as determined in accordance with the constitutions of these entities. Certain incidental non rental retail earnings of Scentre Group derived in Australia are subject to Australian income tax.

Project profits and management fees earned by Westfield Holdings are subject to corporate income tax.

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(b) Key operational measures

(i) Net property income and comparable net property income

Net property income measures the rental revenue from shopping centres less the expenses in operating those shopping centres, including the share of rental revenues less expenses in operating equity accounted shopping centres. Comparable net property income is the equivalent measure on a same shopping centre basis (i.e. excluding shopping centres that became operational or are impacted by redevelopment activities or were sold during the comparative prior period and any abnormal items), measured in local currency. Management will use net property income as a measure of the underlying operational performance of its property assets, without regard to its capital structure, tax position and the real estate value of Scentre Group's shopping centres. Net property income is also a key measure used by valuers in determining the valuation of Scentre Group's shopping centres.

(ii) Gross lettable area (GLA)

GLA generally measures the amount of space in Scentre Group's shopping centres that it can lease to tenants, expressed in square metres. GLA includes the space leased, or available for lease, to anchor tenants.

(iii) Leased rate

Leased rate measures the percentage of total GLA that is leased at a point in time. Anchors typically lease their stores and, therefore, the calculation of leased rate includes anchor GLA together with specialty stores but excludes shopping centres or sites which are development impacted.

(iv) Average specialty shop rent

Average specialty shop rent measures the average rent (excluding any portion that relates to a reimbursement of expenses) Scentre Group earns per square metre that it leases to specialty shop retailers (excluding anchor tenants and larger format specialty stores occupying in excess of 400 square metres) in Scentre Group's shopping centres during the period.

(v) Specialty shop sales growth

Specialty shop sales growth measures the period on period change in the sales of the specialty shops. Because it measures the sales of the retailers, it is not a measure of revenue that Scentre Group expects to earn, except to the limited extent that certain of Scentre Group's lease agreements entitle Scentre Group to a percentage of its tenants' revenue. However, it is an indirect measure of the performance of Scentre Group's business because higher sales at Scentre Group shopping centres will generally correlate over time with higher demand for retail space in the shopping centres, resulting in higher leased rates and/or higher rents.

Scentre Group provides data on GLA, portfolio leased percentage average specialty shop rents and same store specialty sales growth with respect to its shopping centre portfolio (including part owned shopping centres on a 100% basis) on a geographical basis in section 4 "Profile of Scentre Group".

(c) Pro forma forecast EBIT and pro forma historical EBIT

Pro forma forecast EBIT compared to pro forma historical EBIT FY13

The pro forma forecast EBIT for FY14 is $1,815.6 million compared to the pro forma historical EBIT for FY13 of $2,389.5 million. The FY14 EBIT assumes no property revaluations, currency movements and capital transactions. If the FY13 EBIT is adjusted for these items the comparable FY13 EBIT is $1,718.1 million resulting in an increase of $97.5 million or 5.7%. This is mainly due to increases in net property income (property revenue less property expenses, outgoings and other costs) along with overhead savings.

Pro forma historical EBIT FY13 compared to pro forma historical EBIT FY12

The pro forma historical EBIT is $2,389.5 million for FY13 compared to $2,572.4 million for FY12, a decrease of $182.9 million or 7.1%. The decrease is mainly due to a decrease in property revaluations as compared to FY12, partially offset by increases in net property income and currency gains.

Pro forma historical EBIT FY12 compared to pro forma historical EBIT FY11

The pro forma historical EBIT is $2,572.4 million for FY12 compared to $2,320.9 million for FY11, an increase of $251.5 million or 10.8%. The increase is mainly due to an increase in property revaluations and net property income.

(d) Pro Forma Forecast FFO and Pro Forma Historical FFO

Pro Forma Forecast FFO compared to Pro Forma Historical FFO FY13

The Pro Forma Forecast FFO before interest and tax for FY14 is $1,864.3 million compared to the Pro Forma Historical FFO before interest and tax for FY13 of $1,759.6 million, an increase of $104.7 million or 6.0%. The increase is mainly attributable to increases in net property income, project income and property management income along with overhead savings.

Pro Forma Historical FFO FY13 compared to Pro Forma Historical FFO FY12

The Pro Forma Historical FFO before interest and tax for FY13 is $1,759.6 million compared to $1,726.6 million for FY12, an increase of $33.0 million or 1.9%. The increase is mainly attributable to increases in net property income and property management income.

Pro Forma Historical FFO FY12 compared to Pro Forma Historical FFO FY11

The Pro Forma Historical FFO before interest and tax for FY12 is $1,726.6 million compared to $1,646.9 million for FY11, an increase of $79.7 million or 4.8%. The increase is mainly attributable to increases in net property income.

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(e) Net property income

Table 5.7.1: Property revenue and net property income

	Pro Forma Historical			Pro Forma Forecast
	FY11 $million	FY12 $million	FY13 $million	FY14 $million
Property revenue				
– Australia – Consolidated	1,718.6	1,824.7	1,888.6	1,917.7
– Australia – Equity accounted	137.5	125.8	116.5	106.6
	1,856.1	**1,950.5**	**2,005.1**	**2,024.3**
– New Zealand – Consolidated	247.9	251.6	249.8	255.3
Total	**2,104.0**	**2,202.1**	**2,254.9**	**2,279.6**
Net property income				
– Australia – Consolidated	1,347.8	1,417.3	1,461.9	1,503.6
– Australia – Equity accounted	105.8	97.2	91.1	81.8
	1,453.6	**1,514.5**	**1,553.0**	**1,585.4**
– New Zealand – Consolidated	187.5	191.1	190.9	195.8
Total	**1,641.1**	**1,705.6**	**1,743.9**	**1,781.2**
Add back:				
– Amortisation of tenant allowances	34.1	38.7	41.5	48.7
	1,675.2	**1,744.3**	**1,785.4**	**1,829.9**

Pro forma forecast compared to pro forma historical FY13

Net property income is forecast to increase $37.3 million or 2.1% from $1,743.9 million in FY13 to $1,781.2 million in FY14. Tenant allowances amortisation is forecast to increase from $41.5 million in FY13 to $48.7 million in FY14. This increase is consistent with the growth in rent across the portfolio and new tenant allowances on recently completed developments.

In Australia net property income forecast for FY14 is forecast to be $1,585.4 million compared to $1,553.0 million for FY13, an increase of $32.4 million or 2.1%. This increase is mainly attributable to the comparable net operating income (**NOI**) growth forecast of 2.0% – 2.5% offset by the sale of Karrinyup in 2013 and the expected impact of developments at Miranda and Mt Gravatt in 2014. The forecast growth in comparable NOI is based on the FY14 assumptions that shopping centre interests continue to be in excess of 99.5% leased, average CPI for FY14 of 2.5% for Australia applies to specialty tenant rent escalations resulting in CPI linked rental increases.

In New Zealand, net property income for FY14 is forecast to be $195.8 million compared to $190.9 million for FY13, an increase of $4.9 million or 2.6%. This movement reflects the forecast comparable NOI growth of 0.0% – 0.5% and forecast change in average exchange rate for A$1/NZ$1.1795 in FY13 to NZ$1.15 forecast for FY14. The forecast growth in comparable NOI is based on the FY14 assumptions that shopping centre interests continue to be approximately 99.5% leased, average CPI for FY14 of 1.0% for New Zealand applies to specialty tenant rent escalations resulting in CPI linked rental increases.

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Pro forma historical FY13 compared to pro forma historical FY12

Net property income has increased $38.3 million or 2.2% from $1,705.6 million in FY12 to $1,743.9 million in FY13. Tenant allowances amortisation has increased from $38.7 million in FY12 to $41.5 million in FY13. This increase is consistent with the growth in rent across the portfolio and new tenant allowances on completed developments.

In Australia net property income for FY13 is $1,553.0 million compared to $1,514.5 million for FY12, an increase of $38.5 million or 2.5%. This increase is primarily due to the growth in average specialty shop rental rates of approximately 1.8% which contributed to the overall increase in comparable NOI growth of 2.0%; the completion in 2012 of the developments at Sydney, Fountain Gate and Carindale, partially offset by a reduction in net property income from the transaction with AMP in 2012 (where additional interests were acquired in Knox, Warringah Mall and Mt Gravatt and interests were sold in Booragoon, Macquarie Centre and Pacific Fair) and the sale of Karrinyup in 2013.

In New Zealand, net property income for FY13 is $190.9 million compared to $191.1 million for FY12, a decrease of $0.2 million. This movement reflects the impact of the 2012 asset dispositions of Downtown, Pakuranga and Shore City, partially offset by the strengthening of the New Zealand dollar by 7.8% due to the change in the average exchange rate from A$1 = NZ$1.2787 in FY12 to $1.1795 in FY13; and comparable NOI growth of 0.3% for the year which was primarily due to the 0.4% increase in average specialty store rent.

Refer to section 4 for further information with respect to movement in leased rates and average specialty shop rental rates as well as operating statistics for FY13 and FY12.

Pro forma historical FY12 compared to pro forma historical FY11

Net property income has increased $64.5 million or 3.9% from $1,641.1 million in FY11 to $1,705.6 million in FY12. Tenant allowances amortisation has increased from $34.1 million in FY11 to $38.7 million in FY12. This increase is consistent with the growth in rent across the portfolio and new tenant allowances on completed developments.

In Australia net property income for FY12 is $1,514.5 million compared to $1,453.6 million for FY11, an increase of $60.9 million or 4.2%. This increase is mainly attributable to the completion in 2012 of the developments at Sydney, Fountain Gate and Carindale and comparable NOI growth of 3.0% which includes an increase in average specialty store rent of 2.8% for the year, partially offset by a reduction in net property income from the transaction with AMP in 2012 (where additional interests were acquired in Knox, Warringah Mall and Mt Gravatt and interests were sold in Booragoon, Macquarie Centre and Pacific Fair) and the sale of Cairns in 2011.

In New Zealand, net property income for FY12 is $191.1 million compared to $187.5 million for FY11, an increase of $3.6 million. The increase is mainly due to comparable NOI growth of 2.4% which was primarily due to a 0.6% increase in specialty store rent for the year and the strengthening of the New Zealand dollar by 2.1% due to the change in the average exchange rate from A$1 = NZ$1.3058 in FY11 to $1.2787 in FY12; partially offset by the disposal of assets in 2012 including Downtown, Pakuranga and Shore City.

Refer to section 4 for further information with respect to movement in leased rates and average specialty shop rental rates as well as operating statistics for FY12 and FY11.

(f) Project income

Table 5.7.2: Project income

	Pro Forma Historical			Pro Forma Forecast
	FY11 $million	FY12 $million	FY13 $million	FY14 $million
The Australian and New Zealand operations of Westfield Group project income	79.3	117.4	125.7	139.2
Elimination of project profits earned by the Westfield Group from Westfield Retail Trust:	(50.3)	(86.6)	(100.6)	(61.9)
Project income	**29.0**	**30.8**	**25.1**	**77.3**
Development Gains				
The Australian and New Zealand operations of Westfield Group	86.6	322.4	10.7	
Westfield Retail Trust	26.2	107.7	–	
Recognition of development gains on projects completed by the Westfield Group for Westfield Retail Trust eliminated above	50.3	86.6	100.6	
Development Gains	**163.1**	**516.7**	**111.3**	

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Development gains include the profits recognised by Scentre Group on development projects. This will include revaluation increments on completed developments where the asset is owned by Scentre Group. Development profits previously recorded on projects undertaken for Westfield Retail Trust will now be recorded as property revaluation increments for Scentre Group.

Pro forma forecast compared to pro forma historical FY13

Project income forecast is $77.3 million for FY14 compared to $25.1 million for FY13, an increase of $52.2 million. The increase is due to expected project income on third party projects at Macquarie Centre and Pacific Fair and project income at Miranda and Carindale. Refer to section 4.3 for further details of the Scentre Group's development projects and pipeline.

Revaluation gains or losses including development gains from the revaluation of property investments have not been forecast due to their unpredictability. Revaluation gains and losses have no impact on the Pro Forma Forecast FFO nor the Pro Forma Forecast Adjusted FFO of Scentre Group.

Pro forma historical FY13 compared to pro forma historical FY12

Project income was $25.1 million for FY13 compared to $30.8 million for FY12, a decrease of $5.7 million or 18.5% and includes reduced project income post project completions partly offset by income on the third party project at Macquarie Centre and project income at West Lakes and Miranda.

Development gains for FY13 primarily relate to Sydney. For FY12 the development gains include revaluations on Sydney, Fountain Gate and Carindale.

Refer to section 4.3 for further details of the Scentre Group's development projects and pipeline.

Pro forma historical FY12 compared to pro forma historical FY11

Project income of $30.8 million for FY12 was comparable to FY11 project income of $29.0 million.

For FY12 the development gains include revaluations on Sydney, Fountain Gate and Carindale. The development gains for FY11 include revaluations on Sydney and Belconnen.

Refer to section 4.3 for further details of the Scentre Group's development projects and pipeline.

(g) Property management income

Table 5.7.3: Property management income

	Pro Forma Historical			Pro Forma Forecast
	FY11 $million	FY12 $million	FY13 $million	FY14 $million
The Australian and New Zealand operations of Westfield Group[1]	91.1	96.1	104.5	110.4
Consolidation adjustments attributable to Westfield Retail Trust[1]	(46.0)	(48.8)	(52.2)	(54.6)
Property management income	**45.1**	**47.3**	**52.3**	**55.8**

(1) Excludes corporate service charge earned by Westfield Group from Westfield Retail Trust.

Pro forma forecast compared to pro forma historical FY13

Property management income is expected to increase by $3.5 million or 6.7% from $52.3 million in FY13 to $55.8 million in FY14. This increase is mainly due to forecast growth in net property income from joint venture shopping centres.

Pro forma historical FY13 compared to pro forma historical FY12

Property management income has increased by $5.0 million or 10.6% from $47.3 million in FY12 to $52.3 million in FY13. This increase is mainly due to growth in net property income from joint venture shopping centres and management income on Knox and Warringah Mall following the transaction with AMP in 2012.

Pro forma historical FY12 compared to pro forma historical FY11

Property management income has increased by $2.2 million or 4.9% from $45.1 million in FY11 to $47.3 million in FY12. This increase is mainly due to growth in net property income from joint venture shopping centres.

(h) Overheads (refer to Table 5.3.1)

Pro forma forecast compared to pro forma historical FY13

Overheads are forecast to decrease from $104.0 million in FY13 to $98.0 million in FY14 as a result of savings on the merger of the Australian and New Zealand operations of Westfield Group with Westfield Retail Trust.

Pro forma historical FY13 compared to pro forma historical FY12

Overheads remained consistent from FY12 to FY13 with a small increase over that period.

Pro forma historical FY12 compared to pro forma historical FY11

Overheads remained consistent from FY11 to FY12 with a small decrease over that period predominantly as a result of cost saving initiatives from an overheads efficiency programme undertaken.

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(i) Property revaluations

Table 5.7.4: Property revaluations

	Pro Forma Historical			Pro Forma Forecast
	FY11 $million	FY12 $million	FY13 $million	FY14 $million
Consolidated	717.7	867.0	425.9	
Equity accounted	39.8	37.4	14.8	
	757.5	**904.4**	**440.7**	

Pro forma forecast

Revaluation gains or losses from the revaluation of property investments have not been forecast due to their unpredictability. Revaluation gains and losses have no impact on the Pro Forma Forecast FFO or Pro Forma Forecast Adjusted FFO of Scentre Group.

Pro forma historical FY13 compared to pro forma historical FY12

Property revaluations were $904.4 million for FY12 compared to $440.7 million for FY13, a decrease of $463.7 million or 51.3%. The decrease was primarily due to development gains in 2012 from the completion of developments at Westfield Sydney, Fountain Gate and Carindale; and the impact of the increase in the valuation of the stable shopping centre portfolio which was mainly due to growth in net operating income. There was no change in the portfolio cap rate of 5.9% between FY13 and FY12.

Pro forma historical FY12 compared to pro forma historical FY11

Property revaluations were $757.5 million for FY11 compared to $904.4 million for FY12, an increase of $146.9 million or 19.4%. The increase was primarily due to development gains from completion of developments at Westfield Sydney, Fountain Gate and Carindale in 2012; and the impact of the increase in the valuation of the stable shopping centre portfolio which was mainly due to growth in net operating income and a 10 basis point firming of cap rates from 6.0% for FY11 compared to 5.9% for FY12.

(j) Currency gain/(loss) (refer to Table 5.3.1 and Table 5.4.1)

Pro forma forecast

The mark to market gain or loss of currency derivatives have not been forecast as the calculation is dependent on the closing exchange rate at 31 December 2014. Mark to market gain or loss on currency derivatives has no impact on the Pro Forma Forecast FFO or Pro Forma Forecast Adjusted FFO of Scentre Group.

Currency gain/loss on an FFO basis (which excludes the mark to market of derivatives) has reduced by $1.5 million from a $0.8 million gain in FY13 to a forecast loss of $0.7 million in FY14, reflecting less derivatives on hand due to the settlement of the New Zealand currency hedging contracts in FY13.

Pro forma historical FY13 compared to pro forma historical FY12

Currency gain/(loss) was a loss of $17.8 million for FY12 compared to a gain of $192.1 million for FY13. The movement of $209.9 million is mainly due to the impact of movements in exchange rates on the mark to market of derivatives.

Currency gains on an FFO basis have reduced $4.8 million from $5.6 million in FY12 to $0.8 million in FY13, reflecting the settlement of the New Zealand currency hedging contracts.

Pro forma historical FY12 compared to pro forma historical FY11

Currency gain/(loss) was a loss of $80.8 million for FY11 compared to $17.8 million for FY12. The movement of $63.0 million is mainly due to the impact of movements in exchange rates on the mark to market of derivatives.

Currency gains on an FFO basis have increased $4.2 million from $1.4 million in FY11 to $5.6 million in FY12, reflecting the settlement of the New Zealand currency hedging contracts.

(k) Net interest expense (refer to Table 5.3.1)

Pro forma forecast

The net interest expense forecast for FY14 of $593.6 million primarily represents the forecast net interest on existing Westfield Retail Trust bonds, bank loan facilities and derivatives together with the cost of a bridge facility, new bank loan facilities, new derivatives and the progressive raising of new bonds under a funding plan that will pay down the bridge facility. The interest expense is shown net of interest capitalised of $34 million and includes $29.0 million benefit of estimated non cash mark to market accounting adjustments to Westfield Retail Trust fixed rate debt and derivatives in accordance with acquisition accounting requirements.

Pro forma forecast mark to market of interest rate derivative financial instruments of $30.0 million represents the reversal of brought forward mark to market balances relating to interest cash flows included in the FY14 Pro Forma Forecast net interest expense in the Pro Forma Forecast Income Statement. This has no impact on Scentre Group's Pro Forma Forecast FFO nor its Pro Forma Forecast Adjusted FFO.

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(l) Tax expense (refer to Table 5.3.1)

Pro forma forecast

The tax expense forecast of $90.2 million for FY14 primarily represents tax on project income, property management income and, in New Zealand, net operating income on property partially offset by tax deductions for overheads and interest expense.

The deferred tax expense forecast of $12.6 million for FY14 represents the potential deferred tax impact of estimated property depreciation in New Zealand.

5.8 Best estimate assumptions underlying the Pro Forma Forecast Income Statement and Pro Forma Forecast FFO

The Pro Forma Forecast Income Statement and Pro Forma Forecast FFO (including Pro Forma Forecast Adjusted FFO) are based on various best estimate assumptions set out below.

(a) Key assumptions

The key assumptions underlying the Pro Forma Forecast Income Statement and Pro Forma Forecast FFO for the year ending 31 December 2014 include the following:

- the Proposal is implemented on 1 January 2014;
- the Australian and New Zealand operations of Westfield Group merges with Westfield Retail Trust in a business combination;
- average CPI for FY14 of 2.5% for Australia and 1.0% for New Zealand applied to specialty tenant rent escalations;
- shopping centre interests in Australia and New Zealand continue to be in excess of 99.5% leased;
- development activities including Miranda and Mt Gravatt are underway as well as design and construction projects at Macquarie Centre and Pacific Fair for AMP Group, being third party contracts in which Scentre Group has no ownership interest. The FY14 pro forma forecast assumes capital expenditure of approximately $460 million on development activities;
- average A$/NZ$ exchange rate of 1.15 for FY14, approximating the average rate for the last 12 months;
- $850 million capital return to Westfield Retail Trust Securityholders as part of the Proposal;
- assumption of $7.1 billion of debt net of cash attributable to the Australian and New Zealand operations of Westfield Group business;
- the Australian and New Zealand operations of Westfield Group enters into bridge facilities and new bank loan facilities with the bridge facility being progressively replaced with new bonds (refer to section 5.12);
- average gross interest rates (including the impact of derivative financial instruments) of approximately 5.0% for FY14 based upon market interest rates consistent with the announcement on 4 December 2013 and including the impact of bridge facilities, bank loan facilities, existing Westfield Retail Trust bonds and progressive raising of new bonds; and
- taxation on relevant entities at local tax rates currently prevailing at 30% for Australia and 28% for New Zealand.

(b) General assumptions

In preparing the Pro Forma Forecast Income Statement and Pro Forma Forecast FFO, the following general best estimate assumptions have been adopted:

- no significant amendment to any material agreement or arrangement relating to Scentre Group's businesses. The parties to those agreements and arrangements are assumed to continue to comply with the terms of all material agreements and arrangements and maintain all relevant licenses and approvals;
- no material business or property acquisitions or disposals;
- no material changes in the competitive operating environment;
- no material changes in capital expenditure requirements;
- macroeconomic and industry conditions as described in section 6;
- no material contract disputes or litigation;
- no change in Scentre Group's capital structure other than as set out in, or contemplated in, this Securityholder Booklet;
- no significant change in the legislative regimes and regulatory environments in the jurisdictions in which Scentre Group or its key customers operate which will materially affect Scentre Group's Pro Forma Forecast Financial Information (including in the areas of taxation and various state retail tenancy legislation);
- no changes in accounting standards or the Corporations Act and to other relevant foreign equivalents of the Corporations Act that would have a material effect on Scentre Group's financial performance, cash flows or financial position and the way in which they are reported;
- no property revaluations or mark to market of financial instruments in relation to a movement in interest or exchange rates; and
- consistency of Scentre Group's significant accounting policies over the forecast period.

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5.9 Sensitivity analysis

The Pro Forma Forecast Income Statement and Pro Forma Forecast FFO (including Pro Forma Forecast Adjusted FFO) are based on certain economic and business assumptions about future events that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Scentre Group, Westfield Group Directors, Westfield Group management, Westfield Retail Trust Directors and Westfield Retail Trust management. A summary is provided below of the sensitivity of Scentre Group's Pro Forma Forecast Adjusted FFO to variations in a number of key assumptions for FY14. The changes in the key variables set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. For the purposes of the analysis below, the effect of the changes in key assumptions on the Pro Forma Forecast Adjusted FFO is discussed below.

Table 5.9.1: Pro Forma Forecast Adjusted FFO sensitivity

	Pro Forma Forecast	
Pro Forma Forecast Adjusted FFO sensitivity	$million	CPU
Pro Forma Forecast Adjusted FFO	1,140.0	21.5
Incremental impact of change from assumptions		
Change in average CPI by 0.25% p.a.	+/– 1.0	+/– 0.02
Change in average portfolio leased by 0.1% p.a.	+/– 1.9	+/– 0.04
Change in average NZ$ exchange rate by 5 cents	+/– 5.3	+/– 0.10
Change in average interest rate by 0.25% p.a.	+/– 7.4	+/– 0.14

Current debt and credit market conditions are more favourable than when the Pro Forma Forecast Financial Information for FY14 was prepared. If these conditions are maintained and continue, there will be a reduction in pro forma forecast FY14 net interest expense of approximately $27 million. The achievement of this reduction is not guaranteed as it is dependent on interest rates and credit margins at the time of implementation and the final interest rate hedging and funding plan adopted by Scentre Group.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables over the full year. In practice, changes in variables may offset each other or may be cumulative, and it is likely that Scentre Group's management would respond to any adverse change in one variable by taking action to minimise the net effect on Scentre Group's earnings.

5.10 Pro Forma Historical Statement of Net Assets

The Pro Forma Historical Statement of Net Assets set out for Scentre Group below has been prepared on the basis that the Proposal was implemented on 31 December 2013.

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Table 5.10.1: Pro Forma Historical Statement of Net Assets

31 December 2013	Historical Audited Westfield Group[1] $million	Westfield Group's Net Assets Attributable to Westfield Corporation[2] $million	Refinancing costs[3] $million	Inter-company, derivatives and debt update[4] $million	Westfield Group's Net Assets Attributable to Scentre Group[5] $million	Historical Audited Westfield Retail Trust[6] $million	Re-classification of previously equity accounted entities[7] $million	Consolidation adjustments and eliminations[8] $million	Westfield Retail Trust capital return[9] $million	Transaction costs[10] $million	Scentre Group Pro Forma Historical Statement of Net Assets $million
Current assets											
Cash and cash equivalents	1,153.0	(963.0)	–	–	190.0	21.4	40.1	–	–	–	251.5
Receivables and other assets	842.9	(652.5)	–	(39.8)	150.6	41.9	31.7	(16.9)	–	–	207.3
Receivable from Westfield Corporation	–	1,233.5	–	(1,233.5)	–	–	–	–	–	–	–
Total current assets	1,995.9	(382.0)	–	(1,273.3)	340.6	63.3	71.8	(16.9)	–	–	458.8
Non current assets											
Shopping centre investments	15,405.7	(8,149.0)	–	–	7,256.7	6,571.7	12,949.1	–	–	–	26,777.5
Development projects and construction in progress	1,056.3	(902.1)	–	–	154.2	104.9	251.8	(4.1)	–	–	506.8
Equity accounted investments											
– Cash	146.4	(124.9)	–	–	21.5	21.3	(40.1)	–	–	–	2.7
– Shopping centre investments	16,820.6	(9,674.8)	–	–	7,145.8	7,060.3	(12,949.1)	–	–	–	1,257.0
– Development projects and construction in progress	749.7	(623.6)	–	–	126.1	142.1	(251.8)	(7.4)	–	–	9.0
– Other assets	105.9	(88.4)	–	–	17.5	16.9	(31.7)	–	–	–	2.7
– Payables	(307.0)	195.0	–	–	(112.0)	(127.0)	224.2	4.7	–	–	(10.1)
– Interest bearing liabilities	(1,925.5)	1,903.2	–	–	(22.3)	(22.2)	44.5	–	–	–	–
– Deferred tax liabilities	(106.2)	–	–	–	(106.2)	(106.2)	212.4	–	–	–	–
Other non current assets	966.2	(750.4)	–	(39.6)	176.2	67.4	–	24.3	–	–	267.9
Total non current assets	32,912.1	(18,215.0)	–	(39.6)	14,657.5	13,729.2	409.3	17.5	–	–	28,813.5
Total assets	34,908.0	(18,597.0)	–	(1,312.9)	14,998.1	13,792.5	481.1	0.6	–	–	29,272.3
Current liabilities											
Trade creditors and other payables	2,010.2	(1,439.9)	–	(16.0)	554.3	133.9	224.2	(12.2)	–	75.0	975.2
Interest bearing liabilities	3.8	(3.5)	–	–	0.3	246.1	0.1	–	–	–	246.5
Total current liabilities	2,014.0	(1,443.4)	–	(16.0)	554.6	380.0	224.3	(12.2)	–	75.0	1,221.7
Non current liabilities											
Interest bearing liabilities	12,314.8	(8,332.8)	266.0	3,034.9	7,282.9	2,902.7	44.4	69.0	850.0	–	11,149.0
Other non current liabilities	1,880.2	(356.7)	–	(121.1)	1,402.4	34.5	–	–	–	–	1,436.9
Deferred tax liabilities	3,358.3	(3,314.7)	–	–	43.6	–	212.4	–	–	–	256.0
Total non current liabilities	17,553.3	(12,004.2)	266.0	2,913.8	8,728.9	2,937.2	256.8	69.0	850.0	–	12,841.9
Total liabilities	19,567.3	(13,447.6)	266.0	2,897.8	9,283.5	3,317.2	481.1	56.8	850.0	75.0	14,063.6
Net assets	15,340.7	(5,149.4)	(266.0)	(4,210.7)	5,714.6	10,475.3	–	(56.2)	(850.0)	(75.0)	15,208.7

(1) Westfield Group's net assets as at 31 December 2013 extracted from the statutory financial statements of Westfield Group which have been audited by Ernst & Young and on which an unqualified audit opinion was issued on 26 February 2014.

(2) Westfield Group's US and UK net assets as at 31 December 2013 attributable to Westfield Corporation.

(3) Relates to $266.0 million estimated cost associated with the refinancing of borrowings in Westfield Group entities attributable to Scentre Group. These costs will be expensed in the actual FY14 income statement. The actual costs will differ from the above estimates predominantly due to changes in the prevailing interest and exchange rates at the time of refinancing.

(4) Estimated debt adjustments to reflect the settlement of inter-group balances at the Implementation Date and the additional interest bearing liabilities (compared to amounts at 31 December 2013) attributable to Scentre Group at the Implementation Date. The actual debt adjustments will differ from the above estimate depending on actual transactions in the normal course of business (such as capital expenditure, net operating cash flows, payment of dividends/distributions and tax instalments).

(5) Consists of Westfield Group's Australia and New Zealand net assets as at 31 December 2013 attributable to Scentre Group.

(6) Westfield Retail Trust's net assets as at 31 December 2013 extracted from the statutory financial statements of Westfield Retail Trust which have been audited by Ernst & Young and on which an unqualified audit opinion was issued on 26 February 2014.

(7) Pro forma adjustments relating to the reclassification of investments that were jointly controlled by Westfield Group and Westfield Retail Trust from equity accounted investments to consolidated assets and liabilities. There is no impact to the income statement.

(8) Consolidation adjustments and eliminations include:

(a) Pro forma adjustments relating to the elimination of receivables and payables between Westfield Group and Westfield Retail Trust. There is no impact to the income statement.

(b) Pro forma elimination of $11.5 million of profits on development projects currently in progress.

(c) Pro forma acquisition accounting adjustments to fair value certain assets and liabilities of Westfield Retail Trust, principally the estimated non cash mark to market of $69.0 million to Westfield Retail Trust fixed rate debt based on market interest rates at 31 December 2013 and in accordance with acquisition accounting requirements. This mark to market amount amortises over the remaining term of the fixed rate debt.

(d) Pro forma adjustments of $24.3 million relating to the elimination of 5.9 million Westfield Retail Trust Securities held by Westfield Group, and the recognition of 5.9 million Westfield Corporation Securities to be held by Scentre Group on implementation of the Proposal.

(9) $850.0 million capital return to Westfield Retail Trust Securityholders on implementation of the Proposal.

(10) Relates to $75.0 million estimated transaction costs for professional services and other associated costs related to the implementation of the Proposal. These costs will be expensed in the actual FY14 income statement.

Table 5.10.2 Attribution of Pro Forma Historical Net Assets to Scentre Group Securityholders and to external non controlling interests

	$million
Pro Forma Historical Net Assets attributable to Scentre Group Securityholders	14,979.5
Pro Forma Historical Net Assets attributable to external non controlling interests	229.2
Pro Forma Historical Net Assets (Table 5.10.1)	15,208.7

Table 5.10.3: Effect of non cash acquisition adjustments on Pro Forma Historical Net Assets attributable to Scentre Group Securityholders

	$million
Pro Forma Historical Net Assets attributable to Scentre Group Securityholders (Table 5.10.2)	14,979.5
Add back:	
Non cash mark to market of Westfield Retail Trust fixed rate debt[1]	69.0
Pro Forma Historical Net Assets attributable to Scentre Group Securityholders excluding non cash acquisition adjustments	15,048.5

(1) Pro forma acquisition accounting adjustments to fair value certain assets and liabilities of Westfield Retail Trust, representing the estimated non cash mark to market of $69.0 million to Westfield Retail Trust fixed rate debt based on market interest rates at 31 December 2013 and in accordance with acquisition accounting requirements. This mark to market amount amortises over the remaining term of the fixed rate debt.

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Table 5.10.4: Pro forma historical gearing

The estimated gearing for Scentre Group based on the above Pro Forma Historical Statement of Net Assets is 38.4%. Gearing is calculated as follows:

Pro Forma Historical Total Assets	$million	Pro Forma Historical Net Debt	$million
Consolidated total assets	29,272.3	Consolidated interest bearing liabilities	
Add back:		– current	246.5
Equity accounted liabilities		– non current	11,149.0
– Payables	10.1	Equity accounted interest bearing liabilities	–
– Interest bearing liabilities	–		
– Deferred tax	–		
Less:		Less:	
Consolidated cash	(251.5)	Consolidated cash	(251.5)
Equity accounted cash	(2.7)	Equity accounted cash	(2.7)
	29,028.2		11,141.3
Pro Forma historical gearing (net debt/total assets)	**38.4%**		

The above pro forma historical gearing will differ from the actual gearing at the Implementation Date as the actual balance sheet at the Implementation Date will include transactions during the period from 1 January 2014 to the Implementation Date by Westfield Group and Westfield Retail Trust in the normal course of business (such as capital expenditure, net operating cash flows, payment of dividends/distributions and tax instalments), as well as market movements including changes in fair value due to exchange and interest rate movements and property revaluations.

Refer to section 5.12 for further details of Scentre Group's liquidity, financing facilities and gearing policy.

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Table 5.10.5: Details of pro forma historical net debt

31 December 2013	Pro Forma Interest bearing liabilities $million	Pro Forma Cash $million	Pro Forma Net Debt $million
Attributable to Westfield Retail Trust:			
Interest bearing liabilities			
– Consolidated – current	246.1		
– Consolidated – non current	2,902.7		
– Equity accounted	22.2		
– Capital return	850.0		
– Mark to market of fixed rate debt	69.0		
Less:			
Consolidated cash		(21.4)	
Equity accounted cash		(21.3)	
Westfield Retail Trust	**4,090.0**	**(42.7)**	**4,047.3**
Attributable to the Australian and New Zealand operations of Westfield Group:			
Interest bearing liabilities			
– Consolidated – current	0.3		
– Consolidated – non current	7,282.9		
– Equity accounted	22.3		
Less:			
Consolidated cash		(190.0)	
Equity accounted cash		(21.5)	
The Australian and New Zealand operations of Westfield Group	**7,305.5**	**(211.5)**	**7,094.0**
Total	**11,395.5**	**(254.2)**	**11,141.3**

5.11 Financial risk management

Scentre Group will have the following financial risk management policies:

- maintain a target gearing ratio (net debt / total assets) in the 30% to 40% range. Scentre Group will have gearing of 38.4% on a pro forma basis as at 31 December 2013 and interest cover of 3.3 times on a pro forma forecast basis for FY14;
- target interest rate exposure to be more highly hedged in the near term, with declining hedge bands over a 10 year horizon;
- sufficient liquidity to cover all debt maturities for 12 months and all committed capital expenditure to completion and an additional buffer of A$300 million; and
- hedging may be undertaken to reduce the impact of exchange rate movements on income statement and balance sheet items.

5.12 Financing arrangements

Background

At implementation of the Proposal, Scentre Group will have approximately $12.85 billion of unsecured financing arrangements within a financing structure that incorporates the existing financing arrangements of Westfield Retail Trust of approximately $3.8 billion (**Westfield Retail Trust Facilities**), together with new committed unsecured revolving bank loan facilities and an unsecured bridge facility for the equivalent in total of $9.05 billion (to be drawn in A$ and NZ$).

These bridge and bank loan facilities will finance Scentre Group's effective assumption of A$6.8 billion and NZ$0.6 billion of Westfield Group's unsecured debt, being the portions allocated to the Australian and New Zealand business, and a $500 million portion of the Westfield Retail Trust capital return under the Proposal that is not funded by existing Westfield Retail Trust Facilities.

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The Westfield Group Board and the Westfield Retail Trust Directors believe that the bridge and bank loan facilities and the Westfield Retail Trust Facilities, together with the cash flow expected to be generated by Scentre Group will be sufficient to allow Scentre Group to carry out its business and stated objectives immediately following implementation of the Proposal, and is appropriate having regard to the financial and investment profile of Scentre Group following implementation of the Proposal.

At least one of the parent entities in Scentre Group will borrow funds under the new bridge and bank loan facilities and the Westfield Retail Trust Facilities and on-lend them to entities within Scentre Group. Certain finance subsidiaries, known as treasury subsidiaries, being special purpose companies incorporated in Australia and New Zealand, may also borrow under the revolving bank loan facilities. The treasury subsidiaries will also enter into derivative contracts to hedge Scentre Group's interest rate and foreign currency risks. Some other entities within Scentre Group will also continue to borrow, including in the form of secured debt, for instance mortgages, in respect of which they may also hedge any associated interest rate risk.

Documentation structure

For the purposes of the Westfield Retail Trust Facilities, Westfield Retail Trust has entered into a Master Negative Pledge which contains the representations and warranties, undertakings, financial covenants, review events and events of default which are intended to be common, to the extent practicable, across all unsecured bank debt borrowing facilities provided to Westfield Retail Trust. The Master Negative Pledge is given for the benefit of each present and future finance party of Westfield Retail Trust. Westfield Retail Trust has also entered into a Master Guarantee, which is a deed poll containing the main guarantee for all of the Westfield Retail Trust's unsecured bank debt borrowing facilities.

Under the terms of the Proposal, amendments have been agreed with Westfield Retail Trust's existing financiers to amend the Master Negative Pledge and Master Guarantee so that they apply to Scentre Group on and from implementation. It is intended that the majority of unsecured lenders to Scentre Group will have the benefit of the Master Negative Pledge and the Master Guarantee or substantially similar arrangements that are standalone.

Following implementation of the Proposal:

(a) under the **Master Guarantee**, Westfield Holdings, Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 and their respective treasury subsidiaries, on a joint and several basis, agree to guarantee the obligations of each other.

Each lender which has the benefit of the Master Guarantee may enforce it; and

(b) under the **Master Negative Pledge**, Westfield Holdings, Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 are bound by representations and warranties, undertakings, financial covenants, review events and events of default which are intended to be common, to the extent practicable, across all unsecured bank loan facilities provided to Scentre Group.

Each lender who benefits from the Master Negative Pledge is able to enforce it. The Master Negative Pledge may be amended and waived on the instructions of the majority of these lenders (with certain exceptions, where the consent of all such lenders will be required).

In addition to standard events of default relating to non-payment, breach of undertaking or warranty, cross-default, insolvency and ceasing business, it is an event of default if a trustee or responsible entity of Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 ceases to be sole trustee or responsible entity and is not replaced within 60 business days by an entity which is a member of Scentre Group or one which is approved by the requisite majority of the applicable lenders.

It is also a review event (which can lead to demand for repayment) if, except in limited circumstances, the Scentre Group Securities cease to be listed on ASX.

The Master Negative Pledge contains the following financial covenants, determined in accordance with Scentre Group's statutory financial statements:

(a) **gearing**: the ratio of net debt to net assets as at each reporting date shall not exceed 0.65:1;

(b) **unencumbered pool**: unencumbered assets shall not be less than 150% of outstanding unsecured debt at all times;

(c) **cash flow to fixed charges**: the ratio of operating cash flow to fixed charges for the 12 month period ending on a reporting date is to be at least 1.50:1;

(d) **priority debt**: secured debt and certain other debt incurred directly by operating subsidiaries must not exceed 40% of total assets at any time; and

(e) **unencumbered interest cover**: if on a reporting date priority debt exceeds 25% of total assets, the ratio of unencumbered operating cash flow to unencumbered interest expense for the 12 months ending on that reporting date must be at least 1.50:1.

The status of the financial covenants and ratios for Scentre Group as at 31 December 2013 on a pro forma basis are set out in the table below.

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Table 5.12.1: Financial covenants and key ratios

	Financial covenants	Pro forma as at 31 December 2013/ Pro forma forecast FY14
Gearing (net debt to net assets)	Not exceeding 0.65:1	0.40:1
Unencumbered pool of assets	Not less than 150% of outstanding unsecured debt	242.9%
Cash flow to fixed charges	At least 1.50:1	3.28:1
Priority debt	Not exceeding 40% of total assets	0.7%
Unencumbered interest cover	At least 1.50:1	3.28:1

Scentre Group bridge and new bank loan facilities

Scentre Group's new financing facilities will be constituted under several agreements between various banks and Westfield Trust, Westfield Retail Trust 1, RE(NZ) Finance Limited and Westfield Finance (Aust) Limited as borrowers, which were entered into on 20 March 2014.

They comprise a $5.0 billion bridge facility and unsecured revolving bank loan facilities totalling $4.05 billion, of which $1.8 billion and NZ$0.6 billion will be drawn together with full drawing of the bridge facility, to finance Scentre Group's effective assumption of the $6.8 billion and NZ$0.6 billion portions of Westfield Group's unsecured debt.

The bridge facility is repayable two years from the date of execution (with an option for Scentre Group to extend for one year). The net proceeds of any equity capital raising or debt capital markets raising (other than refinancing of maturing bonds) must be used to pay down this facility. Scentre Group is expected to be in a position to be able to refinance the bridge facility with new financing prior to its maturity.

The revolving facilities are for terms of two to six years from the date of either first drawdown or signing and have the flexibility to be repaid and subsequently redrawn as required. These facilities can be repaid with any equity capital or debt capital market raisings after the bridge facility has been fully repaid and can be renewed subject to negotiation with each financier.

The banks that are party to the bridge facility and revolving facilities have the benefit of Scentre Group's Master Guarantee and the Master Negative Pledge.

The bridge facility and revolving facilities contain certain conditions precedent to drawdown, including (other than in respect of drawings under certain revolving facilities made to fund the capital return by Westfield Retail Trust 1 and Westfield Retail Trust 2 to holders of their securities) evidence that the Effective Date (as defined in the facilities) has occurred (i.e. that the Scheme has taken effect) and that the Implementation Date has occurred, or will occur, on the first drawdown date. As is usual in such facilities there is no draw stop for the occurrence of an event of default unless that default constitutes a certain funds default (being defaults relating to insolvency, structural changes or a breach of a material representation or undertaking). It is expected that Scentre Group will be in a position to satisfy all such conditions precedent.

Other facilities

The existing unsecured revolving bank loan facilities totalling $1.9 billion of Westfield Retail Trust will also migrate to Scentre Group. These facilities will have the benefit of Scentre Group's Master Guarantee and Master Negative Pledge.

Bonds previously issued by Westfield Retail Trust are not required to be redeemed. These bonds, denominated in A$ and EUR with total face value of A$1.08 billion and EUR 0.5 billion respectively, will continue to remain outstanding on existing terms as obligations of Scentre Group.

Overall effect

The proposed Scentre Group financing facilities referred to above will ensure that Scentre Group has sufficient facilities to refinance that portion of Westfield Group debt that Scentre Group is effectively assuming as well as to allow Scentre Group to carry out its business and stated objectives immediately following implementation of the Proposal.

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Based on the Scentre Group's Pro Forma Historical Statement of Net Assets as at 31 December 2013 (see section 5.10) the gearing of Scentre Group, calculated as a percentage of net debt to total assets, was 38.4% and interest cover calculated as a multiple of FFO before interest and tax to net interest expense plus interest capitalised and excluding coupons on the Property Linked Notes, will be 3.3 times on a pro forma forecast basis for FY14. While actual gearing on the Implementation Date may be higher or lower than this, it is the current intention to maintain gearing of Scentre Group over the long term within the range of 30% to 40%. Scentre Group may be prepared to exceed this level for a major acquisition so long as it can return to its desired gearing in the short term.

Liquidity and financing facilities

In addition to funding a portion of Westfield Group's debt, Scentre Group's primary requirement for cash is expected to arise from funding the redevelopment and expansion of its shopping centres and funding acquisitions. Significant amounts of cash are also expected to be used to pay distributions and repay principal and pay interest on debt. Details on the distribution policy for Scentre Group are included in section 5.6.

Diversity of funding sources

Through the refinancing of the bridge facility over two years (or three years at the option of Scentre Group), and as result of ongoing funding requirements, Scentre Group's financing facilities are expected to encompass a diversity of financing sources which may include committed unsecured bank loan facilities on a syndicated and bilateral basis, bonds and hybrid instruments. These bank loan facilities and bonds are expected to be with a number of lenders and have various maturities to minimise credit risk and refinancing risk.

Scentre Group may also raise debt finance through secured borrowings, including secured investment loans over individual properties or groups of properties and secured construction loans.

In addition to the public equity and secured and unsecured loan and debt capital markets, Scentre Group may also obtain funding by accessing private equity from institutional investors, through hybrid equity capital raisings or the disposal or joint venturing of properties.

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5.13 Reconciliation of Scentre Group's Pro Forma Historical Income Statements to audited consolidated financial statements

The information in this section provides the reconciliation of key financial information to the audited consolidated financial statements.

(a) Earnings before interest and tax (EBIT)

Table 5.13.1: Reconciliation of EBIT

	FY 11 $million	FY 12 $million	FY 13 $million
Westfield Group profit before tax[1]	1,574.6	1,962.6	1,906.5
Less: Westfield Group interest income[1]	(52.6)	(57.4)	(26.5)
Add: Westfield Group financing costs[1]	851.9	830.0	795.4
Westfield Group EBIT	**2,373.9**	**2,735.2**	**2,675.4**
Pro forma adjustments for EBIT relating to:			
– Divestment of United States centres[2]	(272.4)	(157.2)	(3.2)
– Divestment of United Kingdom centres[3]	1.5	(1.5)	–
– Divestment of Brazil centres[4]	(2.4)	30.7	2.5
– Reversal of gain/loss in respect of capital transactions[5]	(12.3)	45.1	146.2
Westfield Group pro forma historical EBIT	**2,088.3**	**2,652.3**	**2,820.9**
Westfield Group pro forma historical EBIT attributable to Westfield Corporation[6]	(817.3)	(1,138.9)	(1,386.1)
Westfield Group pro forma historical EBIT attributable to Scentre Group	**1,271.0**	**1,513.4**	**1,434.8**
Westfield Retail Trust EBIT[7]	1,012.4	1,028.9	925.3
Consolidation adjustments attributable to Westfield Retail Trust[8]			
– Net property income[8(a)]	45.4	41.4	45.0
– Project income[8(b)]	(50.3)	(86.6)	(100.6)
– Management income – Shopping centre[8(a)]	(46.0)	(48.8)	(52.2)
– Management income – Corporate service charge[8(c)]	(23.0)	(23.0)	(20.0)
– Overheads[8(c)]	23.0	23.0	20.0
– Property revaluations[8(b)]	50.8	89.9	95.8
– Reclassification of previously equity accounted entities[8(d)]	37.6	34.2	41.4
Scentre Group Pro Forma Historical EBIT	**2,320.9**	**2,572.4**	**2,389.5**

(1) Extracted from the statutory financial statements of Westfield Group which have been audited by Ernst & Young and on which unqualified audit opinions were issued.

(2) The historical audited income statements have been adjusted for the net operating income, property management fee and property revaluations impact of the following transactions such that they are reflected as having occurred prior to 1 January 2011:
- Divestment of 8 non-core shopping centres in the US, including 7 shopping centres to Starwood Capital Group for net proceeds of US$1.64 billion in FY13;
- Divestment of Westfield Group's 50% interest in 6 regional shopping centres in Florida, US to O'Connor Capital Partners resulting in net proceeds of US$700 million in FY13;
- Divestment of 8 non-core shopping centres in the US, including 7 shopping centres to Starwood Capital Group for net proceeds of US$1.154 billion in FY12; and
- Divestment of Westfield Group's 45% interest in 12 properties in the US to Canada Pension Plan Investment Board resulting in net proceeds of US$2.1 billion in FY12.

(3) Adjusted for the divestment of Westfield Group's interest in 3 non-core shopping centres in the UK for net proceeds of £159 million in FY12 and divestment of 1 non-core shopping centre in the UK for net proceeds of £55 million in FY11.

(4) Adjusted for the disposal of Westfield Group's 50% interest in Westfield Almeida Junior Shopping Centres S.A. (Brazil) in FY13.

(5) Reversal of capital profit (gain/loss on divestment) relating to pro forma adjustments detailed in footnotes 2 – 4 above.

(6) Relates to Westfield Group's US and UK operations.

(7) Extracted from the statutory financial statements of Westfield Retail Trust which have been audited by Ernst & Young and on which unqualified audit opinions were issued.

(8) Adjustments represent:
- (a) Property management income earned by Westfield Group from Westfield Retail Trust now eliminated on consolidation and reclassified to net property income.
- (b) Project income earned by Westfield Group from Westfield Retail Trust eliminated upon consolidation, which is offset by property revaluations from properties as a result of the increased proportionate ownership after the implementation of the Proposal.
- (c) Elimination of corporate service charge earned by Westfield Group from Westfield Retail Trust offset against management income.
- (d) Reclassification of net interest and tax expense from equity accounted net interest and tax expense to consolidated net interest and tax expense as a result of the increased proportionate ownership after the implementation of the Proposal.

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(b) Revenue

Table 5.13.2: Reconciliation of Revenue

	FY 11 $million	FY 12 $million	FY 13 $million
Westfield Group revenue[1]	**3,950.1**	**2,220.2**	**2,385.1**
Pro forma adjustments for revenue relating to:[2]			
– Divestment of United States centres[3]	(774.6)	(438.5)	(206.3)
Westfield Group pro forma historical revenue	**3,175.5**	**1,781.7**	**2,178.8**
Westfield Group pro forma historical revenue attributable to Westfield Corporation[4]	(2,060.0)	(767.0)	(897.8)
Westfield Group pro forma historical revenue attributable to Scentre Group	**1,115.5**	**1,014.7**	**1,281.0**
Westfield Retail Trust revenue[5]	468.7	514.6	534.3
Consolidation adjustments attributable to Westfield Retail Trust[6]			
– Property revenue[6(a)]	(429.9)	(237.4)	(341.9)
– Reclassification of previously equity accounted entities[6(b)]	997.2	1,020.5	1,035.1
Scentre Group Pro Forma Historical revenue	**2,151.5**	**2,312.4**	**2,508.5**

(1) Extracted from the statutory financial statements of Westfield Group which have been audited by Ernst & Young and on which unqualified audit opinions were issued.

(2) Pro forma adjustments are not required for the divestment of the interest in the UK shopping centres and Brazil portfolio as these investments were previously equity accounted and therefore not included in revenue.

(3) The historical audited income statements have been adjusted for the following transactions such that they are reflected as having occurred prior to 1 January 2011:
- Divestment of 8 non-core shopping centres in the US, including 7 shopping centres to Starwood Capital Group for net proceeds of US$1.64 billion in FY13;
- Divestment of Westfield Group's 50% interest in 6 regional shopping centres in Florida, United States to O'Connor Capital Partners resulting in net proceeds of US$700 million in FY13;
- Divestment of 8 non-core shopping centres in the US, including 7 shopping centres to Starwood Capital Group for net proceeds of US$1.154 billion in FY12; and
- Divestment of Westfield Group's 45% interest in 12 properties in the US to Canada Pension Plan Investment Board resulting in net proceeds of US$2.1 billion in FY12.

(4) Relates to Westfield Group's US and UK operation.

(5) Extracted from the statutory financial statements of Westfield Retail Trust which have been audited by Ernst & Young and on which unqualified audit opinions were issued.

(6) Adjustments are represented by:
(a) Project revenue and property management revenue earned by Westfield Group from Westfield Retail Trust now eliminated as a result of the increased proportionate ownership on the implementation of the Proposal.
(b) Reclassification of property revenue from equity accounted property revenue to consolidated property revenue as a result of the increased proportionate ownership after the implementation of the Proposal.

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(c) Funds from operations before interest and tax

Table 5.13.3: Reconciliation of FFO before interest and tax (FFO EBIT)

	FY 11 $million	FY 12 $million	FY 13 $million
Westfield Group FFO EBIT[1]	**2,051.5**	**2,129.4**	**2,165.4**
Pro forma adjustments for FFO EBIT relating to:			
– Divestment of United States centres[2]	(345.7)	(222.9)	(125.5)
– Divestment of United Kingdom centres[3]	(14.3)	(1.5)	–
– Divestment of Brazil centres[4]	(3.9)	(10.0)	(1.2)
Westfield Group pro forma historical FFO EBIT	**1,687.6**	**1,895.0**	**2,038.7**
Westfield Group pro forma historical FFO EBIT attributable to Westfield Corporation[5]	(720.4)	(846.0)	(953.1)
Westfield Group pro forma historical FFO EBIT attributable to Scentre Group	**967.2**	**1,049.0**	**1,085.6**
Westfield Retail Trust FFO EBIT[6]	730.6	771.6	781.8
Consolidation adjustments attributable to Westfield Retail Trust[7]			
– Net property income[7(a)]	45.4	41.4	45.0
– Project income[7(b)]	(50.3)	(86.6)	(100.6)
– Management income – Shopping centre[7(a)]	(46.0)	(48.8)	(52.2)
– Management income – Corporate service charge[7(c)]	(23.0)	(23.0)	(20.0)
– Overheads[7(c)]	23.0	23.0	20.0
Scentre Group Pro Forma Historical FFO EBIT	**1,646.9**	**1,726.6**	**1,759.6**

(1) Extracted from the statutory financial statements of Westfield Group which have been audited by Ernst & Young and on which unqualified audit opinions were issued.
(2) The historical audited income statements have been adjusted for the following transactions such that they are reflected as having occurred prior to 1 January 2011:
- Divestment of 8 non-core shopping centres in the US, including 7 shopping centres to Starwood Capital Group for net proceeds of US$1.64 billion in FY13;
- Divestment of Westfield Group's 50% interest in 6 regional shopping centres in Florida, US to O'Connor Capital Partners resulting in net proceeds of US$700 million in FY13;
- Divestment of 8 non-core shopping centres in the US, including 7 shopping centres to Starwood Capital Group for net proceeds of US$1.154 billion in FY12; and
- Divestment of Westfield Group's 45% interest in 12 properties in the US to Canada Pension Plan Investment Board resulting in net proceeds of US$2.1 billion in FY12.

(3) Adjusted for the divestment of Westfield Group's interest in 3 non-core shopping centres in the UK for net proceeds of £159 million in FY12 and divestment of 1 non-core shopping centre in the UK for net proceeds of £55 million in FY11.
(4) Adjusted for the disposal of Westfield Group's 50% interest in Westfield Almeida Junior Shopping Centres S.A. (Brazil) in FY13.
(5) Relates to Westfield Group's US and UK operations.
(6) Extracted from the statutory financial statements of Westfield Retail Trust which have been audited by Ernst & Young and on which unqualified audit opinions were issued.
(7) Adjustments are represented by:
(a) Property management income earned by Westfield Group from Westfield Retail Trust now eliminated on consolidation and reclassified to net property income.
(b) Project income earned by Westfield Group from Westfield Retail Trust eliminated as a result of the increased proportionate ownership on the implementation of the Proposal.
(c) Elimination of corporate service charge earned by Westfield Group from Westfield Retail Trust offset against management income.

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SECTION 6
RISK FACTORS – SCENTRE GROUP

This section describes the potential risks associated with Scentre Group's business and risks associated with an investment in Scentre Group Securities. It does not purport to list every risk that may be associated with an investment in Scentre Group Securities now or in the future, and the occurrence of consequences of some of the risks described in this section are partially or completely outside the control of Scentre Group, the Scentre Group Board and the senior management team.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and impact of the risk if it did occur. The assessment is based on the knowledge of the Westfield Group Directors and the Westfield Retail Trust Directors as at the date of this Securityholder Booklet, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Returns from an investment in Scentre Group's shopping centres depend largely upon the amount of rental income generated from the properties and the expenses incurred in the operations, including the management and maintenance of the properties as well as changes in the market value of the properties. In addition, returns from Scentre Group's investment in shopping centres could be affected by its property development, design and construction activities which form a substantial component of its business.

Some risks below may adversely affect Scentre Group's revenues and operating income, particularly the rental income of Scentre Group's properties or project income from its development activities. Other risks may adversely affect Scentre Group's business, without necessarily affecting its revenues and operating income.

Many of the risks are similar to those currently faced by Westfield Group in relation to its Australian and New Zealand business. Many of these risks are also similar to those which Westfield Corporation will be subject to, both being retail property groups although separated along different geographic lines. The risks of an investment in Westfield Corporation are set out in section 9.

6.1 Property ownership risks

(a) Tenant default and occupancy risk in shopping centres

As a significant portion of Scentre Group's earnings will be derived from rental income, Scentre Group's performance will depend significantly on the level of tenant default and on its ability to continue to lease space in its shopping centres (including its redeveloped shopping centres) on market terms. Scentre Group's results of operations may be adversely affected if a significant number of tenants or anchor tenants are unable to meet their rent obligations under their leases or if there is a decrease in demand for retail space in shopping centres so that Scentre Group is unable to renew existing leases or find new tenants on acceptable terms.

If the retail sales of stores operating in Scentre Group's shopping centres decline significantly due to economic conditions, closure of anchor stores or for other reasons, tenants might be unable to pay their existing base rents or service charges (since these fixed rents and charges would represent a high percentage of their sales). Further, if retail sales decline, tenants would be less willing to pay minimum rent at previous levels and existing tenants will seek a lower rent on renewal. During times of low economic growth, such as those experienced in Australia and New Zealand in recent years, the risks associated with declining retail sales increase.

(b) Anchor tenants default or closure risk

Anchor tenants occupy a significant percentage of the total GLA of Scentre Group's shopping centres.

The bankruptcy, insolvency or a downturn in the business of any of Scentre Group's anchor tenants or the failure of any anchor tenant to renew its lease when it expires or continue to operate its store, could adversely affect Scentre Group's results of operations, especially where an anchor tenant accounts for a significant amount of Scentre Group's total rental income.

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In addition, closure of anchor stores could adversely affect retail sales of other stores operating in the shopping centres because anchor tenants play an important part in generating customer traffic and making the shopping centres desirable locations for retailers generally.

David Jones and Myer are the two major department store chains in Australia. In early 2014 it emerged Myer had approached David Jones regarding a potential merger. In February 2014, David Jones confirmed it will consider any proposal from Myer which is in the best interests of David Jones shareholders. However, there is no certainty any transaction will eventuate.

David Jones and Myer act as anchor tenants in 28 of the 38 Australian Westfield shopping centres, and as at 31 December 2013 contributed approximately 4.2% of gross rent, 8.7% of annual retail sales and 18.1% of GLA in the Scentre Group portfolio. Scentre Group owns some of David Jones' and Myer's highest grossing stores.

A rationalisation of the ownership structure of department stores in Australia and any subsequent reduction in the total GLA for department stores would create opportunities to improve the quality of shopping centres through introducing additional retailers, increasing the sales productivity of department store space and remixing the tenancy mix at existing shopping centres. Any potential vacant space resulting from a rationalisation of department store tenancies could be re-leased to other retailers, such as discount department stores and international retailers, who are motivated to expand in Australia.

A negative change in the financial condition of any of Scentre Group's anchor tenants could result in a substantial decrease in the revenues directly or indirectly contributed by such tenants and have a negative impact on the overall performance of the affected shopping centre(s).

(c) Changes in consumer sentiment or shopping preferences

A significant proportion of Scentre Group's revenues will depend on rental income from tenants whose ability to pay rent depends on their ability to generate and maintain retail sales. Retail sales are subject to rapid and occasionally unpredictable changes in consumer sentiment or preferences, including due to changes in economic conditions, interest rates, levels of disposable income and consumer confidence. If Scentre Group, or its tenants, misjudge consumer sentiment or preferences, or fails to respond to changing consumer sentiment or preferences, this may result in a decline in rental income for Scentre Group leading to a decline in financial performance.

(d) Emergence of alternative retail channels especially online retailing

As shopping patterns change, consumers may prefer alternative retail outlets (for example, "big box" shopping centres, discount shopping centres and clubs, outlet malls, catalogues, video and home shopping networks, direct mail order, telemarketing and online retailers) over conventional shopping centres. If Scentre Group fails to offer a superior, convenient, safe and appealing experience to consumers who visit its shopping centres, compared to alternative retail outlets, consumer traffic through its shopping centres may decline. This in turn may lead to a decline in demand for retail space and adversely impact Scentre Group's financial performance. The demand for retail space may also decline if Scentre Group is unable to meet the needs of its retailers who are changing the way they do business in response to the change in shopping patterns, including by embracing alternative retail outlets.

In particular, with the advent of e-commerce and mobile technology, online retailing has emerged as the main challenge to conventional "bricks and mortar" retailing in recent years. With consumers increasingly preferring to shop online, retailers are developing their own online shopping platforms to decrease their dependence on traditional retail channels. Many retailers are as advanced as the consumers in adopting digital and mobile technology. Scentre Group's shopping centres may gradually lose their appeal and relevance for new age consumers and retailers. Whether Scentre Group is able to meet this challenge depends on its ability to execute its strategy to connect both groups of consumers and retailers (and the digital world) to its physical shopping centres and ensure its shopping centres continue to play a significant role in modern day life.

(e) Conflicts of interest with co-owners of properties

A number of shopping centres in Scentre Group's portfolio are held through joint ventures or co-ownership arrangements. In a number of these arrangements Scentre Group does not have exclusive control over certain aspects of the shopping centres including development, financing, leasing and management.

From time to time, Scentre Group will be required to make major decisions in respect of co-owned properties, including ongoing capital expenditure, redevelopment and refurbishment, the sale of shopping centres or surplus land and the purchase of additional land. Co-owners may be competitors and/or have economic or other business interests or goals which are inconsistent with Scentre Group's business interests or goals, and may be in a position to take actions contrary to Scentre Group's objectives. Disputes between Scentre Group and co-owners may result in litigation or arbitration that would increase expenses and prevent the Scentre Group Board and senior managers from focusing their time and effort on Scentre Group's business.

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In addition, pre-emptive provisions or rights of first refusal may apply to sales or transfers of interests in these co-owned properties. These provisions may work to Scentre Group's disadvantage because, among other things, Scentre Group may be disadvantaged in its sale process by the need to comply with these provisions.

There is also the risk that co-owners might become bankrupt or default on their obligations, resulting in their interest in one or more shopping centres becoming subject to external administration, transferred to creditors or sold to third parties, or otherwise act in a manner that adversely affects Scentre Group, or which forces Scentre Group to take an action (e.g. purchase of that interest pursuant to pre-emptive rights) which it would not otherwise have taken.

6.2 Property management and development risks

(a) Development activities risk

Scentre Group's financial performance will depend in part upon the continued redevelopment and growth of its properties. Details of Scentre Group's development activities are set out at section 4.3.

Scentre Group will be subject to the risks associated with its expansion and redevelopment activities, including risks resulting from:

- construction not being completed on budget and on schedule;
- properties not being leased to the level or otherwise on the terms anticipated by the feasibility study prepared for the particular project especially if the income derived from the redeveloped shopping centres is lower than expected; or
- the inability of Scentre Group or its joint venture partners to obtain funding on acceptable terms, or at all, for Scentre Group's proposed development and redevelopment programme.

Development, redevelopment and expansion activities may also involve the following risks:

- failure to obtain, or delay in obtaining, required permits, licences or approvals;
- changes in laws and governmental regulations including zoning, planning and environmental laws;
- changes in the political or economic environments;
- industrial disputes which may delay projects and/or add to the cost of developments;
- construction costs of a project which may exceed original estimates or available financing;
- temporary disruption of income from an existing shopping centre which is being redeveloped;
- failure to maintain leased rates for existing retail space, the inability to lease new retail space, rent abatements, and termination of lease agreements and pre-sale agreements;
- loss of consumers due to inconvenience caused by construction;
- incurrence of substantial expenditures before the redevelopment project produces income; and
- delays due to inadequate supply of labour, scarcity of construction materials, lower than expected productivity levels, inclement weather conditions, land contamination, difficult site access, objections raised by community interest groups, environmental groups and neighbours, slow decision-making by counterparties, complex construction specifications, changes to design briefs, legal issues and other documentation changes.

If a development or redevelopment project is unsuccessful or does not proceed, Scentre Group's investment cost may exceed the value of the project on completion or Scentre Group may incur pre-development costs that have to be written off. Scentre Group's financial performance may be adversely affected in these circumstances.

Scentre Group may undertake development or redevelopment activities for a third party (including a co-owner) on a fixed price, fixed time basis. Scentre Group faces additional risks in these arrangements for example, delays may result in liquidated damages against Scentre Group, design problems or defects may result in rectification or costs or liabilities which Scentre Group cannot recover, Scentre Group may be unable to fulfil its statutory and contractual obligations in relation to the quality of its materials and workmanship, including warranties and defect liability obligations.

Given the size and scale of Scentre Group's expansion and redevelopment activities, Scentre Group may incur additional indebtedness to fund required capital expenditures.

(b) Property management activities risk

Scentre Group will derive a significant portion of its income from property management activities. Property management income is treated as having similar characteristics, risk and growth profile as property net operating income (rent income) given the long term nature of property management income under the property management agreements and direct linkage of property management income to annual gross income.

However, these property management agreements may be terminated by Scentre Group's counterparty if Scentre Group breaches the agreement (subject to specified remedy periods) or under certain other conditions, including a reduction in Scentre Group's ownership of the relevant property to less than a 25% direct or indirect interest or the termination of the co-ownership or development framework agreement relating to such property.[50]

50 In a limited number of cases, the minimum ownership interest Scentre Group will be required to hold is lower than 25%. One of the development framework agreements is for a term expiring in September 2017.

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If third parties with whom Scentre Group has management agreements were to terminate those agreements, Scentre Group's income may be adversely affected. In addition, Scentre Group may be liable to third parties for damages if it breaches these property management agreements.

6.3 Financing risks

(a) Refinancing risk

If the Proposal is implemented, Scentre Group will have a A$5.0 billion bridge facility and A$4.05 billion in revolving loan facilities, in addition to the $3.8 billion of pre-existing Westfield Retail Trust financing facilities comprising A$1.9 billion of notes and A$1.9 billion of bank loan facilities. The bridge facility has a 2 year maturity with an option to extend for a further year. The revolving loan facilities have maturities ranging up to 6 years. It is intended that the bridge facility will be refinanced in the global debt capital markets within 2 years of drawing.

Scentre Group's ability to refinance its debt facilities on acceptable terms will depend on a number of factors (some of which are out of its control) including general economic, political and capital market conditions, credit availability and the performance, reputation and financial strength of its business.

An adverse change in one or more of those factors could impact Scentre Group's ability to refinance its debt facilities on acceptable terms. For example, any disruption in global credit markets, such as the disruptions associated with the global financial crisis and the European sovereign debt crisis since 2007, may significantly increase the risks and costs associated with obtaining new funding for Scentre Group's development programme or acquisitions on acceptable terms, or at all.

If Scentre Group is unable to refinance its debt facilities on acceptable terms or at all, Scentre Group may need to seek alternative funding such as asset dispositions or equity capital raisings.

(b) Leverage risk

Scentre Group will have a significant amount of debt and this will be an increase from the debt levels currently held by Westfield Retail Trust. It is expected that Scentre Group would maintain a leverage ratio in the 30% to 40% range over the long term. Upon implementation of the Proposal, Scentre Group will have $11.1 billion of net debt and 38.4% gearing on a pro forma basis as at 31 December 2013 and interest cover of 3.3 times on a pro forma forecast basis for FY14. This is compared to $12.9 billion of net debt and a 35.8% gearing ratio for Westfield Group and $3.1 billion of net debt and a 22.4% gearing ratio for Westfield Retail Trust reported as at 31 December 2013.

The material consequences of having significant debt levels are as follows:

- Scentre Group will need to use a substantial portion of cash from its operating activities to pay interest on its debt. Scentre Group's ability to generate sufficient cash from its business to repay its debts is subject to various factors including many which are beyond its control (see section 6.3(c));
- Scentre Group's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates may be limited because available cash flow after repaying principal and paying interest on debt may not be sufficient to meet the capital and other expenditures needed to address these changes;
- adverse economic, credit or financial market or industry conditions are more likely to have a negative effect on Scentre Group's business because, during periods in which Scentre Group experiences lower earnings and cash flow, it will be required to devote a proportionally greater amount of its cash flow to repaying principal and paying interest on its debt;
- Scentre Group may be at a competitive disadvantage to its competitors that have relatively less debt and have more cash flow available to devote to capital expenditures and other strategic purposes;
- Scentre Group's ability to obtain financing in the future for its development and redevelopment programme, working capital, capital expenditures or other purposes on acceptable terms or at all may be limited because of the restrictions contained in existing debt agreements and debt levels;
- Scentre Group's ability to make acquisitions and take advantage of significant business opportunities may be negatively affected if it needs to obtain the consent of its lenders to take any such action or if, because of existing debt levels, it is not able to obtain additional financing for these opportunities; and
- Scentre Group's credit rating may be adversely affected, which may impact Scentre Group's ability to access new financing and / or the price of any new financing.

In addition, leverage levels may be reviewed and modified from time to time without notice to or any approval of Scentre Group Securityholders. Specifically, Scentre Group may decide to increase its current debt level for a major acquisition or to fund its development programme provided that it believes it is in keeping with its strategy at that time which may include returning to its desired leverage ratio over a period of time.

If Scentre Group's cash flow and capital resources are not sufficient to make principal repayments and interest payments on its debt and fund its working capital and other business needs, Scentre Group could be forced to:

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- reduce or delay scheduled capital expenditures, development and redevelopment programme or forgo acquisitions or other business opportunities;
- sell material assets or operations;
- raise additional equity capital (including hybrid equity capital);
- restructure or refinance its debt; or
- undertake other protective measures.

Some of these transactions could occur at times or on terms that are disadvantageous to Scentre Group.

Low economic growth conditions such as those recently experienced in Australia and New Zealand, or disruptions in global credit markets such as those associated with the global financial crisis and the European sovereign debt crisis since 2007, could result in a higher than normal risk that, if Scentre Group were required to take such steps in these circumstances, the transaction terms would be disadvantageous to it, or such options may not be available at all.

(c) Cash flow risk

Scentre Group's ability to repay the principal and pay interest on its debt depends on the future performance and cash flow of its business which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors, many of which are beyond its control. Scentre Group's historical financial results (on a pro forma basis) have been, and it is anticipated that Scentre Group's future financial results will continue to be, subject to fluctuations. Cash flows can vary and Scentre Group's business may not generate sufficient cash flow from operations to enable it to satisfy its debt and other obligations.

Significant expenditures associated with each real estate investment, such as maintenance costs, property rates and taxes, are generally not reduced when circumstances cause a reduction in revenue from the investment. Under these circumstances, the financial performance and value of the relevant property would be adversely affected.

In addition, Scentre Group will have a development pipeline and existing construction projects that require Scentre Group to make substantial expenditures upfront before beginning to earn income from the redeveloped property. This may impair Scentre Group's ability to service its debt.

(d) Funding risk for development and redevelopment programme and acquisitions

The real estate investment and development industry is highly capital intensive. Scentre Group's ability to raise funds on acceptable terms, including for its development and redevelopment programme or acquisitions will depend on many of the same factors affecting Scentre Group's ability to refinance its debt facilities (see section 6.3(a)).

If funding is unavailable to Scentre Group, it may need to delay or discontinue its development and redevelopment programme or forego growth opportunities from strategic acquisitions.

(e) Credit rating risk

Rating agencies, to the extent they provide a rating of Scentre Group, will review Scentre Group's credit rating from time to time, including at the half-year periods. Any downgrade of Scentre Group's credit rating or adverse change in credit rating outlook assigned by a credit rating agency, whether engaged by Scentre Group or not, could adversely affect Scentre Group's financial condition and its business operations by increasing the cost of, or limiting or preventing it from securing, additional financing for future business or liquidity needs. There can be no assurance that the credit ratings assigned to Scentre Group will not change in the future.

6.4 Market structure risks

(a) Geographical concentration of Scentre Group's portfolio

Scentre Group's portfolio will be entirely located in Australia and New Zealand. As at 31 December 2013, on a pro forma basis by asset value, Scentre Group's portfolio had a 49% exposure to New South Wales, 14% exposure to Victoria, 14% exposure to Queensland, 4% exposure to South Australia, 4% exposure to the Australian Capital Territory, 6% exposure to Western Australia and 9% exposure to New Zealand. Any decline in shopping centre values or any event or occurrence which has an effect on the value of shopping centres in Australia or New Zealand, especially in New South Wales, may have a material adverse effect on the business, financial condition, results of operations and/or prospects of Scentre Group.

(b) Acquisition risk

Scentre Group may pursue acquisitions of property assets and related redevelopment projects as opportunities arise that meet its investment criteria and if funding is available. Retail property assets and redevelopment projects may be acquired directly or indirectly through acquisition of entities that own development projects and properties. Such acquisitions involve a number of risks inherent in assessing the values, strengths, weaknesses and profitability of the property assets. While Scentre Group's policy will be to undertake appropriate due diligence in order to assess these risks, unexpected problems and latent liabilities or contingencies such as the existence of hazardous substances (for example, asbestos or other environmental liabilities) may still emerge.

Additionally, the indirect acquisition of properties and related redevelopment projects through, for example, the takeover of another listed property-owning entity, may not allow for the usual standard of due diligence for a specific property acquisition to be undertaken.

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Acquisition activities will also involve the following risks:

- the acquired properties may not achieve anticipated rental rates or leased rates;
- assumptions or judgements with respect to improvements to the financial returns (including the leased rates and rents of a completed project) of acquired properties may prove inaccurate;
- Scentre Group may abandon acquisition opportunities that it has used funds to explore and incur transaction costs that cannot be recovered;
- Scentre Group may be unable to obtain anchor tenants, financier and co-owner approvals, if applicable, for expansion activities;
- Scentre Group may be unable to obtain necessary regulatory licences and approvals for expansion activities; and
- Scentre Group's ability to take advantage of acquisition opportunities may also be limited by regulatory issues or regulatory intervention based on competition grounds.

By growing through acquisition, Scentre Group will face the operational and financial risks commonly encountered with such a strategy, including continuity or assimilation of operations or employees, dissipation of Scentre Group's management resources and impairment and restructuring of relationships with employees and tenants of the acquired property as a result of changes in ownership and management. In addition, depending on the type of transaction, it can take a period of time to realise the full benefits of the acquisition. Moreover, during a period following such a transaction, Scentre Group's operating results may decrease compared to results prior to the transaction.

(c) Competition from other participants in the retail property industry

Scentre Group will face competition from other Australian and New Zealand property groups and other commercial organisations active in the Australian and New Zealand property markets. Scentre Group will also face the threat of new competitors emerging both generally and in particular trade areas.

Accordingly, the existence of such competition may have an adverse impact on Scentre Group's ability to secure tenants for its properties at satisfactory rentals and on a timely basis.

In addition, all of Scentre Group's shopping centres will be located in developed retail and commercial areas, many of which compete with other shopping centres or neighbourhood shopping centres within their primary trade area. The amount of rentable space in the relevant primary trade area, the convenience and quality of facilities and the nature of stores at such competing shopping centres could each have an adverse effect on Scentre Group's ability to lease space and on the level of rents it can obtain.

Westfield Corporation is not restricted from owning and operating shopping centres in Australia and New Zealand and may decide to re-enter this market and compete with Scentre Group in the future. However, under the terms of the Trade Mark Licence Agreement, Westfield Corporation would not be permitted to use the Westfield name on any shopping centres that it acquired in Australia and New Zealand.

6.5 Other risks

(a) Properties revaluation risk

In accordance with A-IFRS, Scentre Group will carry its property investments on its balance sheet at fair value. At each reporting date, the board of directors of Scentre Group will assess the carrying value of its investment property portfolio, and where the carrying value differs materially from the board of directors' assessment of fair value, Scentre Group will record an adjustment to the carrying value as appropriate.

The Scentre Group Board's assessment of fair value of each shopping centre will take into account the latest independent valuations, with updates taking into account any changes in estimated yield, underlying income and valuations of comparable shopping centres. As a result, Scentre Group may have significant non-cash gains or write-downs depending on the change in fair value of its properties from period to period, whether or not it sells such properties.

If a substantial decrease occurs in the fair value of Scentre Group's properties, the results of operations of Scentre Group could be adversely affected and, as a result, Scentre Group may have difficulty maintaining its desired leverage ratio and other financial measures. This may reduce Scentre Group's flexibility in planning for, or reacting to, changes in its business or industry including its ability to commence new redevelopment projects.

In addition, a number of Scentre Group's financing agreements will contain leverage ratio covenants that are calculated as the ratio of Scentre Group's total borrowings less cash to total assets less cash. Accordingly, a material reduction in the value of Scentre Group's properties as a result of revaluations will have an adverse impact on the leverage ratios contained in its financing agreements.

(b) Risk of illiquid investments in property

Investments in property are relatively illiquid, and some of Scentre Group's properties are subject to contractual limitations on transfer. This illiquidity limits Scentre Group's ability to vary its portfolio promptly in response to changes in economic or other conditions. In times of low economic growth or disruption in financial markets, there are fewer potential buyers of shopping centre assets, and it may be difficult for potential buyers to obtain financing on acceptable terms, or at all. There is no assurance that Scentre Group will be able to dispose of a property at the desired time or at a price greater than Scentre Group's total investment in the property.

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(c) Litigation and claims risk

Disputes or litigation may arise from time to time in the course of the business activities of Scentre Group, including with respect to the historical activities of Westfield Holdings, Westfield Trust, Westfield Retail Trust 1 or Westfield Retail Trust 2. Any material or costly disputes or litigation could adversely affect the financial performance of Scentre Group or the trading price of the Scentre Group Securities.

(d) Insurance risk

Scentre Group will carry material damage, business interruption and liability insurance on its properties with policy specifications and insured limits that the Scentre Group Board believes are customarily carried for similar properties. However, potential losses of a catastrophic nature such as those arising from floods, earthquakes, terrorism or other similar catastrophic events may be either uninsurable, or, in the judgement of the Scentre Group Board, not insurable on a financially reasonable basis, or may not be insured at full replacement cost or may be subject to larger excesses.

Scentre Group will carry insurance with respect to terrorism and will seek appropriate coverage having regard to the nature of its properties and operations. The renewal of insurance will be dependent on a number of factors such as the continued availability of coverage, the nature of risks to be covered, the extent of the proposed coverage and costs involved. In addition, Scentre Group will carry earthquake insurance on its properties located in seismically active areas in an amount and with deductibles that the Scentre Group Board believes are commercially reasonable.

If an uninsured loss occurs, Scentre Group could lose both its invested capital in and anticipated profits from the affected property.

(e) Terrorist attacks or other security incidents or war

Terrorist attacks or other security incidents or war could damage infrastructure or otherwise inhibit or prevent access to the shopping centres or harm the demand for, and the value of, Scentre Group's shopping centres. Certain Scentre Group properties are well-known landmarks or located near well-known landmarks and may be perceived as more likely terrorist targets than similar, less recognisable properties. Further, terrorist attacks or other security incidents could discourage consumers from shopping in public places like Scentre Group's shopping centres. To the extent that Scentre Group's tenants are impacted by terrorist attacks or other security incidents, their ability to continue to honour their obligations under their existing leases with Scentre Group could be adversely affected.

(f) Inflation risk

Inflation can adversely impact Scentre Group's performance through increasing costs and reducing real earnings. Inflation may also adversely impact the general performance of Scentre Group's shopping centres, impacting Scentre Group's rent income and management fees.

Substantially all of Scentre Group's leases with retailers contain provisions designed to lessen the impact of inflation. In Australia and New Zealand, such provisions include clauses enabling Scentre Group to receive periodic index based contractual rent increases during the term of the lease or, to a much lesser extent, percentage rents based on retailer's gross sales, which generally increase as prices rise, or both. Most of the leases require the retailers to pay a proportionate share of operating expenses, including common area maintenance, real estate taxes and insurance, reducing Scentre Group's exposure to increases in costs and operating expenses resulting from inflation.

Inflation may also have a negative effect on Scentre Group's other expenses, including interest costs and overhead expenses. These costs could increase at a rate higher than rents.

(g) Interest rate risk

Scentre Group will be subject to the risk of rising interest rates associated with borrowing on a floating rate basis. Scentre Group will seek to manage all or part of its exposure to adverse fluctuations in floating interest rates by entering into interest rate hedging arrangements, including derivative financial instruments.

Such arrangements involve risk, such as the risk that counterparties may fail to honour their obligations under these arrangements, and that such arrangements may not be effective in reducing exposure to movements in interest rates. To the extent that Scentre Group does not hedge effectively (or at all) against movements in interest rates, such interest rate movements may adversely affect Scentre Group's results.

Due to documentation, designation and effectiveness requirements under A-IFRS, Scentre Group's derivative financial instruments that will be used for hedging interest rate exposure may not qualify for hedge accounting. As a consequence, Scentre Group may experience volatility in its reported earnings due to changes in the mark to market valuations of its interest rate derivative financial instruments.

Although Scentre Group's interest rate hedging transactions will be undertaken to achieve economic outcomes in line with its treasury policy, there can be no assurance that such transactions or treasury policy will be effective.

(h) Foreign exchange risk

Scentre Group will derive A$ and NZ$ denominated earnings from its shopping centre investments in Australia and New Zealand respectively. Scentre Group may manage the impact of exchange rate movements on both its earnings and balance sheet by entering into hedging transactions, including derivative financial instruments. To the extent Scentre Group does not hedge effectively (or at all) against movements in the exchange rate of these currencies, such exchange rate movements may adversely affect its earnings and/or balance sheet.

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Due to documentation, designation and effectiveness requirements under A-IFRS, Scentre Group currency derivative financial instruments used for hedging exchange rate exposure (other than cross currency swaps that hedge investments in foreign operations) do not qualify for hedge accounting. As a consequence, Scentre Group may experience volatility in its reported earnings due to changes in the mark to market valuations of its currency derivative financial instruments.

Although Scentre Group's exchange rate hedging transactions are undertaken to achieve economic outcomes in line with its treasury policy, there can be no assurance that such transactions or treasury policy will be effective.

(i) Deposit, hedge or insurance counterparty credit risk

Counterparty credit risk is the risk of a loss being sustained by Scentre Group as a result of payment default by the counterparty with whom it has placed funds on deposit or entered into hedging transactions to hedge its interest rate and foreign exchange risks. The extent of Scentre Group's loss could be the full amount of the deposit or, in the case of hedging transactions, the cost of replacing those transactions. Under Scentre Group's proposed treasury risk management policy, it will only deal with counterparties which it believes are of good credit standing and it has assigned a maximum exposure to each of them according to its assessment of their credit-worthiness. These determinations are based upon each counterparty's credit ratings and other factors. Even banks and financial institutions with high credit ratings can default, and several of them have experienced difficulties in recent years. Counterparty credit risk also arises to the extent that a claim made under an insurance policy is not paid due to the insolvency or illiquidity of the insurance company.

There can be no assurance that Scentre Group will successfully manage this risk or that such payment defaults by counterparties will not adversely affect Scentre Group's financial condition or performance.

(j) Changes in financial reporting requirements and accounting standards

Scentre Group will be subject to the usual risk that there may be changes in financial reporting requirements and accounting standards as well as changes in the interpretation of such requirements and standards that may change the basis that Scentre Group is required to use to prepare its financial statements, which may adversely affect Scentre Group's reported earnings and reported financial performance.

(k) Changes in tax laws

Changes in tax laws, or changes in the way tax laws are interpreted in the various jurisdictions in which Scentre Group will operate, may impact Scentre Group's future tax liabilities.

Under the rules governing the taxation of trusts in Division 6 of Part III of the *Income Tax Assessment Act 1936* (Cth) (**ITAA 1936**) and current practice, it is the case that Westfield Trust and Westfield Retail Trust 1 are not liable for Australian income tax, including CGT, provided that members are presently entitled to the income of the trust as determined in accordance with each trust's constitution. If either Westfield Trust or Westfield Retail Trust 1 was to lose its Division 6 trust tax status due to the failure to satisfy the exclusions from the application of the provisions in Division 6B or 6C of Part III of the ITAA 1936, then it would be taxed at the corporate tax rate of 30% of its net taxable income.

In March 2011, the Australian Government released a discussion paper proposing changes to the taxation of trusts and their beneficiaries, which would apply with effect from July 2010. This paper has been followed by multiple announcements and consultation and discussion papers from the Assistant Treasurer and Board of Taxation that have confirmed that other than for specific integrity measures (which should not be relevant for Westfield Trust or Westfield Retail Trust 1), such changes will not have effect until 1 July 2014 at the earliest. Based on the discussion papers and subsequent consultations, it is not expected that the changes will materially adversely affect the tax position of Westfield Trust or Westfield Retail Trust 1. However, until the proposed rules are released, there can be no assurance that these changes will not adversely affect the business of Scentre Group.

(l) Compliance or failure to comply with access requirements for disabled people

A number of Australian and New Zealand laws and regulations exist that may require modifications to existing buildings on Scentre Group's properties or restrict some renovations by requiring improved access to such buildings by disabled persons. Additional legislation or regulations may impose further obligations on owners with respect to improved access by disabled persons. The costs of compliance with such laws and regulations may be substantial, and limits or restrictions on completion of some renovations may limit implementation of Scentre Group's investment strategy in some instances or reduce overall returns on Scentre Group's investments. Scentre Group could be adversely affected by the costs of compliance with such laws and regulations.

SECTION 6

RISK FACTORS – SCENTRE GROUP

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(m) Compliance with environmental regulations

As an owner of real property in Australia and New Zealand, Scentre Group will be subject to extensive regulation under environmental laws. These laws vary by jurisdiction and are subject to change. Current and future environmental laws could impose significant costs or liabilities on Scentre Group.

For instance, under certain environmental laws, current or former owners or operators of real property may become liable for costs and damages resulting from soil or water contaminated by hazardous substances (for example, as a result of leaking underground storage tanks). Under these laws an owner or operator may be liable regardless of whether they knew of, or was responsible for, the presence of such substances. Persons who arrange for the disposal of hazardous substances (for example, at a landfill) also may be liable. In some cases, liability may be joint and several. These laws may result in significant unforeseen costs to Scentre Group, or impair its ability to sell or rent real property or to borrow money using contaminated property as collateral, on acceptable terms or at all.

In addition, the presence of hazardous substances on Scentre Group's properties could result in personal injury claims. These claims could result in costs or liabilities that could exceed the value of the property on which hazardous substances are present. Environmental incidents could adversely affect the operations of a property including its closure.

Asbestos-containing materials are present in a number of the shopping centres that will comprise Scentre Group's portfolio as a consequence of building practices typical at the time the Westfield shopping centres were constructed. Environmental and safety laws regulate these materials and may allow personal injury or other claims for damages due to exposure to such materials. Although the costs and liabilities associated with such laws have not been material to Westfield Group or Westfield Retail Trust in the past, there can be no assurance that they will not be material in the future.

It will be the practice of Scentre Group on acquisition, where considered necessary, to subject the properties to an environmental assessment by independent consultants (commonly referred to as Phase I which generally involves a review of records with no visual inspection of the property, or soil or ground water sampling). However, these assessments may fail to identify all environmental problems. Based on these assessments and past experience of Westfield Group and Westfield Retail Trust, Westfield Group and Westfield Retail Trust are not aware of any environmental claims or other liabilities that would require material expenditures by Scentre Group. However, Scentre Group could become subject to such claims or liabilities in the future.

(n) Changes in general laws

Scentre Group will be subject to the usual business risk that there may be changes in general laws that reduce its income or increase its costs. For example, there could be:

- changes in retail tenancy laws that limit Scentre Group's recovery of certain property operating expenses;
- new or revised legislation on climate change and energy such as emissions trading, targets for renewable energy and energy efficiency, the costs of which may not be recoverable from tenants;
- changes or increases in real estate taxes that cannot be recovered from Scentre Group's tenants; or
- changes in environmental or building laws or codes that require significant capital expenditure.

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SECTION 7
PROFILE OF WESTFIELD CORPORATION

Unless otherwise specified, the financial information and operating statistics referred to in this section are on a pro forma basis as at 31 December 2013 or for the financial year ended 31 December 2013, as the context requires.

7.1 Overview

Westfield Corporation will be a pre-eminent internally managed and vertically integrated international retail property group with an initial focus on the US, the UK and Europe. Westfield Corporation will pursue a strategy of owning, developing and operating world class retail destinations in major world cities by integrating food, fashion, leisure and entertainment and using technology to better connect retailers with consumers.

Westfield Corporation will own a world class, industry leading retail property operating platform with capabilities in property management, leasing, design, development, construction, marketing, digital and funds management.

Westfield Corporation's portfolio will comprise 43 shopping centres with approximately 425 million customer visits annually and US$17 billion in annual retail sales. Westfield Corporation will have total assets of US$18.4 billion and assets under management of US$28.6 billion.[51] Westfield Corporation's portfolio will include world class retail destinations such as Westfield London and Stratford City, widely recognised as two of the premium shopping centres in UK / Europe, and Century City, Garden State Plaza, Old Orchard, San Francisco, Topanga, UTC, Valley Fair and Westfield World Trade Center in the US.

The core portfolio[52] is highly productive with annual retail specialty sales of US$667 per square foot and 95.4% portfolio leased. 82% of the core portfolio generates annual retail specialty sales in excess of US$500 per square foot. The core portfolio is characterised by strong demographics, including high levels of income and wealth, and high population densities.

The board of Westfield Corporation will be chaired by Mr Frank Lowy. The senior management of Westfield Corporation will comprise existing senior management of Westfield Group, led by Mr Steven Lowy as Co-Chief Executive Officer and Mr Peter Lowy as Co-Chief Executive Officer and Chief Financial Officer. Westfield Corporation's operating platform will include the highly experienced US and UK / European management team of Westfield Group.

Westfield Corporation will have US$11.8 billion of current and future projects at the implementation of the Proposal (Westfield Corporation share: US$6.0 billion), representing 41% of assets under management. Current projects include Garden State Plaza in New Jersey, Montgomery in Maryland and The Village at Topanga in Los Angeles, with major future opportunities, including flagship developments at Westfield London and Croydon in the UK, Milan in Italy and Century City, Valley Fair and Westfield World Trade Center in the US.

Westfield Corporation will own the Westfield brand. Under the Trade Mark Licence Agreement Westfield Corporation will grant Scentre Group the royalty free right to exclusively use the Westfield brand in Australia and New Zealand for Scentre Group's existing shopping centre portfolio and any new shopping centres which meet certain agreed characteristics.[53]

Westfield Corporation will employ approximately 2,000 employees with principal offices in Sydney, Los Angeles, San Francisco, London and New York. Westfield Corporation is expected to be a top 25 ASX listed group based on market capitalisation and is expected to be one of the largest listed global REITs.

51 On 20 March 2014 Westfield Group announced that it had entered into a conditional agreement to divest its interests in three UK shopping centres. See sections 7.7, 8.2 and 8.9 for further details of the proposed divestments.

52 The core portfolio excludes six US assets considered non-core, valued at US$1.2 billion, with annual specialty sales of US$324 per square foot and portfolio leased percentage of 90.4%. See section 7.7.

53 Details of the Trade Mark Licence Agreement are set out in section 2.7. Westfield Corporation will not be able to use the Westfield brand in Australia and New Zealand (except for the corporate promotion of Westfield Corporation) although it will not be restricted from entering those markets with different branding.

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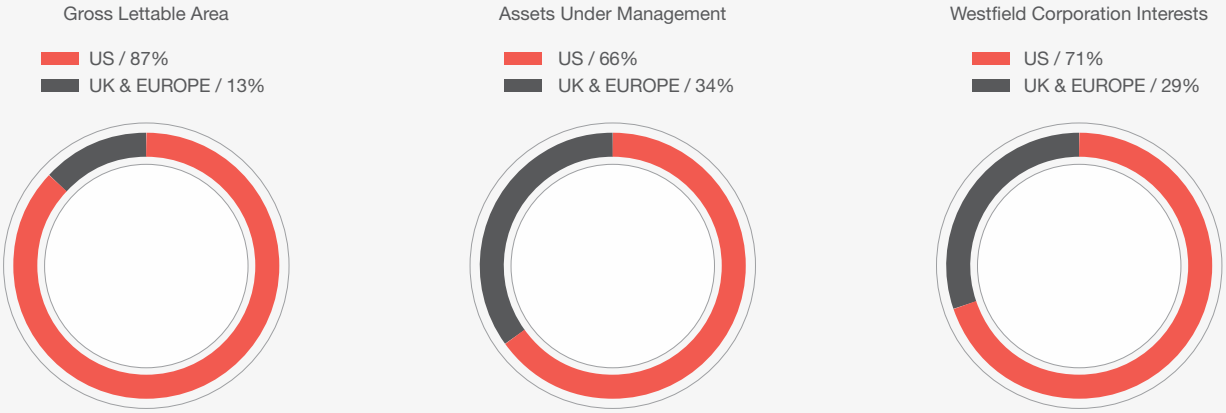
Table 7.1.1: Key portfolio ownership statistics (as at 31 December 2013)[1]

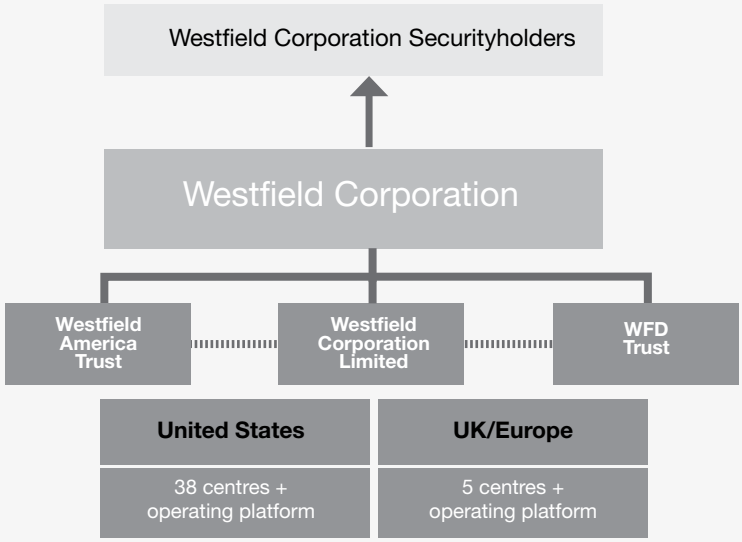
	US	UK / Europe	Total
Shopping centres	38	5	43
Retail outlets	6,747	1,245	7,992
GLA (million square feet)	46.3	6.7	53.0
Westfield Corporation interests (billion)	US$12.7	£3.2	US$17.9
Capital partner interests (billion)	US$6.1	£2.8	US$10.7
Assets under management (billion) (AUM)	US$18.8	£6.0	US$28.6
Westfield Corporation share of AUM	67%	53%	62%

(1) Shopping centre assets and includes construction in progress and assets held for development.



7.2 Structure diagram

Below is a simplified diagram of Westfield Corporation following implementation of the Proposal. The stapled entities of Westfield Corporation will comprise Westfield America Trust, Westfield Corporation Limited and WFD Trust, trading on ASX under the ticker "WFD".



Note: Dotted lines indicate stapling of securities.

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7.3 Operating strategy

Westfield Corporation's operating strategy is to create and own world class retail destinations in major world cities by integrating food, fashion, leisure and entertainment and using digital to better connect retailers with consumers.

Westfield Corporation's portfolio comprises world class assets and opportunities which are destinations of choice for shopping, dining, entertainment, events and socialising in some of the world's leading cities including New York, Los Angeles, San Francisco, San Jose, London and Milan.

Westfield Corporation will continue Westfield Group's successful strategic repositioning of the portfolio and will remain focused on improving the quality of the portfolio through the development of flagship shopping centres in major world cities and the divestment of non-core assets.

Westfield Corporation will use its unique perspective to adapt its portfolio to the next generation of retail. This adaptation lies in four key areas:

- the quality of design and the standard of services;
- the growing internationalisation of retail brands;
- the higher standard of food and its integration with fashion and entertainment; and
- the creation of great consumer experiences.

Westfield Corporation's aim is to combine these elements to make its retail destinations an essential part of the city and the community's social and economic fabric.

Westfield Corporation's focus on investing capital and expertise in assets with the ability to adapt in these key areas is highlighted by recently completed developments, including Westfield London and Stratford City, and current and future projects including Westfield World Trade Center in New York:

- Westfield London, a £2.4 billion development, has changed the face of retailing in London by providing with a unique retail, dining and leisure experience. It is the number one ranked shopping centre in the UK and achieved sales of £982 million in 2013. The £1 billion second stage of Westfield London will add up to approximately 665,000 square feet of high quality retail, residential and mixed-use space to create an appealing townscape with a vibrant pedestrian quarter.
- Stratford City, a £1.8 billion development in east London, achieved retail sales of £973 million in 2013, its second full year of trading. Its proximity and interaction with the London 2012 Olympic games showcased the group's capabilities, expertise and brand to a global audience.
- Westfield World Trade Center, a US$1.4 billion development in Lower Manhattan, is expected to be an iconic and world class shopping, dining, cultural and entertainment destination by providing a mix of international luxury and high street retailers integrated with a premium dining experience. It will comprise approximately 365,000 square feet of retail space located across multiple levels in the Santiago Calatrava designed Oculus and the new WTC Transportation Hub with concourses that will connect throughout all portions at the site. The initial phase is expected to open in 2015 with an additional 90,000 square feet of retail space to be developed in the future.

Westfield Corporation will continue Westfield Group's established track record of operating with the highest standards of efficiency and intensively manage its shopping centres including a particular emphasis on maximising the sales productivity of retailers at each shopping centre, attracting the world's leading retail brands, and providing superior experiences to consumers.

Westfield Corporation will also maintain a strong focus on active asset management with the aim of improving the quality of the portfolio through the diversification of income streams including the introduction of food, entertainment, lifestyle and leisure, enhancing the stability of cashflows.

Over recent years, in the US, Westfield Group has focused on introducing new retail concepts across its portfolio, comprising specialty and mini major categories including theatres, gyms and supermarkets.

This has transformed the portfolio with customers embracing the integration of food with fashion, leisure and entertainment, significantly enhancing the strength and sales productivity of the portfolio.

Unique relationships with the world's leading retailers due to Westfield Corporation's high quality portfolio, significant development pipeline and in depth understanding of each shopping centre's local operating environment

The core element of Westfield Corporation's shopping centres will be the strength of the retail offering to consumers. Retailers remain the driving force in attracting consumers to Westfield shopping centres and many of the world's leading retailers increasingly desire to be represented in iconic retail destinations.

The strength of Westfield Corporation's relationships will be supported by the quality of Westfield Corporation's portfolio, the development projects currently under construction and the future development pipeline. As an example, Westfield World Trade Center is currently attracting many of the world's leading luxury and high street fashion brands.

Westfield Corporation's focus on owning and managing iconic retail destinations in major world cities is based on the evolving nature of the global retail operating environment and the trend by many of the world's leading retailers towards focussing their presence into higher quality retail locations.

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Integration of digital technology through Westfield Labs to better connect retailers with consumers

The emergence and integration of digital technology into Westfield Corporation's shopping centres and the continued growth of Westfield's global brand has created opportunities to both enhance the customer experience and generate new revenue streams.

Westfield Labs, Westfield Group's digital business group based in San Francisco, is working on utilising Westfield Group's global position to innovate and develop the technological platform and infrastructure necessary to better connect the digital consumer with Westfield Group's physical assets.

With so many consumers now connected to mobile devices, Westfield Labs is developing strategies and products designed to connect the digital consumer with malls, including sophisticated car-park technology, concierge and lifestyle services, efficient delivery channels for retailers and utilising social media and interactive advertising to better engage with consumers.

Growing the prominence of the Westfield brand and iconic assets

The growing prominence of the Westfield brand and the group's iconic assets has created the opportunity to establish events, entertainment and brand partnerships across the portfolio, increasing the global value of the Westfield brand, growing revenues and creating a unique experience for the consumer.

All of these key elements – international retailers, luxury brands, food, fashion, events and entertainment combined with greater use of digital technology, will continue to evolve and be brought together through Westfield Corporation's operating strategy to enhance the Westfield brand in the markets in which it operates and to enable Westfield Corporation to leverage the Westfield brand for the benefit of the business.

7.4 Capital management strategy

Westfield Corporation's capital management strategy will be to invest capital in the ownership and development of world class retail destinations in major world cities and position the group to enhance long-term growth and return on equity. Westfield Corporation will continue to redeploy capital from the divestment of non-core assets into development and potential acquisition opportunities.

A key component of the capital management strategy will remain the efficient sourcing of third party capital and in this respect, Westfield Corporation's portfolio has a strong track record of attracting joint venture capital across its portfolio including establishing a US$4.8 billion joint venture with Canada Pension Plan Investment Board (**CPPIB**) over 12 assets in the US in 2012 and a £1.7 billion joint venture with CPPIB and Algemene Pensioen Groep (**APG**) at Stratford City in 2010.

On implementation of the Proposal, Westfield Corporation will have total assets under management of US$28.6 billion with a property investment of US$17.9 billion, resulting in Westfield Corporation's share of assets under management being 62%.

Westfield Corporation will have gearing of 36.3% on a pro forma basis as at 31 December 2013 and interest cover of 5.0 times on a pro forma forecast basis for FY14.[54] Westfield Corporation intends to maintain a target gearing ratio in the 30% to 40% range (see section 8.9).

Westfield Corporation's distribution policy is set out in section 8.5.

Westfield Corporation expects to have sufficient working capital to carry out its stated objectives.

7.5 Development activities

Over recent years Westfield Group's strategy has focused on creating, owning and managing world class retail destinations. Westfield Group's international development, design and construction platform has successfully developed many world class retail destinations in major world cities, with a focus on integrating food, fashion, leisure and entertainment with the latest digital and other emerging technology, illustrating the group's established track record and unique capabilities.

Westfield Corporation will continue Westfield Group's established track record of development in the US and UK.

In the US, Westfield has developed a number of world class retail destinations including major redevelopments at San Francisco, Garden State Plaza, Century City, Valley Fair and UTC. These developments are highly productive[55] with sales of over US$750 per square foot and reflect the group's focus on the diversification of income streams through the introduction of food, entertainment, lifestyle and leisure, enhancing the stability of cashflows and long-term growth. Further expansions are planned for Century City, Valley Fair and UTC.

In the UK, Westfield London and Stratford City, which were completed in 2008 and 2011 respectively, are widely recognised as two of the premium shopping centres in UK / Europe, with annual retail sales of approximately £2.0 billion and approximately 66 million customer visits annually. The two shopping centres, which did not exist six years ago, have redefined the shopping and entertainment experience in the UK / Europe and reflect the unique, high calibre development, design, and construction capabilities of Westfield Corporation.

The ability for Westfield Group's international business to replenish its development pipeline is demonstrated by the value of projects completed over the last 10 years and the expansion of the current and future development pipeline over this time:

54 If the divestment of the Merry Hill, Derby and Sprucefield shopping centres in the UK which was announced on 20 March 2014 completes, prior to the redeployment of capital pro forma gearing is expected to improve by 3.3% to 33.0% and pro forma interest cover is expected to improve from 5.0 times to 5.2 times. See sections 7.7, 8.2 and 8.9 for further details of the proposed divestments and their financial impact.

55 By annual retail specialty sales per square foot.

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- in 2004, Westfield Group had total assets under management in the US and UK of US$13.2 billion with a current and future development pipeline of US$3.4 billion; and
- by 31 December 2013, Westfield Group had assets under management in the US and UK / Europe of US$28.6 billion, with a current and future development pipeline of US$11.8 billion.

In aggregate, since 2004 Westfield Group has completed US$9 billion of development in the US and UK whilst growing the current and future development pipeline from US$3.4 billion to US$11.8 billion.

The focus of Westfield Corporation's development activity will be the major iconic projects including Westfield London and Croydon in the UK, Milan in Italy and Century City and Valley Fair in the US. The development of these world class iconic retail destinations will further improve the quality of Westfield Corporation's portfolio and is expected to enhance long-term growth.

The senior management team responsible for development, design and construction in Westfield Corporation is highly experienced with over 50 years combined experience with Westfield. They have successfully executed numerous complex and innovative projects in multiple regions.

The successful execution by Westfield Corporation of its extensive development pipeline is expected to result in significant value enhancement for Westfield Corporation Securityholders, particularly given the lower amount of invested capital of Westfield Corporation when compared with Westfield Group.

Westfield Corporation will undertake its development programme having regard to its balance sheet position and future capital requirements.

The projects currently under construction and major development and construction opportunities are detailed below.

Projects currently under construction

Westfield Corporation will initially have US$2.8 billion of projects currently under construction (Westfield Corporation share: US$2.0 billion).

Current projects on wholly owned and co-owned assets include:

- **Montgomery, Maryland (US$90 million; Westfield Corporation share: US$45 million)** – The shopping centre is located just outside of Washington DC, one of the most affluent and densely populated areas in the US. The current redevelopment includes a renovation of the existing shopping centre, an expansion of the dining terrace, new restaurants and the replacement of the existing cinema with a state of the art multiplex. The development is anticipated to be completed in 2014.
- **Garden State Plaza, New Jersey (US$160 million; Westfield Corporation share US$80 million)** – The 2.1 million square foot shopping centre, located only 10 miles from Manhattan, is one of the largest shopping centres in the US. The current redevelopment involves the addition of 59,000 square feet of new retail GLA comprising a mix of luxury brands and international retailers. The development is on schedule to open in spring 2014. On completion, the shopping centre is anticipated to have annual sales in excess of US$1 billion.
- **The Village at Topanga, California (US$250 million; Westfield Corporation share US$130 million)** – Westfield Topanga is a 2.7 million square feet mixed use development located in a high-income demographic area in the west part of Los Angeles. The development of The Village at Topanga involves the creation of a shopping, dining and recreational destination adjacent to the existing shopping centre incorporating a Costco, restaurants, mini-majors and fashion in an outdoor pedestrian oriented environment. On completion, Westfield Topanga will be a leading super regional shopping centre in the US with forecast annual sales in excess of US$1 billion. The development is anticipated to be completed in 2015.
- **Westfield World Trade Center, Lower Manhattan, New York (US$1.4 billion; Westfield Corporation share: US$1.4 billion[56])** – The shopping centre is expected to be an iconic and world class shopping, dining, cultural and entertainment destination by providing a mix of international luxury and high street retailers integrated with a premium dining experience. It will comprise approximately 365,000 square feet of retail space located across multiple levels in the Santiago Calatrava designed Oculus, and the new WTC Transportation Hub with concourses that will connect through all portions of the site. The initial phase is expected to open in 2015 with an additional 90,000 square feet of retail space to be developed in the future.

Current projects on behalf of third parties include:

- **Bradford, UK (£260 million; Westfield Corporation share: Nil)** – The project, undertaken on behalf of Meyer Bergman, will create a new 570,000 square feet shopping centre with two anchor retailers along with 70 additional shops, restaurants and cafes. It is anticipated to be completed for the Christmas shopping period in 2015.

Major development and construction opportunities

Westfield Corporation will initially have US$9 billion of future development opportunities (Westfield Corporation share: US$4 billion), which are expected to create significant long term value. The target unlevered internal rates of return for the development projects are between 12% and 15%.

56 Includes the transaction announced in December 2013 under which Westfield Group acquired the remaining 50% of the retail component of the Westfield World Trade Center that it doesn't already own for US$800 million.

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The future development opportunities in the US and UK / Europe include the following:

Table: 7.5.1: Future development opportunities in the US and UK / Europe

US	UK / Europe
– Century City (California) – Valley Fair (California) – UTC (California)	– Westfield London (UK) – Milan (Italy) – Croydon (UK) – Stratford City (UK)

An overview of the major projects is shown below. In the UK / Europe:

— Westfield London (owned in joint venture with Commerz Real Investmentgesellschaft mbH) is one of the largest shopping centres in the UK with 1.75 million square feet of retail and leisure and generating approximately £980 million in annual sales in 2013. Westfield has planning consent for a further redevelopment of Westfield London with an over £1 billion plus project that will add up to approximately 665,000 square feet of high-quality retail, up to 1,500 residential units and mixed-use space to create an appealing townscape with a vibrant pedestrian quarter. John Lewis, the UK's leading department store, intends to anchor the retail extension with a flagship 230,000 square feet store.

— The £1 billion joint venture between Westfield and Hammerson will transform the town centre of Croydon in South London into a state of the art retail, leisure, and restaurant destination, together with new public space, new car parking and up to 600 residential units. The development is anticipated to exceed 1.5 million square feet in area.

— In Milan, Westfield and its joint venture partner Gruppo Stilo aim to create one of Europe's premier retail destinations, integrating luxury retailers with the best leisure and dining facilities in a €1 billion plus project on a 60-hectare site adjacent to Linate airport.

— Stratford City is Europe's largest urban retail and leisure destination, located in the UK's most dynamic area of regeneration adjacent to the Queen Elizabeth Olympic Park. Stratford City has 38 million customer visits annually that generate approximately £970 million in annual sales from the 1.85 million square feet of retail and leisure space. Westfield also owns or has options over various parcels of adjacent land with planning consent for office, residential and commercial uses.

In the US:

— At Century City a US$750 million redevelopment will add approximately 350,000 square foot of GLA including a flagship department store, over 100 premium retail shops and dining options, additional parking and open space with attractive walkways and convenient pedestrian access. The redevelopment will redefine retail, leisure and entertainment in Los Angeles.

— At Valley Fair, a US$500 million redevelopment will add approximately 485,000 square feet of GLA including luxury retail, dining and entertainment destinations. The development includes a flagship department store, a 60,000 square foot cinema, a restaurant precinct and additional parking. The project will reinforce Valley Fair's position as a premier retail, leisure and entertainment destination in Northern California.

Post the completion of the development at Garden State Plaza and The Village of Topanga (both currently underway) and the redevelopment of Valley Fair, Westfield Corporation is expected to have three shopping centres in the US with annual sales greater than US$1 billion.

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7.6 Peer comparison

Westfield Group's core portfolio is highly productive with annual retail specialty sales of US$667 per square foot and 95.4% portfolio leased; 82% of the core portfolio generates annual retail specialty sales in excess of US$500 per square foot (see Chart 7.6.1).

Chart 7.6.1: Peer comparison based on core portfolio annual sales per square foot and portfolio leased[1]

Source: Public company filings for the financial year to 31 December 2013.

(1) Excludes six assets considered non-core valued at US$1.2 billion with annual specialty sales of US$324 per square foot and portfolio leased percentage of 90.4%. See section 7.7 below.

7.7 Property portfolio

Westfield Corporation's portfolio will comprise 43 shopping centres with approximately 425 million customer visits annually, US$17 billion in annual retail sales and approximately 8,000 retail outlets in nearly 53.0 million square feet of retail space.[57]

It will include world class retail destinations such as Westfield London and Stratford City, widely recognised as two of the premium shopping centres in UK / Europe, and Century City, Garden State Plaza, Old Orchard, San Francisco, UTC, Valley Fair and Westfield World Trade Center in the US.

The portfolio is concentrated in major world cities with attractive demographic characteristics including high incomes, high concentrations of wealth and high population densities as well as significant redevelopment potential and resilience to competition. Westfield Group has been pursuing a strategy of divesting non-core assets which do not meet its long term investment criteria and redeploying the capital into higher return opportunities. Westfield Corporation will continue this strategy.

The key global operating statistics for Westfield Corporation's core portfolio are set out in the table below:

Table 7.7.1: Core portfolio summary (as at 31 December 2013)

	US[1]	UK[2]	Total[1]
Total annual sales (billion)	US$12.3	£2.0	US$15.4
Annual specialty sales per square foot	US$582	£825	US$667
Portfolio leased %	94.5%	99.5%	95.4%
Specialty store rent per square foot	US$73.95	£79.52	US$81.57

(1) Excludes six assets considered non-core valued at US$1.2 billion, with total annual sales of US$1.3 billion, portfolio leased percentage of 90.4%, annual specialty sales of US$324 per square foot and specialty store rent per square foot of US$46.59.

(2) Includes only Westfield London and Stratford City.

57 On 20 March 2014 Westfield Group announced that it had entered into a conditional agreement to divest its interests in three UK shopping centres. See sections 7.7, 8.2 and 8.9 for further details of the proposed divestments.

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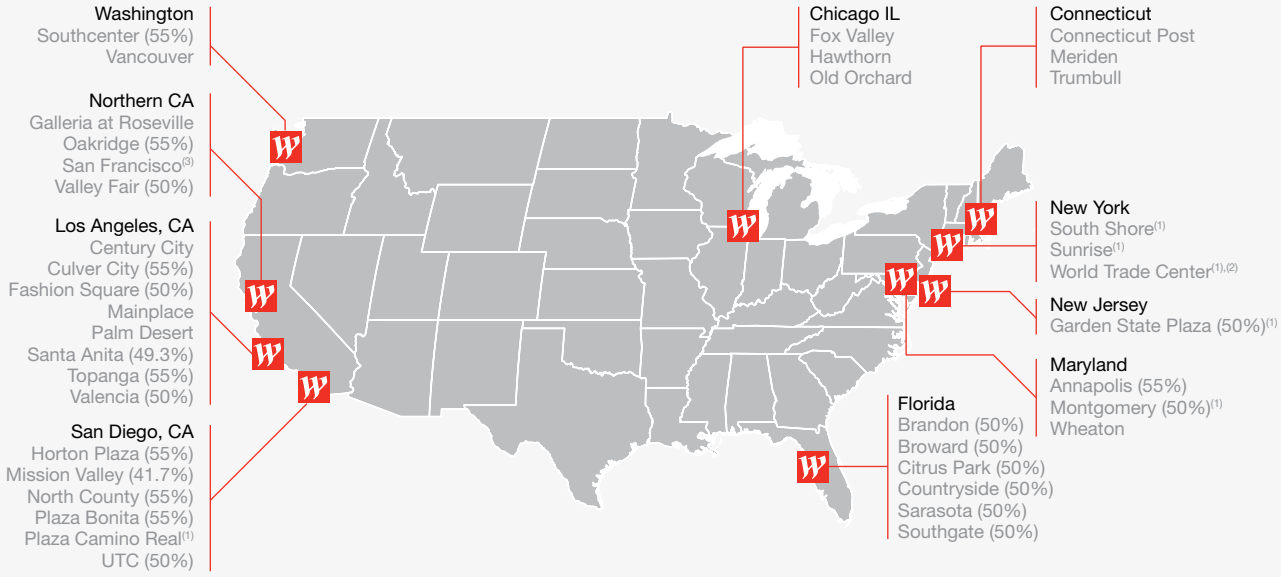
US – overview

Westfield Corporation will initially have ownership interests in 38 shopping centres in the US, with assets under management of US$18.2 billion, comprising approximately 6,747 retailers and 46.3 million square feet of retail space.

Westfield Corporation's US portfolio is substantially weighted towards assets that are widely recognised as being amongst the top shopping centres in their markets including Garden State Plaza, Century City, Old Orchard, San Francisco, UTC and Valley Fair and all of which achieved annual specialty sales in excess of US$700 per square foot.

The location of Westfield Corporation's US portfolio (including development opportunities) is shown below.

Chart 7.7.1: Location of US shopping centres and development opportunities



(1) Currently under development
(2) Scheduled to open in 2015
(3) Includes San Francisco Centre at 100% and San Francisco Emporium at 50%

The assets that will initially comprise Westfield Corporation's US portfolio are listed below.

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Table 7.7.2: Pro forma shopping centre interests – US properties

Shopping Centre	Joint Venture Partner	Pro forma Consolidated or Equity Accounted Interest 31 Dec 13	Fair value 100% 31 Dec 13 US$million	Pro forma Westfield Corporation share Fair value 31 Dec 13 US$million	Estimated Weighted Average Yield 31 Dec 13	Retail Sales: Estimated Total Annual Sales[1] US$million	Retail Sales: Specialty Annual Sales US$psf	Total Lettable Area (sqf)	Total Specialty Area (sqf)	No of Retail Outlets	Anchor Tenants
Annapolis	Canada Pension Plan Investment Board	**55.0**			**5.57%**	479.2	509	1,495,700	761,894	256	Macy's, JC Penney, Sears, Nordstrom, Lord & Taylor
Brandon	O'Connor Capital Partners	**50.0**			**6.22%**	334.7	520	1,148,402	533,346	198	Macy's, JC Penney, Sears, Dillard's
Broward	O'Connor Capital Partners	**50.0**			**6.40%**	209.5	400	979,865	267,838	115	Macy's, JC Penney, Sears, Dillard's
Citrus Park	O'Connor Capital Partners	**50.0**			**6.54%**	207.2	389	1,139,310	502,362	146	Macy's, JC Penney, Sears, Dillard's
Connecticut Post		**100.0**			**6.81%**	241.1	337	1,335,703	667,561	166	Macy's, JC Penney, Sears, Target
Countryside	O'Connor Capital Partners	**50.0**			**6.40%**	254.0	404	1,254,574	459,423	171	Macy's, JC Penney, Sears, Dillard's
Garden State Plaza#	M&G Real Estate (formerly Prudential (UK))	**50.0**			**5.50%**	905.0	764	2,097,964	965,132	306	Macy's, JC Penney, Nordstrom, Lord & Taylor, Neiman Marcus
Meriden		**100.0**			**7.01%**	171.6	307	892,712	440,775	129	Macy's, JC Penney, Sears
Montgomery#	TIAA-CREF (Teachers Insurance and Annuity Association – College Retirement Equities Fund)	**50.0**			**5.56%**	468.3	626	1,241,471	529,370	225	Macy's, Sears, Nordstrom
Sarasota	O'Connor Capital Partners	**50.0**			**6.38%**	194.9	284	1,023,689	387,165	118	Macy's, JC Penney, Sears, Costco
South Shore#		**100.0**			**7.66%**	150.3	383	1,099,647	361,085	123	Macy's, JC Penney, Sears, Lord & Taylor
Southgate	O'Connor Capital Partners	**50.0**			**7.02%**	128.6	469	421,844	135,970	45	Macy's, Dillard's, Saks Fifth Avenue
Sunrise		**100.0**			**6.60%**	239.6	376	1,211,643	478,145	146	Macy's, JC Penney, Sears, Wal-Mart
Trumbull		**100.0**			**6.00%**	242.7	394	1,124,614	448,664	176	Macy's, JC Penney, Lord & Taylor, Target
Wheaton		**100.0**			**5.94%**	419.8	381	1,636,671	668,327	187	Macy's, JC Penney, Target, Costco
East Coast			**5,558.5**	**3,493.1**	**6.06%**						

\# Centre currently under redevelopment

(1) Estimated Total Annual Sales includes estimates for anchor stores, consisting of major department stores, which are not required to report retail sales

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Table 7.7.2: Pro forma shopping centre interests – US properties continued

Shopping Centre	Joint Venture Partner	Pro forma Consolidated or Equity Accounted Interest 31 Dec 13	Fair value 100% 31 Dec 13 US$million	Pro forma Westfield Corporation share Fair value 31 Dec 13 US$million	Estimated Weighted Average Yield 31 Dec 13	Retail Sales: Estimated Total Annual Sales[1] US$million	Retail Sales: Specialty Annual Sales US$psf	Total Lettable Area (sqf)	Total Specialty Area (sqf)	No of Retail Outlets	Anchor Tenants
Fox Valley		**100.0**			**6.73%**	252.2	311	1,408,089	528,337	176	Macy's, JC Penney, Sears, Carson-Pirie Scott
Hawthorn		**100.0**			**7.00%**	204.4	290	1,269,014	535,581	153	Macy's, JC Penney, Sears, Carson-Pirie Scott
Old Orchard		**100.0**			**5.15%**	544.5	704	1,788,919	761,306	141	Macy's, Bloomingdale's, Nordstrom, Lord & Taylor
Mid West			**1,075.8**	**1,075.8**	**5.83%**						
Century City		**100.0**			**4.98%**	559.7	1,157	875,192	518,192	156	Macy's, Bloomingdale's
Culver City	Canada Pension Plan Investment Board	**55.0**			**5.42%**	368.7	526	1,061,687	502,268	176	Macy's, Target, JC Penney
Fashion Square	M&G Real Estate (formerly Prudential (UK))	**50.0**			**5.45%**	342.3	609	856,865	354,330	150	Macy's, Bloomingdale's
Galleria at Roseville		**100.0**			**5.61%**	475.4	552	1,313,758	672,214	246	Macy's, JC Penney, Nordstrom, Sears
Horton Plaza	Canada Pension Plan Investment Board	**55.0**			**6.26%**	135.2	317	733,667	453,181	127	Macy's, Nordstrom
Mainplace		**100.0**			**7.25%**	235.7	364	1,117,952	457,452	189	Macy's, JC Penney, Nordstrom
Mission Valley	Canada Pension Plan Investment Board	**41.7**			**6.16%**	468.2	512	1,574,912	795,984	128	Macy's, Target
North County	Canada Pension Plan Investment Board	**55.0**			**6.51%**	319.0	488	1,204,549	466,841	173	Macy's, JC Penney, Sears, Nordstrom, Target
Oakridge	Canada Pension Plan Investment Board	**55.0**			**5.35%**	373.3	552	1,139,985	613,241	186	Macy's, Sears, Target
Palm Desert		**100.0**			**7.74%**	200.3	360	916,622	432,119	151	Macy's, JC Penney, Sears
Plaza Bonita	Canada Pension Plan Investment Board	**55.0**			**6.14%**	288.8	438	1,034,163	596,398	182	Macy's, JC Penney, Target
Plaza Camino Real		**100.0**			**7.00%**	173.9	313	1,119,104	400,894	145	Macy's, JC Penney, Sears

1 Estimated Total Annual Sales includes estimates for anchor stores, consisting of major department stores, which are not required to report retail sales

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Table 7.7.2: Pro forma shopping centre interests – US properties continued

Shopping Centre	Joint Venture Partner	Pro forma Consolidated or Equity Accounted Interest 31 Dec 13	Fair value 100% 31 Dec 13 US$million	Pro forma Westfield Corporation share Fair value 31 Dec 13 US$million	Estimated Weighted Average Yield 31 Dec 13	Retail Sales: Estimated Total Annual Sales[1] US$million	Retail Sales: Specialty Annual Sales US$psf	Total Lettable Area (sqf)	Total Specialty Area (sqf)	No of Retail Outlets	Anchor Tenants
San Francisco	Forest City Enterprises	*			5.01%	612.6	914	1,443,624	532,729	193	Bloomingdale's, Nordstrom
Santa Anita	Canada Pension Plan Investment Board	49.3			5.66%	421.4	417	1,475,916	960,092	253	Macy's, JC Penney, Nordstrom
Southcenter	Canada Pension Plan Investment Board	55.0			5.49%	511.0	610	1,729,988	808,132	246	Macy's, JC Penney, Sears, Nordstrom
Topanga	Canada Pension Plan Investment Board	55.0			5.44%	633.1	634	1,583,398	687,003	273	Macy's, Sears, Nordstrom, Target, Neiman Marcus
UTC	JPMorgan Investment Management	50.0			5.37%	493.7	902	1,109,116	647,443	152	Macy's, Sears, Nordstrom
Valencia Town Center	TTIAA-CREF (Teachers Insurance and Annuity Association – College Retirement Equities Fund)	50.0			6.00%	307.1	449	1,074,263	625,955	223	Macy's, JC Penney, Sears
Valley Fair	JPMorgan Investment Management	50.0			4.60%	853.4	1,042	1,497,728	763,000	273	Macy's, Nordstrom
Vancouver		100.0			6.05%	169.9	326	911,835	392,494	148	Macy's, JC Penney, Sears, Nordstrom
West Coast			**10,698.6**	**6,847.2**	**5.55%**						
Total United States portfolio			**17,333.0**	**11,416.1**	**5.74%**	**13,590.2**		**46,344,155**	**21,112,243**	**6,747**	

* Includes San Francisco Centre at 100% and San Francisco Emporium at 50%

1 Estimated Total Annual Sales includes estimates for anchor stores, consisting of major department stores, which are not required to report retail sales

SECTION 7

PROFILE OF WESTFIELD CORPORATION

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UK – overview

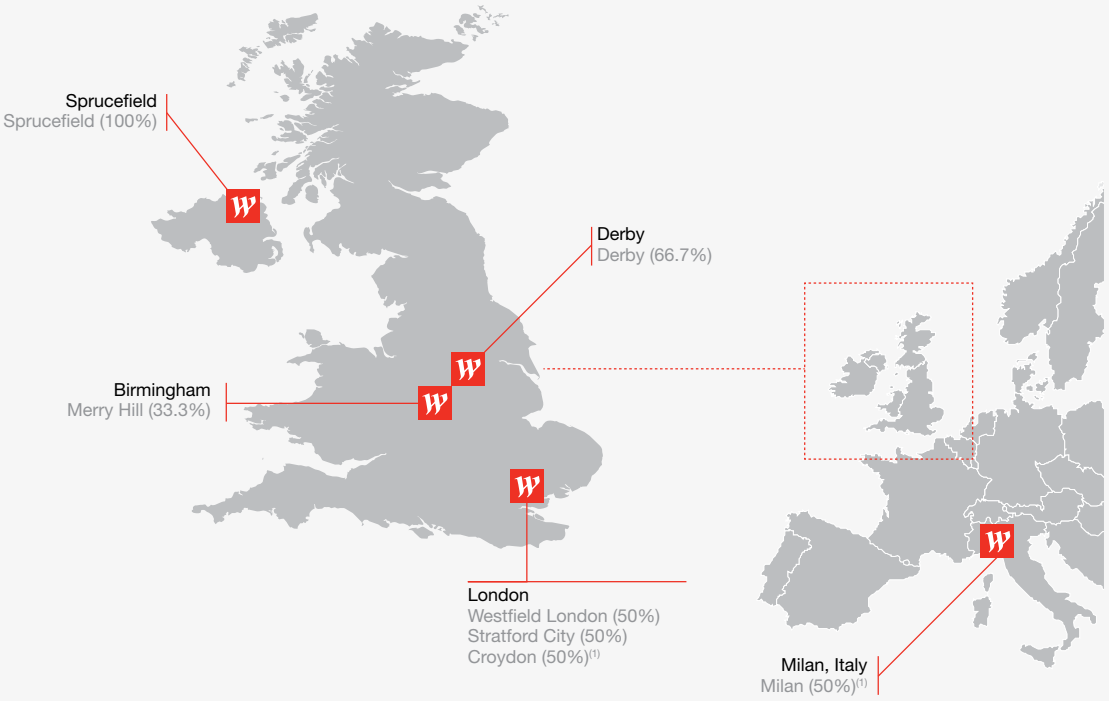
Westfield Corporation will initially have ownership interests in five shopping centres in the UK, valued at £6.0 billion, comprising approximately 1,245 retail outlets and 6.7 million square feet of retail space.

Westfield Corporation's UK portfolio includes two of its market leading shopping centres, Westfield London and Stratford City, which together generate annual retail sales of almost £2.0 billion with approximately 66 million customer visits annually.

Consistent with Westfield Group's strategy of divesting non-core assets which do not meet its long term investment criteria, Westfield Group announced on 20 March 2014 that it had entered into a conditional agreement with Intu Properties plc to divest its interests in three UK shopping centres for £597 million, in line with book value as at 31 December 2013. The assets involved in this transaction are Merry Hill, Derby and Sprucefield. The agreement remains conditional at this time including in relation to the funding of the transactions and other customary conditions. If these conditions are satisfied and the divestments are completed, the UK / European portfolio will comprise Westfield London and Stratford City, together with the major development opportunities at Milan in Italy and Croydon in London.[58]

The location of Westfield Corporation's UK properties (including development opportunities) is shown below.

Chart 7.7.2: Location of UK shopping centres and development opportunities



(1) Future Development

The assets that will comprise Westfield Corporation's UK portfolio are listed in the table below.

58 See sections 8.2 and 8.9 for further details of the financial impact of the proposed divestments.

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Table 7.7.3: Pro forma shopping centre interests – UK properties

						Retail Sales				
Shopping Centre	Joint Venture Partner(s)	Pro forma Consolidated or Equity Accounted Interest 31 Dec 13	Fair value 100% 31 Dec 13 £million	Pro forma Westfield Corporation share Fair value 31 Dec 13 £million	Estimated Weighted Average Yield 31 Dec 13	Total Annual Sales £million	Specialty Annual Sales £psf	Total Lettable Area (sqf)	No of Retail Outlets	Anchor Tenants [iii]
Derby[i]	Canadian Pension Plan Investments Board/ APG Groep NV	**66.7**	**395.1**	**263.5**	**6.50%**			1,224,052	227	Marks & Spencer, Debenhams, Next, Sainsbury's Supermarkets, BHS, Showcase Cinema De Lux
Merry Hill[ii]	QIC Limited, Canadian Pension Plan Investments Board/ APG Groep NV	**33.3**	**767.9**	**255.7**	**5.70%**			1,678,335	292	Marks & Spencer, Debenhams, Next, Sainsbury's Supermarkets, Asda Stores, BHS
Sprucefield		**100.0**	**58.0**	**58.0**	**6.00%**			231,166	5	Next, Sainsbury's Supermarkets
Stratford City	Canadian Pension Plan Investments Board/ APG Groep NV	**50.0**	**1,847.0**	**923.5**	**5.50%**	973.2	806	1,857,715	346	Marks & Spencer, Waitrose, John Lewis, Next, Vue Cinemas, Aspers Casino
Westfield London	Commerz Real Investmentfesellschaft MBH	**50.0**	**2,445.6**	**1,222.8**	**5.50%**	982.0	841	1,745,270	375	Marks & Spencer, Debenhams, Waitrose, Next, Vue Cinemas, House of Fraser
Total United Kingdom portfolio			**5,513.5**	**2,723.5**	**5.63%**			**6,736,538**	**1,245**	
Exchange rate GBP/USD			1.6538	1.6538						
Total United Kingdom portfolio in US$			**9,118.1**	**4,504.0**						

(i) Westfield Corporation's pro forma 66.7% economic interest in Derby includes an 16.7% investment held via Westfield Corporation's pro forma one third interest in Westfield UK Shopping Centre Fund.
(ii) Westfield Corporation's pro forma 33.3% investment in Merry Hill includes an 8.3% investment held via Westfield Corporation's pro forma one third interest in Westfield UK Shopping Centre Fund.
(iii) Includes anchor tenants and cinemas.

As described above, if the agreement with Intu Properties is completed, then Westfield Corporation will no longer hold interests in Merry Hill, Derby and Sprucefield.

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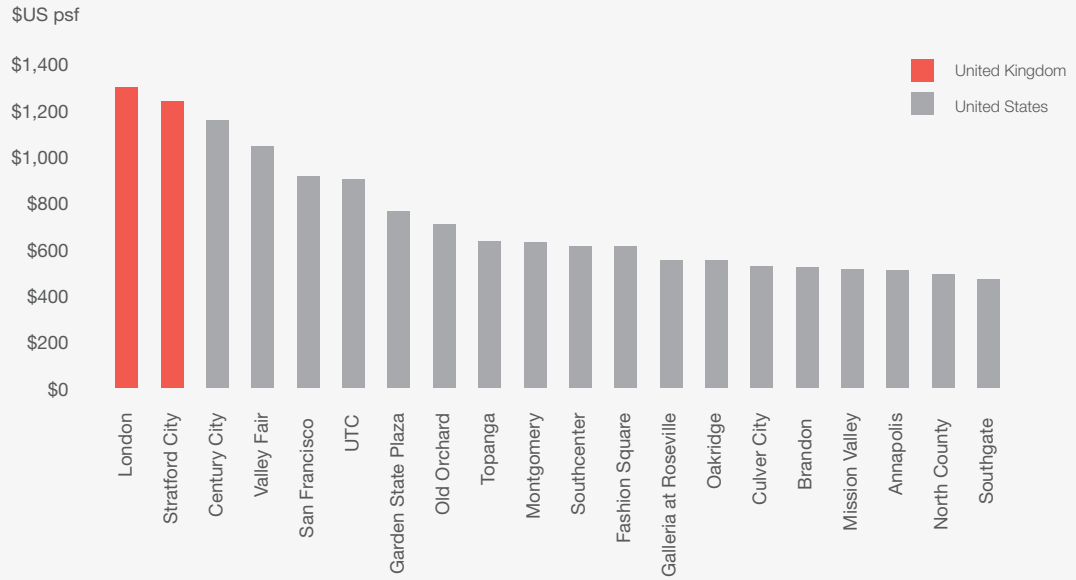
Combined portfolio statistics

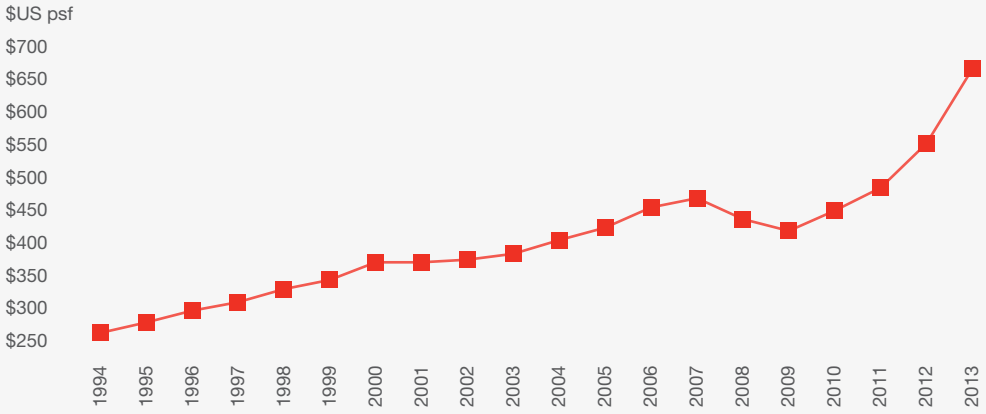
The chart below shows annual specialty sales per square foot for the top 20 shopping centres of Westfield Corporation in the US and UK.

Chart 7.7.3: Annual specialty sales per square foot



The graph below shows the changes in US and UK annual specialty store sales per square foot for the past 20 years:

Chart 7.7.4: Annual specialty store sales per square foot(1)



(1) Represents US portfolio as reported in the relevant year, and for the UK, London and Stratford City. For 2013, US comprises only the core portfolio.

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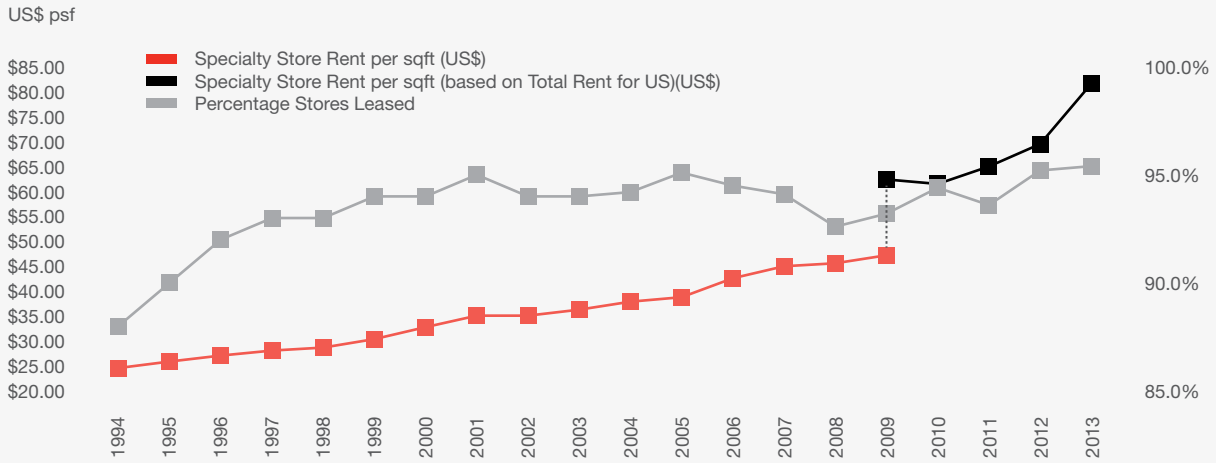
The graph below shows changes in US and UK specialty store rent per square foot and the percentage of stores leased for the past 20 years:

Chart 7.7.5: US and UK specialty store rents per square foot (LHS) and percentage stores leased (RHS) for past 20 years[1]



(1) Represents US portfolio as reported in the relevant year and for the UK, London and Stratford City. For 2013, US comprises only the core portfolio. From 2009, US commenced reporting specialty shop rent on a total basis.

The two charts below show US and UK annual sales by trading category and a further break down of US and UK annual specialty sales by trading category for the 12 months to 31 December 2013:

Chart 7.7.6: US and UK annual sales by trading category

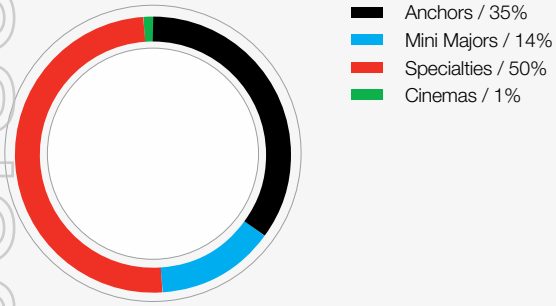
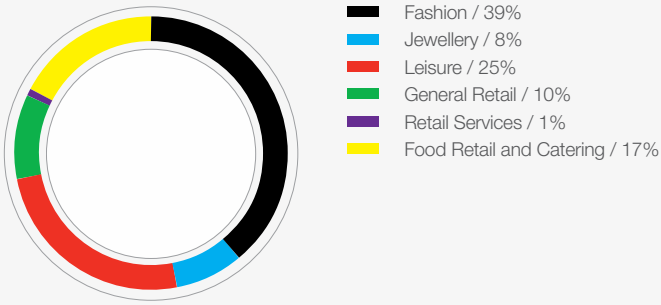


Chart 7.7.7: US and UK annual specialty sales by trading category



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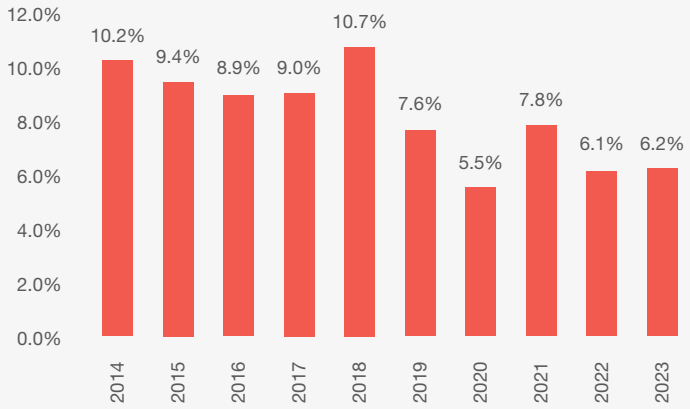
Lease expirations

The following chart summarises scheduled lease expirations for US and UK specialty shop leases in place for specialty shops less than 20,000 square feet as of 31 December 2013:

Chart 7.7.8: Lease expirations



Portfolio operating information

(a) Lease structure

US

The majority of Westfield Corporation's total annual rental income in the US will be derived from specialty stores, being approximately 96% of the total annual rental income in the US. Standard specialty shop lease terms are five to ten years and generally include rent escalations over the term of the lease. Total rent represents both minimum rent and common area charges (excluding taxes). The remainder is derived from anchor tenants that generally own their own sites with reciprocal operating agreements in place with the shopping centre owner.

UK

Westfield Corporation will derive approximately 89% of its total annual rental income in the UK from specialty stores. Standard specialty store lease terms are generally 10 years and generally include a 5 year upward only market review throughout the term of the lease. The remainder is derived from anchor tenants that generally have lease terms in excess of 20 years and the leases generally include upward only market reviews every 5 years.

(b) Operating data

Anchor tenants

Anchor tenants across the Westfield Corporation property portfolio with their region, the number of stores owned or leased by each anchor tenant, anchor tenant GLA and anchor GLA as a percentage of total GLA as at 31 December 2013 are set out in the table below:

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Table 7.7.4: Anchors – US and UK

Anchor	Region	Number of Anchor Stores	Anchor GLA (000's sqf)	Anchor GLA as a % of Total GLA
Macy's, Inc.				
Macy's	US	35	7,293	15.8%
Bloomingdales	US	4	983	2.1%
Subtotal		**39**	**8,276**	**17.9%**
JC Penney	US	20	3,285	7.1%
Sears	US	18	3,038	6.6%
Nordstrom	US	13	2,352	5.1%
Target	US	8	1,356	2.9%
Dillard's	US	5	875	1.9%
Marks & Spencer	UK	5	632	1.4%
Lord & Taylor	US	5	593	1.3%
Debenhams	UK	3	409	0.9%
John Lewis Partnership(1)	UK	3	344	0.7%
Costco	US	2	299	0.6%
Neiman Marcus	US	2	261	0.6%
Next	UK	6	219	0.5%
Sainsbury's Supermarkets	UK	3	175	0.4%
Asda Stores	UK	2	162	0.4%
Wal-Mart	US	1	132	0.3%
BHS	UK	2	119	0.3%
House of Fraser	UK	1	106	0.2%
Aspers Casino	UK	1	63	0.1%
Saks Fifth Avenue	US	1	40	0.1%
Total		**140**	**22,735**	**49.3%**

(1) John Lewis Partnership includes John Lewis and Waitrose.

In the US, anchors have traditionally consisted of major departments stores, most of which own their store and the underlying land. However, certain stores at the shopping centres are owned by Westfield Corporation and are leased to the anchor under long-term leases at rates generally lower than the rents charged to specialty stores. In some cases, Westfield Corporation owns the underlying land and leases it to the anchor under a long-term ground lease. Additionally, Westfield Corporation generally enters into long-term reciprocal agreements with anchors which provide for operating covenants between the shopping centres and the anchors and generally requires the anchors to contribute towards certain of the shopping centres' common area expenses.

Anchor tenants occupied approximately 49.3% of the total GLA as at 31 December 2013, and contributed approximately 5.6% of total rental income on a pro forma Westfield Corporation basis, with no single tenant contributing more than 1.1% of such total rental income.

Specialty stores

Specialty stores consist of mini-majors (retail stores generally occupying between 20,000 and 80,000 square feet of leasable area including freestanding buildings) and specialty shops (retail stores occupying less than 20,000 square feet of leasable area) and theatres.

Table 7.7.5: Ten largest specialty retailers (by GLA excluding theatres) – US and UK (as at 31 December 2013)

Specialty Retailer	Region	Number of Specialty Stores Leased	Specialty Store GLA (000's sqf)	% of Total GLA
Forever 21, Inc.(1)	US/UK	27	716	1.6%
The Gap, Inc.(2)	US/UK	60	633	1.4%
Abercrombie & Fitch Co.(3)	US/UK	63	463	1.0%
H&M	US/UK	22	446	1.0%
L Brands, Inc.(4)	US	68	436	0.9%
Foot Locker, Inc(5)	US/UK	81	360	0.8%
Express, Inc.(6)	US	32	272	0.6%
Williams-Sonoma, Inc.(7)	US	25	230	0.5%
American Eagle Outfitters, Inc.(8)	US	32	193	0.4%
Inditex(9)	US/UK	16	179	0.4%
Total		**426**	**3,928**	**8.5%**

(1) Forever 21, Inc. includes Forever 21 and XXI Forever.
(2) The Gap, Inc. includes The Gap, Gap Kids, Baby Gap, Banana Republic and Old Navy.
(3) Abercrombie & Fitch Co. includes Abercrombie & Fitch, abercrombie and Hollister.
(4) L Brands, Inc. includes Victoria's Secret, Bath & Body Works, Pink and Henri Bendel.
(5) Foot Locker, Inc. includes Foot Locker, Lady Foot Locker, Kid's Foot Locker, Champs, Footaction and CCS.
(6) Express, Inc. includes Express and Express Men.
(7) Williams-Sonoma, Inc. includes Pottery Barn, Pottery Barn Kids, PBteen, West Elm and Williams-Sonoma.
(8) American Eagle Outfitters, Inc. includes American Eagle Outfitters and Aerie.
(9) Inditex includes Zara, Bershka, Massimo Dutti and Pull & Bear.

The 10 largest specialty store retailers occupied approximately 8.5% of the total GLA as of 31 December 2013 and contributed approximately 15.9% of total rental income on a pro forma Westfield Corporation basis, with no single retailer contributing more than 2.5% of such total rental income.

In addition to the above, the portfolio includes 22 theatres which occupied 1,374,000 square feet of GLA or 3.0% of total GLA as of 31 December 2013. As of the same date, the largest theatre group occupied 504,000 square feet of GLA.

7.8 Board and senior management

Board of directors

Following implementation of the Proposal, the Westfield Corporation Board comprises the board of directors of Westfield Corporation Limited and Westfield America Management, each of which will have a common membership.

The Westfield Corporation Board will comprise the following directors:

Mr Frank Lowy AC	Chairman
Mr Brian Schwartz AM	Deputy Chairman
Mr Peter Lowy	Co-Chief Executive Officer and Chief Financial Officer
Mr Steven Lowy AM	Co-Chief Executive Officer
Ms Ilana Atlas	Non-Executive Director
Mr Roy Furman	Non-Executive Director
The Right Hon. Lord Peter Goldsmith QC PC	Non-Executive Director
Mr Mark G Johnson	Non-Executive Director
Mr Mark R Johnson AO	Non-Executive Director
Mr John McFarlane	Non-Executive Director
Professor Judith Sloan	Non-Executive Director

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The profiles of these directors are as follows:

Mr Frank Lowy AC, Chairman

Mr Lowy is the Chairman and Co-Founder of the Westfield group. Having served as Westfield Group's Chief Executive Officer for over 50 years, Mr Lowy assumed a non-executive role in May 2011. He is the Founder and Chairman of the Lowy Institute for International Policy and Chairman of Football Federation Australia.

Mr Brian Schwartz AM, Deputy Chairman

Mr Schwartz was appointed as a Non-Executive Director of Westfield Group in May 2009 and became Deputy Chairman in May 2011. In a career with Ernst & Young Australia spanning more than 25 years, he rose to the positions of Chairman (1996 to 1998) and then Chief Executive Officer of the firm from 1998 to 2004. From 2005 to 2009, Mr Schwartz was the Chief Executive Officer of Investec Bank (Australia) Limited. He is Chairman of Insurance Australia Group Limited, Deputy Chairman of Football Federation Australia, a director of Brambles Limited and is a Fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants.

Mr Peter Lowy

Mr Lowy was appointed Managing Director of Westfield Holdings in 1997 and currently serves as Co-Chief Executive Officer of Westfield Group. He holds a Bachelor of Commerce from the University of New South Wales. Prior to joining Westfield in 1983, Mr Lowy worked in investment banking both in London and New York. Mr Lowy serves as Chairman of the Homeland Security Advisory Council for Los Angeles county, he also serves on the RAND Corporation Executive Committee and Board of Trustees, the Executive Committee of the Washington Institute for Near East Policy, and is a Director of the Lowy Institute for International Policy.

Mr Steven Lowy AM

Mr Lowy was appointed Managing Director of Westfield Holdings in 1997 and currently serves as Co-Chief Executive Officer of Westfield Group. He holds a Bachelor of Commerce (Honours) from the University of New South Wales. Prior to joining Westfield in 1987, Mr Lowy worked in investment banking in the US. He is a director of Westfield Retail Trust and the Lowy Institute for International Policy and a member of the Prime Minister's Business-Government Advisory Group on National Security. Mr Lowy's previous appointments include President of the Board of Trustees of the Art Gallery of New South Wales, Chairman of the Victor Chang Cardiac Research Institute and Presiding Officer of the NSW Police Force Associate Degree in Policing Practice Board of Management.

Ms Ilana Atlas

Ms Atlas was appointed as a Non-Executive Director of Westfield Group in May 2011. Ms Atlas was previously a partner of Mallesons Stephen Jaques (now King & Wood Mallesons) and held a number of managerial roles at the firm, including Managing Partner and Executive Partner, People and Information. In 2000 she joined Westpac as Group Secretary and General Counsel before being appointed to the role of Group Executive, People in 2003. In that role, she was responsible for human resources strategy and management as well as Westpac's approach to corporate responsibility and sustainability. Ms Atlas is a director of Suncorp Group Limited, Coca-Cola Amatil Limited, Oakridge Wines Pty Limited, New South Wales Treasury Corporation and the Human Rights Law Centre. She is Chairman of Bell Shakespeare Company and Pro-Chancellor of the Australian National University.

Mr Roy Furman

Mr Furman was appointed as a Non-Executive Director of Westfield Group in July 2004, having served as a Non-Executive Director of Westfield America Management since 2002. Mr Furman holds a degree in law from Harvard Law School. Mr Furman is based in the US and is Vice Chairman of Jefferies and Company and Chairman of Jefferies Capital Partners, a group of private equity funds. In 1973 he co-founded Furman Selz, an international investment banking, institutional brokerage and money management firm and was its Chief Executive Officer until 1997.

The Right Hon. Lord Goldsmith QC PC

Lord (Peter) Goldsmith was appointed as a Non-Executive Director of Westfield Group in August 2008. He holds a degree in law from Cambridge University and a Master of Laws from University College London. Lord Goldsmith is admitted to practise in England & Wales and other jurisdictions including New South Wales. He is a partner of the international law firm Debevoise & Plimpton LLP. In 1987, Lord Goldsmith was appointed Queen's Counsel and a Crown Court Recorder and he has been a Deputy High Court Judge since 1994. For six years until June 2007, Lord Goldsmith served as the UK's Attorney General. He was created a Life Peer in 1999 and a Privy Counsellor in 2002 and remains a member of the House of Lords. Lord Goldsmith's other past positions include Chairman of the Bar of England and Wales, Chairman of the Financial Reporting Review Panel, and founder of the Bar Pro Bono Unit.

SECTION 7

PROFILE OF WESTFIELD CORPORATION

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Mr Mark G Johnson

Mr Johnson was appointed as a Non-Executive Director of Westfield Group in May 2013. He holds a Bachelor of Commerce from the University of New South Wales. Mr Johnson was Chief Executive Officer and senior partner of Pricewaterhouse Coopers (**PwC**), one Australia's leading professional services firms, from July 2008 to June 2012. In his more than 30 year career with PwC, Mr Johnson served a number of that firm's major clients in audit, accounting, due diligence, fundraising and risk and governance services. Mr Johnson was a senior member of the PwC International Strategy Council and Deputy Chairman of PwC Asia Pacific. He is a Director of HSBC Bank Australia Limited, The Hospitals Contribution Fund of Australia Limited (**HCF**) and The Smith Family and sits on the Executive Council of the Australian School of Business Advisory Board. Mr Johnson's former roles include Chairman of the PwC Foundation, Member of the Auditing and Assurance Board and Deputy Chair of the Finance and Reporting Committee at the Australian Institute of Company Directors. He is a Fellow of the Institute of Chartered Accountants and the Australian Institute of Company Directors.

Mr Mark R Johnson AO

Mr Johnson was appointed as a Non-Executive Director of Westfield Group in May 2010. He holds a degree in law from the University of Melbourne and a Masters of Business Administration from Harvard University. Mr Johnson is a Senior Advisor for Gresham Partners in Sydney and Chairman of Dateline Resources Limited and Alinta Energy. Mr Johnson is also a member of the Board of Governors of the Institute for International Trade at the University of Adelaide and a Life Governor of the Victor Chang Cardiac Research Institute. He has previously held senior roles in Macquarie Bank before retiring as Deputy Chairman in July 2007 and his former directorships include Pioneer International, AGL Energy and the Sydney Futures Exchange.

Mr John McFarlane

Mr McFarlane was appointed as a Non-Executive Director of Westfield Group in February 2008. He holds an MA from the University of Edinburgh, an MBA and an honorary DSC from Cranfield University. Mr McFarlane is Chairman of Aviva plc and FirstGroup plc and is a director of Old Oak Holdings Ltd. He was formerly Chief Executive Officer of Australia & New Zealand Banking Group Limited, Group Executive Director of Standard Chartered plc, and Head of Citibank NA in the UK and Ireland. Mr McFarlane was a non-executive director of The Royal Bank of Scotland, Capital Radio plc, the London Stock Exchange, Chairman of the Australian Bankers Association and President of the International Monetary Conference.

Professor Judith Sloan

Professor Sloan was appointed as a Non-Executive Director of Westfield Group in February 2008. She is Honorary Professional Fellow at the Melbourne Institute of Applied Economic and Social Research at the University of Melbourne. Professor Sloan holds a first class honours degree in Economics and a Master of Arts in Economics specializing in industrial relations from the University of Melbourne and a Master of Science in Economics from the London School of Economics. She has previously held an academic appointment at Flinders University and is currently a director of the Lowy Institute for International Policy. Professor Sloan is also the current contributing economics editor at The Australian newspaper. Her previous appointments include Chairman of Primelife Limited, Chairman of National Seniors Australia, Deputy Chair of the Australian Broadcasting Corporation, director of Santos Limited and Mayne Nickless Limited and Commissioner of the Productivity Commission.

Westfield Corporation senior management

The Westfield Corporation senior management team will include:

Mr Peter Lowy	Co-Chief Executive Officer and Chief Financial Officer
Mr Steven Lowy AM	Co-Chief Executive Officer
Mr Michael Gutman	President and Chief Operating Officer
Mr Elliott Rusanow	Deputy Chief Financial Officer
Mr Simon Tuxen	General Counsel
Mr Kevin McKenzie	Chief Digital Officer
Mr Greg Miles	Chief Operating Officer, US
Mr Peter Miller	Chief Operating Officer, UK / Europe
Mr Peter Schwartz	General Counsel, US
Mr Mark Stefanek	Treasurer
Mr David Temby	Tax Counsel

The profiles of Mr Peter Lowy and Mr Steven Lowy are set out above. The profiles of the other members of the senior management team are:

Mr Michael Gutman

Mr Gutman joined Westfield in 1993. In 1999, Mr Gutman was appointed Joint Chief Operating Officer responsible for Development, Design and Construction in Australia and New Zealand. In early 2003, Mr Gutman relocated to the UK as Chief Operating Officer UK / Europe. In early 2006, he was appointed Managing Director, UK / Europe. In 2011, Mr Gutman's role expanded to include business development in new markets. Under Mr Gutman's leadership, Westfield Group's UK / Europe business has successfully developed Westfield London and Stratford City, two of the largest urban shopping centres in Europe with combined annual sales in excess of £1.9 billion, and acquired flagship development opportunities at Croydon in south London and Milan in Italy.

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Mr Elliott Rusanow

Mr Rusanow joined Westfield in 1999. Prior to joining Westfield Group, Mr Rusanow worked at Bankers Trust Australia Limited. In October 2003, Mr Rusanow was appointed Director, Investor Relations & Equity Markets, having previously held the positions of Executive Assisting the Managing Director and Manager, Westfield Trust. In 2005, Mr Rusanow relocated to the UK as Director, Finance, UK / Europe. He returned to Australia in early 2007 and currently holds the position of Head of Corporate Finance. Mr Rusanow is also a non-executive director of Western Sydney Wanderers Football Club.

Mr Simon Tuxen

Mr Tuxen joined Westfield in July 2002 as Group General Counsel and Company Secretary. Prior to joining Westfield, Mr Tuxen was the General Counsel of BIL International Limited in Singapore, Group Legal Manager of the Jardine Matheson Group in Hong Kong and a partner with Mallesons Stephen Jaques (now King & Wood Mallesons) from 1987 to 1996.

Mr Kevin McKenzie

Mr McKenzie joined Westfield Group as Chief Digital Officer in May 2012. Mr McKenzie has more than 16 years' experience in internet, mobile and product development. Prior to joining Westfield Group, Mr McKenzie was the founder and President of JiWire, Inc., a digital location-based media channel. Prior to founding JiWire in 2003, Mr McKenzie was Senior Vice President, Shopping Services, with CNET Networks Inc.

Mr Greg Miles

Mr Miles is the Chief Operating Officer for Westfield Group's US business. Mr Miles was appointed to his current role in 2012, having joined Westfield in 1997 as Asset General Manager, New South Wales. Mr Miles has over 20 years' experience in commercial real estate, predominantly focused on retail. Prior to joining Westfield, Mr Miles was Property Investment Manager for Colonial First State Property, responsible for the development, management and acquisition of retail, commercial and industrial assets.

Mr Peter Miller

Mr Miller joined Westfield in 1994. Prior to joining Westfield, Mr Miller held development roles at global property company Lend Lease and has over 25 years' experience in the retail property industry. In 1999, he was one of three key personnel transferred to the UK to establish the Westfield business. In 2000, Mr Miller was appointed Director of Design, Development and Construction and led all UK / Europe development. In 2009, Mr Miller was appointed Chief Operating Officer of Westfield UK / Europe.

Mr Peter Schwartz

Mr Schwartz joined Westfield in 2002 as General Counsel-US. Prior to joining Westfield, Mr Schwartz was a partner in the international law firm Debevoise & Plimpton from 1994 to 2002 and an associate at the firm starting in 1984. Mr Schwartz has been on the Board of Trustees of the International Council of Shopping Centers (**ICSC**) since 2009 and was on the executive committee of the ICSC Board between 2010 to 2013.

Mr Mark Stefanek

Mr Stefanek joined Westfield in 1994 and was appointed Chief Financial Officer, US in 1997. With extensive experience in real estate finance and development, Mr Stefanek is currently responsible for corporate transactions, investor relations, tax compliance and capital raisings in the US. Prior to joining Westfield, Mr Stefanek served as Vice President, Finance and Administration for the Disney Development Corporation in Los Angelas from 1991 to 1994. From 1985 to 1991, he was the Chief Financial Officer of Western Development Corporation in Washington, DC. Mr Stefanek was with Cadillac Fairview Urban Development, Inc. in Dallas, Texas from 1983 to 1985 and was in the Audit division of Arthur Anderson from 1976 to 1983. He is a certified public accountant. Mr Stefanek is a member of the executive committee of the board of directors of the Los Angeles Police Foundation and is on the board of directors of the Association of Foreign Investors in Real Estate.

Mr David Temby

Mr Temby joined Westfield Group in April 2006 as the Westfield Group Tax Counsel. He holds a Bachelor of Laws degree from the University of Adelaide and a Master of Laws degree from the University of Sydney and is a Fellow of the Tax Institute of Australia. He is responsible for overseeing Westfield Group's tax position in the various markets that Westfield Group operates in. Prior to joining Westfield Group, he was partner at Mallesons Stephen Jaques (now King & Wood Mallesons) specialising in revenue matters.

7.9 Corporate governance

It is recognised that good corporate governance and the commitment to complying with high standards of corporate governance are important.

The corporate governance framework for Westfield Corporation is underpinned by the ASX Guidelines. The ASX Guidelines are recommendations and are not mandatory. The ASX Guidelines provide a reference point against which Australian listed entities can measure, and report on, their corporate governance structures and practices. Listed entities are required to disclose in their annual reports the extent of their compliance with the ASX Guidelines in the reporting period and to disclose why they have not adopted a recommendation under the ASX Guidelines if they consider it to be inappropriate to do so in their particular circumstances. As an ASX listed group, Westfield Corporation will report against the ASX Guidelines.

The Westfield Corporation Board will include additional details of Westfield Corporation's corporate governance regime, including board and committee charters and relevant corporate policies and codes which will be available on its website once established, and a corporate governance statement will be included in Westfield Corporation's annual report outlining the Westfield Corporation's system of governance during that reporting period and the extent of Westfield Corporation's compliance.

SECTION 7

PROFILE OF WESTFIELD CORPORATION

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The key elements of Westfield Corporation's governance framework are set out below. Except as set out below, the Westfield Group Directors do not anticipate that Westfield Corporation will depart from the ASX Guidelines; however, it may do so in the future if it considers that such departure is reasonable. Any such departures would be reported in Westfield Corporation's corporate governance statement.

Role of the Westfield Corporation Board

The Westfield Corporation Board will be accountable to Westfield Corporation Securityholders. Under its charter, the Westfield Corporation Board will seek to ensure that the business objectives of Westfield Corporation are communicated clearly to Westfield Corporation Securityholders and that Westfield Corporation is effectively managed in a manner that is properly focused on achieving its business objectives as well as conforming to regulatory and ethical requirements.

In addition to the responsibilities outlined above, the primary objectives of the Westfield Corporation Board in discharging its functions will be to:

- oversee the effective management and control of Westfield Corporation, including the composition, performance and remuneration of the management team;
- set and review the strategic direction of Westfield Corporation;
- approve and monitor key budgets, business plans, financial statements and financial policies;
- approve all material transactions;
- 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;
- ensure that Westfield Corporation Securityholders receive high quality, relevant and accurate information in a timely manner; and
- determine and adopt Westfield Corporation's distribution policy in accordance with the constitutions of Westfield Corporation.

Independence of the Westfield Corporation Board

The Westfield Corporation Board will regularly assess 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 Westfield Corporation Board determines are appropriate to take into account.

In making this determination the Westfield Corporation Board will seek to assess whether directors are:

- independent of management;
- free of any business or other relationship that could materially interfere or be perceived to materially interfere with their unfettered and independent judgement; and
- capable of making decisions without bias and which are in the best interests of all members.

A non-executive director will not be regarded as an independent director if that director:

- is a substantial securityholder of Westfield Corporation or an officer of, or otherwise associated directly with, a substantial securityholder of Westfield Corporation;
- within the last 3 years has been employed in an executive capacity by any member of Westfield Corporation, or has been a director after ceasing to hold any such employment;
- within the last 3 years has 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 Westfield Corporation;
- within the last 3 years has been a principal, employee or consultant of a material professional adviser to any member of Westfield Corporation – for this purpose a material professional adviser is an adviser whose billings to Westfield Corporation exceed 1% of the adviser's total revenues;
- is a principal, employee or associate of a material supplier to, or material customer of, any member of Westfield Corporation – for this purpose a material supplier to Westfield Corporation means a supplier whose revenues from Westfield Corporation exceed 5% of the supplier's total revenues. A material customer is a customer whose payments to Westfield Corporation exceeds 1% of the customer's operating costs;
- has a material contractual relationship with any member of Westfield Corporation other than as a director of the Westfield Corporation 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 Westfield Corporation and independently of management.

As regards the non-executive directors, applying the criteria set out in the Board Charter, the Westfield Group Directors have determined that apart from the chairman, Mr Frank Lowy, all other non-executive directors being Mr Brian Schwartz, Ms Ilana Atlas, Mr Roy Furman, Lord Peter Goldsmith, Mr Mark G Johnson, Mr Mark R Johnson, Mr John McFarlane and Professor Judith Sloan are considered to be independent directors. This determination has been made on the basis of the above factors, as they apply to those directors in relation to Westfield Group at the date of this Securityholder Booklet.

The Westfield Group Directors note the recommendation in the ASX Guidelines that listed entities should have an independent director as chairman. The Westfield Group Directors consider that Mr Frank Lowy is the most appropriate person to act as chairman of the Westfield Corporation Board, notwithstanding he is not an independent director.

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Mr Lowy is the co-founder of Westfield Group and has overseen the success of the Westfield Group since 1960. With over 50 years direct experience in the design, construction and management of shopping centres and associated fund and asset management, Mr Lowy's extensive knowledge, experience and reputation is unrivalled in the global retail property industry.

For these reasons, the Westfield Group Board takes the view that it is in the best interests of Westfield Corporation Securityholders that Mr Lowy, with his extensive background and experience, be the Chairman of Westfield Corporation.

There will be a majority of independent directors serving on the Westfield Corporation Board (8 out of the 11 directors on the Westfield Corporation Board) all of whom are senior individuals who are currently directors of Westfield Group and who have experience with the business that will be conducted by Westfield Corporation.

Mr Brian Schwartz will act as Deputy Chairman.

Constitutions and compliance plan

Westfield Corporation will be governed by its constitutions as outlined in section 16.7.

As required by the Corporations Act, a compliance plan for WFD Trust has been lodged with ASIC which sets out the measures that Westfield America Management, as responsible entity of WFD Trust, will apply in operating WFD Trust to ensure compliance with the Corporations Act, WFD Trust's constitution, any disclosure document and Westfield America Management's Australian financial services licence. The compliance plan also sets out the processes and procedures by which these compliance duties are monitored.

As required by the Corporations Act, the compliance plan also contains measures for ensuring that the property of WFD Trust is clearly identified and held separately, that the properties are valued at regular intervals, that the compliance plan is audited annually and that adequate trust records are kept.

Equivalent measures are already in place for Westfield America Trust.

Continuous disclosure policy and securityholder communications

The Westfield Corporation Board will be committed to providing relevant information to Westfield Corporation Securityholders about the operations of Westfield Corporation and fulfilling its duties to comply with its continuous disclosure obligations to the market generally.

The Westfield Corporation Board will adopt a continuous disclosure policy which is designed to ensure compliance with the Listing Rules and continuous disclosure obligations.

The Westfield Corporation Board will establish a Continuous Disclosure Committee which is responsible for:

- making decisions on what information should be disclosed to the market; and
- ensuring disclosure is made in a timely and efficient manner.

Westfield Corporation Securityholders will receive an annual report. Newsletters and updates may also be sent to Westfield Corporation Securityholders from time to time.

Securities Trading Policy

Westfield Corporation will adopt a Securities Trading Policy which details Westfield Corporation's policy, and rules for, trading in its securities (which includes Westfield Corporation Securities). The policy applies to directors, officers, persons located in Westfield Corporation's head offices or personnel located in another office who have a corporate function or role, and other specified persons, and is additional to the legal prohibitions on insider trading in Australia.

Audit and Risk Committee

The objective of the Audit and Risk Committee is to assist the Westfield Corporation Board in fulfilling its corporate governance responsibilities. The duties and responsibilities of the Audit and Risk Committee are contained in the Audit and Risk Committee charter. The duties and responsibilities will include:

- monitoring and reviewing the accuracy and reliability of management and financial reporting;
- reporting to the Westfield Corporation Board on the half-year and annual reports and financial statements of Westfield Corporation;
- facilitating an effective and efficient audit (including making recommendations regarding the appointment, evaluation and removal of Westfield Corporation's external auditor);
- monitoring and reviewing the effectiveness of Westfield Corporation's internal control environment, including the effectiveness of internal control procedures;
- overseeing the internal audit function;
- monitoring and reviewing the corporate policies for identifying and managing relevant business and legal risks and the adequacy of Westfield Corporation's procedures in implementing those policies; and
- overseeing the processes for Westfield Corporation's compliance with applicable laws and regulations (including Westfield Corporation's compliance plans).

The Audit and Risk Committee will meet with external auditors at least twice each year (and more frequently if required) to review the adequacy of existing external audit arrangements and the scope of the audit. The external auditors will have a direct line of communication at any time to either the Chairman of the Audit and Risk Committee or the Chairman of the Westfield Corporation Board.

The Audit and Risk Committee must comprise at least three independent non-executive directors. The chairperson will be appointed by the Audit and Risk Committee and must be a non-executive director and not the chairperson of the Westfield Corporation Board. The chairperson will report the activities of the Audit and Risk Committee to the Westfield Corporation Board after each meeting.

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The external auditors, the internal auditors, Westfield Corporation's chief executive officer and chief financial officer will be invited to attend Audit and Risk Committee meetings at the discretion of the committee. At least twice annually, the Audit and Risk Committee will meet with the external auditors without management being present.

The members of the Audit and Risk Committee will initially comprise Mr Brian Schwartz (Chair), Mr Mark G Johnson and Ms Judith Sloan.

Human Resources Committee

The objective of the Human Resources Committee will be to assist the Westfield Corporation Board in establishing effective and fair remuneration policies and practices having regard to Westfield Corporation's legal and governance obligations. The responsibilities of the Human Resources Committee will include:

- determining and reviewing remuneration policies to apply to Westfield Corporation Board members and executives of Westfield Corporation;
- determining specific remuneration packages for executive directors;
- ensuring that relevant legal requirements regarding disclosure of remuneration are complied with;
- reviewing the appropriateness of succession planning policies for the senior executive team;
- reviewing contractual rights of termination for members of the senior executive team;
- oversight of Westfield Corporation's diversity policy and programme;
- reviewing and approving the policy for participation by senior executives in, including the total proposed awards to be issued under, any future equity linked plans; and
- administering any future equity linked plans as required in accordance with the rules of the plans.

Westfield Corporation's Human Resources Committee must comprise at least three independent non-executive directors. The chairperson will be appointed by the Human Resources Committee and must not be the chairperson of the Westfield Corporation Board. The chairperson will report the activities of the Human Resources Committee to the Westfield Corporation Board after each meeting.

The members of the Human Resources Committee will initially comprise Mr Mark R Johnson (Chair), Mr Roy Furman and Ms Ilana Atlas.

Nomination Committee

Consistent with recommendations of the ASX Guidelines Westfield Corporation will have a Nomination Committee. The objectives of the Nomination Committee will include:

- to evaluate the performance of the Westfield Corporation Board, its committees and directors;
- to monitor and evaluate the necessary and desirable competencies of the directors including the range of skills and experience of the directors; and
- to assess and ensure appropriate succession planning processes and plans for the Westfield Corporation Board.

The members of the Nomination Committee will initially comprise Mr Frank Lowy (Chair), Mr Brian Schwartz and Mr Mark R Johnson.

7.10 Employment arrangements and remuneration

Transition to Westfield Corporation

Following implementation of the Proposal, the executive team and staff of Westfield Corporation will comprise a combination of:

- employees who are currently employed within entities which will comprise part of Westfield Corporation, being companies located in both the US and the UK. Those employees, with few exceptions, will continue to be employed in the same roles and on the same terms and conditions. They will comprise the vast majority of Westfield Corporation's 2,000 employees; and
- employees who are currently employed within entities which will form part of Scentre Group. These employees will transfer their employment to an entity within Westfield Corporation. These transferring employees will receive full recognition for their prior service with Westfield Group.

Executive remuneration

It is expected that the remuneration structure for Westfield Corporation will broadly follow that of the Westfield Group. A full description of the remuneration policies and practices of Westfield Corporation will be included in its initial Annual Financial Report.

Remuneration for the senior executive team is expected to comprise the following elements:

Base salary

Base salary or fixed remuneration will be reviewed annually and advised to the executive.

Short term incentives (STI)

For the senior executive team, each STI has two components:

- a cash performance bonus paid shortly after the end of the relevant financial year; and
- the grant of awards under the STEL Plan (see below) whereby 25 to 35% (depending on seniority) of the STI is deferred for a period, currently 3 years. The value of the deferred awards will fluctuate with movements in the market price of Westfield Corporation Securities and the value ultimately received by the executive will depend on the market price of Westfield Corporation Securities at the end of the deferral period.

STIs will be closely linked to the performance of the executive measured against KPIs which are established each year pursuant to a performance review and development system. KPIs will be designed to recognise and reward both financial and non-financial performance. The objectives will vary according to the role of the particular executive and will typically relate to development, construction, retail management or corporate targets.

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Prior to the commencement of each financial year, each member of the senior executive team will be advised of a target STI. The executive is also advised of a maximum STI. The maximum STI will typically exceed the target STI by 25%.

STEL Plan

Eligibility	Participation will be offered to identified senior employees. The awards issued are a pre-determined percentage of the total STI paid to that employee in that year and represent a deferred component of 25 to 35% of the total STI.
Securities	Participants will receive rights to Westfield Corporation Securities to be delivered following a deferral period (i.e. the vesting date), currently 3 years from the date of grant subject to meeting specified service conditions and otherwise satisfying the terms of the STEL Plan.
Lapse / early vesting	Subject to certain exceptions in the case of retirement, death or permanent disablements, awards will typically vest early or lapse if the participant ceases to be employed by Westfield Corporation before the vesting date.
Performance hurdles	The awards represent a deferred component of an executive's total STI. As the STI is determined by reference to performance by the executive against agreed KPIs, the awards themselves are not subject to hurdles.
Voting and dividends	Awards do not carry either voting rights or a right to a cash dividend prior to the vesting date.
Other terms	The STEL Plan will also contain customary terms dealing with administration and variation of the STEL Plan and mechanical terms regulating the issue of awards and Westfield Corporation Securities under the STEL Plan.

Long term incentives (LTI)

Only the most senior leadership team of Westfield Corporation will participate in the LTI Plan.

The LTI Plan will be designed to encourage a "partnership" amongst the senior leadership team of Westfield Corporation which emphasises the strategic leadership role of that team. Through the LTI Plan, the members of that partnership will be provided with a benefit which is fully aligned with the interests of Westfield Corporation Securityholders. The performance hurdles applicable under the LTI Plan will be determined annually by the Westfield Corporation Board. Currently the performance hurdles under the Westfield Group long term incentive plan relate to an operational measure, being FFO per security, and a financial measure, being return on contributed equity.

Prior to the commencement of each financial year, each participant in the LTI Plan will be advised of a target LTI. The participant is also advised of a maximum LTI. The maximum LTI will typically exceed the target LTI by 50%.

LTI Plan

Eligibility	Participation will be offered to the senior leadership team members in Westfield Corporation to encourage a strategic partnership within that team.
Securities	Participants will receive rights to Westfield Corporation Securities which will vest and be delivered in equal tranches on the date this is 4 and 5 years from the date of grant (i.e. the vesting date) subject to meeting specified service conditions and otherwise satisfying the terms of the LTI Plan.
Lapse / early vesting	Other than in special circumstances awards granted under the LTI Plan will lapse if the executive ceases to be employed by Westfield Corporation before the vesting date. The special circumstances include death, redundancy or retirement, and in those circumstances some or all of the awards may vest immediately or remain on issue as if the executive remained an employee.
Performance hurdles	Applicable performance hurdles will be determined annually in conjunction with the grant of awards. Hurdles will relate to both operational performance (e.g. FFO per security) and financial or capital management matters (e.g. return on contributed equity). More than one hurdle may be set in any year. Actual performance over a qualifying period applicable to each hurdle will determine the level of vesting against that hurdle.
Voting and dividends	Awards do not carry either voting rights or a right to any cash distributions prior to the vesting date.
Other terms	The LTI Plan will also contain customary and usual terms for dealing with administration, variation, acceleration and termination of the LTI Plan and / or awards issued under the LTI Plan.

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Treatment of existing awards granted under the Westfield Group Plans

Westfield Group currently operates 4 equity linked incentive plans (**Westfield Group Plans**). The EDA Plan and the PIP Plan were introduced following the merger in 2004 and the EPR Plan and the PIR Plan were introduced in 2008 to provide Westfield Group with the flexibility to issue equity settled rights where considered appropriate. The EPR Plan and PIR Plan have subsequently been amended to provide Westfield Group with an election as to whether to settle awards with a cash payment or with Westfield Group equity. Typically, Westfield Group has elected to settle awards with equity. This section deals with the manner in which awards issued under these various plans prior to 31 December 2013 will be treated following implementation of the Proposal.

Although awards were due to be issued to participants in the Westfield Group Plans in January 2014, the issue of those awards has been deferred pending consideration by securityholders of the Proposal. On implementation of the Proposal, the awards that would otherwise have been issued to Westfield Corporation employees in January 2014 under the Westfield Group Plans will instead be issued under the Westfield Corporation plans outlined above. The usual terms of these awards will be modified so as to ensure that participants are not adversely impacted by the delay in issuing these awards.

Awards granted under the current Westfield Group Plans prior to 31 December 2013 will remain on foot following implementation of the Proposal. It is not proposed that the vesting of any awards be accelerated as a consequence of implementation of the Proposal.

Immediately following implementation of the Proposal, existing awards in the US and UK versions of the Westfield Group Plans will relate to securities in Westfield Corporation (rather than Westfield Group as is currently the case). The number of awards to which prior grants relate will be adjusted in accordance with a formula which is designed to maintain the value of the awards held by participants in the various Westfield Group Plans, but over a greater number of securities given that the participant will no longer have an interest in those entities which currently own and operate the Australian and New Zealand business which, following implementation of the Proposal will form part of Scentre Group.

The adjustment will be made in accordance with the following formula:

$$\frac{\textit{(VWAP of a Scentre Group Security x 1.246) + VWAP of a Westfield Corporation Security}}{\textit{VWAP of a Westfield Corporation Security}}$$

Where the VWAP or Volume Weighted Average Price is calculated by taking the average of the daily volume weighted average of the selling price of the relevant securities traded on ASX on each of the 20 trading days on and from the first day that both Scentre Group Securities and Westfield Corporation Securities commence trading as separately quoted securities on ASX.

Using this formula will ensure that any adjustment to existing awards will take into account the relative value of Westfield Corporation Securities and Scentre Group Securities, which reflects the same value outcome for Westfield Group Securityholders who, after implementation of the Proposal, will hold both Westfield Corporation Securities and Scentre Group Securities.

In 2012 and 2013, Westfield Group issued awards under the PIR Plan which vest on the basis of a ROCE hurdle. In 2012, those awards vesting on the basis of the ROCE hurdle constituted 25% of the total number of PIR Plan awards (2013: 50%). A full discussion of the nature of the ROCE hurdle is contained in the 2012 and 2013 remuneration reports published by Westfield Group. Essentially, vesting was to be determined by reference to the average annual ROCE of Westfield Group tested over a four year period. The actual level of vesting depended on performance against a graduated scale set by the Westfield Group Board.

Given the fundamental restructuring of Westfield Group, the Westfield Group Board has agreed that these ROCE hurdles for 2012 and 2013 should be waived and an appropriate level of vesting determined by the Westfield Group Board having regard to actual performance to the implementation of the Proposal (expected to be in June 2014) and the Westfield Group Board's assessment of expected performance over the balance of the testing period. A decision as to the appropriate level of vesting will be made shortly after implementation when the ROCE for the six month period to 30 June 2014 is known. As noted in Westfield Group's recent results presentation, Westfield Group's ROCE improved from 11.4% in 2012 to 11.8% in 2013.

Executive service agreements and termination arrangements

Having regard to the transitional arrangements described above, the executive service agreements between Westfield Corporation and members of the senior executive team will be a combination of continuing employment arrangements (for those executives who will continue with their current employer following implementation of the Proposal) as well as a novation of existing executive service agreements for those executives who will be transferring to Westfield Corporation (from entities which will form part of Scentre Group following implementation).

The Westfield Corporation executive service agreements will not have a fixed term. Subject to local laws, Westfield Corporation will be able to terminate on one month's notice and the executives on three months' notice.

Payments to executives on termination will depend on the circumstances of the termination and will be subject to existing contractual arrangements and the requirements of the Corporations Act. The benefits that will be paid in the following circumstances, in addition to all accrued base salary and statutory entitlements, are:

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- **Resignation (excluding retirement) and termination by Westfield Corporation for cause:**
  - a pro-rata bonus for the relevant year may be considered in exceptional circumstances; and
  - all unvested entitlements under Westfield Corporation's equity linked incentive plans are forfeited, without payment, on termination.
- **Redundancy or termination by Westfield Corporation (other than for cause):**
  - a pro-rata performance bonus to the date of termination;
  - a redundancy payment of between 12 and 24 months base salary depending on the length of service of the executive plus one month's base salary in lieu of notice; and
  - pro-rata vesting of outstanding awards under Westfield Corporation's equity linked incentive plans (excluding any awards which lapsed as a consequence of a failure to satisfy a performance hurdle).
- **Death or permanent disability:**
  - a pro-rata performance bonus to the date of termination; and
  - full vesting of outstanding awards under Westfield Corporation's equity linked incentive plans (excluding any awards which lapsed as a consequence of a failure to satisfy a performance hurdle) other than "retention awards" which vest pro-rata to the date of termination.
- **Retirement**[59]
  - a pro-rata performance bonus to the date of retirement; and
  - the right to continue in Westfield Corporation's equity linked incentive plans until the date of vesting of outstanding awards granted at least 6 months prior to the date of retirement (excluding any awards which lapsed as a consequence of a failure to satisfy a performance hurdle) or, in circumstances where continued participation in the equity linked incentive plans is not permitted under the terms of the equity linked incentive plans, the executive is entitled to a cash payment from Westfield Corporation equal to the amount that would have been received had the executive been permitted to continue in the equity linked incentive plans.

Remuneration of Co-Chief Executive Officers

In addition to the contractual terms noted above, the following table sets out the proposed (annualised) remuneration of the Co-Chief Executive Officers for 2014. It should be noted that these terms reflect the current terms of employment of both Co-Chief Executive Officers with Westfield Group.

	Mr Peter Lowy Co-Chief Executive Officer and Chief Financial Officer	**Mr Steven Lowy** Co-Chief Executive Officer
Fixed Remuneration (including superannuation)	US$2,500,000	$2,500,000
Target STI for year ending 31 December 2014	175%	200%
Target LTI grant value for year ending 31 December 2014[60]	72%	80%
Termination	See above	See above
Post-employment restraints	No contractual post-employment restraints are in place for either Co-Chief Executive Officer provided that the equity linked plans provide for forfeiture of outstanding awards in circumstances where a retiring executive (who is entitled to maintain unvested awards in the plan) competes with Westfield Corporation.	

Further information on the remuneration and employment terms of additional key personnel will be disclosed in the 2014 Westfield Corporation Annual Report.

59 Westfield Corporation recognises that if an executive satisfies the retirement conditions described below, the termination of employment should be treated in a different manner to a resignation in the ordinary course. The retirement conditions are that the executive must have reached the age of 55 years with at least 5 years continuous service or the aggregate of the age of the participant and the number of years of service with Westfield Corporation (which will include prior service with a Westfield Group or Westfield Retail Trust entity) is equal to or greater than 70. Where permitted by law, the executive will also be required to comply with a continuing non-compete obligation which, if not satisfied, will result in forfeiture of all equity linked awards then outstanding.

60 See above for a discussion on the terms of the STI Plan and the LTI Plan.

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Non-executive director remuneration

Non-executive directors will be paid fees for service on the Westfield Corporation Board and its Committees and will be reimbursed for out of pocket expenses. No other bonuses or benefits will be paid either during the tenure of a non-executive director or on retirement. Non-executive directors will not participate in any of Westfield Corporation's short or long term incentive plans.

Non-executive director remuneration will comprise a base fee (which is inclusive of superannuation guarantee contributions) and where relevant, a Committee fee and an additional fee for the role of deputy chair of the Westfield Corporation Board and for Committee chair.

The aggregate pool available for payment of fees to non-executive directors of Westfield Group is currently a maximum of US$3.5 million being the same amount that was approved by securityholders at the annual general meeting of Westfield Holdings on 25 May 2011. On the assumption that there are nine non-executive directors appointed to the Westfield Corporation Board from the Implementation Date, it is expected that the total annualised fees paid to the non-executive directors (including fees for membership on board committees) will not exceed $2.3 million. It is expected that after the Proposal is implemented the Westfield Corporation Board will obtain advice from an external remuneration consultant as to the appropriate level of fees to be paid to the Westfield Corporation non-executive directors before they are fixed.

The remuneration of the non-executive directors will be determined by the Westfield Corporation Board (within the set limit), acting on recommendations made by the Human Resources Committee. The objective of the Committee in making its recommendations is to attract, retain and properly motivate high calibre non-executive directors to serve on the Westfield Corporation Board.

Mr Frank Lowy currently serves as non-executive Chairman of Westfield Group and in that capacity, receives an annual fee of $750,000. Following implementation of the Proposal, it is proposed that Mr Lowy assume the role of non-executive Chairman of both Scentre Group and Westfield Corporation. For his respective roles as Chairman of Scentre Group and Westfield Corporation, Mr Lowy will receive a fee of $500,000 from each resulting in a total from both groups of $1 million.

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SECTION 8
FINANCIAL INFORMATION FOR WESTFIELD CORPORATION

8.1 Overview

This section contains a summary of the pro forma historical financial information and pro forma forecast financial information of Westfield Corporation comprising the international operations of Westfield Group including Westfield America Trust, the US operations and UK operations currently held by Westfield Holdings and the UK operations currently held by Westfield Trust. Westfield Corporation will operate on a financial year ending 31 December, and all figures within this section are for years ended or ending 31 December unless otherwise noted.

The pro forma historical financial information and pro forma forecast financial information (**Financial Information**) have been prepared to reflect the implementation of the Proposal as described in section 2.

The pro forma historical financial information for Westfield Corporation (**Pro Forma Historical Financial Information**) comprises:

- pro forma historical income statements (before interest and tax) for FY11, FY12 and FY13, which have been prepared in accordance with the basis as described in section 8.2(a) and are set out in Table 8.3.1 (**Pro Forma Historical Income Statements**);
- pro forma historical FFO (before interest and tax) for FY11, FY12 and FY13, which have been prepared in accordance with the basis as described in section 8.2(c) and are set out in Table 8.4.1 (**Pro Forma Historical FFO**); and
- pro forma historical statement of net assets, which has been prepared in accordance with the basis as described in section 8.2(a) and is set out in Table 8.9.1 (**Pro Forma Historical Statement of Net Assets**).

The pro forma forecast financial information for Westfield Corporation (**Pro Forma Forecast Financial Information**) comprises:

- pro forma forecast income statement for FY14 prepared on the basis described in section 8.2(b) and is set out in Table 8.3.1 (**Pro Forma Forecast Income Statement**); and
- pro forma forecast FFO for FY14, prepared on the basis described in section 8.2(c) and is set out in Table 8.4.1 (**Pro Forma Forecast FFO**).

Also summarised in this section are:

- Westfield Corporation's distribution policy and forecast distribution (refer to section 8.5);
- management's discussion and analysis of the Pro Forma Historical Income Statements, Pro Forma Forecast Income Statement, Pro Forma Historical FFO and Pro Forma Forecast FFO (refer to section 8.6); and
- the Westfield Group Directors' best estimate assumptions underlying Westfield Corporation's Pro Forma Forecast Financial Information and an analysis of related sensitivities (refer to sections 8.7 and 8.8).

The user should read the information in this section in conjunction with the risk factors for Westfield Corporation in section 9, the sensitivities set out in section 8.8 and other information set out in this Securityholder Booklet.

Westfield Corporation's Pro Forma Historical Financial Information and Westfield Corporation's Pro Forma Forecast Financial Information has been reviewed by Ernst & Young Transaction Advisory Services Limited, whose Independent Limited Assurance Report is set out in section 10. The user should note the scope and limitations of the Independent Limited Assurance Report.

8.2 Basis of preparation

Westfield Corporation's Financial Information included in this section has been prepared in a manner consistent with the recognition and measurement principles prescribed in Australian Accounting Standards issued by the Australian Accounting Standards Board (which are consistent with IFRS and Interpretations issued by the IASB).

Significant accounting policies relevant to the Westfield Corporation Financial Information have been disclosed at Appendix 5 and in note 2 to the financial statements in Westfield Group's 2013 Annual Report which has been lodged with ASIC and is available at www.westfieldgroup.com.

The Pro Forma Historical Income Statements are based on the historical financial performance of Westfield Group's international operations in the UK and the US. The shopping centre interests of Westfield Corporation are set out in section 7.

SECTION 8

FINANCIAL INFORMATION FOR WESTFIELD CORPORATION

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(a) Preparation of Pro Forma Historical Income Statements and Pro Forma Historical Statement of Net Assets

The Pro Forma Historical Income Statements are presented to earnings before interest and tax. Westfield Group has undertaken a number of significant asset sales in FY11, FY12 and FY13, the proceeds of which were used to repay debt and fund the buy back of approximately 10% of Westfield Group Securities. As a result, there has been a significant change in Westfield Group's capital and debt structure over the historic period. Further significant debt restructuring will take place on implementation of the Proposal, as described in section 2.6, including the repayment of substantially all of Westfield Group's existing unsecured debt facilities and the repurchase of all outstanding bonds. Westfield Corporation will have a significantly different debt structure from Westfield Group to reflect the desired gearing ratio and credit ratings of the new group. Therefore the Westfield Group Directors do not consider the disclosure of historic interest expense meaningful in assessing the historic performance of Westfield Corporation on a pro forma basis as the debt structure in place during the historic periods was significantly different from the intended debt structures under the Proposal.

The Pro Forma Historical Statement of Net Assets reflects the demerged international operations of Westfield Group adjusted for transaction costs, estimated acquisition fair value accounting and refinancing. The Pro Forma Historical Statement of Net Assets has been prepared on the basis that the proposed demerger of Westfield Corporation was completed on 31 December 2013.

The Westfield Group Directors believe that this presentation is useful information as it permits investors to examine:

(a) the Pro Forma Historical Income Statements in a manner consistent with the Pro Forma Forecast Income Statement; and

(b) the impact on the Pro Forma Historical Statement of Net Assets of the Proposal and related refinancing.

A reconciliation of the Westfield Corporation Pro Forma Historical Income Statements for FY11, FY12 and FY13 to the audited historical statutory income statement has been included at section 8.12. A reconciliation of the Pro Forma Historical Statement of Net Assets to the audited historical net assets as at 31 December 2013 is set out in section 8.9.

The statutory financial statements of Westfield Group and its controlled entities have been audited by Ernst & Young and unqualified audit opinions were issued. The historical statutory income statements have been adjusted for the below listed pro forma transactions to derive the Pro Forma Historical Income Statements, as if they had occurred prior to 1 January 2011:

- divestment of 8 non-core shopping centres in the US, including 7 centres to Starwood Capital Group for net proceeds of US$1.64 billion in FY13;
- divestment of Westfield Group's 50% interest in 6 regional shopping centres in Florida, US to O'Connor Capital Partners resulting in net proceeds of US$700 million in FY13;
- divestment of 8 non-core shopping centres in the US, including 7 centres to Starwood Capital Group for net proceeds of US$1.154 billion in FY12;
- divestment of Westfield Group's 45% interest in 12 properties in the US to Canada Pension Plan Investment Board resulting in net proceeds of US$2.1 billion in FY12;
- divestment of Westfield Group's interest in 3 non-core shopping centres in the UK for net proceeds of £159 million in FY12;
- divestment of Westfield Group's interest in 1 non-core shopping centre in the UK for net proceeds of £55 million in FY11; and
- disposal of Westfield Group's 50% interest in Westfield Almeida Junior Shopping Centres S.A. (Brazil) in FY13.

The Pro Forma Historical Statement of Net Assets does not include the conditional transaction announced by Westfield Group on 20 March 2014, that it had entered into a conditional agreement to divest its interests in three UK shopping centres for £597 million, in line with book value as at 31 December 2013. The assets involved in this transaction are Merry Hill, Derby and Sprucefield. The agreement remains conditional at this time including in relation to the funding of the transactions and other customary conditions. Sections 8.4 and 8.9 describe the impact of the transaction on pro forma FFO and gearing if the divestments are completed.

(b) Preparation of Pro Forma Forecast Income Statement

The Pro Forma Forecast Income Statement, to the extent relevant, has been prepared by the Westfield Group Directors based on an assessment of current economic and operating conditions and has been based on the best estimate assumptions of the Westfield Group Directors as set out in section 8.7. The Westfield Group Directors believe that they have prepared the Pro Forma Forecast Income Statement with due care and attention, and consider the best estimate assumptions to be reasonable at the time of preparing the Securityholder Booklet.

The Pro Forma Forecast Income Statement has been prepared to demonstrate the implications of the Proposal as if it had been implemented on 1 January 2014 and accordingly demonstrate the implications of the Proposal over a full financial year.

The actual result will differ from the Pro Forma Forecast Income Statement presented in this document as described below.

On the Implementation Date, Westfield Group's international operations will demerge and become a separate legal entity to be known as Westfield Corporation. Westfield America Trust will acquire from Westfield Holdings and Westfield Trust their UK assets and from Westfield Holdings its interest in US assets (**International Assets**) and then destaple from Westfield Holdings and Westfield Trust.

For example, if the Proposal were to occur on 30 June 2014 then Westfield Corporation's final statutory profit for FY14 will represent 12 months of Westfield America Trust and the 6 months period to 31 December 2014 of the Westfield Holdings and Westfield Trust International Assets.

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This result will differ from the Pro Forma Forecast Income Statement presented in this document. The actual income statement will also include the transaction costs allocated to Westfield Corporation as described in section 8.9 and the costs of the refinancing described in section 8.9.

A statutory forecast for FY14 on the above basis has not been prepared due to the uncertainty in relation to the timing and the complexity of the Proposal. The actual Implementation Date of the Proposal will have a significant impact on the quantum of reported income and expenses for Westfield Corporation for FY14, and accordingly the preparation of a statutory forecast for FY14 is considered not relevant to the users assessing the Proposal.

Following the implementation of the Proposal, Westfield Corporation will adopt US dollars as its presentation currency. Accordingly, the Pro Forma Forecast Income Statement is also presented in US dollars.

(c) Preparation of Pro Forma Historical FFO and Pro Forma Forecast FFO

(i) Background

FFO is a non-IFRS performance measure which is considered to be a useful supplemental measure of operating performance.

FFO is a measure that is widely accepted in offshore and domestic real estate markets, gaining further importance in the Australian market as more property trusts adopt FFO reporting.

The NAREIT, a US based representative body for publicly traded real estate companies with an interest in US real estate and capital markets, defines FFO as net income (computed in accordance with US Generally Accepted Accounting Principles), including interest capitalised on property developments and excluding gains (or losses) from sales of property, plus depreciation and amortisation, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis.

Westfield Corporation's measure of FFO is based upon the NAREIT definition, adjusted to reflect that Westfield Corporation's profit after tax and non controlling interests is reported in accordance with Australian Accounting Standards and IFRS.

Westfield Corporation's FFO excludes property revaluations of consolidated and equity accounted property investments, unrealised currency gains/losses, net fair value gains or losses on interest rate hedges and other financial liabilities, deferred tax, gains/losses from capital transactions and amortisation of tenant allowances from the reported profit after tax.

(ii) Basis of Westfield Corporation's FFO

Westfield Corporation's Pro Forma Historical FFO and Pro Forma Forecast FFO has been calculated in section 8.4 from the Pro Forma EBIT. This has then been adjusted to add back unrealised currency gain/loss, gain/loss in respect of capital transactions, property revaluations, equity accounted property revaluations, equity accounted net interest expense, realised income hedging currency gain/loss and the amortisation of tenant allowances to derive funds from operations before interest and tax. Net interest expense, current tax expense and FFO attributable to external non controlling interests have then been deducted to determine Pro Forma Historical FFO and Pro Forma Forecast FFO.

(iii) Proportionate Format

The Pro Forma Historical FFO and Pro Forma Forecast FFO are presented on a Proportionate Format. This format consolidates Westfield Corporation's ownership share of revenues and expenses from its equity accounted investments.

The Proportionate Format is used by management in assessing and understanding the performance and results of operations of Westfield Corporation as it allows management to observe and analyse revenue and expense results and trends on a portfolio-wide basis. Management considers that, given that the assets underlying both the consolidated and the equity accounted components of the statutory income statement are similar (that is, US and UK shopping centres), most of the shopping centres are under common management, and therefore the drivers of their results are similar, the Proportionate Format provides a more useful way to understand the performance of the portfolio as a whole than the statutory format. This is because the Proportionate Format aggregates both revenue and expense items across the whole portfolio, rather than netting the revenue and expense items for equity accounted shopping centres and only reflecting their performance as a single item of profit or loss, as the statutory format requires.

(iv) Proposed UK Asset Divestments

Westfield Group announced on 20 March 2014 that it had entered into a conditional agreement with Intu Properties plc to divest its interests in three UK shopping centres for £597 million, in line with book value as at 31 December 2013. The assets involved in this transaction are Merry Hill, Derby and Sprucefield. The agreement remains conditional at this time, including in relation to the funding of the transactions and other customary conditions.

The transaction would have an annualised dilutionary impact to Westfield Corporation's and Westfield Group's FY14 Pro Forma Forecast FFO of US1.8 cents per security prior to the redeployment of capital.

The transaction is not expected to impact Westfield Corporation's FY14 pro forma forecast distribution of US24.6 cents per security. It would also not impact the FY14 distribution forecast for Westfield Group of 52.5 cents per security absent the Proposal.

The Pro Forma Historical FFO and Pro Forma Forecast FFO has not been adjusted for the transaction, as the transaction remains subject to the purchaser obtaining funding, and is not viewed as material to the FY14 Pro Forma Forecast FFO and FY14 pro forma forecast distribution included in the financial information presented in this section 8.

Table 8.4.4 below summarises the annualised impact on the Pro Forma Historical and Pro Forma Forecast Financial Information disclosed in Tables 8.3.1 and 8.4.1 assuming the transaction completes.

SECTION 8

FINANCIAL INFORMATION FOR WESTFIELD CORPORATION

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8.3 Westfield Corporation's Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement

Table 8.3.1: Pro Forma Historical Income Statements and Pro Forma Forecast Income Statements

	Pro Forma Historical			Pro Forma Forecast	
	FY11 $million	FY12 $million	FY13 $million	FY14 $million	FY14 US$million[1]
Revenue					
Property revenue	579.3	601.7	650.1	746.6	679.4
Property development and management revenue	1,480.7	165.3	247.7	527.2	479.7
	2,060.0	**767.0**	**897.8**	**1,273.8**	**1,159.1**
Share of after tax profits of equity accounted entities					
Property revenue	526.7	624.4	670.9	721.1	656.2
Property revaluations[2]	169.8	325.2	422.2		
Property expenses, outgoings and other costs	(163.6)	(193.2)	(207.2)	(230.3)	(209.6)
Net interest expense[3]	(54.1)	(70.4)	(60.4)	(75.8)	(69.0)
Tax expense	(0.4)	(0.2)	(0.3)	–	–
	478.4	**685.8**	**825.2**	**415.0**	**377.6**
Expenses					
Property expenses, outgoings and other costs	(194.2)	(205.0)	(209.2)	(238.1)	(216.6)
Property development and management costs	(1,381.4)	(56.7)	(134.1)	(428.9)	(390.3)
Overheads[4]	(166.2)	(150.1)	(142.2)	(130.6)	(118.8)
	(1,741.8)	**(411.8)**	**(485.5)**	**(797.6)**	**(725.7)**
Currency gain/(loss)[5]	29.9	21.5	(223.0)	13.5	12.3
Property revaluations[2]	(9.2)	76.4	371.6		
Earnings before interest and tax (EBIT)	**817.3**	**1,138.9**	**1,386.1**	**904.7**	**823.3**
Net interest expense[3][6][7]				(21.7)	(19.7)
Mark to market of interest rate derivatives[6][8]				(108.5)	(98.7)
Profit before tax				**774.5**	**704.9**
Current tax expense[6][9]				(25.1)	(22.8)
Deferred tax expense[6][9]				(53.9)	(49.0)
Profit after tax[10]				**695.5**	**633.1**

(1) Converted at a forecast average exchange rate of A$1 = US$0.91. Following the implementation of the Proposal, Westfield Corporation will adopt US dollars as its presentation currency.

(2) Revaluation gains or losses from the revaluation of property investments have not been forecast due to their unpredictability. Revaluation gains and losses have no impact on the Pro Forma Forecast FFO of Westfield Corporation.

(3) Total pro forma forecast net interest expense of $97.5 million is net of $47 million interest capitalised on development projects and $67 million interest income and interest capitalised in respect of Westfield Group's acquisition of its interest in the Westfield World Trade Center.

(4) With the exception of corporate overheads, overheads have been allocated in the Westfield Group between the Australian and New Zealand operations of Westfield Group and Westfield Corporation on the same basis as the segment note in Westfield Group financial statements. Corporate overheads have been allocated based on which entity receives the benefit of the expenditure.

(5) Currency gain/(loss) in the FY14 pro forma forecast relate to the US and UK operations. The mark to market gain or loss of currency derivatives has not been forecast as the calculation is dependent on the closing exchange rate at 31 December 2014. Mark to market gain or loss on currency derivatives has no impact on the Pro Forma Forecast FFO of Westfield Corporation. Realised currency gains/losses from income hedging have been included in the Pro Forma Forecast Income Statement.

(6) Westfield Group has undertaken a number of asset dispositions in FY11, FY12 and FY13. The proceeds from these dispositions were mainly used to repay debt and fund the buy back of 10% of Westfield Group's securities resulting in a significant change in Westfield Group's debt/capital structure. In addition, significant debt restructuring will occur as part of the implementation of the Proposal. As a consequence, the disclosure of historical interest expense and tax does not provide an appropriate comparison to Westfield Corporation's future capital structure.

(7) Pro forma forecast net interest expense excludes any mark to market of interest rate derivative financial instruments and mark to market of other financial liabilities. These calculations are dependent on the interest rate and other factors only available at balance date and as a result are unable to be reliably forecast. Mark to market of interest rate derivative financial instruments and mark to market of other financial liabilities have no impact on the Pro Forma Forecast FFO of Westfield Corporation.

(8) Pro forma forecast mark to market of interest rate derivative financial instruments represents the reversal of brought forward mark to market balances relating to interest cash flows that are included in net interest expense in the Pro Forma Forecast Income Statement. This has no impact on Westfield Corporation's Pro Forma Forecast FFO.

(9) Pro forma forecast current tax expense represents the tax expense on underlying operations and excludes any taxation on capital gains/losses, property revaluations and mark to market of interest rate and currency derivatives. Pro forma forecast deferred tax expense represents the potential deferred tax impact of estimated property depreciation in the US and UK.

(10) Pro forma forecast profit after tax excludes any transaction and refinancing costs as a result of the Proposal as described in section 8.9.

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8.4 Westfield Corporation's Pro Forma Historical FFO and Pro Forma Forecast FFO

Table 8.4.1: Pro Forma Historical FFO and Pro Forma Forecast FFO (Proportionate Format)

	Pro Forma Historical			Pro Forma Forecast	
	FY11 $million	FY12 $million	FY13 $million	FY14 $million	FY14 US$million[1]
Net property income	784.1	868.8	954.7	1,050.9	956.3
Project income	69.0	76.1	78.2	59.1	53.8
Property management income	30.3	32.5	35.4	39.2	35.7
Overheads	(166.2)	(150.1)	(142.2)	(130.6)	(118.8)
Realised income hedging currency gain/loss	3.2	18.7	27.0	13.5	12.3
Funds from operations before interest and tax	**720.4**	**846.0**	**953.1**	**1,032.1**	**939.3**
Net interest expense[2]				(97.5)	(88.7)
Current tax expense				(25.1)	(22.8)
Funds from operations				**909.5**	**827.8**
Forecast basic FFO per security attributable to members of Westfield Corporation (cents)				**43.8**	**39.8**

(1) Converted at a forecast average exchange rate of A$1 = US$0.91. Following the implementation of the Proposal, Westfield Corporation will adopt US dollars as its presentation currency.
(2) Pro forma forecast net interest expense of $97.5 million is net of $47 million interest capitalised on development projects and $67 million interest income and interest capitalised in respect of Westfield Group's acquisition of its interest in the Westfield World Trade Center.

Table 8.4.2: Reconciliation of Pro Forma EBIT to Pro Forma FFO

	Pro Forma Historical			Pro Forma Forecast	
	FY11 $million	FY12 $million	FY13 $million	FY14 $million	FY14 US$million[1]
Pro Forma EBIT	**817.3**	**1,138.9**	**1,386.1**	**904.7**	**823.3**
Add back:					
– Currency gain/loss	(29.9)	(21.5)	223.0	(13.5)	(12.3)
– Property revaluations	9.2	(76.4)	(371.6)		
– Equity accounted – property revaluations	(169.8)	(325.2)	(422.2)		
– Equity accounted – net interest expense	54.1	70.4	60.4	75.8	69.0
– Equity accounted – tax expense	0.4	0.2	0.3	–	–
– Realised income hedging currency gain/loss	3.2	18.7	27.0	13.5	12.3
	684.5	**805.1**	**903.0**	**980.5**	**892.3**
Add back:					
– Amortisation of tenant allowances	35.9	40.9	50.1	51.6	47.0
Funds from operations before interest and tax	**720.4**	**846.0**	**953.1**	**1,032.1**	**939.3**
Net interest expense[2]				(97.5)	(88.7)
Current tax expense				(25.1)	(22.8)
Funds from operations				**909.5**	**827.8**

(1) Converted at a forecast average exchange rate of A$1 = US$0.91. Following the implementation of the Proposal, Westfield Corporation will adopt US dollars as its presentation currency.
(2) Pro forma forecast net interest expense of $97.5 million is net of $47 million interest capitalised on development projects and $67 million interest income and interest capitalised in respect of Westfield Group's acquisition of its interest in the Westfield World Trade Center.

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Table 8.4.3: Average exchange rate for the period and forecast weighted average number of stapled securities

	FY11	FY12	FY13	FY14
Average exchange rate for the period				
– A$/US$	1.0320	1.0359	0.9678	0.9100
– A$/ £	0.6437	0.6537	0.6192	0.5700
Forecast weighted average number of stapled securities (million)[1]				*2,078.1*

(1) Forecast weighted average number of stapled securities used in the calculation of basic FFO per security.

Table 8.4.4: Impact of proposed UK asset divestments on Westfield Corporation

	Pro Forma Historical[1]			Pro Forma Forecast	
Westfield Corporation A$ million (unless otherwise stated)	FY11	FY12	FY13	FY14	FY14 US$ million[2]
Funds from operations before interest and tax	**(61.6)**	**(59.7)**	**(63.3)**	**(70.2)**	**(63.9)**
Net interest expense				21.3	19.4
Tax impact				7.4	6.7
Funds from operations				**(41.5)**	**(37.8)**
Forecast FFO per security (cents)				**(2.0)**	**(1.8)**
Property revaluations	5.1	26.2	–		

(1) Converted at historical average exchange rates.
(2) Converted at a forecast average exchange rate of A$1 = US$0.91.

8.5 Westfield Corporation's distribution policy and pro forma forecast distribution

Distribution policy and forecast distribution

Distributions to be paid by Westfield Corporation will comprise dividends from Westfield Corporation Limited and distributions from each of WFD Trust and Westfield America Trust. The Westfield Corporation Board will set the distribution target at the start of each year. The distribution target will have regard to the prior year's distribution, forecast changes in funds from operations, capital expenditure plans as well as other general business and financial considerations.

The aim of this distribution policy is to provide greater overall returns to the investors of Westfield Corporation through appropriate capital management. The flexibility to vary the distribution provides financial capacity to continue to invest in opportunities with strong returns.

The Westfield Corporation Board may determine in the future to revise its distribution policy based on a number of factors, including the financial condition and future earnings of Westfield Corporation, capital requirements and future prospects.

Based on the above policy the pro forma forecast distribution for Westfield Corporation in respect of FY14 is US24.6 cents per security, representing approximately 62% of Pro Forma FFO.

Distributions paid by Westfield Corporation will be determined in US dollars and converted into Australian dollars on payment. Based on an assumed exchange rate of AUD1.00 = US0.91 cents, the forecast distribution of US24.6 cents per security equates to 27 cents per security. The actual amount of Australian dollars Westfield Corporation Securityholders will receive will depend upon the exchange rate prevailing on or about the day Westfield Corporation arranges to pay distributions. The incremental impact of a change in the average A$/US$ exchange rate by 5 cents from the above assumed exchange rate is 1.4 cents per security.

8.6 Management discussion and analysis on Westfield Corporation's Financial Information

(a) Key components of Westfield Corporation's Financial Information and their drivers

Management's discussion and analysis on Westfield Corporation's Financial Information, addresses among other items, the key factors and operational measures summarised below. These are the key factors that Westfield Group expects may continue to affect the operating and financial performance of Westfield Corporation during the forecast period. This discussion together with the discussion of general factors affecting the operating results of Westfield Corporation should be read in conjunction with the description of the basis upon which Westfield Corporation's Financial Information has been prepared and the pro forma adjustments described in section 8.2, and best estimate assumptions underlying Westfield Corporation's Pro Forma Forecast Financial Information in section 8.7.

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In addition to the items described below, FFO as described in section 8.2 above, is also a key financial metric of Westfield Corporation.

(i) Property revenue and property expenses and outgoings

Westfield Corporation is expected to derive the majority of its revenue from leases with retail tenants at shopping centres. Property revenue includes minimum base rents, cart and kiosk rentals, expense recoveries and percentage rent based on tenants' sales volumes. Property expenses and outgoings consist of costs in connection with the ownership and operation of retail shopping centres such as property rates and taxes, repairs and maintenance, cleaning, security, advertising and promotions, insurance, ground rent, utilities and leasing expenses. A significant portion of these expenses and outgoings are recovered from tenants. Key factors that affect the level of property revenue and property expenses and outgoings include:

(i) the ability to negotiate minimum base rents from existing or new tenants;

(ii) the ability to lease the shopping centres at near full or full occupancy; and

(iii) the level of acquisitions and dispositions as well as the level of development and redevelopment of the existing shopping centres, which changes the size and nature of the property portfolio. The excess of property revenue over property expenses and outgoings is referred to as "Net property income" (refer also to "Net property income" under "Key operational measures" below).

(ii) Property revaluations

Investment properties include freehold and leasehold land, buildings, leasehold improvements and redevelopment and development projects. In accordance with IFRS, Westfield Corporation will carry property investments on the balance sheet at their fair market values. At each reporting date, the Westfield Corporation Board will assess the carrying value of the investment property portfolio, and where the carrying value differs from the Westfield Corporation Board's assessment of fair value, an adjustment is recorded against the carrying value as appropriate. The Westfield Corporation Board's assessment of fair value of each shopping centre takes into account the latest independent valuations, with updates taking into account any changes in estimated yield, underlying income and valuations of comparable shopping centres. Investment properties undergoing redevelopment are independently valued on completion. The independent valuations are conducted using two methods the "capitalisation of net income" method and/or the "discounting of future cash flows to their present value" method. See "Investment Properties" in Appendix 5.

The "capitalisation of net income" method involves directly capitalising stabilised net income based on the yields (calculated as the ratio of net income to sale price) produced by sales of comparable property investments, which is referred to as "capitalisation rates", and subtracting an amount equal to the forecast capital expenditure for the property for a one to three year period.

To determine stabilised net income, valuers adjust the budgeted net income for the next 12 months from the valuation date to incorporate:

(i) adjustments to the rental revenues achieved as of the valuation date for future rent reviews and expiring tenancies, thereby taking into account the opportunity (or risk) of adjusting these revenues to the current market conditions;

(ii) adjustments to take into account vacancy allowances; and

(iii) adjustments to the level of tenant allowances that have been forecast to be spent during the period.

Factors that affect capitalisation rates include:

— the underlying financial and operational performance of the property and comparable properties;

— the general economic conditions in the areas where the comparable properties are located;

— the level of competition in the trade area that the comparable properties are located; and

— availability of funding.

Capitalisation rates are a useful tool for identifying industry wide conditions. Rising capitalisation rates may indicate higher initial property yields due to rising rents, falling property prices or both.

The discounting of future cash flows approach involves calculating the present value of estimated future net cash flows (i.e. property receipts less property payments and an assumed end of period sale) over a ten year period discounted at an appropriate risk adjusted rate. This is the principal method used to value the properties in the US. Property revaluations may be affected by the size of development and redevelopment programme.

Because the investment properties are carried at fair value on the balance sheet, changes in the fair market value of the investment properties from period to period may result in significant non-cash gains or write-downs, resulting in significant periodic fluctuations in the reported income statements.

(iii) Property development and project management revenue and property development and project management costs

The development and redevelopment programme is expected to provide long term earnings growth for Westfield Corporation. Revenue from joint venture partners and third parties for property development and project management services provided at jointly owned and third party properties that are under development. The key driver for property development and project management revenue and costs is the level of development activity undertaken at jointly owned and third party properties for which income is earned. If the number of joint ventures and third party properties within the property portfolio increases, it is expected that property development and project management revenue from joint venture partners and third parties, and associated costs, will increase correspondingly.

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(iv) Property management income and property management costs

Westfield Corporation manages certain assets on behalf of institutions and other investors for which management fees are received. The income and costs recorded relate to the third parties' share of the costs of managing these joint venture properties. These fees are affected by the number of joint venture shopping centres held, the level of development activity with joint venture partners and the gross income generated by the properties. If the number of joint ventures across the property portfolio increases, it is expected that property management income from management fees, and associated costs, will also increase correspondingly.

(v) Property acquisitions and divestments

Westfield Corporation acquires properties that satisfy its investment criteria and divest assets that no longer meet its investment criteria. These acquisitions can take the form of a direct property acquisition or the acquisition of investment vehicles. The accounting treatment of acquired properties and the impact of property acquisitions on the financial results are more fully described in Appendix 5.

(vi) Interest expense

Interest expense includes the cost of debt on borrowings and other financial liabilities and is impacted by the variable interest rate on Westfield Corporation's floating rate borrowings, the interest rate on fixed rate debt and the coupon payable on Westfield Corporation's other financial liabilities. Interest rate risk is managed by interest rate hedging.

Interest rate hedging reflects the objectives for the overall business and financial goals, including financial covenant compliance and management of the impact of interest rate movements on earnings. It is expected that the interest rate exposure on borrowings and investments will be actively hedged on a portfolio basis using a combination of fixed rate debt and derivative financial instruments. Interest expense is reduced by any capitalisation of interest on properties under development. Refer to "Derivative and other financial instruments" in Appendix 5 for further details.

(vii) Taxation

Westfield Corporation comprises taxable and non taxable entities. A liability for current and deferred taxation is only recognised in respect of taxable entities that are subjected to income and CGT.

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

Westfield America is a REIT for US federal income tax purposes. To maintain its REIT status, Westfield America is required to distribute at least 90% of its taxable income to shareholders and meet certain asset and income tests as well as certain other requirements. As a REIT, Westfield America will generally not be liable for federal and state income taxes in the US, provided it satisfies the necessary requirements and distributes 100% of its taxable income to its shareholders. Dividends paid by Westfield America to Westfield America Trust are subject to US dividend withholding tax.

(b) Key operational measures

(i) Net property income and comparable net property income

Net property income measures the rental revenue from shopping centres less the expenses in operating those shopping centres, including the share of rental revenues less expenses in operating the equity accounted shopping centres. Comparable net property income is the equivalent measure on a same shopping centre basis (i.e. excluding shopping centres that became operational or are impacted by redevelopment activities or were sold during the comparative prior period and any abnormal items), measured in local currency. Management uses net property income as a measure of the underlying operational performance of its property assets, without regard to its capital structure, tax position and the real estate value of Westfield Corporation's shopping centres. Net property income is also a key measure used by valuers in determining the valuation of its shopping centres.

(ii) Gross lettable area (GLA)

GLA generally measures the amount of space in the shopping centres that can be leased to tenants, expressed in square feet. In the UK GLA includes the space leased, or available for lease, to anchor tenants. In the shopping centres in the US, GLA includes both space available for lease to anchor retailers and anchor owned GLA because in the US anchor retailers typically own their retail space.

(iii) Leased rate

Leased rate measures the percentage of total GLA that is leased at a point in time. For the US, calculation of leased rate excludes anchor GLA and temporary leases which have a term of less than one year. For the UK, anchors typically lease their stores and, therefore, the calculation of leased rate includes anchor GLA together with specialty stores but excludes shopping centres or sites which are development impacted.

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(iv) Average specialty store rent

Average specialty store rent measures the average total rent (which in the UK excludes any portion that relates to a reimbursement of expenses) that is earned per square foot of space that is leased to specialty store retailers (excluding anchor tenants) in the shopping centres during the period. By excluding anchor tenants, which typically own their own space in the US shopping centres, average specialty store rent allows for rental income of the shopping centres across different geographic regions to be measured on a comparable basis.

(v) Specialty store sales growth

Specialty store sales growth measures the period on period change in the sales of the specialty stores in the shopping centres. Because it measures the sales of the retailers, it is not a measure of revenue that Westfield Corporation expects to earn, except to the limited extent that certain of the lease agreements entitle Westfield Corporation to a percentage of the tenants' revenue. However, it is an indirect measure of the performance of the business because higher sales at the shopping centres will generally correlate over time with higher demand for retail space in the shopping centres, resulting in higher leased rates and/or higher rents.

Westfield Corporation provides data on GLA, portfolio leased %, average specialty shop rents and same store specialty sales growth with respect to the shopping centre portfolios (including part owned shopping centres on a 100% basis) on a geographical basis in section 7 "Profile of Westfield Corporation".

(c) Pro forma forecast EBIT and pro forma historical EBIT

Pro forma forecast EBIT compared to pro forma historical EBIT FY13

The pro forma forecast EBIT for FY14 is $904.7 million compared to the pro forma historical EBIT for FY13 of $1,386.1 million. The FY14 EBIT assumes no property revaluations, currency movements and capital transactions. If the FY13 EBIT is adjusted for these items the comparable FY13 EBIT is $903.0 million, compared to $980.5 million for FY14. This increase of $77.5 million or 8.6% is mainly due to increases in net property income, forecast exchange rate movements for the US dollar and pound sterling against the Australian dollar along with anticipated overhead savings.

Pro forma historical EBIT FY13 compared to pro forma historical EBIT FY12

The pro forma historical EBIT is $1,386.1 million for FY13 compared to $1,138.9 million for FY12, an increase of $247.2 million or 21.7%. This increase is mainly due to strengthening of the US dollar and pound sterling against the Australian dollar and increases in net property income, property revaluations, share of after tax profits from equity accounted investments and overhead savings.

Pro forma historical EBIT FY12 compared to pro forma historical EBIT FY11

The pro forma historical EBIT is $1,138.9 million for FY12 compared to $817.3 million for FY11, an increase of $321.6 million or 39.3%. This increase is mainly due to increases in net property income, property revaluations, share of after tax profits from equity accounted investments and overhead savings.

(d) Pro Forma Forecast FFO and Pro Forma Historical FFO

Pro Forma Forecast FFO compared to Pro Forma Historical FFO FY13

The Pro Forma Forecast FFO before interest and tax for FY14 is $1,032.1 million compared to the Pro Forma Historical FFO before interest and tax for FY13 of $953.1 million, an increase of $79.0 million or 8.3%. The increase is mainly attributable to increases in net property income, forecast exchange rate movements for the US dollar and pound sterling against the Australian dollar along with anticipated overhead savings.

Pro Forma Historical FFO FY13 compared to Pro Forma Historical FFO FY12

The Pro Forma Historical FFO before interest and tax for FY13 is $953.1 million compared to $846.0 million for FY12, an increase of $107.1 million or 12.7%. The increase is mainly attributable to increases in net property income, exchange rate movements for the US dollar and pound sterling against the Australian dollar and overhead savings.

Pro Forma Historical FFO FY12 compared to Pro Forma Historical FFO FY11

The Pro Forma Historical FFO before interest and tax for FY12 is $846.0 million compared to $720.4 million for FY11, an increase of $125.6 million or 17.4%. The increase is mainly attributable to increases in net property income and project income, overhead savings and increases in currency gains (excluding the mark to market on currency derivatives).

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(e) Net property income

Table 8.6.1: Property revenue and net property income

	Pro Forma Historical			Pro Forma Forecast	
	FY11 $million	FY12 $million	FY13 $million	FY14 $million	FY14 US$million
Property revenue					
– US - Consolidated	465.3	468.3	517.4	582.7	530.2
– US - Equity accounted	435.0	456.2	492.9	516.6	470.1
	900.3	**924.5**	**1,010.3**	**1,099.3**	**1,000.3**
– UK - Consolidated	114.0	133.4	132.7	163.9	149.2
– UK - Equity accounted	91.7	168.2	178.0	204.4	186.0
	205.7	**301.6**	**310.7**	**368.3**	**335.2**
Total	**1,106.0**	**1,226.1**	**1,321.0**	**1,467.6**	**1,335.5**
Net property income					
– US - Consolidated	301.2	308.7	344.4	381.0	346.7
– US - Equity accounted	300.8	325.1	348.6	358.7	326.4
	602.0	**633.8**	**693.0**	**739.7**	**673.1**
– UK - Consolidated	83.9	88.0	96.5	127.6	116.1
– UK - Equity accounted	62.3	106.1	115.1	132.0	120.1
	146.2	**194.1**	**211.6**	**259.6**	**236.2**
Total	**748.2**	**827.9**	**904.6**	**999.3**	**909.3**
Add back:					
– Amortisation of tenant allowances	35.9	40.9	50.1	51.6	47.0
	784.1	**868.8**	**954.7**	**1,050.9**	**956.3**

Pro forma forecast compared to pro forma historical FY13

Net property income is expected to increase $94.7 million or 10.5% from $904.6 million in FY13 to $999.3 million in FY14. Tenant allowances amortisation is expected to increase from $50.1 million in FY13 to $51.6 million in FY14.

In the US net property income for FY14 is forecast to be $739.7 million compared to $693.0 million for FY13, an increase of $46.7 million or 6.7%. This increase is mainly attributable to the expected completion of developments at Garden State Plaza and Montgomery in 2014; comparable NOI growth forecast of 4.0% – 5.0% and the forecast exchange rate movement of the US dollar by 6.0% due to the change in the average exchange rate from A$1 = US$0.9678 in FY13 to the forecast average rate of US$0.9100 in FY14. The comparable NOI growth forecast is impacted by the key assumption in section 8.7 that the shopping centre interests continue to be approximately 94% leased on average.

In the UK, net property income for FY14 is forecast to be $259.6 million compared to $211.6 million for FY13, an increase of $48.0 million or 22.7%. This movement reflects the expected FY14 comparable NOI growth of 10.0%-11% mainly driven by the growth in rents from London and the stabilisation of Stratford; and the forecast exchange rate movement of the pound sterling by 7.9% due to the change in the average exchange rate from A$1 = £0.6192 in FY13 to the forecast average rate of £0.5700 in FY14. The comparable NOI growth forecast is impacted by the key assumptions in section 8.7 that the UK shopping centre interests continue to be in excess of 99% leased and the five year rent review process for London commenced during the second half of FY13.

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Pro forma historical FY13 compared to pro forma historical FY12

Net property income has increased $76.7 million or 9.3% from $827.9 million in FY12 to $904.6 million in FY13. Tenant allowances amortisation has increased from $40.9 million in FY12 to $50.1 million in FY13. This increase is consistent with the growth in rent and increasing long term deals across the portfolio and new tenant allowances on completed developments.

In the US net property income for FY13 is $693.0 million compared to $633.8 million for FY12, an increase of $59.2 million or 9.3%. This increase is mainly attributable to the completion of the developments in 2012 at UTC (California) and under the minor projects programme; and comparable NOI growth of 4.7% for the year; and the strengthening of the US dollar by 6.6% due to the change in the average exchange rate from A$1 = US$1.0359 in FY12 to US$0.9678 in FY13. The comparable NOI growth is primarily due to the 3.8% increase in average specialty store rent for FY13.

In the UK, net property income for FY13 is $211.6 million compared to $194.1 million for FY12, an increase of $17.5 million or 9.0%. This increase is mainly attributable to the strengthening of the pound sterling by 5.3% due to the change in the average exchange rate from A$1 = £0.6537 in FY12 to £0.6192 in FY13 and comparable NOI growth of 4.3% for the year. The comparable NOI growth is primarily due to the 2.7% increase in average specialty store rent for FY13 and the five year rent review process for London commenced during the second half of FY13.

Refer to section 7 for further information with respect to movement in leased rates and average specialty shop rental rates as well as operating statistics for FY13 and FY12.

Pro forma historical FY12 compared to pro forma historical FY11

Net property income has increased $79.7 million or 10.7% from $748.2 million in FY11 to $827.9 million in FY12. Tenant allowances amortisation has increased from $35.9 million in FY11 to $40.9 million in FY12. This increase is consistent with the growth in rent and increasing long term deals across the portfolio and new tenant allowances on completed developments.

In the US net property income for FY12 is $633.8 million compared to $602.0 million for FY11, an increase of $31.8 million or 5.3%. This increase is mainly attributable to the completion of the developments in 2012 at UTC (California) and under the minor projects programme; and comparable NOI growth of 4.2% for the year. The comparable NOI growth is primarily due to the 2.3% increase in average specialty store rent for FY12.

In the UK, net property income for FY12 was $194.1 million compared to $146.2 million for FY11, an increase of $47.9 million or 32.8%. This increase is mainly due to the completion of Stratford City in FY11 and a 0.4% increase in comparable NOI. The comparable NOI growth is primarily due to the 1.2% increase in average specialty store rent for FY12.

Refer to section 7 for further information with respect to movement in leased rates and average specialty shop rental rates as well as operating statistics for FY12 and FY11.

(f) Project income

Table 8.6.2: Project income

	Pro Forma Historical			Pro Forma Forecast	
	FY11 $million	FY12 $million	FY13 $million	FY14 $million	FY14 US$million
Property development and project management revenue	1,427.6	105.0	182.1	454.6	413.7
Property development and project management costs	(1,358.6)	(28.9)	(103.9)	(395.5)	(359.9)
Total	**69.0**	**76.1**	**78.2**	**59.1**	**53.8**

Pro forma forecast compared to pro forma historical FY13

Project income is forecast to be $59.1 million for FY14 compared to $78.2 million for FY13, a decrease of $19.1 million. The decrease is due to the timing of recognition of project profits and a reduction in project leasing income being recognised on the Westfield World Trade Center for FY14 following the acquisition of the remaining 50% interest in FY14. Refer to section 7.5 for further details of the Westfield Corporation development projects and pipeline.

Pro forma historical FY13 compared to pro forma historical FY12

Project income was $76.1 million for FY12 compared to $78.2 million for FY13, an increase of $2.1 million or 2.8%, and includes income from developments in the US at Garden State Plaza and Montgomery and Stratford and London in the UK.

Refer to section 7.5 for further details of the Westfield Corporation development projects and pipeline.

Pro forma historical FY12 compared to pro forma historical FY11

Project income was $69.0 million for FY11 compared to $76.1 million for FY12, an increase of $7.1 million or 10.3%, and includes income from developments in the US at UTC and Garden State Plaza and Stratford and London in the UK. Refer to section 7.5 for further details of the Westfield Corporation development projects and pipeline.

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(g) Property management income

Table 8.6.3 – Property management income

	Pro Forma Historical			Pro Forma Forecast	
	FY11 $million	FY12 $million	FY13 $million	FY14 $million	FY14 US$million
Property management revenue	53.1	60.3	65.6	72.6	66.1
Property management costs	(22.8)	(27.8)	(30.2)	(33.4)	(30.4)
Total	**30.3**	**32.5**	**35.4**	**39.2**	**35.7**

Pro forma forecast compared to pro forma historical FY13

Property management income is forecast to increase by $3.8 million or 10.7% from $35.4 million in FY13 to $39.2 million in FY14. This increase is mainly due to the forecast growth in net property income from joint venture shopping centres and forecast exchange rate movements.

Pro forma historical FY13 compared to pro forma historical FY12

Property management income has increased by $2.9 million or 8.9% from $32.5 million in FY12 to $35.4 million in FY13. This increase is mainly due to the growth in net property income from joint venture shopping centres, additional management income from the airport business and exchange rate movements.

Pro forma historical FY12 compared to pro forma historical FY11

Property management income has increased by $2.2 million or 7.3% from $30.3 million in FY11 to $32.5 million in FY12. This increase is mainly due to the growth in net property income from joint venture shopping centres and additional management income from the airport business.

(h) Overheads (refer to Table 8.3.1)

Pro forma forecast compared to pro forma historical FY13

Overheads are expected to decrease from $142.2 million in FY13 to $130.6 million in FY14 as a result of the implementation of the Proposal. The expected cost savings implemented will be partially offset by the impact of forecast exchange rate movements of $6.0 million.

Pro forma historical FY13 compared to pro forma historical FY12

Overheads decreased from $150.1 million in FY12 to $142.2 million in FY13. This reduction was due to cost savings implemented post the divestment of shopping centres in the US which was partially offset by the impact of exchange rate movements of $7.0 million.

Pro forma historical FY12 compared to pro forma historical FY11

Excluding the $7.2 million in FY11 relating to a reduction in the Chairman's remuneration (following his transition from an executive to non-executive role), offset by office relocation costs, overheads were broadly in line between FY12 and FY11.

(i) Property revaluations

Table 8.6.4 – Property revaluations

	Pro Forma Historical			Pro Forma Forecast	
	FY11 $million	FY12 $million	FY13 $million	FY14 $million	FY14 US$million
Consolidated	(9.2)	76.4	371.6		
Equity accounted	169.8	325.2	422.2		
Total	**160.6**	**401.6**	**793.8**		

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Pro forma forecast

Revaluation gains or losses from the revaluation of property investments have not been forecast due to their unpredictability. Revaluation gains and losses have no impact on the Pro Forma Forecast FFO of Westfield Corporation.

Pro forma historical FY13 compared to pro forma historical FY12

Property revaluations were $401.6 million for FY12 compared to $793.8 million for FY13, an increase of $392.2 million or 97.7%. The increase was primarily due to the valuation impact of the growth in net operating income in FY13 for the US and UK and the firming of the average capitalisation rate from 6.1% in FY12 compared to 5.7% in FY13.

Pro forma historical FY12 compared to pro forma historical FY11

Property revaluations were $160.6 million for FY11 compared to $401.6 million for FY12, an increase of $241.0 million or 150.1%. The increase was primarily due to the valuation impact of the growth in net operating income in FY12 for the US and UK. There was no change in the portfolio cap rate of 5.6% between FY12 and FY11.

(j) Currency gain/(loss) (refer to Table 8.3.1 and Table 8.4.1)

Pro forma forecast

Mark to market gain or loss of currency derivatives has not been forecast as the calculation is dependent on the closing exchange rate at 31 December 2014. Mark to market gain or loss on currency derivatives has no impact on the Pro Forma Forecast FFO of Westfield Corporation.

Currency gains on an FFO basis (which excludes the mark to market of derivatives) are expected to decrease $13.5 million from $27.0 million in FY13 to $13.5 million in FY14, reflecting a reduction of US dollar currency hedging contracts expected to be settled in FY14.

Pro forma historical FY13 compared to pro forma historical FY12

Currency gain/(loss) was a gain of $21.5 million for FY12 compared to a loss of $223.0 million for FY13. The movement of $244.5 million is mainly due to the movements in exchange rates on the mark to market of derivatives.

Currency gains on an FFO basis have increased $8.3 million from $18.7 million in FY12 to $27.0 million in FY13, reflecting the settlement of US dollar currency hedging contracts.

Pro forma historical FY12 compared to pro forma historical FY11

Currency gain/(loss) was a gain of $29.9 million for FY11 compared to $21.5 million for FY12. The movement of $8.4 million is mainly due to the movements in exchange rates on the mark to market of derivatives.

Currency gains on an FFO basis have increased $15.5 million from $3.2 million in FY11 to $18.7 million in FY12, reflecting the settlement of US dollar currency hedging contracts.

(k) Net interest expense (refer to Table 8.3.1)

Pro forma forecast

The proportionate net interest expense forecast for FY14 of $97.5 million primarily represents the forecast net interest on existing secured mortgages and derivatives together with the cost of a bridge facility, new bilateral bank loan facilities, syndicated loans, new derivatives and the progressive raising of new bonds under a funding plan that will be utilised progressively to pay down the bridging facility. The interest expense is shown net of $47 million interest capitalised on development projects and $67 million interest income and interest capitalised in respect of Westfield Group's acquisition of its interest in the Westfield World Trade Center.

Pro forma forecast mark to market of interest rate derivatives financial instruments of $108.5 million represents the reversal of brought forward mark to market balances relating to interest cash flows included in net interest expense in the Pro Forma Forecast Income Statement. This has no impact on Westfield Corporation's Pro Forma Forecast FFO.

(l) Tax expense (refer to Table 8.3.1)

Pro forma forecast

The tax expense forecast of $25.1 million for FY14 primarily represents withholding tax payable on US$ distribution of US REIT income, corporation tax payable in a US taxable REIT subsidiary, for certain income earned in the US business and corporation and non resident landlord tax payable for the UK business partially offset by tax deductions for overheads and interest expense.

The deferred tax expense forecast of $53.9 million for FY14 represents the potential deferred tax impact of estimated property depreciation in the UK and US.

8.7 Best estimate assumptions underlying the Pro Forma Forecast Income Statement and Pro Forma Forecast FFO

The Pro Forma Forecast Income Statement and Pro Forma Forecast FFO are based on various best estimate assumptions set out below.

(a) Key assumptions

The key assumptions underlying the Pro Forma Forecast Income Statement and Pro Forma Forecast FFO for the year ending 31 December 2014 include the following:

- the Proposal is implemented on 1 January 2014;
- the stapling of Westfield Corporation Limited, WFD Trust and Westfield America Trust to form Westfield Corporation is treated as a business combination;
- shopping centre interests in the US continue to be approximately 94% leased and shopping centre interests in the UK continue to be in excess of 99% leased;
- the majority of leases have fixed rate annual escalations;
- development activities including Westfield World Trade Center, Garden State Plaza, Montgomery, Village at Topanga, Bradford (UK) and other minor projects are under way. The Pro Forma Forecast assumes capital expenditure of approximately US$840 million on development activities;

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- the purchase of the remaining 50% interest in Westfield World Trade Center;
- average A$/US$ exchange rate of 0.91, average A$/£ exchange rate of 0.57 and average US$/£ exchange rate of 0.63 for FY14;
- assumption of $7.1 billion of debt net of cash attributable to the Australian and New Zealand operations of Westfield Group business;
- Westfield Corporation enters into bridge facilities and new bilateral bank loan facilities which are progressively replaced with new bonds (refer to section 8.11);
- average gross interest rate (including the impact of derivative financial instruments) of approximately 3.0% for FY14 based upon market interest rates consistent with the announcement on 4 December 2013 and including the existing mortgages, impact of bridge facilities, bilateral bank loan facilities, syndicated loans and progressive raising of new bonds; and
- taxation on relevant entities at local tax rates currently prevailing at 41% corporate rate and 15% withholding tax on REIT distributions for the US and 21.5% weighted corporate rate and 20% non resident landlord rate for the UK.

(b) General assumptions

In preparing the Pro Forma Forecast Income Statement and Pro Forma Forecast FFO, the following general best estimate assumptions have been adopted:

- no significant amendment to any material agreement or arrangement relating to Westfield Corporation's businesses. The parties to those agreements and arrangements are assumed to continue to comply with the terms of all material agreements and arrangements and maintain all relevant licenses and approvals;
- no material business or property acquisitions or disposals;
- no material changes in the competitive operating environment;
- no material changes in capital expenditure requirements;
- macroeconomic and industry conditions as described in section 9;
- no material contract disputes or litigation;
- no change in Westfield Corporation's capital structure other than as set out in, or contemplated, in this Securityholder Booklet;
- no significant change in the legislative regimes and regulatory environments in the jurisdictions in which Westfield Corporation or its key consumers operate which will materially affect Westfield Corporation Pro Forma Forecast Financial Information (including in the areas of taxation);
- no changes in accounting standards or the Corporations Act or to other relevant foreign equivalents of the Corporations Act that would have a material effect on Westfield Corporation's financial performance, cash flows or financial position and the way in which they are reported;
- no property revaluations or mark to market of financial instruments in relation to a movement in interest or exchange rates; and
- consistency of Westfield Corporation's significant accounting policies over the forecast period.

8.8 Sensitivity analysis

The Pro Forma Forecast Income Statement and Pro Forma Forecast FFO are based on certain economic and business assumptions about future events that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Westfield Corporation, Westfield Group Directors and management. A summary is provided of the sensitivity of Westfield Corporation's Pro Forma Forecast FFO to variations in a number of key assumptions for FY14. The changes in the key variables set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. For the purposes of the analysis below, the effect of the changes in key assumptions on the Pro Forma Forecast FFO is discussed below.

Table 8.8.1: Pro Forma Forecast FFO sensitivity

	Pro Forma Forecast	
Pro Forma Forecast FFO sensitivity	US$million	US$CPU
Pro Forma Forecast FFO	827.8	39.8
Incremental impact of change from assumptions		
Change in average portfolio leased by 0.1% p.a.	+/– 1.0	+/– 0.05
Change in average £ exchange rate by 5 cents	+/– 16.9	+/– 0.81
Change in average interest rate by 0.25% p.a.	+/– 7.6	+/– 0.37

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables over the full year. In practice, changes in variables may offset each other or may be cumulative, and it is likely that Westfield Corporation's management would respond to any adverse change in one variable by taking action to minimise the net effect on Westfield Corporation's earnings.

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8.9 Pro Forma Historical Statement of Net Assets

The Pro Forma Historical Statement of Net Assets set out for Westfield Corporation below has been prepared on the basis that the Proposal was implemented on 31 December 2013.

Table 8.9.1: Pro Forma Historical Statement of Net Assets

31 December 2013	Historical Audited Westfield Group[2] $million	Westfield Group's Net Assets Attributable to Scentre Group[3] $million	Westfield Group's Net Assets Attributable to Westfield Corporation[4] $million	Refinancing costs[5] $million	Inter-company, derivatives and debt update[6] $million	Transaction costs[7] $million	Westfield World Trade Center[8] $million	Westfield Corporation Pro Forma Historical Statement of Net Assets[9] $million	Westfield Corporation Pro Forma Historical Statement of Net Assets[9] US$million[1]
Current assets									
Cash and cash equivalents	1,153.0	(190.0)	963.0	–	–	–	–	963.0	860.2
Receivables and other assets	842.9	(190.4)	652.5	–	39.8	–	–	692.3	618.4
Payables to Scentre Group	–	(1,233.5)	(1,233.5)	–	1,233.5	–	–	–	–
Total current assets	1,995.9	(1,613.9)	382.0	–	1,273.3	–	–	1,655.3	1,478.6
Non current assets									
Shopping centre investments	15,405.7	(7,256.7)	8,149.0	–	–	–	–	8,149.0	7,278.7
Development projects and construction in progress	1,056.3	(154.2)	902.1	–	–	–	671.7	1,573.8	1,405.7
Equity accounted investments									
– Cash	146.4	(21.5)	124.9	–	–	–	–	124.9	111.6
– Shopping centre investments	16,820.6	(7,145.8)	9,674.8	–	–	–	–	9,674.8	8,641.5
– Development projects and construction in progress	749.7	(126.1)	623.6	–	–	–	–	623.6	557.0
– Other assets	105.9	(17.5)	88.4	–	–	–	–	88.4	79.0
– Payables	(307.0)	112.0	(195.0)	–	–	–	–	(195.0)	(174.2)
– Interest bearing liabilities	(1,925.5)	22.3	(1,903.2)	–	–	–	–	(1,903.2)	(1,699.9)
– Deferred tax liabilities	(106.2)	106.2	–	–	–	–	–	–	–
Other non current assets	966.2	(215.8)	750.4	–	39.6	–	–	790.0	705.6
Total non current assets	32,912.1	(14,697.1)	18,215.0	–	39.6	–	671.7	18,926.3	16,905.0
Total assets	34,908.0	(16,311.0)	18,597.0	–	1,312.9	–	671.7	20,581.6	18,383.6
Current liabilities									
Trade creditors and other payables	2,010.2	(570.3)	1,439.9	–	16.0	75.0	–	1,530.9	1,367.4
Interest bearing liabilities	3.8	(0.3)	3.5	–	–	–	–	3.5	3.1
Total current liabilities	2,014.0	(570.6)	1,443.4	–	16.0	75.0	–	1,534.4	1,370.5
Non current liabilities									
Interest bearing liabilities	12,314.8	(3,982.0)	8,332.8	1,054.9	(3,034.9)	–	671.7	7,024.5	6,274.3
Other non current liabilities	1,880.2	(1,523.5)	356.7	–	121.1	–	–	477.8	426.8
Deferred tax liabilities	3,358.3	(43.6)	3,314.7	–	–	–	–	3,314.7	2,960.7
Total non current liabilities	17,553.3	(5,549.1)	12,004.2	1,054.9	(2,913.8)	–	671.7	10,817.0	9,661.8
Total liabilities	19,567.3	(6,119.7)	13,447.6	1,054.9	(2,897.8)	75.0	671.7	12,351.4	11,032.3
Net assets	15,340.7	(10,191.3)	5,149.4	(1,054.9)	4,210.7	(75.0)	–	8,230.2	7,351.3

(1) Converted at a 31 December 2013 exchange rate of A$1 = US$0.8932 (being the exchange rate as at 31 December 2013 and not for the FY14 pro forma forecast or forecast information, which is A$1/US$0.91). Following the implementation of the Proposal, Westfield Corporation will adopt US dollars as its presentation currency.

(2) Westfield Group's net assets as at 31 December 2013 extracted from the statutory financial statements of Westfield Group which have been audited by Ernst & Young and on which an unqualified audit opinion was issued on 26 February 2014.

(3) Westfield Group's Australia and New Zealand net assets as at 31 December 2013 attributable to Scentre Group.

(4) Westfield Group's US and UK net assets as at 31 December 2013 attributable to Westfield Corporation as included in Westfield Group's audited financial statements.

(5) Relates to $1,054.9 million estimated cost associated with the refinancing of borrowings in Westfield Group entities attributable to the US and UK operations. These costs comprise bond buyback premium and the mark to market of the contracted interest rate to current interest rate. These costs will be expensed in the actual FY14 income statement. The actual costs will differ from the above estimates depending on the prevailing interest and exchange rates at the date refinancing occurs.

(6) Estimated debt adjustments to reflect the settlement of inter-group balances at the Implementation Date and the allocation of interest bearing liabilities (compared to amounts at 31 December 2013) to Westfield Corporation at the Implementation Date. The actual debt adjustments will differ from the above estimates depending on actual transactions in the normal course of business (such as capital expenditure, net operating cash flows, property acquisitions, payment of dividends/distributions and tax instalments).

(7) Relates to $75.0 million estimated transaction costs for professional services and other associated costs related to the implementation of the Proposal. These costs will be expensed in the actual FY14 income statement.

(8) In December 2013, Westfield Group announced that it intends to acquire the remaining 50% of the retail component of the Westfield World Trade Center that it does not already own for US$800 million with initial payment of approximately US$600 million, which was paid in March 2014.

(9) Westfield America Trust will for accounting purposes acquire from Westfield Holdings and Westfield Trust their UK assets and from Westfield Holdings its interest in US assets. The Pro Forma Historical Statement of Financial Position does not include any fair value adjustment for any intangible asset arising from the Westfield Holdings Westfield Trust International Assets acquisition. Fair value adjustment, if any, will be determined at Implementation Date and will have no impact on the Pro Forma Forecast FFO of Westfield Corporation. Any additional fair value adjustments are not expected to be significant as the majority of the assets and liabilities in the Westfield Corporation Pro Forma Historical Statement of Net Assets are carried at fair value.

Table 8.9.2: Pro forma historical gearing

The estimated gearing for Westfield Corporation based on the above Pro Forma Historical Statement of Net Assets is 36.3%. Gearing is calculated as follows:

Pro Forma Historical Total Assets	US$million	Pro Forma Historical Net Debt	US$million
Consolidated total assets	18,383.6	Consolidated interest bearing liabilities	
Add back:		– current	3.1
Equity accounted liabilities		– non current	6,274.3
– Payables	174.2	Equity accounted interest bearing liabilities	1,699.9
– Interest bearing liabilities	1,699.9		
– Deferred tax	–		
Less:		Less:	
Consolidated cash	(860.2)	Consolidated cash	(860.2)
Equity accounted cash	(111.6)	Equity accounted cash	(111.6)
	19,285.9		7,005.5
Pro Forma historical gearing (net debt / total assets)	**36.3%**		

The above pro forma historical gearing will differ from the actual gearing at the Implementation Date as the actual balance sheet at the Implementation Date will include transactions during the period from 1 January 2014 to the Implementation Date by Westfield Group in the normal course of business (such as capital expenditure, net operating cashflows, property acquisitions, payment of dividends/distributions and tax instalments), as well as market movements including changes in fair value due to exchange and interest rate movements and property revaluations.

Refer to section 8.11 for further detail of Westfield Corporation's liquidity and financing facilities and gearing policy.

The Pro Forma Historical Statement of Net Assets does not include the conditional transaction announced by Westfield Group on 20 March 2014 that it had entered into an agreement to divest its interests in three UK shopping centres for £597 million, in line with book value as at 31 December 2013. The assets involved in this transaction are Merry Hill, Derby and Sprucefield. The agreement remains conditional at this time, including in relation to the funding of the transaction and other customary conditions. If the divestments complete, prior to the redeployment of capital pro forma gearing as at 31 December 2013 is expected to improve by 3.3% to 33.0%.

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8.10 Financial risk management

Westfield Corporation will have the following financial risk management policies:

- maintain a target gearing ratio (net debt / total assets) in the 30% to 40% range. Westfield Corporation will have gearing of 36.3% on a pro forma basis as at 31 December 2013 and interest cover of 5.0 times on a pro forma forecast basis for the year ending FY14;[61]
- target interest rate exposure to be more highly hedged in the near term, with declining hedge bands over a 10 year horizon;
- sufficient liquidity to cover all debt maturities for 12 months and all committed capital expenditure to completion with an additional buffer of US$300 million; and
- hedging may be undertaken to reduce the impact of exchange rate movements on income statement and balance sheet items.

8.11 Financing arrangements

Background

At implementation of the Proposal, Westfield Corporation will have approximately US$8.95 billion of new unsecured financing arrangements and a financing structure (further details of which are described below) similar to that of Westfield Group. The new financing facilities comprise a US$5.5 billion bridge facility, a US$3.25 billion revolving syndicated loan facility and a US$0.2 billion revolving bilateral bank loan facility. In addition, US$2.5 billion of secured loan facilities will migrate across from Westfield Group to Westfield Corporation.

A committed unsecured bridge facility for the equivalent of US$5.5 billion (to be drawn in USD and GBP) has been entered into which, in conjunction with the revolving bank loan facilities, will be used to enable Westfield Corporation to finance that proportion of the Westfield Group debt that Westfield Corporation is effectively assuming. The banks that are party to the Westfield Corporation bridge facility will have the benefit of the financing structure which Westfield Corporation has established. Further details of the bridge facility are described below.

The Westfield Group Board believes that the bridge facility and new revolving loan facilities, combined with the secured loan facilities that will migrate across from Westfield Group and the cash flow expected to be generated by Westfield Corporation will be sufficient to allow Westfield Corporation to carry out its business and stated objectives immediately following implementation of the Proposal, and are appropriate having regard to the financial and investment profile of Westfield Corporation following implementation of the Proposal.

Certain finance subsidiaries, known as treasury subsidiaries, being special purpose companies, incorporated in Australia, US and England and Wales exist for the purposes of borrowing funds and on-lending them to entities within Westfield Corporation. The treasury subsidiaries will also enter into derivative contracts to hedge interest rate and foreign currency risks. Some other entities within Westfield Corporation will also continue to borrow particularly in the form of secured debt, for instance mortgages, in respect of which they may also hedge any associated interest rate risk.

Documentation structure

The main documents which underpin Westfield Corporation's financing structure are as follows:

- The **Master Guarantee** is a deed poll which contains the guarantee for substantially all of Westfield Corporation's unsecured bank debt borrowing facilities.

  Under the Master Guarantee, Westfield Corporation Limited, Westfield America Trust and WFD Trust on a several basis, and their respective treasury subsidiaries, on a joint and several basis, agree to guarantee the obligations of certain debtors within Westfield Corporation.

  Each lender which has the benefit of the Master Guarantee may enforce it.
- The **Master Negative Pledge** is a deed poll entered into by Westfield Corporation Limited, Westfield America Trust and WFD Trust and contains the representations and warranties, undertakings, financial covenants, review events and events of default which are intended to be common, to the extent practicable, across all unsecured bank loan facilities provided to Westfield Corporation which have the benefit of the structure.

  Each lender who benefits under the Master Negative Pledge is able to enforce it. The Master Negative Pledge may be amended and waived on the instructions of the majority of these lenders (with certain exceptions, where the consent of all such lenders will be required).

  In addition to standard events of default relating to non-payment, breach of undertaking or warranty, cross-default, insolvency and ceasing business, it is an event of default if a trustee or responsible entity of Westfield America Trust or WFD Trust ceases to be sole trustee or responsible entity and is not replaced within 60 business days by an entity which is a member of Westfield Corporation or one which is approved by the requisite majority of the applicable lenders.

  It is also a review event (which can lead to demand for repayment) if, except in limited circumstances, the Westfield Corporation Securities cease to be listed on the ASX.

61 If the divestment of the Merry Hill, Derby and Sprucefield shopping centres in the UK which was announced on 20 March 2014 completes, prior to the redeployment of capital pro forma gearing is expected to improve by 3.3% to 33.0% and pro forma interest cover is expected to improve from 5.0 times to 5.2 times. See section 8.9 above.

SECTION 8

FINANCIAL INFORMATION FOR WESTFIELD CORPORATION

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The Master Negative Pledge contains the following financial covenants, determined in accordance with Westfield Corporation's statutory financial statements:

- **gearing:** the ratio of net debt to net assets as at each reporting date shall not exceed 0.65:1;
- **unencumbered pool:** unencumbered assets shall not be less than 150% of outstanding unsecured debt at all times;
- **cash flow to fixed charges:** the ratio of operating cash flow to fixed charges for the 12 month period ending on a reporting date is to be at least 1.50:1;
- **priority debt:** secured debt and certain other debt incurred directly by operating subsidiaries must not exceed 40% of total assets at any time; and
- **unencumbered interest cover:** if on a reporting date priority debt exceeds 25% of total assets, the ratio of unencumbered operating cash flow to unencumbered interest expense for the 12 months ending on that reporting date must be at least 1.50:1.

The status of the financial covenants and ratios for Westfield Corporation as at 31 December 2013 on a pro forma basis are set out in the table below.

Table 8.11.1: Financial covenants and key ratios

	Financial covenants	Pro Forma as at 31 December 2013/ Pro Forma forecast FY14
Gearing (net debt to net assets)	Not exceeding 0.65:1	0.34:1
Unencumbered pool of assets	Not less than 150% of outstanding unsecured debt	224.4%
Cash flow to fixed charges	At least 1.50:1	7.32:1
Priority debt	Not exceeding 40% of total assets	7.2%
Unencumbered interest cover	At least 1.50:1	7.93:1

It is intended that the great majority of unsecured lenders to Westfield Corporation will either have the benefit of the Master Guarantee and the Master Negative Pledge or essentially replicated arrangements.

Westfield Corporation bridge facility

The Westfield Corporation bridge facility is constituted under an agreement between various banks and WEA Finance LLC and Westfield UK and Europe Finance plc (treasury subsidiaries of Westfield Corporation) as borrowers which was entered into on 20 March 2014.

It comprises two tranches: one for US$3.35 billion and one for GBP1.35 billion which will be used to finance Westfield Corporation's effective assumption of a portion of Westfield Group's debt.

The bridge facility is repayable 2 years from the date of execution (with Westfield Corporation having an option to extend for one year). The net proceeds of any equity capital raising or debt capital markets raising must be used to pay down the bridge facility. Westfield Corporation is expected to be in a position to be able to refinance the bridge facility with new financing prior to its maturity.

The banks under the Westfield Corporation bridge facility agreement have the benefit of Westfield Corporation's Master Guarantee and Master Negative Pledge.

The Westfield Corporation bridge facility contains certain conditions precedent to drawdown, including evidence that the Scheme has taken effect and that the Implementation Date has occurred, or will occur, on the first drawdown date. As is usual in such facilities there is no draw stop for the occurrence of an event of default unless that default constitutes a certain funds default (being defaults relating to insolvency or structural changes). It is fully expected that Westfield Corporation will be in a position to satisfy all such conditions precedent.

Other facilities

In addition to the bridge facility certain other facilities have been entered into by members of Westfield Corporation to replace existing facilities in place with Westfield Group. This includes a US$3.25 billion unsecured syndicated revolving loan facility and a US$0.2 billion bilateral revolving bank loan facility. A number of secured loan facilities totalling US$2.5 billion will migrate from Westfield Group to Westfield Corporation on existing terms. Certain existing unsecured facilities will also be migrated from Westfield Group to the Westfield Corporation entities. Most of these facilities will not have the benefit of the Master Guarantee and Master Negative Pledge but some will be guaranteed by Westfield Corporation Limited, Westfield America Trust and WFD Trust. The syndicated revolving loan facility has guarantee and negative pledge arrangements that essentially replicate those of the Westfield Corporation Master Guarantee and Master Negative Pledge.

Overall effect

Westfield Corporation's bridge facility and revolving loan facilities will ensure that it has sufficient finance to fund that portion of Westfield Group debt that it is effectively assuming as well as ensure that Westfield Corporation has adequate financing arrangements for its business operations, including paying distributions, and to comply with its treasury liquidity policy.

Based on Westfield Corporation's pro forma balance sheet as at 31 December 2013 (see section 8.9) gearing of Westfield Corporation, calculated as a percentage of net debt to total assets, will be 36.3% and interest cover calculated as a multiple of FFO before interest and tax to net interest expense plus interest capitalised will be 5.0 times on a pro forma forecast basis for FY14. While actual gearing on the Implementation Date may be higher or lower than this, it is expected that Westfield Corporation will maintain gearing

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within the range of 30% to 40% over the long term, however, Westfield Corporation may be prepared to exceed this level for a major acquisition so long as it can return to its desired gearing in the short term.

Ongoing finance

It is expected that Westfield Corporation will be able to refinance the bridge facility with new financing facilities prior to maturity of the bridge facility.

Liquidity and financing facilities

In addition to funding a portion of Westfield Group's debt, Westfield Corporation's primary requirement for cash is expected to arise from the funding of developments, the expansion of its shopping centres and funding acquisitions. Significant amounts of cash are also expected to be used to pay distributions and repay principal and interest on debt. Details on the distribution policy for Westfield Corporation are included in section 8.5.

Diversity of funding sources

Through the refinancing of the bridge facilities over time, and as result of ongoing funding requirements, Westfield Corporation's financing facilities are expected to encompass a diversity of financing sources which may include committed unsecured bank loan facilities on a syndicated and bilateral basis, bonds and hybrid instruments.

These bank loan facilities and bonds are expected to be with a number of lenders and are expected to have various maturities to minimise credit risk and refinancing risk. Westfield Corporation may also raise debt finance through secured borrowings, including secured investment loans over individual properties or groups of properties and secured construction loans.

In addition to the public equity and secured and unsecured loan and debt capital markets, Westfield Corporation may also obtain funding by accessing private equity from institutional investors, through hybrid equity raisings or the disposal or joint venturing of properties.

8.12 Reconciliation of Westfield Corporation's Pro Forma Historical Income Statements to audited consolidated financial statements

The information in this section provides the reconciliation of key financial information to the audited consolidated financial statements.

(a) Earnings before interest and tax (EBIT)

Table 8.12.1: Reconciliation of EBIT

	FY11 $million	FY12 $million	FY13 $million
Westfield Group profit before tax[1]	1,574.6	1,962.6	1,906.5
Less: Westfield Group Interest income[1]	(52.6)	(57.4)	(26.5)
Add: Westfield Group financing costs[1]	851.9	830.0	795.4
Westfield Group EBIT	**2,373.9**	**2,735.2**	**2,675.4**
Pro Forma adjustments for EBIT relating to:			
– Divestment of US centres[2]	(272.4)	(157.2)	(3.2)
– Divestment of UK centres[3]	1.5	(1.5)	–
– Divestment of Brazil centres[4]	(2.4)	30.7	2.5
– Reversal of gain/loss in respect of capital transactions[5]	(12.3)	45.1	146.2
Westfield Group pro forma historical EBIT	**2,088.3**	**2,652.3**	**2,820.9**
Westfield Group pro forma historical EBIT attributable to Scentre Group[6]	(1,271.0)	(1,513.4)	(1,434.8)
Westfield Corporation Pro Forma Historical EBIT	**817.3**	**1,138.9**	**1,386.1**

(1) Extracted from the statutory financial statements of Westfield Group which have been audited by Ernst & Young and on which unqualified audit opinions were issued.

(2) The historical audited income statements have been adjusted for the net operating income, property management fee and property revaluations impact of the following transactions such that they are reflected as having occurred prior to 1 January 2011:
- Divestment of 8 non-core shopping centres in the US, including 7 centres to Starwood Capital Group for net proceeds of US$1.64 billion in FY13;
- Divestment of Westfield Group's 50% interest in 6 regional shopping centres in Florida, US to O'Connor Capital Partners resulting in net proceeds of US$700 million in FY13;
- Divestment of 8 non-core shopping centres in the US, including 7 shopping centres to Starwood Capital Group for net proceeds of US$1.154 billion in FY12; and
- Divestment of Westfield Group's 45% interest in 12 properties in the US to Canada Pension Plan Investment Board resulting in net proceeds of US$2.1 billion in FY12.

(3) Adjusted for the divestment of Westfield Group's interest in 3 non-core shopping centres in the UK for net proceeds of £159 million in FY12 and divestment of 1 non-core shopping centre in the UK for net proceeds of £55 million in FY11.

(4) Adjusted for the disposal of Westfield Group's 50% interest in Westfield Almeida Junior Shopping Centres S.A. (Brazil) in FY13.

(5) Reversal of capital profit (gain/loss on divestment) relating to pro forma adjustments detailed in footnotes 2 – 4 above.

(6) Relates to Westfield Group's Australian and New Zealand operations.

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(b) Revenue

Table 8.12.2: Reconciliation of Revenue

	FY11 $million	FY12 $million	FY13 $million
Westfield Group revenue[1]	**3,950.1**	**2,220.2**	**2,385.1**
Pro forma adjustments for revenue relating to:[2]			
– Divestment of United States centres[3]	(774.6)	(438.5)	(206.3)
Westfield Group pro forma historical revenue	**3,175.5**	**1,781.7**	**2,178.8**
Westfield Group pro forma historical revenue attributable to Scentre Group[4]	(1,115.5)	(1,014.7)	(1,281.0)
Westfield Corporation Pro Forma Historical revenue	**2,060.0**	**767.0**	**897.8**

(1) Extracted from the statutory financial statements of Westfield Group which have been audited by Ernst & Young and on which an unqualified audit opinions were issued on.
(2) Pro forma adjustments are not required for the divestment of the interest in the UK shopping centres and Brazil portfolio as these investments were previously equity accounted and therefore not included in revenue.
(3) The historical audited income statements have been adjusted for the following transactions such that they are reflected as having occurred prior to 1 January 2011:
– Divestment of 8 non-core shopping centres in the US, including 7 shopping centres to Starwood Capital Group for net proceeds of US$1.64 billion in FY13;
– Divestment of Westfield Group's 50% interest in 6 regional shopping centres in Florida, US to O'Connor Capital Partners resulting in net proceeds of US$700 million in FY13;
– Divestment of 8 non-core shopping centres in the US, including 7 shopping centres to Starwood Capital Group for net proceeds of US$1.154 billion in FY12; and
– Divestment of Westfield Group's 45% interest in 12 properties in the US to Canada Pension Plan Investment Board resulting in net proceeds of US$2.1 billion in FY12.
(4) Relates to Westfield Group's Australian and New Zealand operations.

(c) Funds from operations before interest and tax

Table 8.12.3: Reconciliation of FFO before interest and tax

	FY11 $million	FY12 $million	FY13 $million
Westfield Group FFO EBIT[1]	**2,051.5**	**2,129.4**	**2,165.4**
Pro forma adjustments for FFO EBIT relating to:			
– Divestment of United States centres[2]	(345.7)	(222.9)	(125.5)
– Divestment of United Kingdom centres[3]	(14.3)	(1.5)	–
– Divestment of Brazil centres[4]	(3.9)	(10.0)	(1.2)
Westfield Group pro forma historical FFO EBIT	**1,687.6**	**1,895.0**	**2,038.7**
Westfield Group pro forma historical FFO EBIT attributable to Scentre Group[5]	(967.2)	(1,049.0)	(1,085.6)
Westfield Corporation Pro Forma Historical FFO EBIT	**720.4**	**846.0**	**953.1**

(1) Extracted from the statutory financial statements of Westfield Group which have been audited by Ernst & Young and on which unqualified audit opinions were issued.
(2) The historical audited income statements have been adjusted for the following transactions such that they are reflected as having occurred prior to 1 January 2011:
– Divestment of 8 non-core shopping centres in the US, including 7 centres to Starwood Capital Group for net proceeds of US$1.64 billion in FY13;
– Divestment of Westfield Group's 50% interest in 6 regional shopping centres in Florida, US to O'Connor Capital Partners resulting in net proceeds of US$700 million in FY13;
– Divestment of 8 non-core shopping centres in the US, including 7 shopping centres to Starwood Capital Group for net proceeds of US$1.154 billion in FY12; and
– Divestment of Westfield Group's 45% interest in 12 properties in the US to Canada Pension Plan Investment Board resulting in net proceeds of US$2.1 billion in FY12.
(3) Adjusted for the divestment of Westfield Group's interest in 3 non-core shopping centres in the UK for net proceeds of £159 million in FY12 and divestment of 1 non-core shopping centre in the UK for net proceeds of £55 million in FY11.
(4) Adjusted for the disposal of Westfield Group's 50% interest in Westfield Almeida Junior Shopping Centres S.A. (Brazil) in FY13.
(5) Relates to Westfield Group's Australian and New Zealand operations.

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SECTION 9
RISK FACTORS – WESTFIELD CORPORATION

This section describes the potential risks associated with Westfield Corporation's business and risks associated with an investment in Westfield Corporation Securities. It does not purport to list every risk that may be associated with an investment in Westfield Corporation Securities now or in the future, and the occurrence of consequences of some of the risks described in this section are partially or completely outside the control of Westfield Corporation, the Westfield Corporation Board and the senior management team.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and impact of the risk if it did occur. The assessment is based on the knowledge of the Westfield Group Directors as at the date of this Securityholder Booklet, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Returns from an investment in Westfield Corporation's shopping centres depend largely upon the amount of rental income generated from the properties and the expenses incurred in the operations, including the management and maintenance of the properties, as well as changes in the market value of the properties. In addition, returns from Westfield Corporation's investment in shopping centres could be affected by its property development, design and construction activities which form a substantial component of its business.

Some risks below may adversely affect Westfield Corporation's revenues and operating income, particularly the rental income of Westfield Corporation's properties or project income from its development activities. Other risks may adversely affect Westfield Corporation's business, without necessarily affecting its revenues and operating income.

Many of the risks are similar to those currently faced by Westfield Group in relation to its international business. Many of these risks are also similar to those which Scentre Group will be subject to, both being retail property groups although separated along different geographic lines. The risks of an investment in Scentre Group are set out in section 6.

9.1 Property ownership risks

(a) Tenant default and occupancy risk in shopping centres

As a significant portion of Westfield Corporation's earnings will be derived from rental income, Westfield Corporation's performance will depend on the level of tenant default and on its ability to continue to lease space in its shopping centres (including its redeveloped shopping centres) on market terms. Westfield Corporation's results of operations may be adversely affected if a significant number of tenants or anchor tenants were unable to meet their rent obligations under their leases or if there is a decrease in demand for retail space in shopping centres so that Westfield Corporation is unable to renew existing leases or find new tenants on acceptable terms.

If the retail sales of stores operating in Westfield Corporation's shopping centres decline significantly due to economic conditions, closure of anchor stores or for other reasons, tenants might be unable to pay their existing minimum rents or common area maintenance charges (since these fixed rents and charges would represent a high percentage of their sales). Further, if retail sales decline, tenants would be less willing to pay minimum rent at previous levels and existing tenants will seek a lower rent on renewal. During times of economic recession or low economic growth, such as those experienced in the US and the UK in recent years, the risks associated with declining retail sales increase. This risk is illustrated by the information outlined in section 7.7, in particular the changes in specialty store sales, rents and percentage store leased.

(b) Anchor tenants default or closure risk

Anchor tenants occupy a significant percentage of the total GLA of Westfield Corporation's shopping centres.

The bankruptcy or insolvency or a downturn in the business of any of Westfield Corporation's anchor tenants, or the failure of any anchor tenant to renew its lease when it expires or continue to operate its store, could adversely affect Westfield Corporation's results of operations, especially where an anchor tenant accounts for a significant amount of Westfield Corporation's total rental income.

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In addition, closure of anchor stores could adversely affect retail sales of other stores operating in the shopping centres because anchor tenants play an important part in generating customer traffic and making the shopping centres desirable locations for retailers generally.

In the US, many of Westfield Corporation's anchor tenants have a clause in their leases that allows the anchor tenants to cease operating, reduce their rent, or terminate their lease if other anchor stores or a percentage of non-anchor tenants at the same property are not occupied and operating. Also, some of the non-anchor tenant leases permit those tenants to terminate their leases or reduce their rent if a number of anchor tenants or a percentage of non-anchor tenants cease to operate at such properties for a specified period of time. Further, these actions could adversely affect Westfield Corporation's ability to re-lease the space that is vacated.

The leases of certain anchor tenants may permit those tenants to transfer their interests at shopping centres to other retailers, subject in some cases to Westfield Corporation's consent. Additionally, anchor tenants in the US who own their own stores may transfer their interests in those stores, subject to the new owners' compliance with existing reciprocal easement agreements relating to those stores. The transfer to a new anchor tenant could adversely affect customer traffic in a shopping centre and thereby reduce the income generated by that shopping centre and could also allow some other anchors and other tenants to make reduced rental payments or to terminate their leases at that shopping centre. Each of these occurrences could adversely affect Westfield Corporation's income.

A negative change in the financial condition of any of Westfield Corporation's anchor tenants could result in a substantial decrease in the revenues directly or indirectly contributed by such tenants and have a negative impact on the overall performance of the affected shopping centre(s).

(c) Changes in consumer sentiment or shopping preferences

A significant proportion of Westfield Corporation's revenues will depend on rental income from tenants whose ability to pay rent depends on their ability to generate and maintain retail sales. Retails sales are subject to rapid and occasionally unpredictable changes in consumer sentiment or preferences, including due to changes in economic conditions, interest rates, levels of disposable income and consumer confidence. If Westfield Corporation, or its tenants, misjudge consumer sentiment or preferences, or fails to respond to changing consumer sentiment or preferences, this may result in a decline in rental income for Westfield Corporation leading to a decline in financial performance.

(d) Emergence of alternative retail channels especially online retailing

As shopping patterns change, consumers may prefer alternative retail outlets (for example, "big box" shopping centres, discount shopping centres and clubs, outlet malls, catalogues, video and home shopping networks, direct mail order, telemarketing and online retailers) over conventional shopping centres. If Westfield Corporation fails to offer a superior, convenient, safe and appealing experience to consumers who visit its shopping centres, compared to alternative retail outlets, consumer traffic through its shopping centres may decline. This in turn may lead to a decline in demand for retail space and adversely impact Westfield Corporation's financial performance. The demand for retail space may also decline if Westfield Corporation is unable to meet the needs of its retailers who are changing the way they do business in response to the change in shopping patterns, including by embracing the alternative retail outlets.

In particular, with the advent of e-commerce and mobile technology, online retailing has emerged as the main challenge to conventional "bricks and mortar" retailing in recent years. With consumers increasingly preferring to shop online, retailers are developing their own online shopping platforms to decrease their dependence on traditional retail channels. Many retailers are as advanced as the consumers in adopting digital and mobile technology. Westfield Corporation's shopping centres may gradually lose their appeal and relevance for new age consumers and retailers. Whether Westfield Corporation is able to meet this challenge depends on its ability to execute its strategy to connect both groups of consumers and retailers (and the digital world) to its physical shopping centres and ensure its shopping centres continue to play a significant role in modern day life.

(e) Conflicts of interest with co-owners of properties

A number of shopping centres in Westfield Corporation's portfolio are held through joint ventures or co-ownership arrangements. In a number of these arrangements Westfield Corporation does not have exclusive control over certain aspects of the shopping centres including development, financing, leasing and management.

From time to time Westfield Corporation will be required to make major decisions in respect of co-owned properties, including ongoing capital expenditure, redevelopment and refurbishment, the sale of shopping centres or surplus land and the purchase of additional land. Co-owners may be competitors and/or have economic or other business interests or goals that are inconsistent with Westfield Corporation's business interests or goals, and may be in a position to take actions contrary to Westfield Corporation's objectives. Disputes between Westfield Corporation and co-owners may result in litigation or arbitration that would increase Westfield Corporation's expenses and may prevent the Westfield Corporation Board and senior managers from focusing their time and effort on Westfield Corporation's business.

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In addition, pre-emptive provisions or rights of first refusal may apply to sales or transfers of interests in these co-owned properties. These provisions may work to Westfield Corporation's disadvantage because, among other things, Westfield Corporation may be disadvantaged in its sale process by the need to comply with these provisions.

There is also the risk that co-owners might become bankrupt or default on their obligations, resulting in their interest in one or more shopping centres becoming subject to external administration, transferred to creditors or sold to third parties, or otherwise act in a manner that adversely affects Westfield Corporation, or which forces Westfield Corporation to take an action (e.g. purchase of that interest pursuant to pre-emptive rights) which it would not otherwise have taken.

9.2 Foreign exchange risk

(a) Foreign exchange risks on earnings

Westfield Corporation will derive USD and GBP denominated earnings from Westfield Corporation's shopping centre investments in the US and UK, respectively and may enter into new markets. If the Westfield Corporation business expands into other jurisdictions it will be exposed to the currencies of these jurisdictions. To the extent Westfield Corporation does not hedge or does not hedge effectively (or at all) against movements in the exchange rate of these currencies, such exchange rate movements may adversely affect Westfield Corporation's earnings and / or balance sheet. Westfield Corporation may manage the impact of exchange rate movements on both Westfield Corporation's earnings and balance sheet by entering into hedging transactions, including derivative financial instruments.

Due to documentation, designation and effectiveness requirements under A-IFRS, Westfield Corporation's currency derivative financial instruments used for hedging exchange rate exposure (other than cross currency swaps that hedge investments in foreign operations) do not qualify for hedge accounting. As a consequence, Westfield Corporation may experience volatility in its reported earnings due to changes in the mark to market valuations of its currency derivative financial instruments.

Although Westfield Corporation's exchange rate hedging transactions are undertaken to achieve economic outcomes in line with Westfield Corporation's treasury policy, there can be no assurance that such transactions or treasury policy will be effective.

(b) US dollar distributions

Westfield Corporation will be an ASX listed group with US dollar reporting. Distributions paid by Westfield Corporation will be determined in US dollars and converted into Australian dollars at or about the time of payment. The actual amount of Australian dollars Westfield Corporation Securityholders will receive will depend upon the exchange rate available on the day Westfield Corporation arranges to pay distributions. Changes in the value of the US dollar compared to the Australian dollar will have an impact on the value of the distributions paid by Westfield Corporation (in A$ terms). If the US dollar appreciates against the Australian dollar, the value of the distributions paid by Westfield Corporation will likely be higher in Australian dollar terms. If, instead, the US dollar depreciated against the Australian dollar, the value of distributions paid by Westfield Corporation will likely be lower in Australian dollar terms.

9.3 Market structure and growth risks

(a) Risk of operating in international markets

Westfield Corporation will conduct business in a number of geographies and countries. There are risks inherent in managing a global business. These risks generally include, among others:

- the costs and difficulties of managing operations in multiple jurisdictions with wide geographical reach;
- differing foreign political and economic environments, regionally, nationally and locally;
- difficulties of complying with the variety of laws and regulations of each of the jurisdictions including obtaining and maintaining authorisations, laws affecting funding, corporate governance, property ownership, development activities, operations, anti-corruption, taxes and litigation;
- managing any extra-territorial reach of the laws of jurisdictions such as the US Foreign Corrupt Practices Act;
- differences in business practices, including lending, employment and labour practices;
- differences in cultures, social expectations and language;
- adverse tax consequences or inefficiencies arising from carrying on operations in a large number of countries;
- obstacles to repatriation of earnings and cash; and
- multiplicity of cross-border transactions and exchange rate risks.

(b) Risks of growth and expansion into new markets

Westfield Corporation will initially have shopping centres in the US and UK, and a development opportunity in Milan. Westfield Corporation may pursue additional expansion and development opportunities outside these markets, by undertaking strategic transactions such as acquisitions and joint ventures. There are a number of risks as Westfield Corporation grows its business and expands into new markets.

First, development and acquisition activities in different markets carry different inherent risks (see some examples of the differences in section 9.3(a)). These differences may mean that practices and strategies that have been successful in one market may not be able to be successfully adopted for another market.

Second, the difficulties in managing these different risks increase due to Westfield Corporation's unfamiliarity with and lack of experience in the new markets, especially during the initial period when Westfield Corporation first enters the markets and learns to adapt its strategies in those markets.

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Third, integration of new businesses into Westfield Corporation may be costly and may occupy a large amount of management time and there is a risk that Westfield Corporation will not derive the optimum value which it expects from the integration of new businesses. Any failure of the execution of its growth initiatives may have an adverse effect on Westfield Corporation's future financial performance and position.

Fourth, while Westfield Corporation will initially have operations in developed markets (US, UK and Europe), Westfield Corporation may expand its business to emerging or developing markets. Investments in such markets involve risks not typically associated with investments in developed markets.

While some of the more advanced emerging market countries have experienced rapid growth and industrialisation, there is no assurance that this growth rate will be maintained. Such markets are more likely than developed markets to experience volatility, inefficiencies and anomalies which are not necessarily compensated by higher return in investment.

Such different and heightened risks include restrictions on foreign ownership of assets, inability to verify local information or opinions obtained overseas (including audit work), difficulty in establishing robust internal controls and risk management system for the local operations, greater risk of related party transactions from reliance on a limited number of key persons for the local operations, greater difficulty in enforcing intellectual property rights, perceived lack of a rule of law, corruption or fraud, less uniformity in accounting and reporting requirements, lack of publicly available information, uncertain trade policies, restrictive currency regulations and foreign exchange controls, expropriation and/or nationalization of assets, confiscatory taxation, political instability, including authoritarian government, military intervention in governmental decision-making, confrontation with neighbouring countries, armed conflict, civil war and social instability as a result of political, religious, ethnic and/or socio-economic unrest.

(c) Acquisition risk

Westfield Corporation may pursue acquisitions of property assets and related redevelopment projects as opportunities arise that meet Westfield Corporation's criteria and if funding is available. Property assets and redevelopment projects may be acquired directly or indirectly through acquisition of entities that own development projects and properties. Such acquisitions involve a number of risks inherent in assessing the values, strengths, weaknesses and profitability of the property assets. While Westfield Corporation's policy will be to undertake appropriate due diligence in order to assess these risks, unexpected problems and latent liabilities or contingencies such as the existence of hazardous substances (for example, asbestos or other environmental liabilities) may still emerge.

Additionally, the indirect acquisition of properties and related redevelopment projects through, for example, the takeover of another listed property-owning entity, may not allow for the usual standard of due diligence for a specific property acquisition to be undertaken.

Acquisition activities will also involve the following risks:

- the acquired properties may not achieve anticipated rental rates or leased rates;
- assumptions or judgements with respect to improvements to the financial returns (including the leased rates and rents of a completed project) of acquired properties may prove inaccurate;
- Westfield Corporation may abandon acquisition opportunities that it has used funds to explore and incur transaction costs that cannot be recovered;
- Westfield Corporation may be unable to obtain anchor tenants, financier and co-owner approvals, if applicable, for expansion activities; and
- Westfield Corporation may be unable to obtain necessary regulatory licenses and approvals for expansion activities.

By growing through acquisition, Westfield Corporation will face the operational and financial risks commonly encountered with such a strategy, including continuity or assimilation of operations or employees, dissipation of Westfield Corporation's management resources and impairment and restructuring of relationships with employees and tenants of the acquired property as a result of changes in ownership and management. In addition, depending on the type of transaction, it can take a period of time to realise the full benefits of the acquisition. Moreover, during a period following such a transaction, Westfield Corporation's operating results may decrease compared to results prior to the transaction.

(d) Competition from other participants in the retail property industry

Westfield Corporation will face competition from other property groups, and other commercial organisations active in the international property markets. Westfield Corporation will also face the threat of new competitors emerging both generally and in particular trade areas.

Accordingly, the existence of such competition may have an adverse impact on Westfield Corporation's ability to secure tenants for its properties at satisfactory rentals and on a timely basis.

In addition, all of Westfield Corporation's shopping centres will be located in developed retail and commercial areas, many of which compete with other shopping centres or neighbourhood shopping centres within their primary trade area. The amount of rentable space in the relevant primary trade area, the convenience and quality of facilities and the nature of stores at such competing shopping centres could each have an adverse effect on Westfield Corporation's ability to lease space and on the level of rents Westfield Corporation can obtain.

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9.4 Property management and development risks

(a) Development activities risk

Westfield Corporation's financial performance will depend in part upon the continued development of new properties and improvement of Westfield Corporation's existing properties. Details of Westfield Corporation's development activities are set out at section 7.5.

Westfield Corporation will be subject to the risks associated with its expansion and development activities, including risks resulting from:

- construction not being completed on budget and on schedule;
- properties not being leased to the level or otherwise on the terms anticipated by the feasibility study prepared for the particular project especially if the income derived from the redeveloped shopping centres is lower than expected; or
- the inability of Westfield Corporation's or Westfield Corporation's joint venture partner to obtain funding on acceptable terms, or at all, for Westfield Corporation's proposed development and redevelopment programme.

Development, redevelopment, and expansion activities may also involve the following risks:

- failure to obtain, or delay in obtaining, required permits, licenses or approvals;
- changes in laws and governmental regulations including zoning, planning and environmental laws;
- changes in the political or economic environment;
- industrial disputes which may delay projects and/or add to the cost of developments;
- construction costs of a project which may exceed original estimates or available financing;
- temporary disruption of income from an existing shopping centre which is being redeveloped;
- failure to maintain leased rates for existing retail space, the inability to lease new retail space rent abatements, and termination of lease agreements and pre-sale agreements;
- loss of consumers due to inconvenience caused by construction;
- incurrence of substantial expenditures before the redevelopment project produces income; and
- delays due to inadequate supply of labour, scarcity of construction materials, lower than expected sales productivity levels, inclement weather conditions, land contamination, difficult site access, objections raised by community interest groups, environmental groups and neighbours, slow decision-making by counterparties, complex construction specifications, changes to design briefs, legal issues and other documentation changes.

If a development or redevelopment project is unsuccessful or does not proceed, Westfield Corporation's investment cost may exceed the value of the project on completion or Westfield Corporation may incur pre-development costs that have to be written off. Westfield Corporation's financial performance may be adversely affected in these circumstances.

Westfield Corporation may undertake development or redevelopment activities for a third party (including a co-owner) on a fixed price, fixed time basis. Westfield Corporation faces additional risks in these arrangements for example, delays may result in liquidated damages against Westfield Corporation, design problems or defects may result in rectification or costs or liabilities which Westfield Corporation cannot recover, Westfield Corporation may be unable to fulfil its statutory and contractual obligations in relation to the quality of its materials and workmanship, including warranties and defect liability obligations.

Given the significant size and scale of Westfield Corporation's expansion and development activities, Westfield Corporation may incur additional indebtedness to fund required capital expenditures.

(b) Property management activities risk

Westfield Corporation will derive a significant portion of its income from property management activities. Property management income is treated as having similar characteristics, risk and growth profile as property net operating income (rent income) given the long term nature of property management income under the property management agreements and direct linkage of property management income to annual gross income.

However, these property management agreements may be terminated by Westfield Corporation's counterparty if Westfield Corporation breaches the agreement (subject to specified cure periods) or under certain other conditions.

If third parties with whom Westfield Corporation has management agreements were to terminate those agreements, Westfield Corporation's income may be adversely affected. In addition, Westfield Corporation may be liable to third parties for damages if it breaches these property management agreements.

9.5 Financing risks

(a) Refinancing risk

If the Proposal is implemented, Westfield Corporation will have a US$5.5 billion bridge facility, a US$3.25 billion syndicated revolving loan facility, a US$0.2 billion bilateral revolving bank loan facility and a number of other secured facilities that will migrate across from Westfield Group totalling approximately US$2.5 billion. The bridge facility has a 2 year maturity from the date of execution with an option to extend for a further year. The syndicated revolving loan facility has a 4 year maturity with two six-month extension options. The bilateral revolving bank loan facility has a maturity of 3 years. It is intended that the bridge facility will be refinanced in the USD, GBP and EUR debt capital markets within 2 years of drawing.

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Westfield Corporation's ability to refinance its debt facilities on acceptable terms will depend on a number of factors (some of which are out of its control) including general economic, political and capital market conditions, credit availability and the performance, reputation and financial strength of its business.

An adverse change in one or more of those factors could impact Westfield Corporation's ability to refinance its debt facilities on acceptable terms. For example, any disruption in global credit markets, such as the recent disruptions associated with the global financial crisis and the European sovereign debt crisis since 2007, significantly increases the risks and costs associated with obtaining new funding for Westfield Corporation's operational requirements, development programme or acquisitions on acceptable terms, or at all.

If Westfield Corporation is unable to refinance its debt facilities on acceptable terms or at all, Westfield Corporation may need to seek alternative funding such as asset dispositions or equity raisings.

(b) Leverage risk

Westfield Corporation will have a significant amount of debt. It is expected that Westfield Corporation will maintain a leverage ratio in the 30% to 40% range over the long term. Upon implementation of the Proposal, Westfield Corporation will have US$7.0 billion of net debt and a gearing of 36.3% on a pro forma basis as at 31 December 2013 and interest cover of 5.0 times, on a pro forma forecast basis for FY14. This is compared to $12.9 billion of net debt and a gearing ratio of 35.8% for Westfield Group.

The material consequences of having significant debt levels are as follows:

- Westfield Corporation will need to use a substantial portion of cash from its operating activities to pay interest on its debt. Westfield Corporation's ability to generate sufficient cash from its business to repay its debts is subject to various factors including many which are beyond its control (see section 9.5(c));
- Westfield Corporation's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates may be limited because available cash flow after repaying principal and paying interest on debt may not be sufficient to meet the capital and other expenditures needed to address these changes;
- adverse economic, credit or financial market or industry conditions are more likely to have a negative effect on Westfield Corporation's business because, during periods in which Westfield Corporation experiences lower earnings and cash flow, it will be required to devote a proportionally greater amount of its cash flow to repaying principal and paying interest on its debt;
- Westfield Corporation may be at a competitive disadvantage to its competitors that have relatively less debt and have more cash flow available to devote to capital expenditures and other strategic purposes;
- Westfield Corporation's ability to obtain financing in the future for its development and redevelopment programme, working capital, capital expenditures or other purposes on acceptable terms or at all may be limited because of the restrictions contained in existing debt agreements and debt levels;
- Westfield Corporation's ability to make acquisitions and take advantage of significant business opportunities may be negatively affected if it needs to obtain the consent of its lenders to take any such action or if, because of existing debt levels, it is not able to obtain additional financing for these opportunities; and
- Westfield Corporation's credit rating may be adversely affected, which may impact on Westfield Corporation's ability to access new financing and/or the price of new financing.

In addition, leverage levels may be reviewed and modified from time to time without notice to or approval of Westfield Corporation Securityholders. Specifically, Westfield Corporation may decide to exceed its current debt level for a major acquisition or to fund its development programme provided that it believes it is in keeping with its strategy at that time which may include returning to its desired leverage ratio over a period of time.

If Westfield Corporation's cash flow and capital resources are not sufficient to make principal repayments and interest payments on its debt and fund its working capital and other business needs, Westfield Corporation could be forced to:

- reduce or delay scheduled capital expenditures, development and redevelopment programme or forgo acquisitions or other business opportunities;
- sell material assets or operations;
- raise additional equity capital (including hybrid equity capital);
- restructure or refinance its debt; or
- undertake other protective measures.

Some of these transactions could occur at times or on terms that are disadvantageous to Westfield Corporation.

Low economic growth conditions, such as those recently experienced in the US and the UK, or disruptions in global credit markets such as those associated with the global financial crisis and the European sovereign debt crisis since 2007, could result in a higher than normal risk that, if Westfield Corporation were required to take such steps in these circumstances, the transaction terms would be disadvantageous to it, or such options may not be available at all.

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(c) Cash flow risk

Westfield Corporation's ability to repay the principal and paying interest on its debt depends on the future performance and cash flow of its business which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors, many of which are beyond its control. Westfield Corporation's historical financial results (on a pro forma basis) have been, and it is anticipated that Westfield Corporation's future financial results will continue to be, subject to fluctuations. Cash flows can vary and Westfield Corporation's business may not generate sufficient cash flow from operations to enable it to satisfy its debt and other obligations.

Significant expenditures associated with each real estate investment, such as mortgage payments, maintenance costs and taxes, are generally not reduced when circumstances cause a reduction in revenue from the investment. Under these circumstances, the financial performance and value of the relevant property would be adversely affected.

In addition, Westfield Corporation will have a development pipeline and existing construction projects that require Westfield Corporation to make substantial expenditures upfront before beginning to earn income from the redeveloped property. This may impair Westfield Corporation's ability to service its debt.

(d) Funding risk for development and redevelopment programme and acquisitions

The real estate investment and development industry is highly capital intensive. Westfield Corporation's ability to raise funds on acceptable terms, including for its development and redevelopment programme or acquisitions will depend on many of the same factors affecting Westfield Corporation's ability to refinance its debt facilities (see section 9.5(a)).

If funding is unavailable to Westfield Corporation, it may need to delay or discontinue its development and redevelopment programme or forego growth opportunities from strategic acquisitions.

(e) Credit rating risk

Rating agencies, to the extent they provide a rating of Westfield Corporation, will review Westfield Corporation's credit rating from time to time, including at the half-year periods. Any downgrade of Westfield Corporation's credit rating or adverse change in credit rating outlook assigned by a credit rating agency, whether engaged by Westfield Corporation or not, could adversely affect Westfield Corporation's financial condition and its business operations by increasing the cost of, or limiting or preventing it from securing, additional financing for future business or liquidity needs. There can be no assurance that the credit ratings assigned to Westfield Corporation will not change in the future.

9.6 Other risks

(a) Properties revaluation risk

In accordance with A-IFRS, Westfield Corporation will carry its property investments on its balance sheet at fair value. At each reporting date, Westfield Corporation's board of directors will assess the carrying value of Westfield Corporation's investment property portfolio, and where the carrying value differs materially from the board of directors' assessment of fair value, Westfield Corporation will record an adjustment to the carrying value as appropriate.

The Westfield Corporation Board's assessment of fair value of each shopping centre will take into account the latest independent valuations, with updates taking into account any changes in estimated yield, underlying income and valuations of comparable shopping centres. As a result, Westfield Corporation may have significant non-cash gains or write-downs depending on the change in fair market value of Westfield Corporation's properties from period to period, whether or not Westfield Corporation sells such properties.

If a substantial decrease occurs in the fair market value of Westfield Corporation's properties, the results of operations of Westfield Corporation could be adversely affected and, as a result, Westfield Corporation may have difficulty maintaining its desired gearing ratio and other financial measures. This may reduce Westfield Corporation's flexibility in planning for, or reacting to, changes in its business or industry including its ability to commence new redevelopment projects.

In addition, a number of Westfield Corporation's financing agreements will contain leverage ratio covenants that are typically calculated as the ratio of Westfield Corporation's total borrowings less cash to total assets less cash. Accordingly, a reduction in the value of Westfield Corporation's properties as a result of revaluations will have an adverse impact on the leverage ratios contained in its financing agreements.

(b) Risk of illiquid investments in property

Investments in property are relatively illiquid, and some of Westfield Corporation's properties are subject to contractual limitations on transfer. This illiquidity limits Westfield Corporation's ability to vary its portfolio promptly in response to changes in economic or other conditions. In times of recession, low economic growth or disruption in financial markets, there are fewer potential buyers of shopping centre assets, and it may be difficult for potential buyers to obtain financing on acceptable terms, or at all. In addition, the completion of any potential divestment transactions can be dependent on the acquirer obtaining funding from a third party. There is no assurance that Westfield Corporation will be able to dispose of a property at the desired time or at a price greater than Westfield Corporation's total investment in the property.

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(c) Litigation and claims risk

Disputes or litigation may arise from time to time in the course of the business activities of Westfield Corporation, including with respect to the historical activities of Westfield America Trust. Any material or costly disputes or litigation could adversely affect the financial performance of Westfield Corporation or the trading price of the Westfield Corporation Securities.

Westfield America Trust holds certain of its assets in the US through a limited partnership, Urban Shopping Centres, LP (**Urban**).

In October 2004, certain limited partners of Urban holding an approximate 6% interest in Urban filed a lawsuit in Illinois against Westfield America Trust (and certain of its subsidiaries including Westfield America and Westfield America Limited Partnership), Simon Property Group, L.P. and certain of its affiliates (**Simon**) and The Rouse Company and certain of its affiliates (**Rouse**) (each of Westfield America Trust, Simon and Rouse being the direct or indirect owners of the general partner of Urban). The plaintiffs added General Growth Properties, Inc. (**GGP**) as a defendant after it acquired Rouse.

The limited partners have made various claims arising out of the purchase by Westfield America Limited Partnership, Simon and Rouse of certain assets of Rodamco North America in 2002, including Rodamco's ownership interests in the general partner of Urban, and their subsequent management of Urban following that purchase. The claims include breach of contractual and fiduciary duties, tortious interference with contract and usurpation of partnership opportunities, including claims that the defendants, including Westfield America Limited Partnership, subsequently acquired several properties in violation of duties owed to Urban.

The parties to the litigation sought summary judgement on certain aspects of the complaint. In November 2013 the court issued an opinion on the summary judgement motions. The court granted plaintiffs' motion for a ruling that the general partner of Urban had breached its fiduciary duties by failing to prevent Simon, Westfield America Trust and Rouse / GGP and each of their affiliates (as the majority owners of Urban) from taking actions not in Urban's best interest. The court also ruled that the defendants had breached fiduciary duties owed to Urban by usurping certain asset acquisition opportunities, including properties acquired by WALP subsequent to 2002. The court further ruled that Westfield America Trust, Simon, Rouse / GGP and various of their subsidiaries were alter egos of the general partner and were therefore bound by contractual and fiduciary duties owed to Urban.

The summary judgement opinion did not address issues of damages or other relief that is being pursued by the plaintiffs. The plaintiffs' share of the damages alleged to have been suffered by Urban as a consequence of the actions of the defendants would be approximately US$128 million (i.e. 5.6% of the total alleged damages of approximately US$2.3 billion). The claim also seeks approximately US$42 million in additional damages allegedly suffered directly by plaintiffs. As the owner of an approximate 50% interest in Urban, Westfield America Trust will be responsible for its allocable share of any damages ultimately determined by the court. Plaintiffs are also seeking certain equitable relief to ensure that future violations of the contractual and fiduciary duties do not occur. The litigation is currently set for trial in May 2014.

Westfield America Trust and the other defendants to the litigation have been vigorously defending the litigation since 2004 and intend to continue to do so, including contesting the alleged damages and other remedies sought by plaintiffs, and will pursue appropriate appellate level review of any adverse decisions. Settlement discussions with the plaintiffs commenced prior to the summary judgement but have not yet resulted in a settlement of the claim.

(d) Insurance risk

Westfield Corporation will carry material damage, business interruption and liability insurance on Westfield Corporation's properties with policy specifications and insured limits that Westfield Corporation believes are customarily carried for similar properties. However, potential losses of a catastrophic nature such as those arising from floods, earthquakes, terrorism or other similar catastrophic events may be either uninsurable, or, in the judgement of the Westfield Corporation Board, not insurable on a financially reasonable basis, or may not be insured at full replacement cost or may be subject to larger excesses.

Westfield Corporation will carry insurance with respect to terrorism and will seek appropriate coverage having regard to the nature of Westfield Corporation's properties and operations. The renewal of insurance will be dependent on a number of factors such as the continued availability of coverage, the nature of risks to be covered, the extent of the proposed coverage and costs involved. In addition, Westfield Corporation will carry earthquake insurance on Westfield Corporation's properties located in seismically active areas in an amount and with deductibles that Westfield Corporation believes are commercially reasonable.

If an uninsured loss occurs, Westfield Corporation could lose both its invested capital in and anticipated profits from the affected property.

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(e) Terrorist attacks or other security incidents or war

Terrorist attacks or other security incidents or war could damage infrastructure or otherwise inhibit or prevent access to the shopping centres or harm the demand for, and the value of, Westfield Corporation's shopping centres. Certain Westfield Corporation shopping centres are well-known landmarks or located near well-known landmarks and may be perceived as more likely terrorist targets than similar, less recognizable properties. Further, terrorist attacks or other security incidents could discourage consumers from shopping in public places like Westfield Corporation's shopping centres. To the extent that Westfield Corporation's tenants are impacted by terrorist attacks or other security incidents, their ability to continue to honour their obligations under their existing leases with Westfield Corporation could be adversely affected.

(f) Qualification as a REIT under US federal income tax laws

Westfield America presently qualifies as a REIT for the purpose of US federal income tax laws. If Westfield America fails to qualify as a REIT in any taxable year, then Westfield America will be required to pay US federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. If Westfield America loses its REIT status, then net earnings of Westfield America available for investment or distribution to shareholders would be significantly reduced for each of the years involved and Westfield America would no longer be required to make distributions to its shareholders.

Qualification as a REIT under US federal income tax laws involves the application of highly technical provisions. Although it is considered that Westfield America has operated and currently operates in a manner so as to qualify as a REIT, no assurance can be given that Westfield America is, or will remain, so qualified. Although Westfield America is not aware of pending legislation that would adversely affect its ability to operate as a REIT, no assurance can be given that new legislation, regulations, administrative interpretations or court decisions will not change the laws with respect to its qualification as a REIT.

Under the terms of the tax treaty currently in force between the US and Australia, US withholding tax generally applies to dividends paid by Westfield America to Westfield America Trust and Westfield Corporation Limited at a rate of 15%, except to the extent that a shareholder of Westfield America Trust holds directly or indirectly a greater than 10% interest in Westfield America. To such extent, a dividend may be subject to US withholding tax at a rate of 30% rather than 15% on such shareholder's share of dividends from Westfield America.

(g) Inflation risk

Inflation can adversely impact Westfield Corporation's performance through increasing costs and reducing real earnings. Inflation may also adversely impact the general performance of Westfield Corporation's shopping centres, impacting Westfield Corporation's rental income and management fees.

Substantially all of Westfield Corporation's leases with retailers contain provisions designed to lessen the impact of inflation. In the US, such provisions include clauses enabling Westfield Corporation to receive periodic contractual rent increases, including fixed increases or index based increases, during the term of the lease or, to a much lesser extent, percentage rents based on retailer's gross sales, which generally increase as prices rise, or both. In the UK, standard lease terms provide for upward only market reviews every five years during the term of the lease. Most of the leases (except for most anchor leases in the US) require the retailers to pay additional rent on account of operating expenses, including common area maintenance, real estate taxes and insurance, reducing Westfield Corporation's exposure to increases in costs and operating expenses resulting from inflation. In the US, the majority of the tenants pay fixed amounts for common area expenses with fixed annual escalations which are intended to cover inflation. As a result, Westfield Corporation may not be able to recover all of its expenses if inflation exceeds the fixed annual increases for these tenants.

Inflation may also have a negative effect on Westfield Corporation's other expenses, including interest costs and overhead expenses. These costs could increase at a rate higher than rents.

(h) Interest rate risk

Westfield Corporation will be subject to the risk of rising interest rates associated with borrowing on a floating rate basis. Westfield Corporation will seek to manage all or part of its exposure to adverse fluctuations in floating interest rates by entering into interest rate hedging arrangements, including derivative financial instruments.

Such arrangements involve risk, such as the risk that counterparties may fail to honour their obligations under these arrangements, and that such arrangements may not be effective in reducing Westfield Corporation's exposure to movements in interest rates. To the extent Westfield Corporation does not hedge effectively (or at all) against movements in interest rates, such interest rate movements may adversely affect Westfield Corporation's results.

Due to documentation, designation and effectiveness requirements under A-IFRS, Westfield Corporation's derivative financial instruments that will be used for hedging interest rate exposure may not qualify for hedge accounting. As a consequence, Westfield Corporation may experience volatility in its reported earnings due to changes in the mark to market valuations of its interest rate derivative financial instruments.

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Although Westfield Corporation's interest rate hedging transactions will be undertaken to achieve economic outcomes in line with its treasury policy, there can be no assurance that such transactions or treasury policy will be effective.

(i) Deposit, hedge or insurance counterparty credit risk

Counterparty credit risk is the risk of a loss being sustained by us as a result of payment default by the counterparty with whom Westfield Corporation has placed funds on deposit or entered into hedging transactions to hedge Westfield Corporation's interest rate and foreign exchange risks. The extent of Westfield Corporation's loss could be the full amount of the deposit or, in the case of hedging transactions, the cost of replacing those transactions. Under Westfield Corporation's proposed treasury risk management policy, Westfield Corporation will only deal with counterparties that Westfield Corporation believes are of good credit standing and Westfield Corporation has assigned a maximum exposure to each of them according to Westfield Corporation's assessment of their credit-worthiness. These determinations are based upon their credit ratings and other factors. Even banks and financial institutions with high credit ratings can default, and several of them have experienced severe difficulties in recent years. Counterparty credit risk also arises to the extent that a claim made under an insurance policy is not paid due to the insolvency or illiquidity of the insurance company.

There can be no assurance that Westfield Corporation will successfully manage this risk or that such payment defaults by counterparties will not adversely affect Westfield Corporation's financial condition or performance.

(j) Changes in financial reporting requirements and accounting standards

Westfield Corporation will be subject to the usual risk that there may be changes in financial reporting requirements and accounting standards as well as changes in the interpretation of such requirements and standards that may change the basis Westfield Corporation is required to use to prepare Westfield Corporation's financial statements, which may adversely affect Westfield Corporation's reported earnings and Westfield Corporation's reported financial performance.

(k) Changes in tax laws

Changes in tax laws, or changes in the way tax laws are interpreted in the various jurisdictions in which Westfield Corporation will operate, may impact Westfield Corporation's future tax liabilities.

Under the rules governing the taxation of trusts in Division 6 of Part III of the ITAA 1936 and current practice, it is the case that Westfield America Trust is not and WFD Trust is not expected to be liable for Australian income tax, including CGT, provided that members are presently entitled to the income of each trust as determined in accordance with the relevant trust's constitution. If either Westfield America Trust or WFD Trust was to lose its Division 6 trust tax status due to the failure to satisfy the exclusions from the application of the provisions in Division 6B or 6C of Part III of the ITAA 1936, it would be taxed at the corporate tax rate of 30% of its net taxable income.

In March 2011, the Australian Government released a discussion paper proposing changes to the taxation of trusts and their beneficiaries, which would apply with effect from July 2010. This paper has been followed by multiple announcements and consultation and discussion papers from the Assistant Treasurer and Board of Taxation that have confirmed that other than for specific integrity measures (which should not be relevant for Westfield America Trust or WFD Trust), such changes will not have effect until 1 July 2014 at the earliest. Based on the discussion papers and subsequent consultations, it is not expected that the changes will materially adversely affect the tax position of Westfield America Trust or WFD Trust. However, until the proposed rules are released, there can be no assurance that these changes will not adversely affect the business of Westfield Corporation.

(l) Compliance or failure to comply with access requirements for disabled people

A number of US and UK laws and regulations, including the US Americans with Disabilities Act of 1990, exist that may require modifications to existing buildings on Westfield Corporation's properties or restrict some renovations by requiring improved access to such buildings by disabled persons. Additional legislation or regulations may impose further obligations on owners with respect to improved access by disabled persons. The costs of compliance with such laws and regulations may be substantial, and limits or restrictions on completion of some renovations may limit implementation of Westfield Corporation's investment strategy in some instances or reduce overall returns on Westfield Corporation's investments. Westfield Corporation could be adversely affected by the costs of compliance with such laws and regulations.

(m) Compliance with environmental regulations

As an owner and operator of real property in the US and the UK, Westfield Corporation will be subject to extensive regulation under environmental laws. These laws vary by jurisdiction and are subject to change. Current and future environmental laws could impose significant costs or liabilities on Westfield Corporation.

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For instance, under certain environmental laws, current or former owners or operators of real property may become liable for costs and damages resulting from soil or water contaminated by hazardous substances (for example, as a result of leaking underground storage tanks). These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such substances. Persons who arrange for the disposal of hazardous substances (for example, at a landfill) also may be liable. In some cases, liability may be joint and several. These laws may result in significant unforeseen costs to Westfield Corporation, or impair Westfield Corporation's ability to sell or rent real property or to borrow money using contaminated property as collateral, on terms acceptable to Westfield Corporation or at all.

In addition, the presence of hazardous substances on Westfield Corporation's properties could result in personal injury claims. These claims could result in costs or liabilities that could exceed the value of the property on which hazardous substances are present. Environmental incidents could adversely affect the operations of a property including its closure.

Asbestos-containing materials are present in a number of the shopping centres that will comprise Westfield Corporation's portfolio as a consequence of building practices typical at the time the Westfield shopping centres were constructed. Environmental and safety laws regulate these materials and allow personal injury claims for damages due to exposure to such materials. Although the costs and liabilities associated with such laws have not been material to Westfield Group in the past, there can be no assurance that they will not be material in the future.

It will be the practice of Westfield Corporation on acquisition, where considered necessary, to subject the properties to an environmental assessment by independent consultants (commonly referred to as Phase I, which generally involves a review of records with no visual inspection of the property or soil or ground water sampling). However, these assessments may fail to identify all environmental problems. Based on these assessments and Westfield Group's past experience, Westfield Group is not aware of any environmental claims or other liabilities that would require material expenditures by Westfield Corporation. However, Westfield Corporation could become subject to such claims or liabilities in the future.

(n) Changes in general laws

Westfield Corporation will be subject to the usual business risk that there may be changes in general laws that reduce Westfield Corporation's income or increase Westfield Corporation's costs. For example, there could be:

- changes in retail tenancy laws that limit Westfield Corporation's recovery of certain property operating expenses;
- new or revised legislation on climate change and energy such as emissions trading, targets for renewable energy and energy efficiency, the costs of which may not be recoverable from tenants;
- changes or increases in real estate taxes that cannot be recovered from Westfield Corporation's tenants; or
- changes in environmental or building laws or codes that require significant capital expenditures.

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SECTION 10
INDEPENDENT LIMITED ASSURANCE REPORTS

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10.1 INDEPENDENT LIMITED ASSURANCE REPORT

8 April 2014

The Directors
Westfield Group
Westfield Holdings Limited
Westfield Management Limited as Responsible Entity of Westfield Trust
Westfield America Management Limited as Responsible Entity of Westfield America Trust
85 Castlereagh Street
Sydney, NSW 2000
(collectively, "Westfield Group")

The Directors
Westfield Retail Trust
RE1 Limited as Responsible Entity of Westfield Retail Trust 1
RE2 Limited as Responsible Entity of Westfield Retail Trust 2
77 Castlereagh Street
Sydney, NSW 2000
(collectively, "Westfield Retail Trust")

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON PRO FORMA HISTORICAL FINANCIAL INFORMATION AND PRO FORMA FORECAST FINANCIAL INFORMATION OF SCENTRE GROUP

1. Introduction

We have been engaged by Westfield Group and Westfield Retail Trust to report on the pro forma historical financial information and the pro forma forecast financial information of Scentre Group, for inclusion in the Westfield Group Securityholder Booklet ("Westfield Group Securityholder Booklet") to be dated on or about 14 April 2014, for distribution to the Westfield Group Securityholders. The Westfield Group Securityholder Booklet relates to a proposal under which Westfield Group will undertake a restructure which involves separating its Australian and New Zealand businesses ("Westfield Group's Australia and New Zealand business") from its international business and the merging of Westfield Group's Australia and New Zealand business with Westfield Retail Trust. This merged group will become Scentre Group and the international business will become Westfield Corporation (the "Proposal").

Expressions and terms defined in the Westfield Group Securityholder Booklet have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Graeme Browning is a Director and Representative of Ernst & Young Transaction Advisory Services. We have included our Financial Services Guide in Section 10.3.

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2. Scope

Scentre Group Pro Forma Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma historical financial information of Scentre Group:

- the Pro Forma Historical Income Statements for the years ended 31 December 2011, 2012 and 2013 as set out in Table 5.3.1 in Section 5.3 of the Westfield Group Securityholder Booklet ('Pro Forma Historical Income Statements');
- the Pro Forma Historical Statement of Net Assets as at 31 December 2013 as set out in Table 5.10.1 in Section 5.10 of the Westfield Group Securityholder Booklet ('Pro Forma Historical Statement of Net Assets'); and
- the Pro Forma Historical Funds From Operations for the years ended 31 December 2011, 2012 and 2013 as set out in Table 5.4.1 in Section 5.4 of the Westfield Group Securityholder Booklet ('Pro Forma Historical FFO')

(hereafter the "Scentre Group Pro Forma Historical Financial Information").

The Scentre Group Pro Forma Historical Financial Information is based on the historical operations of Westfield Group's Australia and New Zealand shopping centre interests, property management and development operations and the operations of Westfield Retail Trust as described in Section 5.2 of the Westfield Group Securityholder Booklet. The Scentre Group Pro Forma Historical Financial Information has been derived from the statutory financial statements of Westfield Group and Westfield Retail Trust after adjusting for the items described in Tables 5.10.1 and 5.13.1 of Section 5 of the Westfield Group Securityholder Booklet. The statutory financial statements of Westfield Group and Westfield Retail Trust have been audited by Ernst & Young in accordance with Australian Auditing Standards and unqualified opinions were issued.

The stated basis of preparation used in the preparation of the Pro Forma Historical Income Statements and Pro Forma Historical Statement of Net Assets is in a manner consistent with the recognition and measurement principles prescribed in the Australian Accounting Standards issued by the Australian Accounting Standards Board (which are consistent with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board).

The Pro Forma Historical FFO stated basis of preparation is described in Section 5.2(c) of the Westfield Group Securityholder Booklet.

Due to its nature, the Scentre Group Pro Forma Historical Financial Information does not represent Scentre Group's actual or prospective financial position, financial performance or funds from operations.

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Scentre Group Pro Forma Forecast Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma forecast financial information of Scentre Group:

- the Pro Forma Forecast Income Statement for the year ending 31 December 2014 as set out in Table 5.3.1 in Section 5.3 of the Westfield Group Securityholder Booklet ('Pro Forma Forecast Income Statement'); and
- the Pro Forma Forecast Funds From Operations and Pro Forma Forecast Adjusted Funds from Operations for the year ending 31 December 2014 as set out in Table 5.4.1 in Section 5.4 of the Westfield Group Securityholder Booklet ('Pro Forma Forecast FFO')

(hereafter the "Scentre Group Pro Forma Forecast Financial Information").

The Scentre Group Pro Forma Forecast Financial Information has been derived from the Westfield Group forecast financial information and the Westfield Retail Trust forecast financial information to demonstrate the implications of the Proposal as if it had been implemented on 31 December 2013.

The stated basis of preparation used in the preparation of the Pro Forma Forecast Income Statement is in a manner consistent with the recognition and measurement principles prescribed in the Australian Accounting Standards issued by the Australian Accounting Standards Board (which are consistent with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board). The Directors' best estimate assumptions underlying the Pro Forma Forecast Income Statement are described in Section 5.8 of the Westfield Group Securityholder Booklet.

The Pro Forma Forecast FFO stated basis of preparation is described in Section 5.2(c) of the Westfield Group Securityholder Booklet.

Due to its nature and the basis of preparation, the Scentre Group Pro Forma Forecast Financial Information does not represent Scentre Group's actual prospective financial performance and funds from operations for the year ending 31 December 2014.

3. Directors' Responsibility

Scentre Group Pro Forma Historical Financial Information

The Directors of Westfield Retail Trust and of Westfield Group ('the Directors') are responsible for the preparation and presentation of the Scentre Group Pro Forma Historical Financial Information including the basis of preparation. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of the Scentre Group Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Scentre Group Pro Forma Forecast Financial Information

The Directors are responsible for the preparation and presentation of the Scentre Group Pro Forma Forecast Financial Information for the year ending 31 December 2014, including the basis of preparation and the best estimate assumptions underlying the Scentre Group Pro Forma Forecast Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of the Scentre Group Pro Forma Forecast Financial Information that is free from material misstatement, whether due to fraud or error.

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4. Our Responsibility

Scentre Group Pro Forma Historical Financial Information

Our responsibility is to express a limited assurance conclusion on the Scentre Group Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

Scentre Group Pro Forma Forecast Financial Information

Our responsibility is to express a limited assurance conclusion on the Scentre Group Pro Forma Forecast Financial Information, the best-estimate assumptions underlying the Scentre Group Pro Forma Forecast Financial Information, and the reasonableness of the Scentre Group Pro Forma Forecast Financial Information itself, based on our limited assurance engagement.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Scentre Group Pro Forma Historical Financial Information and the Scentre Group Pro Forma Forecast Financial Information.

5. Conclusions

Scentre Group Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Scentre Group Pro Forma Historical Financial Information comprising:

- the Pro Forma Historical Income Statements for the years ended 31 December 2011, 2012 and 2013 as set out in Table 5.3.1 in Section 5.3 of the Westfield Group Securityholder Booklet;
- the Pro Forma Historical Statement of Net Assets as at 31 December 2013 as set out in Table 5.10.1 in Section 5.10 of the Westfield Group Securityholder Booklet; and
- the Pro Forma Historical FFO for the years ended 31 December 2011, 2012 and 2013 as set out in Table 5.4.1 in Section 5.4 of the Westfield Group Securityholder Booklet

is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 5.2 of the Westfield Group Securityholder Booklet.

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Scentre Group Pro Forma Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- the Directors' best-estimate assumptions used in the preparation of the Scentre Group Pro Forma Forecast Financial Information for the year ending 31 December 2014 as set out in Section 5.8 of the Westfield Group Securityholder Booklet do not provide reasonable grounds for the Scentre Group Pro Forma Forecast Financial Information; and

- in all material respects, the Scentre Group Pro Forma Forecast Financial Information:
  - is not prepared on the basis of the Directors' best estimate assumptions as described in Section 5.8 of the Westfield Group Securityholder Booklet; and
  - is not presented fairly in accordance with the stated basis of preparation as described in Section 5.2 of the Westfield Group Securityholder Booklet, and

- the Scentre Group Pro Forma Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

The Scentre Group Pro Forma Forecast Financial Information has been prepared by management and adopted by the Directors in order to demonstrate to the Westfield Group Securityholders the implications of the Proposal as if it had been implemented on 31 December 2013. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results will be different from the Scentre Group Pro Forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The Directors' best-estimate assumptions on which the Scentre Group Pro Forma Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Westfield Group and Westfield Retail Trust. Evidence may be available to support the Directors' best-estimate assumptions on which the Scentre Group Pro Forma Forecast Financial Information is based, however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best-estimate assumptions. The limited assurance conclusions expressed in this report have been formed on the above basis.

Westfield Group Securityholders should be aware of the material risks and uncertainties in relation to the Proposal, which are detailed in the Westfield Group Securityholder Booklet and the inherent uncertainty relating to the Scentre Group Pro Forma Forecast Financial Information. Accordingly, Westfield Group Securityholders should have regard to the Risk Factors and Sensitivity Analysis as described in Sections 6 and 5.9 respectively of the Westfield Group Securityholder Booklet. The Sensitivity Analysis described in Section 5.9 of the Westfield Group Securityholder Booklet demonstrates the impact on the Pro Forma Forecast FFO of changes in key best-estimate assumptions. We express no opinion as to whether the Scentre Group Pro Forma Forecast Financial Information will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Scentre Group Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of Westfield Group and Westfield Retail Trust, that all material information concerning the prospects and proposed operations of Scentre Group have been disclosed to us and that the information provided to us

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for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

6. Restriction on Use

Without modifying our conclusions, we draw attention to Sections 5.1 and 5.2 of the Westfield Group Securityholder Booklet, which describe the purpose of the Scentre Group Pro Forma Historical Financial Information and the Scentre Group Pro Forma Forecast Financial Information. As a result, the Scentre Group Pro Forma Historical Financial Information and the Scentre Group Pro Forma Forecast Financial Information may not be suitable for use for another purpose.

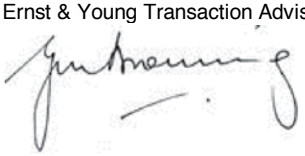
7. Consent

Ernst & Young Transaction Advisory Services has consented to the inclusion of this limited assurance report in the Westfield Group Securityholder Booklet in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services does not have any interests in the outcome of the Proposal other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited



Graeme Browning
Director and Representative

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10.2 INDEPENDENT LIMITED ASSURANCE REPORT

8 April 2014

The Directors
Westfield Group
Westfield Holdings Limited
Westfield Management Limited as Responsible Entity of
Westfield Trust
Westfield America Management Limited as Responsible Entity of
Westfield America Trust
85 Castlereagh Street
Sydney, NSW 2000
(collectively, "Westfield Group")

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON PRO FORMA HISTORICAL FINANCIAL INFORMATION AND PRO FORMA FORECAST FINANCIAL INFORMATION OF WESTFIELD CORPORATION AND HISTORICAL FINANCIAL INFORMATION AND FORECAST FINANCIAL INFORMATION OF WESTFIELD GROUP

1. Introduction

We have been engaged by Westfield Group to report on the pro forma historical financial information and the pro forma forecast financial information of Westfield Corporation and historical financial information and forecast financial information of Westfield Group, for inclusion in the Westfield Group Securityholder Booklet ('Westfield Group Securityholder Booklet') to be dated on or about 14 April 2014, for distribution to the Westfield Group Securityholders. The Westfield Group Securityholder Booklet relates to a proposal under which Westfield Group will undertake a restructure which involves separating its Australian and New Zealand businesses ("Westfield Australia/New Zealand") from its international business and the merging of Westfield Australia/New Zealand with Westfield Retail Trust. This merged group will become Scentre Group and the international business will become Westfield Corporation (the "Proposal").

Expressions and terms defined in the Westfield Group Securityholder Booklet have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Graeme Browning is a Director and Representative of Ernst & Young Transaction Advisory Services. We have included our Financial Services Guide in Section 10.3.

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2. Scope

Westfield Corporation Pro Forma Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma historical financial information of Westfield Corporation:

- the Pro Forma Historical Income Statements for the years ended 31 December 2011, 2012 and 2013 as set out in Table 8.3.1 in Section 8.3 of the Westfield Group Securityholder Booklet ('Pro Forma Historical Income Statements');
- the Pro Forma Historical Statement of Net Assets as at 31 December 2013 as set out in Table 8.9.1 in Section 8.9 of the Westfield Group Securityholder Booklet ('Pro Forma Historical Statement of Net Assets'); and
- the Pro Forma Historical Funds From Operations for the years ended 31 December 2011, 2012 and 2013 as set out in Table 8.4.1 in Section 8.4 in the Westfield Group Securityholder Booklet ('Pro Forma Historical FFO')

(hereafter the "Westfield Corporation Pro Forma Historical Financial Information").

The Westfield Corporation Pro Forma Historical Financial Information is based on the historical operations of Westfield Group's international operations in the United Kingdom and the United States as described in Section 8.2 of the Westfield Group Securityholder Booklet. The Westfield Corporation Pro Forma Historical Financial Information has been derived from the statutory financial statements of Westfield Group after adjusting for items described in Table 8.9.1 and Table 8.12.1 of Section 8 of the Westfield Group Securityholder Booklet. The statutory financial statements of Westfield Group have been audited by Ernst & Young in accordance with Australian Auditing Standards and unqualified opinions were issued.

The stated basis of preparation used in the preparation of the Pro Forma Historical Income Statements and Pro Forma Historical Statement of Net Assets is in a manner consistent with the recognition and measurement principles prescribed in Australian Accounting Standards issued by the Australian Accounting Standards Board (which are consistent with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board).

The Pro Forma Historical FFO stated basis of preparation is described in Section 8.2(c) of the Westfield Group Securityholder Booklet.

Due to its nature, the Westfield Corporation Pro Forma Historical Financial Information does not represent Westfield Corporation's actual or prospective financial position, financial performance or funds from operations.

Westfield Corporation Pro Forma Forecast Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma forecast financial information of Westfield Corporation:

- the Pro Forma Forecast Income Statements for the year ending 31 December 2014 as set out in Table 8.3.1 in Section 8.3 of the Westfield Group Securityholder Booklet ('Pro Forma Forecast Income Statements'); and
- the Pro Forma Forecast Funds From Operations for the year ending 31 December 2014 as set out in Table 8.4.1 in Section 8.4 of the Westfield Group Securityholder Booklet ('Pro Forma Forecast FFO')

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(hereafter the "Westfield Corporation Pro Forma Forecast Financial Information").

The Westfield Corporation Pro Forma Forecast Financial Information has been derived from the Westfield Group Forecast Financial Information to demonstrate the implications of the Proposal as if it had been implemented on 31 December 2013.

The stated basis of preparation used in the preparation of the Pro Forma Forecast Income Statements is in a manner consistent with the recognition and measurement principles prescribed in Australian Accounting Standards issued by the Australian Accounting Standards Board (which are consistent with International Financial Reporting Standards and Interpretations as issued by the International Accounting Standards Board). The Directors' best estimate assumptions underlying the Pro Forma Forecast Income Statements are described in Section 8.7 of the Westfield Group Securityholder Booklet.

The Pro Forma Forecast FFO stated basis of preparation is described in Section 8.2(c) of the Westfield Group Securityholder Booklet.

Due to its nature and the basis of preparation, the Westfield Corporation Pro Forma Forecast Financial Information does not represent its actual prospective financial performance or funds from operations for the year ending 31 December 2014.

Westfield Group Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following historical financial information of Westfield Group:

- the Condensed Historical Income Statements for the years ended 31 December 2011, 2012 and 2013 as set out in Table Appendix 4.2.1 in Appendix 4.2 of the Westfield Group Securityholder Booklet ('Westfield Group Historical Income Statements'); and
- the Historical Funds From Operations for the years ended 31 December 2011, 2012 and 2013 as set out in Table Appendix 4.3.1 in Appendix 4.3 of the Westfield Group Securityholder Booklet ('Westfield Group Historical FFO')

(hereafter the "Westfield Group Historical Financial Information").

The Westfield Group Historical Income Statements stated basis of preparation is in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards issued by the Australian Accounting Standards Board (which are consistent with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board).

The Westfield Group Historical FFO stated basis of preparation is described in Appendix 4.1(c) of the Westfield Group Securityholder Booklet.

The Westfield Group Historical Financial Information has been extracted from the statutory financial statements and remuneration reports of Westfield Group for the years ended 31 December 2011, 2012 and 2013.

The Westfield Group Historical Financial Information is presented in the Westfield Group Securityholder Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

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Westfield Group Forecast Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following forecast financial information of Westfield Group:

- the Condensed Forecast Income Statement for the year ending 31 December 2014 as set out in Table Appendix 4.2.1 in Appendix 4.2 of the Westfield Group Securityholder Booklet ('Westfield Group Forecast Income Statement'); and
- the Forecast Funds From Operations for the year ending 31 December 2014 as set out in Table Appendix 4.3.1 in Appendix 4.3 of the Westfield Group Securityholder Booklet ('Westfield Group Forecast FFO')

(hereafter the "Westfield Group Forecast Financial Information").

The Directors' best-estimate assumptions underlying the Westfield Group Forecast Financial Information are described in Appendix 4.4 of the Westfield Group Securityholder Booklet. The stated basis of preparation used in the preparation of the Westfield Group Forecast Income Statement is in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards issued by the Australian Accounting Standards Board (which are consistent with International Financial Reporting Standards and Interpretations as issued by the International Accounting Standards Board).

The Westfield Group Forecast FFO basis of preparation is described in Appendix 4.2(c) of the Westfield Group Securityholder Booklet.

3. Directors' Responsibility

Westfield Corporation Pro Forma Historical Financial Information and Westfield Group Historical Financial Information

The Directors of Westfield Group (the 'Directors') are responsible for the preparation and presentation of the Westfield Corporation Pro Forma Historical Financial Information and Westfield Group Historical Financial Information, including the basis of preparation. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of the Westfield Corporation Pro Forma Historical Financial Information and Westfield Group Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Westfield Corporation Pro Forma Forecast Financial Information and Westfield Group Forecast Financial Information

The Directors are responsible for the preparation and presentation of the Westfield Corporation Pro Forma Forecast Financial Information and Westfield Group Forecast Financial Information for the year ending 31 December 2014, including the basis of preparation and the best estimate assumptions underlying the Westfield Corporation Pro Forma Forecast Financial Information and the Westfield Group Forecast Financial Information.

This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of the Westfield Corporation Pro Forma Forecast Financial Information and Westfield Group Forecast Financial Information that is free from material misstatement, whether due to fraud or error.

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4. Our Responsibility

Westfield Corporation Pro Forma Historical Financial Information and Westfield Group Historical Financial Information

Our responsibility is to express limited assurance conclusions on the Westfield Corporation Pro Forma Historical Financial Information and the Westfield Group Historical Financial Information based on the procedures performed and the evidence we have obtained.

Westfield Corporation Pro Forma Forecast Financial Information and Westfield Group Forecast Financial Information

Our responsibility is to express limited assurance conclusions on the Westfield Corporation Pro Forma Forecast Financial Information and the Westfield Group Forecast Financial Information, the best-estimate assumptions underlying the Westfield Corporation Pro Forma Forecast Financial Information and the Westfield Group Forecast Financial Information, and the reasonableness of the Westfield Corporation Pro Forma Forecast Financial Information and the Westfield Group Forecast Financial Information themselves, based on our limited assurance engagement.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Westfield Corporation Pro Forma Historical Financial Information, the Westfield Corporation Pro Forma Forecast Financial Information, the Westfield Group Historical Financial Information or the Westfield Group Forecast Financial information.

5. Conclusions

Westfield Corporation Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Westfield Corporation Pro Forma Historical Financial Information, comprising:

- the Pro Forma Historical Income Statements for the years ended 31 December 2011, 2012 and 2013 as set out in Table 8.3.1 in Section 8.3 of the Westfield Group Securityholder Booklet;
- the Pro Forma Historical Statement of Net Assets as at 31 December 2013 as set out in Table 8.9.1 in Section 8.9 of the Westfield Group Securityholder Booklet; and
- the Pro Forma Historical FFO for the year ended 31 December 2011, 2012 and 2013 as set out in Table 8.4.1 in Section 8.4 of the Westfield Group Securityholder Booklet

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is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 8.2 of the Westfield Group Securityholder Booklet.

Westfield Corporation Pro Forma Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- the Directors' best-estimate assumptions used in the preparation of the Westfield Corporation Pro Forma Forecast Financial Information for the year ending 31 December 2014 as set out in Section 8.7 do not provide reasonable grounds for the Westfield Corporation Pro Forma Forecast Financial Information;
- in all material respects, the Westfield Corporation Pro Forma Forecast Financial Information:
  - is not prepared on the basis of the Directors' best estimate assumptions as described in Section 8.7 of the Westfield Group Securityholder Booklet; and
  - is not presented fairly in accordance with the stated basis of preparation as described in Section 8.2 of the Westfield Group Securityholder Booklet; and
- the Westfield Corporation Pro Forma Forecast Financial Information itself is unreasonable.

Westfield Group Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Westfield Group Historical Financial Information comprising:

- the Condensed Historical Income Statements for the years ended 31 December 2011, 2012 and 2013 as set out in Table Appendix 4.2.1 in Appendix 4.2 of the Westfield Group Securityholder Booklet; and
- the Historical FFO for the years ended 31 December 2011, 2012 and 2013 as set out in Table Appendix 4.3.1 in Appendix 4.3 of the Westfield Group Securityholder Booklet

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Appendix 4.1 of the Westfield Group Securityholder Booklet.

Westfield Group Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- the Directors' best-estimate assumptions used in the preparation of the Westfield Group Forecast Financial Information for the year ending 31 December 2014 as set out in Appendix 4.4 do not provide reasonable grounds for the Westfield Group Forecast Financial Information;
- in all material respects, the Westfield Group Forecast Financial Information:
  - is not prepared on the basis of the Directors' best estimate assumptions as described in Appendix 4.4 of the Westfield Group Securityholder Booklet; and
  - is not presented fairly in accordance with the stated basis of preparation as described in Appendix 4.1 of the Westfield Group Securityholders Booklet; and

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- the Westfield Group Forecast Financial Information itself is unreasonable.

Forecast and Pro Forma Forecast Financial Information

The Westfield Corporation Pro Forma Forecast Financial Information has been prepared by management and adopted by the Directors in order to demonstrate to Westfield Group Securityholders the implications of the Proposal as if it had been implemented on 31 December 2013. The Westfield Group Forecast Financial Information has been included in order to illustrate the financial performance of Westfield Group if the Proposal does not proceed. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results will be different from the Westfield Corporation Pro Forma Forecast Financial Information and the Westfield Group Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The Directors' best-estimate assumptions on which the Westfield Corporation Pro Forma Forecast Financial Information and the Westfield Group Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Westfield Group. Evidence may be available to support the Directors' best-estimate assumptions on which the Westfield Corporation Pro Forma Forecast Financial Information and the Westfield Group Forecast Financial Information is based, however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best-estimate assumptions. The limited assurance conclusions expressed in this report have been formed on the above basis.

Westfield Group Securityholders should be aware of the material risks and uncertainties in relation to the Proposal which are detailed in the Westfield Group Securityholder Booklet and the inherent uncertainty relating to the Westfield Corporation Pro Forma Forecast Financial Information and the Westfield Group Forecast Financial Information. Accordingly, Westfield Group Securityholders should have regard to the Risk Factors and Sensitivity Analysis as described in Sections 9, 8.8 and Appendix 4.5 respectively, of the Westfield Group Securityholder Booklet. The Sensitivity Analysis described in Section 8.8 and Appendix 4.5 respectively, of the Westfield Group Securityholder Booklet, demonstrates the impact on the Westfield Corporation Pro Forma Forecast Financial Information and the Westfield Group Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether Westfield Corporation Pro Forma Forecast Financial Information or the Westfield Group Forecast Financial Information will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Westfield Corporation Pro Forma Forecast Financial Information or the Westfield Group Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of Westfield Group, that all material information concerning the prospects and proposed operations of Westfield Corporation and Westfield Group have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

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6. Restriction on Use

Without modifying our conclusions, we draw attention to Sections 8.1, 8.2 and Appendix 4.1 respectively, of the Westfield Group Securityholder Booklet, which describe the purpose of the Westfield Corporation Pro Forma Historical Financial Information, the Westfield Corporation Pro Forma Forecast Financial Information, the Westfield Group Historical Financial Information and the Westfield Group Forecast Financial Information. As a result, the Westfield Corporation Pro Forma Historical Financial Information, the Westfield Corporation Pro Forma Forecast Financial Information, the Westfield Group Historical Financial Information and the Westfield Group Forecast Financial Information may not be suitable for use for another purpose.

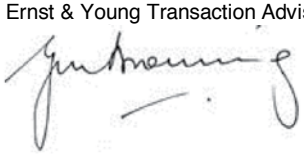
7. Consent

Ernst & Young Transaction Advisory Services has consented to the inclusion of this limited assurance report in the Westfield Group Securityholder Booklet in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services does not have any interests in the outcome of the Proposal other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited



Graeme Browning
Director and Representative

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10.3 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

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You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

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As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

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Contacting Ernst & Young Transaction Advisory Services	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager	Financial Ombudsman Service Limited
Ernst & Young	PO Box 3
680 George Street	Melbourne VIC 3001 Telephone: 1300 78 08 08
Sydney NSW 2000	
Telephone: (02) 9248 5555	

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SECTION 11
INDEPENDENT EXPERT'S REPORT

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11 April 2014

The Directors
Westfield Holdings Limited

The Directors
Westfield Management Limited
(as responsible entity for Westfield Trust)

The Directors
Westfield America Management Limited
(as responsible entity for Westfield America Trust)

Level 30
85 Castlereagh Street
Sydney NSW 2000

Dear Directors

Proposal to Restructure Westfield Group

1 Introduction

Westfield Group is an internally managed, vertically integrated global retail property group. It is one of the 20 largest entities listed on the Australian Stock Exchange ("ASX") with a market capitalisation of approximately A$22 billion.

Westfield Retail Trust was spun out of Westfield Group in December 2010, creating a separately listed retail property group with a 50% joint venture interest in Westfield Group's Australian and New Zealand retail property portfolio. Westfield Group acts as responsible entity and as property, leasing and development manager for Westfield Retail Trust. The two entities cooperate on retail property acquisition and growth opportunities in Australia and New Zealand. Westfield Retail Trust has a market capitalisation of approximately A$9 billion and is the second largest Real Estate Investment Trust ("REIT") listed on the ASX (after Westfield Group).

On 4 December 2013, Westfield Group and Westfield Retail Trust announced a proposal to merge Westfield Group's Australian and New Zealand businesses ("Westfield ANZ") with Westfield Retail Trust to form a new entity, Scentre Group (the "Proposal"). The remainder of Westfield Group's operations, which comprises its international business, will become Westfield Corporation. Both entities will be listed on the ASX.

Scentre Group will be the largest Australian focused REIT listed on the ASX with A$28.6 billion of shopping centre assets and a development pipeline in Australia and New Zealand. It will be internally managed with its own Board and management team.

Westfield Corporation will retain its international operations, which will focus on owning, developing and operating shopping centres in major world cities. It will have US$17.9 billion of shopping centre assets in the United States, the United Kingdom and Europe.

The terms of the Proposal have the effect that Westfield Group securityholders will receive 1,000 securities in Westfield Corporation and 1,246 securities in Scentre Group for every 1,000 Westfield Group securities held. Westfield Retail Trust securityholders will receive A$285 and 918 securities in Scentre Group for every 1,000 Westfield Retail Trust securities held. The cash payment will be effected through an A$850 million capital return. If the Proposal is implemented, Westfield Group securityholders will hold a 48.6% interest in Scentre Group.

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Other features of the Proposal include:

- a restructuring of Westfield Group's debt involving repayment and cancellation of substantially all existing unsecured loan facilities, repurchase or redemption of all outstanding bonds on issue and novation to Scentre Group or Westfield Corporation of all derivatives transactions (other than those no longer required which will be terminated). Westfield Group has entered into a bridge facility agreement that has sufficient commitment to repay all of the outstanding unsecured debt of Westfield Group which will effectively be repaid shortly after it is drawn by drawings on financing facilities entered into by Scentre Group and Westfield Corporation;

- Westfield Corporation will own the "Westfield" brand but has entered into a Trade Mark Licence Agreement with Scentre Group to provide Scentre Group with exclusive, royalty free use of the "Westfield" brand on shopping centres (and related activities that are complementary to the management and promotion of shopping centres) in Australia and New Zealand (unless terminated in accordance with the agreement);

- a Transitional Services Agreement has been entered into to ensure an orderly separation of Westfield Corporation and Scentre Group which is expected to be substantially complete within two years. The businesses and activities of Westfield Corporation and Scentre Group currently rely on shared resources and services within Westfield Group for their orderly operation (including corporate head office, treasury, tax, finance, compliance, insurance and information technology); and

- Westfield LABS Corporation, a business focussed on the development of products and services that leverage social, mobile and digital technologies to help converge the digital shopper with the physical retail world, will remain part of Westfield Corporation and a LABS Agreement has been entered into to cover the arrangements between Westfield Corporation and Scentre Group with respect to the activities of Westfield LABS Corporation.

The Proposal is to be implemented through a scheme of arrangement between Westfield Holdings Limited ("Westfield Holdings") and its shareholders, certain other resolutions to implement the Proposal and certain resolutions to amend the constitutions of Westfield Holdings and Westfield Trust.

The directors of Westfield Group have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Proposal is in the best interests of Westfield Group securityholders. A copy of the report (including this letter) will accompany the Notice of Meeting and Explanatory Memorandum ("the Westfield Group Securityholder Booklet") to be sent to securityholders by Westfield Group. This letter contains a summary of Grant Samuel's opinion and main conclusions.

2 Opinion

In Grant Samuel's opinion, the Proposal is in the best interests of Westfield Group securityholders, in the absence of a superior proposal.

The Proposal is fair to Westfield Group securityholders. Fairness involves a comparison of the value of what Westfield Group securityholders are giving up (Westfield ANZ) with the value of what they receive (securities in Scentre Group).

The value of Westfield ANZ was estimated having regard to both notional market values (allocating the market value of Westfield Group between its international operations and Westfield ANZ on several different bases) and fundamental value (based on independent property valuations and a value range for the operating platform using discounted cash flow ("DCF") and multiples analysis). The estimated fundamental value is in the range A$8.2-8.7 billion.

Grant Samuel has estimated a trading price for the Scentre Group securities that Westfield Group securityholders will receive as consideration in the range A$3.10-3.35 (mid point of A$3.23) having regard to pro forma net tangible assets ("NTA"), estimated distribution yields and multiples of funds from operations ("FFO") and earnings before net interest and tax ("EBIT"). This trading

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range values the aggregate interest that Westfield Group securityholders will hold in Scentre Group in the range A$8.0-8.6 billion.

While the bottom end of the consideration is slightly below the bottom end of the fundamental value range for Westfield ANZ, it is the range of values that is relevant, particularly given the uncertainty associated with estimating a trading range for a security in an entity yet to be formed. There is a substantial degree of overlap and approximately 70% of the value range for the consideration to be received falls within the Westfield ANZ valuation range. The notional market value attributable to Westfield ANZ falls in a wide range but the better estimates are broadly consistent with the value of the consideration. Accordingly, the Proposal is fair.

Grant Samuel also considered value for Westfield Group securityholders from the perspective of overall value and the fairness of the merger ratio:

- **assuming a trading price for Scentre Group securities of at least A$3.00, Westfield Group securityholders will be better off as long as Westfield Corporation trades at prices that imply a multiple of at least 16 times pro forma 2014 FFO. This is a higher multiple than multiples at which Westfield Group has recently traded (circa 15 times) but the market rating of Westfield Group represents a blended multiple including the more mature but more stable Australian and New Zealand business. Westfield Corporation's key international peers typically trade at higher multiples (in the order of 17-18 times forecast FFO). On balance, a multiple of at least 16 times forecast FFO seems achievable; and**
- **the relative contributions by Westfield Group securityholders to Scentre Group across a number of parameters (e.g. FFO, fundamental value) are between 48% and 56% compared to their aggregate 48.6% interest in Scentre Group. While the analysis cannot be precise, Grant Samuel believes the merger ratio of 48.6% is within the bounds of a fair and equitable result for both sets of investors.**

The Proposal is not a "must do" for Westfield Group. The status quo would continue to offer investors a financially sound, well defined exposure to a business that is a global leader in the retail property sector, albeit geographically diversified. However, the Proposal does provide advantages that, over the longer term, can be expected to create greater value:

- **it results in two internally managed, integrated listed retail property groups split along geographic lines which is expected to benefit securityholders in terms of providing a clearer investment proposition that should attract a broader range of investors and providing securityholders with increased flexibility to manage their investment and currency exposures;**
- **management of each entity will be able to focus on their individual operating, financing and capital management strategies, which should provide an enhanced capacity to pursue growth opportunities in each entity's geographical markets;**
- **there is an increase in attributable FFO and NTA per security for Westfield Group securityholders in the order of 3% and 2-2.5% respectively; and**
- **it removes structural issues associated with Westfield Retail Trust that may have had a "spillover" effect on Westfield Group.**

There are disadvantages and risks that should not be taken lightly. In particular, the loss of global scale at the entity level could have some impact on Westfield Corporation's financing of large development projects and its ability to execute large corporate transactions. The change in investment characteristics to a lower risk profile, with overall less exposure to operating platforms and more exposure to shopping centre assets, will not suit some Westfield Group securityholders. There are also risks from licensing the "Westfield" brand to Scentre Group and in relation to future financing arrangements and funding costs for both entities. However, as the Proposal is fair, it is also reasonable and in any event, in Grant Samuel's opinion, these disadvantages and risks are not significant enough to change the conclusion.

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3 Key Conclusions

- **The Proposal is a logical step in the evolution of Westfield Group's corporate structure**

  Westfield Group has a long history of changing its corporate structure to meet the evolving needs of its business and to adapt to changing market circumstances with the overall goal of optimising the return on invested capital.

  While the creation of a single unified group in 2004 gave the scale required to underpin global expansion, the success of this strategy has meant that the need for the financial capacity of the current structure is no longer of paramount importance and the size and the diversification of the business is leading to a new set of issues that need to be addressed.

  The 2010 restructure to create Westfield Retail Trust was a key step in Westfield Group executing its strategy to increase the return on invested capital by improving the quality of the portfolio through the sale of non-core assets and reducing invested capital by entering into strategic joint ventures, with the capital released redeployed into higher return activities such as the development pipeline and investment in iconic projects. The Proposal is a logical step in this evolution.

- **From the perspective of Westfield Group securityholders, the Proposal is effectively a demerger of Westfield ANZ**

  The proposal is not a control transaction as there is no impact on the control of either entity. The security register of Westfield Corporation will be identical to that of Westfield Group. The register of Scentre Group will be different (as it will also include Westfield Retail Trust investors) but it will be an entirely open register with no party holding an interest greater than 6.8%.

  From the perspective of Westfield Group securityholders, the Proposal is effectively a demerger of Westfield ANZ, albeit not a "pure" demerger. The Proposal involves the merger of Westfield ANZ with Westfield Retail Trust to form Scentre Group. If the Proposal is implemented, Westfield Group securityholders will continue to hold their existing interests in Westfield Group's international business (through Westfield Corporation) and will, in aggregate, receive 48.6% of the issued securities in Scentre Group. Economically, securityholders retain substantially the same interest in Westfield ANZ's property portfolio but have sold a 51.4% interest in the operating platform (to Westfield Retail Trust securityholders).

  Accordingly, it is necessary to assess fairness and reasonableness as separate tests and to analyse the value aspects of the Proposal to determine whether or not it is fair to Westfield Group securityholders. In Grant Samuel's view, the appropriate test for the purpose of assessing fairness is to compare:

  - the value of what Westfield Group securityholders are "giving up", in other words, the value of the Westfield ANZ business that is to be transferred to Scentre Group; and
  - the value of what Westfield Group securityholders receive as consideration, being securities in Scentre Group.

  The Proposal will be fair to Westfield Group securityholders if the estimated value of Westfield ANZ is less than or equal to the estimated value of 48.6% of the securities in Scentre Group that will be issued to Westfield Group securityholders if the Proposal is implemented.

- **The value of Westfield ANZ has been analysed on two bases, notional market value, which falls in a wide range but is centred around A$7.5-8.5 billion and fundamental value, which is estimated to be in the range A$8.2-8.7 billion**

  The notional market value of Westfield ANZ has been calculated by allocating the market value of Westfield Group between its international operations and Westfield ANZ. This allocation does not have a high degree of reliability and several different approaches have been utilised, including allocating value based on:

  - relative contributions to Westfield Group's FFO, initially assuming that both income streams are valued at the same multiple and then also making an allowance for a higher multiple for the higher growth international business and a correspondingly lower multiple on Westfield ANZ

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(differentials of 10% and 20% were adopted). On this basis, the best estimate of the value the market currently attributes to Westfield ANZ is in the range A$8.2-9.0 billion; and

- separating the value of the shopping centre portfolio from the operating platform, allocating the value of the operating platform between Westfield ANZ and the international business (based on assets under management ("AUM") and EBIT) and adding the notional value of the Westfield ANZ operating platform to Westfield ANZ's NTA to arrive at an notional value for Westfield ANZ. This analysis is subject to a much higher level of uncertainty, in particular as a result of the substantial deferred tax liabilities in Westfield Group, the majority of which relate to the excess of the carrying value of shopping centres over their cost base. The analysis has been undertaken on two bases representing the extremes – 100% of the deferred tax liability added back to NTA and 50% of the deferred tax liability added back to NTA. This analysis attributes a value to Westfield ANZ in the range A$6.8-8.8 billion based on AUM and A$7.0-9.2 billion based on EBIT. These ranges are wide, and, at the low end, reflect the impact of adding back 100% of the deferred tax liability to NTA.

The fundamental value of Westfield ANZ has been estimated by aggregating the book value of the property portfolio as at 31 December 2013 (largely based on independent valuations as at that date), the estimated value of the operating platform, an allowance for corporate overheads and other assets and liabilities. The valuation is summarised below:

Westfield ANZ - Valuation Summary (A$ millions)

	Value Range	
	Low	**High**
Value of shopping centre portfolio	12,871.0	12,871.0
Value of operating platform	3,000.0	3,500.0
Other operating assets and liabilities	(122.0)	(122.0)
Corporate overheads	(401.9)	(390.5)
Enterprise value	**15,347.2**	**15,858.5**
Net borrowings	(6,992.9)	(6,992.9)
Other non operating assets and liabilities	(176.6)	(175.7)
Value of Westfield ANZ	**8,177.7**	**8,689.9**

Grant Samuel has estimated a value of the operating platform in the range A$3.0-3.5 billion. This value range was estimated having regard to DCF analysis based on a high level forecast cash flow model to 2023 and multiples of EBIT.

In both cases the analysis is focused on cash flows and earnings that include notional income from internally owned assets that is not included in reported income (which is then consistent with the basis of the independent property valuations).

The estimated value for the operating platform of A$3.0-3.5 billion implies multiples of 9.2-10.8 times forecast 2014 economic EBIT[1] and 13.4-15.6 times the merger ratio forecast 2014 EBIT[2]. These implied multiples are considered reasonable taking into account the following factors:

- the value is not a control value and therefore should not incorporate a premium for control;
- the nature, scale and quality of Westfield ANZ's operating platform, its successful track record and its substantial future development pipeline;
- the multiples are overall multiples reflecting a blend of activities. While there is a strong argument that property management income should be valued at the same multiple as property investment net operating income, lower multiples should apply to project income given the greater risk and volatility associated with this income stream. Approximately 65%

[1] Economic EBIT includes income from owned assets. It is a better reflection of the "true" earnings of the operating platform.

[2] The merger ratio EBIT was used by Westfield Group and Westfield Retail Trust to negotiate the merger ratio. It excludes A$47.2 million of income from two major projects completed in 2012 which is included in forecast 2014 EBIT for accounting purposes as well as A$5.9 million of funds management and asset management income.

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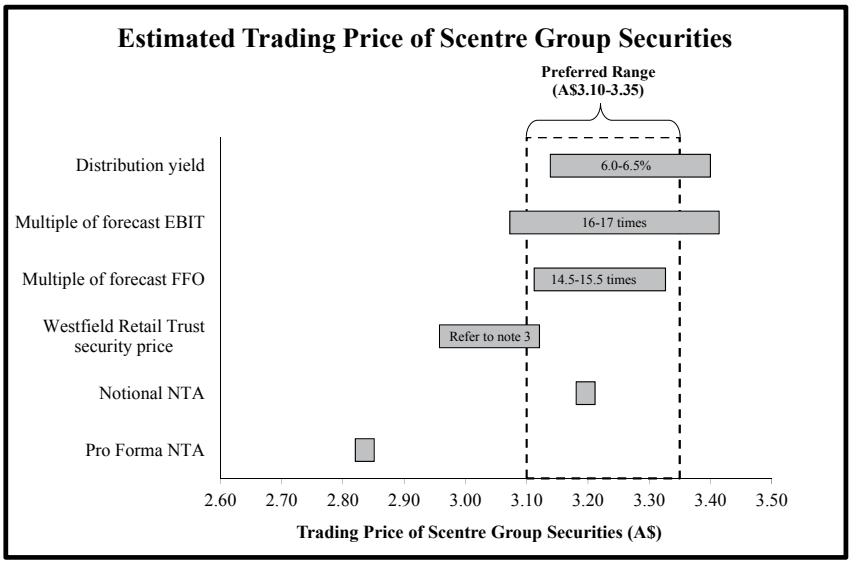
of the future income of Westfield ANZ's operating platform (before overheads) is from property management and 35% is from project income. The relatively high proportion of project income would push down the overall blended multiples; and

- the even higher proportion of project income (46% before overheads) included in forecast 2014 EBIT, including A$47.2 million of project income earned from third parties on two projects completed during 2012 (Westfield Sydney and Fountain Gate) as well as scope changes on third party projects. While it is usual for profits to be recognised post completion, these projects were particularly large and, while Westfield ANZ has a substantial development pipeline, there is no certainty that this level of profits will continue. The merger ratio EBIT excluded this project income, which represents the other extreme. The normalised level of project income and therefore the "true" multiple is likely to be somewhere in between.

- **The future trading price of Scentre Group securities is estimated to be in the range A$3.10-3.35, giving a value for the consideration of A$8.0-8.6 billion**

  Estimating a trading range for Scentre Group securities is judgemental as Scentre Group does not yet exist. Scentre Group should trade at a higher rating than Westfield Retail Trust securities given its simplified structure and ownership of the operating platform.

  Grant Samuel has estimated a trading price for Scentre Group securities in the range A$3.10-3.35 (after any initial period of selling by Westfield Group securityholders not wishing to hold a purely Australian and New Zealand exposure). This price range was estimated having regard to the pro forma NTA backing of Scentre Group securities, the implied security price based on current trading in Westfield Retail Trusts securities, multiples of FFO and EBIT and estimated distribution yields:



Notes:
1. Notional NTA is NTA restated to include the impact on property valuations of Scentre Group not paying property management fees on owned shopping centres.
2. The ranges shown for pro forma NTA and notional NTA reflect alternative assumptions for the net deferred tax liability (0% add back at the low end and 100% add back at the high end).
3. Based on a Westfield Retail Trust security price in the range A$3.00-3.15 and adjusting it for the terms of the Proposal (i.e. the A$285 capital return and each Westfield Retail Trust securityholder receiving 918 Scentre Group securities for every 1,000 Westfield Retail Trust securities held).
4. EBIT and FFO exclude project income on owned assets.

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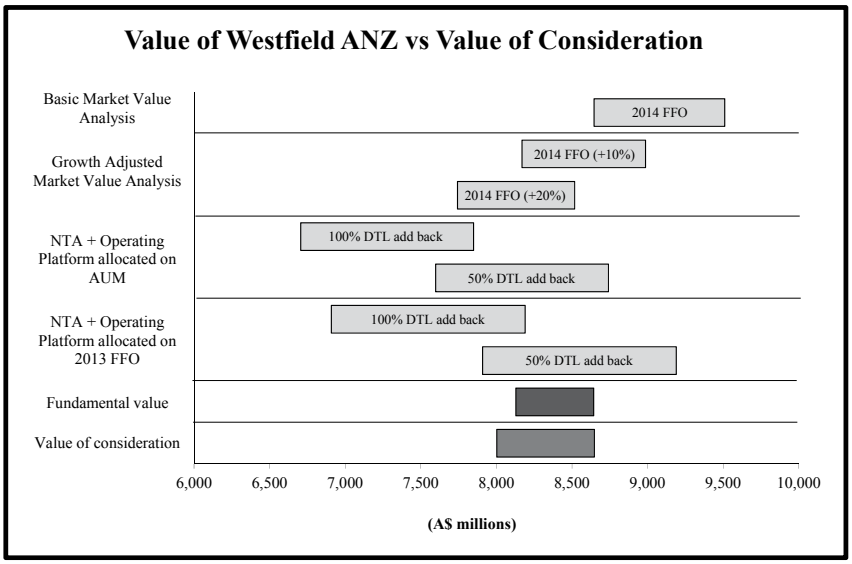
Based on this estimated trading range, the value of the consideration to be received, in aggregate, by Westfield Group securityholders is the range A$8.0-8.6 billion.

- **The Proposal is fair**

The comparison between the market based and fundamental valuations of Westfield ANZ and the value of the consideration is depicted below:



Note: DTL is deferred tax liability.

The values of Westfield ANZ estimated on a market basis fall in a wide range around the value of the consideration. On some bases the value is materially lower and on others it is materially higher. In light of the broad and untestable assumptions that underpin the market value allocations, Grant Samuel has focused on a comparison of the fundamental value of Westfield ANZ and the value of the consideration. While the bottom end of the value of the consideration is slightly below the bottom end of the fundamental value range for Westfield ANZ, it is the range for the value of the consideration that is relevant, particularly given the uncertainty associated with estimating trading prices for a security that does not yet exist. There is a substantial degree of overlap and approximately 70% of the value range for the consideration falls within the Westfield ANZ fundamental value range. The majority of the market value cases are also less than the value of the consideration. Accordingly, the Proposal is "fair".

As the Proposal is fair, it is also reasonable. As the Proposal is fair and reasonable, it is in the best interests of Westfield Group securityholders.

- **Grant Samuel has also considered value for Westfield Group securityholders from the perspective of overall value and the fairness of the merger ratio**

Assuming a minimum trading price for Scentre Group securities of A$3.00, Westfield Group securityholders will be better off as long as Westfield Corporation trades at prices that imply a multiple of at least 16 times pro forma 2014 FFO. This is a higher multiple than the multiple at which Westfield Group has recently traded (circa 15 times) but:

- Westfield Group's trading multiple is a blended multiple that takes into account the more mature but stable of the Australian and New Zealand business and the higher growth prospects (in terms of stage of the property cycle and relative size of the development pipeline) of the

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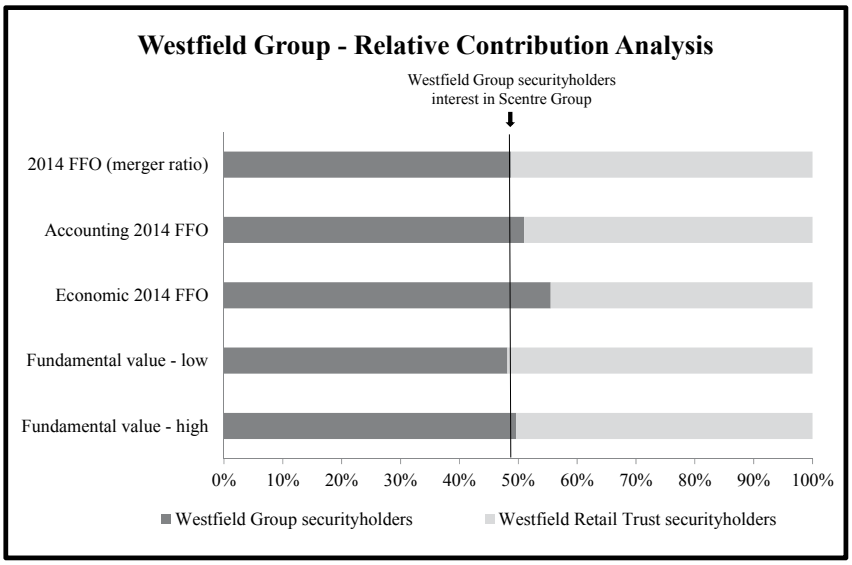
international business. The higher growth prospects of the international business would usually result in a higher multiple than the overall blended multiple; and

- it is below the multiples at which Westfield Corporation's key international peers trade which is typically in the order of 17-18 times forecast FFO. Westfield Corporation should be rated closer to its international peers, particularly those in the United States (where the majority of Westfield Corporation's shopping centres are currently located).

In Grant Samuel's opinion, it is likely that the combined value of securityholders interests will be greater under the Proposal than they would have been under the status quo but:

- there is unlikely to be an unlocking of material "hidden value" at least in the short term but the other benefits and advantages of the Proposal can be expected to positively support securityholder value over time; and
- fully closing the gap to international peers may take some time and may well require a shift in the primary listing of Westfield Corporation.

The relative contribution of Westfield Group securityholders and Westfield Retail Trust securityholders to Scentre Group can be compared across a number of parameters (e.g. FFO, fundamental value), as set out below:



Notes:
1. 2014 FFO (merger ratio) excludes A$47.2 million of project income from two major projects completed in 2012 as well as A$5.9 million of funds management and asset management income.
2. Accounting 2014 FFO includes the project income and funds and asset management income referred to in Note 1.
3. Economic 2014 FFO includes the project income and funds and asset management income referred to in Note 1 as well as income from owned assets.

The analysis shows that Westfield Group securityholders contribute between 48% and 56% to Scentre Group, depending upon the parameter, which compares to the 48.6% share of Scentre Group securities that they will, in aggregate, receive.

All mergers of this kind involve a delicate balance between the competing interests of the two parties. While the analysis is not precise, Grant Samuel believes the merger ratio of 48.6% is within the bounds of a fair and equitable result for both sets of investors.

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- **As the Proposal is fair, it is therefore reasonable, although there are other benefits for Westfield Group securityholders**

  The key benefits of the Proposal for Westfield Group securityholders include:

  - it creates two internally managed, integrated listed retail property groups split along geographic lines which is expected to benefit securityholders in terms of:
    - providing a clearer investment proposition with the potential to attract a broader range of investors Both entities will have the same key attractions of internal management, "Westfield" branding and management depth, but Scentre Group will have a more stable but lower growth income stream and Westfield Corporation will provide exposure to higher growth markets (at this stage in the cycle) and significantly more potential for growth through greenfields developments; and
    - provides securityholders with increased flexibility to manage their investment and currency exposures. If the Proposal is implemented, Westfield Group securityholders will be able to shift their relative exposure between the Australian and New Zealand and the international business as they see fit based in their own perceptions of relative growth outlooks, price/value considerations and risks;
  - management of each entity will be able to focus solely on the strategic objectives of their respective businesses and make decisions appropriate for each business' risk/return profile through:
    - concentrating their operating strategies on the specific growth opportunities and needs of the relevant geographic market; and
    - tailoring their financing and capital management strategies (which could be quite different) to achieve these specific operating objectives;
  - an increase in attributable FFO and NTA per security for Westfield Group securityholders for the year ending 31 December 2014 in the order of 3% and 2-2.5% respectively. However, there is not expected to be any increase in attributable distributions in 2014 as a result of lower distribution payout ratios, particularly for Westfield Corporation ; and
  - removal of the structural issues associated with Westfield Retail Trust (e.g. lack of flexibility in determining strategy, corporate governance, dependence on Westfield Group) that may have resulted in it trading at a substantial discount to NTA. These structural issues have the potential to have a "spillover" effect on Westfield Group through an adverse impact on the perceptions of other potential joint venture partners and inhibiting Westfield Retail Trust's ability to raise capital to participate in future major acquisitions alongside Westfield Group.

- **There is no pressing need for Westfield Group to restructure and the status quo could continue**

  The status quo would continue to offer investors a financially sound, well defined exposure to a business that is a global leader in the retail property sector, albeit geographically diversified. Westfield Group does not regard the status quo as an optimal alternative given the different characteristics of the Australian and New Zealand and international businesses. Westfield Group considered a number of alternative transactions to the Proposal but determined that the Proposal is the preferred option to create long term value for Westfield Group securityholders.

  The key points for Westfield Group securityholders are:

  - the Proposal does not prevent any control transaction from taking place in future and may, in fact, facilitate a control transaction as Westfield Group's size limits the number of potential acquirers with the capacity to execute a change of control transaction and Scentre Group is a more attractive acquisition target than Westfield Retail Trust as it is a unified, internally managed business;
  - in Grant Samuel's opinion, Westfield Group securityholders are likely to be better off if the Proposal is implemented that if it is not (i.e. the status quo); and
  - while there is a possibility of a superior proposal being put forward by an alternative party the likelihood is considered low.

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- **There are disadvantages and risks that should not be taken lightly, however, in Grant Samuel's opinion, they are not significant enough to change the conclusion**

  The key disadvantages and risks of the Proposal for Westfield Group securityholders are:

  - the loss of global scale at the entity level could have some impact on the financing, particularly debt financing, of large development projects by Westfield Corporation. Its ability to pursue large scale corporate transactions will also be impacted. On the other hand, the rollout of the proportionately larger development pipeline will have a greater impact on the return on contributed equity for Westfield Corporation securityholders;
  - the Proposal results in a change in investment characteristics to a lower risk profile, with less overall exposure to operating platforms and more exposure to shopping centre assets. This will not suit some Westfield Group securityholders that have invested in Westfield Group for greater exposure to the higher risk, higher return project income;
  - the licensing of the "Westfield" brand to Scentre Group creates risks in relation to standards and product quality and has the potential to damage to the "Westfield" brand (albeit there is likely to be little or no pollution of the "Westfield" brand internationally as a result of inappropriate use of the brand in Australia and New Zealand). There are also risks for Scentre Group from not owning the "Westfield" brand in Australia and New Zealand; and
  - the future financing arrangements and funding costs for both entities are uncertain. There is a risk that both entities will be exposed to unfavourable debt markets at the time of refinancing the bridging facilities. There may also be some adverse impact on margins as a result of Westfield Corporation's smaller size and loss of relatively stable Australian income. However, Westfield Corporation is expected to have a significantly lower overall cost of debt due to the repurchase/redemption of the corporate bonds and raising debt in the United States and Europe.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Westfield Group securityholders. Accordingly, before acting in relation to their investment, securityholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Securityholders should read the Westfield Group Securityholder Booklet issued by Westfield Group in relation to the Proposal.

Grant Samuel has not been engaged to provide a recommendation to securityholders in relation to the Proposal, the responsibility for which lies with the directors of Westfield Group. In any event, the decision whether to vote for or against the Proposal is a matter for individual securityholders, based on their own views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Securityholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

Similarly, it is a matter for individual securityholders as to whether to buy, hold or sell securities in Westfield Group, Westfield Corporation or Scentre Group. This is an investment decision independent of a decision on whether to vote for or against the Proposal upon which Grant Samuel does not offer an opinion. Securityholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

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Westfield Holdings Limited
Westfield Management Limited
Westfield America Management Limited

Financial Services Guide
and
Independent Expert's Report
in relation to
the Proposal to Restructure
Westfield Group

Grant Samuel & Associates Pty Limited
(ABN 28 050 036 372)

11 April 2014

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Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Westfield Group in relation to proposal to restructure Westfield Group ("the Westfield Group Report"), Grant Samuel will receive a fixed fee of A$1.25 million plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 10.3 of the Westfield Group Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Westfield Group Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 10.3 of the Westfield Group Report:

> *"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Westfield Group or Westfield Retail Trust or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.*
>
> *Grant Samuel had no part in the formulation of the Proposal. Its only role has been the preparation of this report.*
>
> *Grant Samuel will receive a fixed fee of A$1.25 million for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.*
>
> *Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."*

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the Westfield Group Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the Westfield Group Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

GRANT SAMUEL & ASSOCIATES PTY LIMITED
ABN 28 050 036 372 AFS LICENCE NO 240985

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1 Market Evidence

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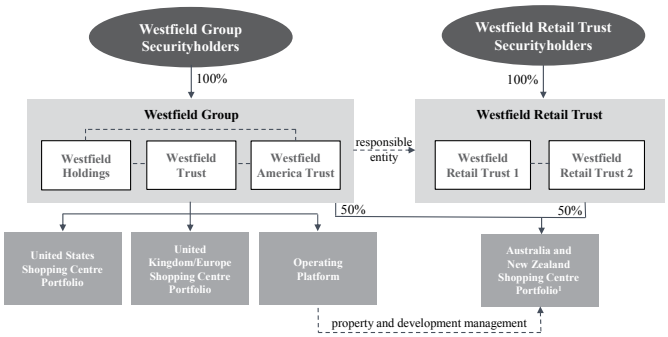
1 Details of the Proposal

Westfield Group is an internally managed, vertically integrated global retail property group. It is a stapled entity comprising Westfield Holdings Limited ("Westfield Holdings"), Westfield Trust and Westfield America Trust. Westfield Group is one of the 20 largest entities listed on the Australian Stock Exchange ("ASX") with a market capitalisation of approximately A$22 billion.

Westfield Retail Trust was spun out of Westfield Group in December 2010, creating a separately listed retail property group with a 50% joint venture interest in Westfield Group's Australian and New Zealand retail property portfolio[1]. It is a stapled entity comprising Westfield Retail Trust 1 and Westfield Retail Trust 2. Westfield Group acts as responsible entity and as property, leasing and development manager for Westfield Retail Trust and the two entities cooperate on retail property acquisition and growth opportunities in Australia and New Zealand. Westfield Retail Trust has a market capitalisation of approximately A$9 billion and is the second largest Real Estate Investment Trust ("REIT") listed on the ASX (after Westfield Group). The current structure of Westfield Group and Westfield Retail Trust is illustrated below:

Structure Before Implementation of the Proposal



Source: Westfield Group
Note 1: Excluding Westfield Group's 25% interest in Carindale Shopping Centre (held through the Carindale Property Trust) and other minor assets

On 4 December 2013, Westfield Holdings, Westfield Management Limited ("Westfield Management") (as responsible entity of Westfield Trust) and Westfield America Management Limited ("Westfield America Management") (as responsible entity of Westfield America Trust) announced a proposal to merge Westfield Group's Australian and New Zealand businesses ("Westfield ANZ") with Westfield Retail Trust to form a new entity, Scentre Group (the "Proposal"). The remainder of Westfield Group's operations, which comprises its international business, will become Westfield Corporation. Both entities will be listed on the ASX.

Scentre Group will be the largest Australian focused REIT ("A-REIT") listed on the ASX with A$28.6 billion of shopping centre assets and a development pipeline in Australia and New Zealand. It will be internally managed with its own Board and management team.

[1] Excluding Westfield Group's indirect 25% interest in Carindale held though its 50% interest in Carindale Property Trust. Westfield Group and Westfield Retail Trust also hold different percentage interests in Tea Tree as a result of the property linked note arrangements (Westfield Group holds a 31.25% interest, Westfield Retail Trust holds an 18.75% interest). References in this report to Westfield Group's 50% joint venture interest in the Australian and New Zealand shopping centre portfolio (with Westfield Retail Trust holding the other 50% interest) exclude its interest in Carindale and recognise the different interests in Tea Tree. Carindale will form part of Scentre Group and all references to the combined Australian and New Zealand shopping centre portfolio include Carindale.

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Westfield Corporation will retain its international operations, which will focus on owning, developing and operating shopping centres in major world cities. It will have US$17.9 billion of shopping centre assets in the United States, the United Kingdom and Europe.

The terms of the Proposal have the effect that:

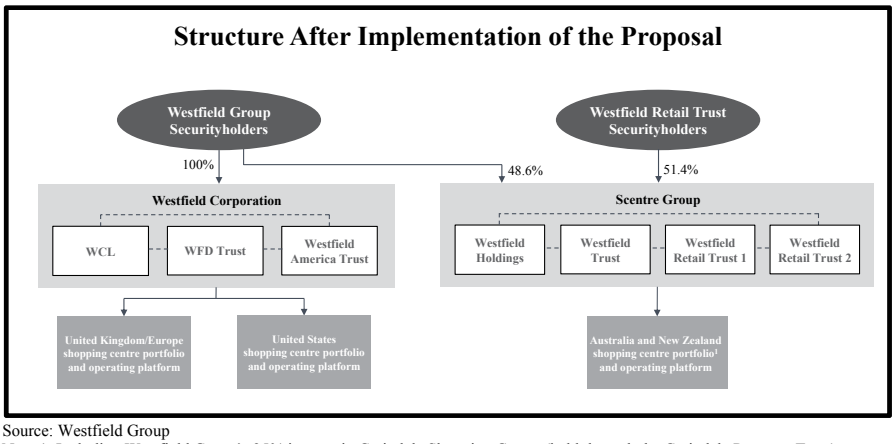
- Westfield Group securityholders will receive 1,000 securities in Westfield Corporation and 1,246 securities in Scentre Group for every 1,000 Westfield Group securities held; and
- Westfield Retail Trust securityholders will receive A$285 and 918 securities in Scentre Group for every 1,000 Westfield Retail Trust securities held. The cash payment will be effected through an A$850 million capital return.

Westfield Group and Westfield Retail Trust securityholders that are residents of a jurisdiction other than Australia or New Zealand or whose address in the relevant register is outside of Australia or New Zealand will not be entitled to participate in the Proposal unless it is determined that it is lawful and not unduly onerous or unduly impractical for the relevant securityholder to participate in the Proposal ("eligible foreign securityholders")[2]. If the Proposal is implemented, all other foreign securityholders ("ineligible foreign securityholders") will receive in cash the proceeds from the sale of the Westfield Corporation and Scentre Group securities to which they would have otherwise been entitled.

Over the period from 4 December 2013 to 28 February 2014, Westfield Retail Trust was given the opportunity to conduct due diligence on those parts of the Australian and New Zealand business owned or operated by Westfield Group that would be transferred to Scentre Group as part of the Proposal.

The Proposal involves a complex series of implementation steps including the establishment of a new company, Westfield Corporation Limited ("WCL") and a new trust ("WFD Trust"), the transfer of assets from Westfield Holdings to WCL and from Westfield Trust to WFD Trust, the stapling of WCL and WFD Trust to Westfield Group and the destapling of Westfield Holdings and Westfield Trust from Westfield Group and their stapling to Westfield Retail Trust. The ultimate outcome is that Westfield Holdings and Westfield Trust are separated from Westfield Group and merged with Westfield Retail Trust.

If the Proposal is implemented, Westfield Corporation securityholders will hold 48.6% of Scentre Group. The structure of Westfield Corporation and Scentre Group if the Proposal is implemented is illustrated below:



Source: Westfield Group
Note 1: Including Westfield Group's 25% interest in Carindale Shopping Centre (held through the Carindale Property Trust)

[2] Westfield Group has determined that foreign securityholders in the United States, the United Kingdom, the Netherlands, Norway, Japan, Singapore, Hong Kong or Canada will generally be eligible securityholders.

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Other features of the Proposal include:

- a restructuring of Westfield Group's debt that will involve:
  - repayment and cancellation of substantially all existing unsecured loan facilities;
  - repurchase or redemption of all outstanding bonds on issue; and
  - novation to Scentre Group or Westfield Corporation of all derivatives transactions (other than those no longer required which will be terminated).

  This restructuring will occur on or shortly before implementation of the Proposal. Westfield Group has entered into a bridge facility agreement that has sufficient commitment to repay all of the outstanding unsecured debt of Westfield Group. The Westfield Group bridge facility will effectively be repaid shortly after it is drawn by drawings on financing facilities entered into by Scentre Group and Westfield Corporation;

- Westfield Group's existing performance rights will be dealt with as follows:
  - following implementation, Westfield Corporation and Scentre Group will determine whether any existing performance rights held by current Westfield Group employees (which after implementation will be employees of Westfield Corporation or Scentre Group) will vest, lapse, remain outstanding or be adjusted in accordance with their terms; and
  - those performance rights that vest or remain outstanding will continue on their existing (or adjusted) terms, with Westfield Corporation employees entitled to receive, on vesting, securities in Westfield Corporation or an equivalent cash payment and Scentre Group employees entitled to receive, on vesting, securities in Scentre Group or an equivalent cash payment;

- the 5,869,425 Westfield Group securities held by the Westfield Executive Share Option Plan Trust ("WESOP Trust") will participate in the Proposal, resulting in the WESOP Trust holding 5,869,425 Westfield Corporation securities and 7,313,303 Scentre Group securities. These securities will be transferred to Scentre Group. The 5,869,425 Westfield Retail Trust securities held by the WESOP Trust will also participate in the Proposal, resulting in the issue of 5,388,132 Scentre Group securities. The Westfield Corporation securities will be recorded by Scentre Group as an investment and the total of 12,701,435 (i.e. 7,313,303 + 5,388,132) Scentre Group securities that Scentre Group effectively holds in itself will be eliminated on consolidation;

- up until the implementation of the Proposal, Westfield Group and Westfield Retail Trust will pay distributions in line with what the respective entity would have paid in the absence of the Proposal. As the Proposal is expected to be implemented on 30 June 2014, Westfield Group and Westfield Retail Trust will pay interim distributions for the six months ended 30 June 2014;

- Westfield Corporation will own the "Westfield" brand but has entered into a Trade Mark Licence Agreement with Scentre Group to provide Scentre Group with exclusive, royalty free use of the "Westfield" brand on shopping centres (and related activities that are complementary to the management and promotion of shopping centres) in Australia and New Zealand (unless terminated in accordance with the agreement);

- a Transitional Services Agreement has been entered into to ensure an orderly separation of Westfield Corporation and Scentre Group, which is expected to be substantially complete within two years following implementation of the Proposal. The businesses and activities of Westfield Corporation and Scentre Group currently rely on shared resources and services within Westfield Group for their orderly operation (including corporate head office, treasury, tax, finance, compliance, insurance and information technology);

- Westfield LABS Corporation, a business focussed on the development of products and services that leverage social, mobile and digital technologies to help converge the digital shopper with the physical retail world, will remain part of Westfield Corporation and a LABS Agreement has been entered into to cover the arrangements between Westfield Corporation and Scentre Group with

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respect to the activities of Westfield LABS Corporation. The initial term of the LABS Agreement is until 31 December 2016; and

- a termination date of 31 December 2014, unless otherwise agreed between Westfield Group and Westfield Retail Trust.

The Proposal is to be implemented through a scheme of arrangement between Westfield Holdings and its shareholders, certain other resolutions to implement the Proposal and certain resolutions to amend the constitutions of Westfield Holdings and Westfield Trust.

The Proposal is subject to a number of conditions which are set out in Section 2.4 of the Westfield Group Securityholder Booklet, including:

- regulatory approvals, including under the Foreign Acquisitions and Takeovers Act 1975;
- relevant Court orders and judicial advices;
- private rulings and draft class rulings from the Commissioner of Taxation;
- Westfield Group and Westfield Retail Trust securing bridge financing facilities and related hedging arrangements on acceptable terms and in a sufficient amount to implement the Proposal having regard to target gearing ratios;
- independent expert opinions that the Proposal is in the best interests of Westfield Group securityholders and Westfield Retail Trust securityholders;
- approval by the requisite majority of Westfield Group securityholders and Westfield Retail Trust securityholders of the:
  - relevant resolutions required to implement the proposal; and
  - modification of the relevant constitutions in the terms necessary to give effect to the Proposal; and
- entry into the transitional and other agreements (Trade Mark Licence Agreement, Transitional Services Agreement, Implementation Deeds Poll and LABS Agreement).

Westfield Group and Westfield Retail Trust have a right to terminate the Proposal where either party receives a proposal that the boards of that party, acting in good faith, determine is reasonably capable of being completed and is more favourable to the securityholders of the party receiving the proposal than the Proposal.

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2 Scope of the Report

2.1 Purpose of the Report

Westfield Group securityholder approval is required to:

- approve the scheme of arrangement under Section 411 of the Corporations Act, 2001 ("Corporations Act") between Westfield Holdings and its shareholders ("the Scheme"). Under Section 411 the Scheme must be approved by a majority in number (i.e. more than 50%) of shareholders present and voting (either in person or by proxy) at the meeting, representing at least 75% of the votes cast on the resolution. If approved, the Scheme will then be subject to approval by the Supreme Court of New South Wales;
- approve a number of other resolutions to be put to Westfield Group securityholders required to implement the Proposal (including certain related party elements of the Proposal under Chapter 2E (public companies) and Part 5C.7 (registered managed investment schemes) of the Corporations Act, the distribution of WCL shares to Westfield Group securityholders by way of a capital return, the stapling of WCL shares and WFD Trust units to Westfield Group securities, the destapling of Westfield Holdings shares and Westfield Trust units from Westfield Group securities, the conversion of the capital of Westfield Holdings to reflect the relative values of Westfield Holdings and Westfield Trust on one hand and Westfield Retail Trust on the other and changing the name of Westfield Holdings to a name agreed with Westfield Retail Trust which does not contain "Westfield"); and
- amend the constitutions of Westfield Holdings and Westfield Trust to provide for implementation of the Proposal, which must be approved by a special resolution of members representing at least 75% of the votes cast on each resolution.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion. The responsible entities of Westfield Retail Trust 1 and Westfield Retail Trust 2 are wholly owned subsidiaries of Westfield Holdings and are parties to the Scheme. Messrs Peter Allen and Steven Lowy are directors of Westfield Group and are also directors of the responsible entities of Westfield Retail Trust 1 and Westfield Retail Trust 2.

Section 208(1) of the Corporations Act (as modified by Part 5C.7 for registered managed investment schemes) prohibits a public company (or an entity it controls) giving a financial benefit to a related party unless the giving of the benefit is approved by securityholders or it falls within specified exceptions. The covenants given by WFD Trust and Westfield America Trust under the stapling deed and certain ongoing dealings between WCL and the trusts after the Proposal is implemented amount to financial benefits given to WCL out of scheme property. In the case of registered managed investment schemes, benefits are covered if they are given by the responsible entity (or an entity it controls) or an agent of the responsible entity (such as the custodian) out of scheme property, or the giving of the benefit could endanger scheme property. Part 5C.7 would apply to WFD Trust and Westfield America Trust as after implementation of the Proposal, WCL is a related party of the responsible entity of WFD Trust and Westfield America Trust because WCL controls the relevant responsible entity. An independent expert's report is not required for the purposes of Section 208(1) but is recommended.

Accordingly, the directors of Westfield Group have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report for the purposes of Section 411 of the Corporations Act and to support the approval being sought under Section 208(1) of the Corporations Act. The report is to set out Grant Samuel's opinion as to whether the Proposal is in the best interests of Westfield Group securityholders and to state reasons for that opinion. A copy

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of the report will accompany the Notice of Meeting and Explanatory Memorandum ("the Westfield Group Securityholder Booklet") to be sent to securityholders by Westfield Group.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Westfield Group securityholders. Accordingly, before acting in relation to their investment, securityholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Securityholders should read the Westfield Group Securityholder Booklet issued by Westfield Group in relation to the Proposal.

Voting for or against the Proposal is a matter for individual securityholders based on their views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Securityholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

Similarly, it is a matter for individual securityholders as to whether to buy, hold or sell securities in Scentre Group or Westfield Corporation. This is an investment decision independent of a decision to vote for or against the Proposal upon which Grant Samuel does not offer an opinion. Securityholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

There is no legal definition of the expression "in the best interests". However, the Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 which establishes guidelines in respect of independent expert's reports. ASIC Regulatory Guide 111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable". A proposal that was "fair and reasonable" or "not fair but reasonable" would be in the best interests of securityholders.

For most other transactions (including demergers) the expert is to weigh up the advantages and disadvantages of the proposal for securityholders. This involves a judgement on the part of the expert as to the overall commercial effect of the proposal, the circumstances that have led to the proposal and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposal and form an overall view as to whether the securityholders are likely to be better off if the proposal is implemented than if it is not. If the advantages outweigh the disadvantages, a proposal would be in the best interests of securityholders.

From the perspective of Westfield Group securityholders, the Proposal is not a control transaction as there is no change in the control position of the entity. It is, in reality, a demerger, albeit not a pure demerger as the underlying economic interests of Westfield Group securityholders change and there is an effective sale of a majority interest (51.4%) in the Australian and New Zealand operating platform. At present, Westfield Group securityholders hold an aggregate 50% interest in the Australian and New Zealand shopping centre portfolio (with the other 50% held by Westfield Retail Trust) and 100% of the Australian and New Zealand operating platform. If the Proposal is implemented, Westfield Group securityholders will hold an aggregate 48.6% interest in the whole of the Australian and New Zealand shopping centre portfolio and a 48.6% interest in the Australian and New Zealand operating platform.

ASIC Regulatory Guide 111 also states that:

- where a demerger involves one or more of a change in the underlying economic interests of securityholders, a change of control or selective treatment of different securityholders, an expert might need to consider whether using the "fair" and "reasonable" tests is appropriate; and

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- where an expert assesses whether a related party transaction requiring approval of securityholders under Section 208(1) is "fair and reasonable", this involves a separate assessment of whether the transaction is "fair" and "reasonable", as in a control transaction.

Accordingly, Grant Samuel has evaluated the Proposal under two separate criteria – "fairness" and "reasonableness".

Under Regulatory Guide 111, a related party transaction will be "fair" if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. For this comparison, value is determined assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. In valuing the financial benefit given and the consideration received by the company, all material terms of the proposed transaction should be taken into account.

Reasonableness involves an analysis of factors other than value that securityholders might consider prior to voting for a proposal and typically involve a comparison of the benefits and advantages with the costs, disadvantages and risks. For a related party transaction additional factors include:

- the financial situation and solvency of the company (including benefits such as new capital to exploit business opportunities, a reduction in debt and interest or an injection of working capital);
- opportunity costs;
- the alternative options available to the entity and the likelihood of those options occurring;
- the company's bargaining position;
- whether there is selective treatment of any securityholder, particularly the related party;
- the related party's pre-existing voting power in the securities in the company;
- any special value of the transaction to the company such as particular technology or the potential to write off outstanding loans from the target; and
- the liquidity of the market in the company's securities.

Fairness is a more demanding criteria. A "fair" proposal will always be "reasonable" but a "reasonable" proposal will not necessarily be "fair". A proposal could be considered "reasonable" if there were valid reasons to accept or vote in favour notwithstanding that it was not "fair".

The circumstances of the Proposal do not precisely match those envisaged in Regulatory Guide 111 as the consideration is actually received by the securityholder in Westfield Group (rather than by Westfield Group itself). Accordingly, Grant Samuel has determined whether the Proposal is fair by comparing the estimated value of the net assets and businesses that Westfield Group securityholders are contributing to Scentre Group in aggregate with the estimated market value of the securities in Scentre Group that Westfield Group securityholders will receive in aggregate if the Proposal is implemented. The Proposal will be fair if the estimated value of the net assets and businesses contributed by Westfield Group securityholders is equal to or less than the estimated value of the securities in Scentre Group that will be received in aggregate by Westfield Group securityholders if the Proposal is implemented. In considering whether the Proposal is reasonable, the factors that have been considered include:

- the terms of the Proposal and their impact on securityholders;
- the opportunity cost of approving the Proposal;
- Westfield Group's bargaining position in negotiating the Proposal;

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- whether further transactions are planned between Westfield Group and Westfield Retail Trust or Scentre Group;
- the likelihood of alternative transactions which could realise better value and the likely consequences if the Proposal did not proceed;
- any other advantages and benefits arising from the Proposal; and
- the costs, disadvantages and risks of the Proposal.

2.3 Sources of Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Westfield Group Securityholder Booklet (including earlier non public drafts);
- annual reports of Westfield Group for the three years ended 31 December 2013;
- press releases, public announcements, media and analyst presentation material and other public filings by Westfield Group including information available on its website;
- brokers' reports and recent press articles on Westfield Group and the retail property industry; and
- sharemarket data and related information on Australian and international listed companies engaged in the retail property trust, development and construction and property management industries and on acquisitions of companies and businesses in these industries.

Non Public Information provided by Westfield Group

- the Implementation Deed for the Proposal dated 4 December 2013;
- Westfield Group forecast for the year ending 31 December 2014 prepared by Westfield Group management and adopted by the Westfield Group Board;
- Westfield Group budget for the year ending 31 December 2015 prepared by Westfield Group management;
- Westfield Retail Trust forecast for the year ending 31 December 2014 prepared by Westfield Group management and adopted by the responsible entities of Westfield Retail Trust;
- Westfield Retail Trust budget for the year ending 31 December 2015 prepared by Westfield Group management;
- Westfield Corporation pro forma forecast for the year ending 31 December 2014 and pro forma budget for the year ending 31 December 2015;
- Scentre Group pro forma forecast for the year ending 31 December 2014 and pro forma budget for the year ending 31 December 2015;
- summaries of independent valuations of the properties owned by Westfield Group;
- information on the pro forma current and longer term development pipelines for Westfield Corporation and Scentre Group as at 31 December 2013;
- copies of draft Independent Limited Assurance Reports prepared by Ernst & Young Transaction Advisory Services Limited ("Ernst & Young") in relation to the review of:
  - pro forma historical income statements for Westfield Group, Westfield Corporation and Scentre Group for the three years ended 31 December 2013 and the pro forma statement of net assets of Westfield Corporation and Scentre Group as at 31 December 2013 ("Pro Forma Historical Financial Information");

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- forecast income statement for Westfield Group for the year ending 31 December 2014 ("Stand Alone Forecast Financial Information"); and
- pro forma forecast income statements for Westfield Corporation and Scentre Group for the year ending 31 December 2014 ("Pro Forma Forecast Financial Information"); and

- other confidential documents, board papers, presentations and working papers.

Grant Samuel has also held discussions with, and obtained information from, senior management of Westfield Group.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Westfield Group. Grant Samuel has considered and relied upon this information. Westfield Group has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Proposal is in the best interests of Westfield Group securityholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert. In this context, Grant Samuel advises that:

- it is not in a position nor is it practicable to undertake its own "due diligence" investigation of the type undertaken by accountants, lawyers or other advisers; and
- it has therefore relied on:
  - the fact that Westfield Retail Trust has conducted due diligence on those parts of the Australian and New Zealand business owned or operated by Westfield Group that would be transferred to Scentre Group as part of the Proposal and the directors of Westfield Retail Trust are satisfied with the results of the due diligence process that has been undertaken by it and its advisers; and
  - the contents of the public reports (specifically the opinions expressed therein) such as the Independent Limited Assurance Reports prepared by Ernst & Young on the Pro Forma Historical Financial Information, the Stand Alone Forecast Financial Information and the Pro Forma Forecast Financial Information.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

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An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Westfield Group or Westfield Retail Trust. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included the Stand Alone Forecast Financial Information and the Pro Forma Forecast Financial Information (collectively, "the forward looking information"). Westfield Group is responsible for the forward looking information. Grant Samuel has considered and, to the extent deemed appropriate, relied on the forward looking information for the purposes of its analysis. Grant Samuel has not investigated the forward looking information in terms of the reasonableness of the underlying assumptions, accuracy of compilation or application of assumptions. However, the forward looking information has been subject to review by Ernst & Young and its Independent Limited Assurance Reports are set out in Section 10 of the Westfield Group Securityholder Booklet. These reviews concluded that nothing came to the attention of Ernst & Young to cause it to believe:

- the assumptions used in the preparation of the forward looking information do not provide reasonable grounds for the forward looking information;
- in all material respects, the forward looking information is not prepared on the basis of the assumptions and is not presented fairly; and
- the forward looking information itself is unreasonable.

On this basis, Grant Samuel considers that there are reasonable grounds to believe that the forward looking information has been prepared on a reasonable basis.

Grant Samuel has no reason to believe that the forward looking information reflects any material bias, either positive or negative. However, the achievability of the forward looking information is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

Grant Samuel has not undertaken any valuations of the properties owned by Westfield Group and, for the purposes of this report, has relied on the independent property valuations commissioned by Westfield Group for those properties in determining the underlying net asset value of investments in property assets. However, Grant Samuel notes that:

- the external valuers have accepted instructions only from Westfield Group and have confirmed that they satisfy the requirements in the Corporations Act that:
  - they are suitably qualified individuals with the requisite five years of appropriate experience;
  - they are authorised by law to practice as a valuer; and
  - they regard themselves as independent of Westfield Group;
- the external valuers have been given appropriate instructions consistently;
- there were no restrictions in the scope of the external valuers' engagements or other terms which may have impacted on the quality of the valuations;
- the external valuers have prepared their valuations in accordance with International Valuation Standards Committee (for the Australian and New Zealand properties), Royal Institution of

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Chartered Surveyors Appraisal and Valuation Standards (for the United Kingdom properties) and Uniform Standards of Professional Appraisal Practice (for the United States Properties); and

- the external valuers have utilised standard property valuation methodologies (i.e. capitalisation of net income, discounting of future cash flows and comparison to market evidence of transaction prices for similar properties) with the value conclusion selected having regard to the results of each methodology.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the assessments by Westfield Group and its advisers with regard to legal, regulatory, tax and accounting matters relating to the Proposal are accurate and complete;
- the information set out in the Westfield Group Securityholder Booklet sent by Westfield Group to its securityholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Proposal will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Proposal are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

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3 Profile of Westfield Group

3.1 Background

Westfield Group was established in July 2004 through a restructure and stapling of the securities of each of Westfield Holdings, Westfield Trust and Westfield America Trust (the "2004 restructure"). The rationale for the 2004 restructure was to create the scale and capital base necessary to pursue major global acquisition opportunities.

Over the period from mid-2004 to the end of 2010, Westfield Group:

- invested over A$17 billion of capital expanding its global business:
  - acquiring approximately A$7 billion of assets, including Duelguide plc in the United Kingdom (through a joint bid) where Westfield Group's investment comprised a retail property portfolio of approximately A$3 billion (including White City and Stratford) and A$4.4 billion of future development opportunities; and
  - completed A$10 billion of development projects globally including Westfield London in the United Kingdom, Bondi Junction and Doncaster in Australia and San Francisco, Century City and Topanga in the United States;
- divested A$3 billion of non-core assets; and
- introduced joint venture partners at A$7 billion of assets globally.

In December 2010, Westfield Group completed a further restructure to create a separately listed property trust, Westfield Retail Trust, through pro rata distribution of units in Westfield Retail Trust to Westfield Group securityholders (the "2010 restructure"). Westfield Retail Trust became a 50% joint venture partner in 54 of Westfield Group's shopping centres in Australia and New Zealand. The rationale for the 2010 restructure from the perspective of Westfield Group securityholders was to create greater value over time by increasing future earnings potential (through additional property management and development management income earned from joint venture assets) and return on equity (by reducing the capital base and future capital needs).

Since the 2010 restructure, Westfield Group has continued to pursue a strategy of expanding its global operating platform and repositioning its portfolio to leading retail assets in major cities with strong franchise characteristics. This strategy has involved selling non-core assets and reducing invested capital by entering into strategic joint ventures to provide capital for redeployment into higher return activities such as the development pipeline and investment in iconic projects. Since December 2010, Westfield Group has:

- completed A$4.9 billion of development projects, including Westfield Sydney, Carindale, Fountain Gate (with Westfield Retail Trust) in Australia, Westfield Stratford in the United Kingdom and UTC in the United States;
- acquired major development opportunities, including the World Trade Center in the United States and Croydon in the United Kingdom and expanded its global platform into Europe with the acquisition of a 50% interest in a development site with planning approval to develop a world class regional shopping centre in Milan in Italy;
- introduced joint venture partners at A$9 billion of assets, primarily in the United States and the United Kingdom;
- divested A$4 billion of non-core assets, primarily in the United States and the United Kingdom; and
- returned A$2.4 billion to securityholders by buying back 230.9 million securities through an on-market buyback of securities.

Westfield Group is one of the 20 largest entities listed on the ASX with a market capitalisation of approximately A$22 billion.

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3.2 Business Operations

Westfield Group is an internally managed, vertically integrated shopping centre group with global operations in:

- investment in shopping centres;
- design, development and construction of shopping centres ("property development and project management"); and
- property management.

Westfield Group also acts as responsible entity for Carindale Property Trust and Westfield Retail Trust.

Westfield Group has investments in 90 shopping centres globally. Property development and project management and property management are undertaken predominantly on behalf of properties in which Westfield Group has an investment, although it also provides these services to third parties. A summary of assets under management ("AUM") as at 31 December 2013 is set out below:

Westfield Group – Assets under Management as at 31 December 2013

	United States	United Kingdom	Australia	New Zealand	Total[3]
Shopping centres	38	5[4]	38	9	90[4]
Assets held in joint ventures	23	4	38	9	74
Retail outlets	6,747	1,245	11,135	1,409	20,536
Gross lettable area (million m^2)	4.3	0.6	3.4	0.4	8.7
Westfield Group investment in shopping centres[5] (billions)	US$12.1[4]	£3.2[4]	A$13.4	NZ$1.4	A$34.0[4]
Joint venture partner interests (billions)	US$6.1	£2.8	A$22.6	NZ$1.4	A$36.0
AUM (billions)	US$18.2	£6.0	A$36.0	NZ$2.8	A$70.0
Westfield Group share of AUM	66%	53%	37%	50%	49%

Source: Westfield Group

The property management business receives fees for the provision of marketing and management services to shopping centres (typically 5% of gross rental income and tenancy co-ordination fees).

The property development and project management business receives fees for the provision of design and development services (10-15% of the total project cost) and for leasing (up to 15% of the first year's rent for new specialty store tenants) and earns a profit from design, development, construction and leasing project activity (typically in the range 18-20% (pre overheads) of the total project cost). As at 31 December 2013, the development pipeline (including projects that are under construction or in relation to which Westfield Group is undertaking pre-development activity) was A$18.1 billion[6] (Westfield Group share A$8.0 billion), of which A$5.0 billion (Westfield Group share A$2.6 billion) is currently under construction:

[3] Local currencies have been translated to A$ at exchange rates of A$1 = US$0.8932, A$1 = £0.5401 and A$1 = NZ$1.0869.

[4] Westfield Group's number of, and investment in, shopping centres does not include adjustments for Westfield Group's acquisition of the remaining 50% of the retail component of the World Trade Center for US$800 million, with an initial payment of approximately US$600 million, which was made in March 2014 or the proposed divestment of the Merry Hill, Derby and Sprucefield shopping centres in the United Kingdom for £597 million announced on 20 March 2014.

[5] Westfield Group investment in shopping centres includes investment in construction in progress and assets held for resale.

[6] Represents A$5.0 billion currently under construction plus future development opportunities of A$3 billion in Australia and New Zealand and US$9 billion in the United States, the United Kingdom and Europe. References to the development pipeline as at 31 December 2013 include the redevelopment of The Village at Topanga as currently under construction (although construction did not commence until after 31 December 2013).

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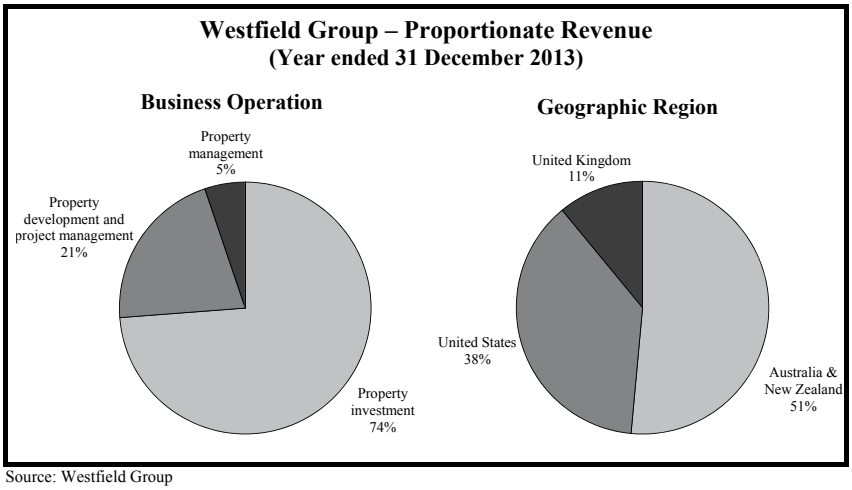
Westfield Group – Development Pipeline as at 31 December 2013				
Development projects under construction	**Number of projects**	**Total project cost (millions)**	**Westfield Group share (millions)**	**Anticipated completion**
Major projects - United States	4	US$1,925	US$1,688	2014-2015
Major projects - United Kingdom	1	£260	-	2015
Major projects - Australia	4	A$1,895	A$309	2014-2016
Other projects	11	A$495	A$375	2014-2015
Total development projects	**20**	**A$5,027**	**A$2,573**	**2014-2016**
Pre-development Activity	**Development opportunity**			
United States	Century City, UTC, Valley Fair			
United Kingdom/Europe	Croydon, London, Milan, Stratford City			
Australia	Carousel, Chermside, Knox, Kotara, Marion, North Lakes, Plenty Valley, Tea Tree Plaza, Tuggerah, Warringah, Whitford City			
New Zealand	Albany, Newmarket, St Lukes			

Source: Westfield Group

While extension and redevelopment opportunities exist across the global portfolio, there are more large scale, greenfields development opportunities in the United States, the United Kingdom and Europe than there are in Australia and New Zealand.

The composition of proportionate revenue by business operation and geographic region for the year ended 31 December 2013 is shown below:



Source: Westfield Group

Shopping centre rental income and other property investment income makes up the vast majority of Westfield Group's revenue and this is even more so at the EBIT level (where property investment represents 85% of EBIT, property development and project management 9% and property management 6%).

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3.3 Financial Performance

The historical proportionate financial performance of Westfield Group for the three years ended 31 December 2013 and the forecast proportionate financial performance for the year ending 31 December 2014 are summarised below:

Westfield Group – Proportionate Financial Performance (A$ millions)

	Year ended 31 December			Year ending 31 December 2014 forecast[7]
	2011[8] historical	2012[8] historical	2013 historical	
Total trading revenue[9]			**3,624.5**	
Trading EBIT[10]	**1,975.4**	**2,030.3**	**2,053.9**	**2,046.1**
Net interest expense	(440.2)	(551.2)	(614.7)	(580.8)
Other adjustments[11]	60.0	484.4	489.7	(91.2)
Profit before tax	**1,595.2**	**1,963.5**	**1,928.9**	**1,374.1**
Tax expense[12]	(137.8)	(204.6)	(307.6)	(182.7)
Profit after tax	**1,457.4**	**1,758.9**	**1,621.3**	**1,191.4**
Profit attributable to external non-controlling interests	(4.5)	(40.8)	(18.6)	(11.5)
Profit after tax attributable to Westfield Group securityholders	**1,452.9**	**1,718.1**	**1,602.7**	**1,179.9**
Statistics				
Basic earnings per security (A cents)	*63.1*	*75.8*	*74.1*	

Source: Westfield Group

The statutory financial performance of Westfield Group is difficult to analyse due to:

- the requirement, under Australian equivalents to International Financial Reporting Standards ("AIFRS"), to include in financial performance a large number of non-cash items (including fair value adjustments and property revaluations);
- the sale of, and entering into joint venture arrangements in relation to, a significant number of shopping centres; and
- the impact of currency translations (particularly from US$ to A$).

In addition, a significant proportion of the earnings of Westfield Group is generated from joint ventures, which, under Australian Accounting Standards, are shown in the statement of financial performance as a separate amount representing the net profit after tax contribution from joint ventures. The table above shows Westfield Group's financial performance on a proportionate basis (i.e. including Westfield Group's share of income and expenditure from each of its joint ventures in the relevant income or expense line rather than as a separate amount representing the net profit after tax contribution from joint ventures).

7 The forecast for 2014 has been prepared on the basis that there are no property revaluations or mark to market of financial instruments in relation to a movement in exchange rates (shown in other adjustments in prior years). As a result, profit after tax is not comparable to prior years. Therefore basic earnings per security has not been calculated.

8 The proportionate financial performance and proportionate FFO for the years ended 31 December 2011 and 2012 have been restated to comply with the presentation of the financial statements for the year ended 31 December 2013 (i.e. the adoption of AASB 10 Consolidated Financial Statements resulting in Westfield Group's interest in Derby being treated as a joint venture and accounted for using the equity method of accounting).

9 Trading revenue includes Westfield Group's share of revenue from equity accounted investments.

10 Trading EBIT is earnings before net interest, tax and significant and non-recurring items (including fair value adjustments). It includes Westfield Group's share of EBIT from equity accounted investments.

11 Other adjustments are property revaluations, realised gain on income hedging currency derivatives, net fair value loss on currency derivatives, interest rate hedges and other financial liabilities and gain/loss from capital transactions.

12 Tax expense includes deferred tax and tax on capital transactions.

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More meaningful analysis of Westfield Group's financial performance is possible from consideration of funds from operations ("FFO"), a widely recognised measure of the performance of real estate investment groups within the property industry. However, FFO over this period is still impacted by divestments and currency translations.

The historical proportionate FFO of Westfield Group for the three years ended 31 December 2013 and the forecast proportionate FFO for the year ending 31 December 2014 are summarised below:

Westfield Group – Proportionate Funds from Operations (A$ millions)

	Year ended 31 December			Year ending 31 December
	2011[8] historical	2012[8] historical	2013 historical	2014 forecast
Net property income	1,945.1	1,932.8	1,917.3	1,897.9
Project income	148.3	193.5	203.7	354.0
Property management income	113.9	128.2	140.6	
Overheads	(231.9)	(224.2)	(207.7)	(205.8)
Trading EBIT	**1,975.4**	**2,030.3**	**2,053.9**	**2,046.1**
Amortisation of tenant allowances	71.5	74.8	82.5	76.3
Realised gain on income hedging currency derivatives	4.6	24.3	29.0	13.0
Net interest expense	(440.2)	(551.2)	(614.7)	(580.8)
Tax on underlying operations	(110.1)	(94.8)	(102.2)	(122.5)
FFO	**1,501.2**	**1,483.4**	**1,448.5**	**1,432.1**
FFO attributable to external non-controlling interests	(8.8)	(9.7)	(10.5)	(11.5)
FFO attributable to Westfield Group securityholders	**1,492.4**	**1,473.7**	**1,438.0**	**1,420.6**
Statistics				
Basic FFO per security (A cents)	*64.8*	*65.0*	*66.5*	*68.6*
Distribution per security (A cents)	*48.4*	*49.5*	*51.0*	*52.5*
Distribution payout ratio (based on FFO)	*75%*	*75%*	*75%*	*77%*
Interest cover[13]	*4.5x*	*3.7x*	*3.3x*	*3.5x*
Return on contributed equity[14]	*11.4%*	*11.4%*	*11.8%*	*na*

Source: Westfield Group and Grant Samuel analysis

While FFO attributable to Westfield Group securityholders has declined over the last three years and is forecast to continue to decline in 2014, this reflects the impact of Westfield Group's strategy to expand its global operating platform and reposition its portfolio to leading retail assets in major cities. The success of this strategy is evidenced by the declining contribution from property investment (as non core assets have been divested) and the increasing contributions (both absolutely and as a percentage of total EBIT) from the property development and project management and property management businesses (the operating platform). Reported performance in 2013 also benefited from a weaker A$.

The capital released from this strategy has in part been used to buy back Westfield Group securities (refer to Section 3.5 for details) since February 2012. Accordingly, FFO per security has increased over this period (despite the decline in FFO), as has the distribution per security (on a steady distribution payout ratio of 75%). This trend is forecast to continue in 2014. The buyback of securities also contributed to an increase in return on contributed equity in 2013.

13 Interest cover is trading EBIT divided by net interest expense. Net interest expense includes interest paid on the property linked notes.

14 Return on contributed equity is calculated as FFO divided by contributed equity at year end where contributed equity is calculated as contributed equity at 31 December 2010 plus FFO retained in subsequent years less equity bought back.

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3.4 Financial Position

The proportionate financial position of Westfield Group as at 31 December 2013 is summarised below:

Westfield Group – Proportionate Financial Position (A$ millions)	
	As at 31 December 2013
Cash	1,299.4
Shopping centre investments	32,226.3
Development projects and construction in progress	1,806.0
Inventories	83.8
Deferred tax assets	92.7
Other assets	1,738.5
Total assets	**37,246.7**
Interest bearing liabilities	(14,244.1)
Other financial liabilities	(1,760.5)
Deferred tax liabilities	(3,464.5)
Other liabilities	(2,436.9)
Total liabilities	**(21,906.0)**
Net assets	**15,340.7**
Net assets attributable to external non controlling interests	(229.2)
Net assets attributable to Westfield Group securityholders	**15,111.5**
Statistics	
Number of issued stapled securities at year end (million)[15]	*2,072.2*
Net tangible assets per security	*A$7.29*
Net tangible assets per security (before net deferred tax liability)	*A$8.92*
Gearing[16]	*36.0%*

Source: Westfield Group and Grant Samuel analysis

Westfield Group's most significant assets are its investments in shopping centres (including investment in current and future redevelopment and expansion of new and existing shopping centre investments). Westfield Group does not recognise in its balance sheet the property development and project management rights and the property management rights that it has in relation to jointly owned and third party owned properties.

Westfield Group had total committed facilities as at 31 December 2013 of A$17.2 billion of which A$14.2 billion was drawn. It has a funding base made up of fixed rate bonds (face value of A$8.1 billion, primarily US$ denominated), fixed and floating rate secured and floating rate unsecured interest only bank facilities (A$3.1 billion) and secured mortgages (A$3.1 billion). Unsecured facilities are subject to negative pledge arrangements. Secured liabilities total A$1.2 billion and are borrowings secured by mortgages over properties or loans secured over development projects that have an aggregate fair value of A$3.2 billion. As at 31 December 2013, the average term of the bonds and mortgages was 5.4 years and the average term of the bank facilities was 2.8 years.

Westfield Group also has other financial liabilities of A$1.8 billion made up of property linked notes, convertible redeemable preference shares and other redeemable preference units. Property linked notes represent A$1.4 billion of this total and provide returns based on the economic performance of a number of Westfield Group's Australian shopping centres. The property linked notes are described in more detail in Section 4.3 of this report.

Deferred tax liabilities as at 31 December 2013 primarily represents deferred tax in relation to the excess of the carrying value of investment properties over the tax cost base, primarily in the

[15] The number of issued stapled securities at year end excludes 5,869,425 securities held by the WESOP Trust.

[16] Gearing is net borrowings divided by total assets less cash (calculated on a proportionate basis).

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United States and the United Kingdom (A$3.2 billion out of the total of A$3.5 billion). Net tangible assets ("NTA") per security has also been calculated excluding the net deferred tax liability on the basis that Westfield Group has no intention of selling the majority of these assets.

3.5 Capital Structure and Ownership

As at 11 April 2014, Westfield Group had the following securities on issue:

- 2,072,220,261 stapled securities (2,078,089,686 stapled securities net of 5,869,425 stapled securities held by the WESOP Trust that are eliminated on consolidation); and
- 15,744,816 rights over stapled securities.

Each Westfield Group stapled security represents one ordinary share in Westfield Holdings stapled to one unit in Westfield Trust and one unit in Westfield America Trust.

On 15 February 2012, Westfield Group announced an intention to undertake an on market buyback of up to 10% of its securities over a 12 month period as part of its capital management program. The buyback was extended for a further 12 months in February 2013. At the end of the buyback period on 15 February 2014, Westfield Group had bought back 230,898,853 securities at a total cost of A$2.4 billion (an average price of A$10.53 per security).

The top 10 securityholders in Westfield Group hold in excess of 50% of the stapled securities on issue and are predominantly nominee companies. As at 11 April 2014, there were three substantial securityholders:

Westfield Group – Substantial Securityholders as at 11 April 2014

Securityholder	Number of Securities	Percentage
Members of the Lowy family and associates[17]	173,728,961	8.4%
BlackRock Investment Management (Australia) Limited	147,243,880	7.1%
The Vanguard Group, Inc. and Vanguard Investments Australia Limited	140,169,212	6.8%

Source: Westfield Group

Based on an analysis of Westfield Group's top 200 securityholders (representing approximately 90% of Westfield Group's total issued securities), holders of approximately 40% of Westfield Group's securities are foreign, with most securities held by securityholders based in North America (19%) and the United Kingdom (6%), which is not unexpected given the geographical regions in which Westfield Group operates. The balance of securities are held by securityholders based in Asia (primarily Hong Kong, Singapore, Japan) and the rest of Europe (primarily the Netherlands, Switzerland and Norway).

The rights over stapled securities have been issued under Westfield Group's equity linked incentive plans:

- the Executive Performance Rights Plan ("EPR Plan"), a short term incentive plan where part of an executive's short term incentive is deferred for three years. The value of the deferred awards received by the executive at that time fluctuates with movements in Westfield Group's security price. There are no additional performance hurdles applicable during the vesting period. As at 31 December 2013, there were 12,146,826 awards outstanding under the EPR Plan; and
- the Partnership Incentive Rights Plan ("PIR Plan"), a long term incentive plan where five year equity linked awards are granted to senior employees. These awards only vest (50% at the end of year four and 50% at the end of year five) if certain performance hurdles set by the

[17] The substantial securityholding of members of the Lowy family and associates excludes the 5,869,425 securities held by Amondi Pty Limited as trustee of the WESOP Trust.

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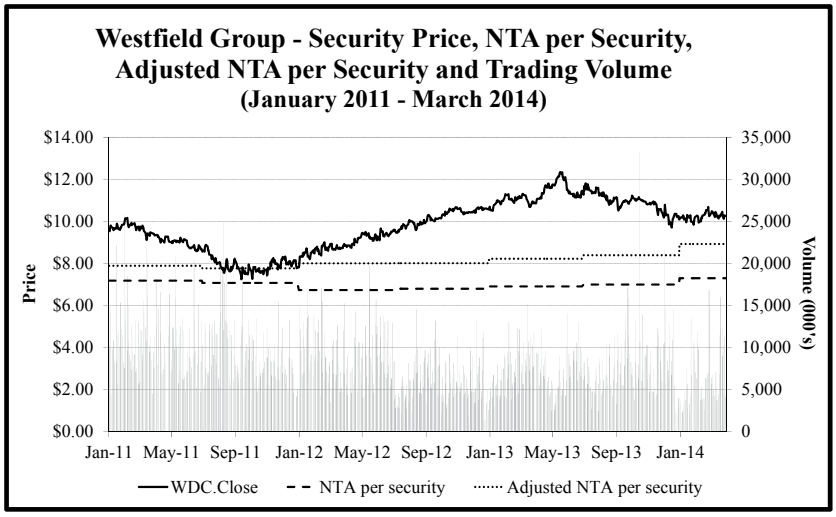
Board at the commencement of each year are satisfied. As at 31 December 2013, there were 3,597,990 awards outstanding under the PIR Plan.

Under the EPR Plan and the PIR Plan, on maturity, the executive is entitled to receive, at Westfield Group's election and for no consideration, one Westfield Group security for each award or a cash payment to the same value. The right to receive the benefit of an award is dependent on the executive remaining employed by Westfield Group throughout the vesting period (except in special circumstances approved by the Board). Participants in the plans only receive dividends on securities after the vesting date.

Westfield Group also has a further two incentive plans, the Executive Deferred Award Plan (1,418,620 award securities outstanding as at 31 December 2013) and the Partnership Incentive Plan (2,534,080 award securities outstanding as at 31 December 2013). However, these are cash settled plans and no Westfield Group securities are issued on maturity. Issues of awards under these plans ceased at the end of 2012.

3.6 Security Price Performance

The following graph illustrates the movement in the Westfield Group security price, NTA per security and trading volumes since 1 January 2011:



Source: IRESS

The Westfield Group security price has traded in the range A$7.21-12.55 over the last three years. The security price fell following the establishment of Westfield Retail Trust, reaching a low of A$7.21 in October 2011, possibly reflecting uncertainty about the ability of Westfield Group to successfully execute its strategy and the impact the sale of assets on short term earnings as well as the release of disappointing half year results in August 2011. The security price steadily increased over the next 19 months, peaking at A$12.55 in May 2013 as confidence in the strategy increased and the buyback of securities over this period was positively received by the market. From July 2013, the security price declined in line with most A-REITs despite the market generally improving over this period. The security price increased by A$0.68 (6.5%) to reach a high of A$11.04 following the announcement of the Proposal on 4 December 2013 but has subsequently drifted lower. Since that time, Westfield Group securities have traded in the range A$9.67-10.72, at a volume weighted average price of A$10.17 and closed at A$10.25 on 31 March 2014.

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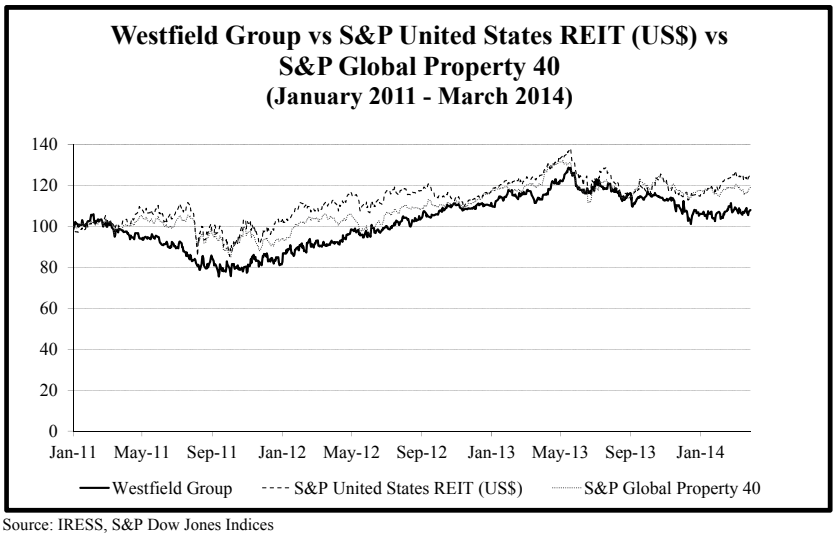
Westfield Group securities trade at premium to NTA, in part reflecting the value attributed to the operating platform (which is not recognised in Westfield Group's NTA) and also due to NTA being based on valuations of shopping centres that assume property management fees (at 5% of gross rental income) are paid to an external party (Westfield Group recognises internal management fees as additional property net operating income). The premium to NTA has been in a very broad range of 2-79% over last three years although the average premium to NTA of 41% is consistent with that observed in recent months. The premium is smaller if the net deferred tax liability is excluded from the calculation of NTA (an average premium to NTA of 21%) (shown as adjusted NTA in the chart above).

Westfield Group has been a liquid stock notwithstanding its restricted free float of 91.6% (based on the 8.4% interest of members of the Lowy family and their associates). Average weekly volume over the twelve months prior to the announcement of the Proposal represented approximately 1.7% of average securities on issue or annual turnover of around 86% of total average issued capital.

Westfield Group is included in various indices including the S&P/ASX 200 A-REIT Index and the S&P/ASX 20. At 31 March 2014 its weighting in these indices was approximately 23% and 2.4% respectively. As a result of its significant weighting, the Westfield Group security price and the relevant indices tend to move together. Of more relevance, given Westfield Group's global business operations, is the performance of Westfield Group securities relative to United States and global REIT indices. The following graph illustrates the performance of Westfield Group securities since 1 January 2011 relative to the S&P United States REIT Index (in US$)[18] and the S&P Global Property 40 Index[19]:



Source: IRESS, S&P Dow Jones Indices

Westfield Group securities have generally slightly underperformed in comparison to Unites States and global REIT indices over the period shown. This may be due to the impact of its asset divestment strategy on short term earnings (and therefore security price) and perceptions of adverse market conditions and lower growth in Australia than in its international operations, offset by the strengthening of the US$ against the A$, particularly in 2013.

[18] The S&P United States REIT (US$) Index represents the universe of publicly traded REITS domiciled in the United States. It has 141 constituents, the largest of which is Simon Property Group.

[19] The S&P Global Property 40 Index represents 40 leading global property companies and includes Simon Property Group, Unibail-Rodamco and Westfield Group.

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4 Profile of Westfield Group's Australian and New Zealand Business

4.1 Business Operations

Westfield ANZ comprises property investment in retail shopping centres in Australia and New Zealand and an integrated operating platform with capabilities in property management, design, development, construction and leasing and funds management.

Westfield ANZ has investments in 47 shopping centres across Australia and New Zealand. Its investment in each of these centres is held in a 50:50 joint venture with Westfield Retail Trust other than:

- the 50% investment in Westfield Tea Tree Plaza, which is 31.25% owned by Westfield ANZ and 18.75% owned by Westfield Retail Trust. This unequal split in the investment was required to allow for the property linked note in place over a 31.25% interest in Westfield Tea Tree Plaza at the time Westfield Retail Trust was established; and
- a 25% indirect investment in Westfield Carindale, which is held through Westfield ANZ's 50% interest in the ASX listed Carindale Property Trust (which in turn owns a 50% interest in Westfield Carindale).

A summary of the property portfolio as at 31 December 2013 is set out below:

Westfield ANZ – Property Portfolio as at 31 December 2013

	Australia	New Zealand	Total[20]
Centres	38	9	47
Assets held in joint ventures	38	9	47
Retail outlets	11,135	1,409	12,544
Gross lettable area (million m^2)	3.4	0.4	3.8
Investment in shopping centres[21] (billions)	A$13.4	NZ$1.4	A$14.7
Joint venture partner interests (billions)	A$22.6	NZ$1.4	A$23.9
AUM (billions)	A$36.0	NZ$2.8	A$38.6
Westfield Group share of AUM	37%	50%	38%

Source: Westfield Group

Westfield ANZ also owns a 50% interest in a development site in Coomera (with the other 50% owned by QIC) and a 50% interest in Casey Central, a neighbourhood centre in Melbourne which has approval for a 22,000m^2 development (with the other 50% owned by Westfield Retail Trust).

The Westfield ANZ operating platform provides property development and project management and property management services to each of the properties in the portfolio. Westfield ANZ also provides services to retail properties owned by external third parties:

- Eastgardens (property management for the owner, Terrace Tower Group). Westfield ANZ also recently completed a minor redevelopment of Eastgardens for Terrace Tower Group);
- Pacific Fair and Macquarie (design and construction projects for the owners, AMP Capital managed funds).

Pacific Fair and Macquarie are shopping centres that were previously owned by Westfield ANZ and Westfield Retail Trust jointly with AMP Capital. AMP Capital acquired Westfield ANZ's and Westfield Retail Trust's interests in these shopping centres as part of a broader restructuring of ownership interests between Westfield ANZ, Westfield Retail Trust and AMP Capital in October 2012. Westfield ANZ was appointed by AMP Capital to the design and construction role at Macquarie at the time of this transaction and subsequently at Pacific Fair.

Westfield ANZ also acts as responsible entity for Carindale Property Trust and Westfield Retail Trust.

[20] NZ$ have been translated to A$ at exchange rates of A$1 = NZ$1.0869.

[21] Investment in shopping centres includes investment in construction in progress and assets held for resale.

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As at 31 December 2013, Westfield ANZ's development pipeline was A$4.9 billion, of which A$1.9 billion is currently under construction (A$0.8 billion for owned shopping centres and A$1.1 billion for third parties):

Westfield ANZ – Development Projects Under Construction as at 31 December 2013

	Total project cost A$ millions	Westfield ANZ share A$ millions	Anticipated completion
Mt Gravatt	400	200	2014
Miranda	435	109	2014/2015
Total Westfield ANZ development projects	**835**	**309**	**2014-2015**
Macquarie	390	-	2014
Pacific Fair	670	-	2016
Total third party development projects	**1,060**	**-**	**2014-2016**
Total development projects	**1,895**	**309**	**2014-2016**

Source: Westfield Group

There are no current development projects under construction in New Zealand.

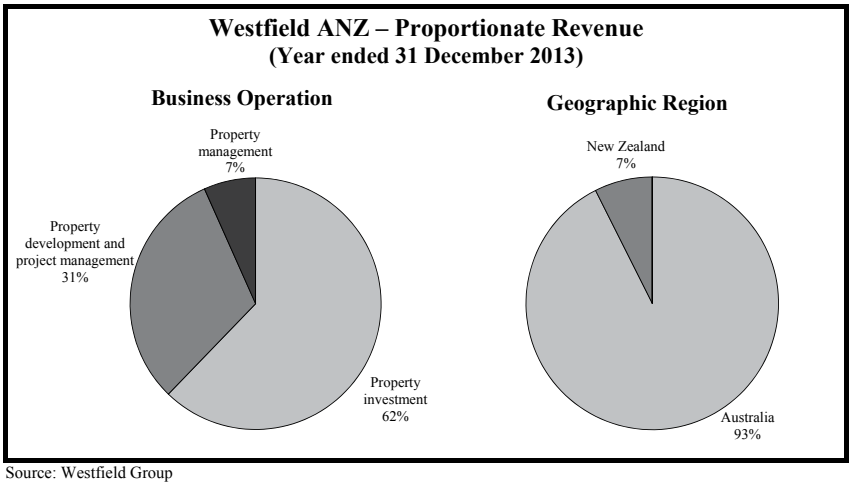
Westfield ANZ is undertaking pre-development activity on approximately A$3 billion of future development opportunities, of which A$1.5-2.0 billion is expected to commence over the next three years:

Westfield ANZ – Development Projects in Advanced Planning as at 31 December 2013

Australia	
Greenfields development	Coomera
Redevelopment and expansion	Carousel, Chatswood[22], Chermside[22], Knox, Kotara[22], Marion[22], North Lakes, Plenty Valley, Tea Tree Plaza, Tuggerah, Warringah[22], Whitford City
New Zealand	
Redevelopment and expansion	Albany, Newmarket[22], St Lukes

Source: Westfield Group

The composition of proportionate revenue by business operation and geographic region for the year ended 31 December 2013 is shown below:



Source: Westfield Group

[22] These six developments are expected to commence over the next three years.

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Net operating income from investment in shopping centres makes up the vast majority of Westfield ANZ's revenue. The geographic split is heavily weighted towards Australia, reflecting the relative number and size of shopping centre investments in each region.

4.2 Operating Performance

The historical proportionate operating performance of Westfield ANZ for the three years ended 31 December 2013 and the forecast proportionate operating performance for the year ending 31 December 2014 are summarised below:

Westfield ANZ – Proportionate Operating Performance (A$ millions)

	Year ended 31 December			Year ending 31 December 2014	
	2011 historical	2012 historical	2013 historical	pro forma forecast	used for merger ratio
Property investment	1,084.6	1,132.6	1,160.7		
Projects	500.4	346.9	579.8		
Property management	114.1	119.1	124.5		
Total trading revenue	**1,699.1**	**1,598.6**	**1,865.0**		
Property investment net operating income	834.5	863.9	889.1	938.1	938.1
Project income	79.3	117.4	125.7	139.4	92.2
Property management income	87.3	92.3	100.8	103.2	106.7
Funds management income	6.6	7.3	9.3	9.4	-
Overheads	(76.8)	(72.3)	(75.9)	(74.2)	(74.2)
Trading EBIT	**930.9**	**1,008.6**	**1,049.0**	**1,115.9**	**1,062.8**
Net interest expense				(429.9)	(429.9)
Tax expense				(79.6)	(79.6)
Outside equity interests				(13.7)	(11.5)
FFO				**592.7**	**541.8**

Source: Westfield Group and Grant Samuel analysis

Westfield ANZ has generated consistent growth in trading EBIT over the last three years and this is forecast to continue in 2014. Growth in property investment net operating income and property management income have been reasonably steady although there was a larger increase in property management income in 2013 as a result of the restructure of shopping centre ownership interests with AMP Capital in October 2012 (at which time Westfield ANZ was appointed property manager for Warringah and asset manager for Knox). Project income grew considerably in 2012 reflecting income from a number of large projects (Westfield Sydney, Fountain Gate and Carindale). Westfield Sydney also contributed to project income in 2013, along with income from West Lakes, Miranda and Macquarie (an external third party project). Forecast project income for 2014 includes Westfield Sydney, Fountain Gate, Mt Gravatt, Miranda and Carindale as well as external third party projects for Macquarie and Pacific Fair.

Funds management income primarily represents fees received as responsible entity of Carindale Property Trust and asset management fees received in relation to the property linked notes. Under Carindale Property Trust's constitution, Westfield ANZ (as responsible entity of the trust) is entitled to an annual manager's service fee up to a maximum of 2% of the total tangible assets of the trust. Westfield ANZ has historically charged a lower fee (generally 0.6% of total tangible assets) for provision of these services. Westfield ANZ does not receive fees for providing responsible entity services to Westfield Retail Trust.

Westfield ANZ's forecast operating performance for 2014 (along with the forecast operating performance of Westfield Retail Trust) was used as the basis for calculating the merger ratio for the Proposal. However, a number of adjustments were made for that purpose:

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- A$47.2 million of project income that will be recorded in 2014 from completed projects including Westfield Sydney and Fountain Gate (as the cash payments have been received in prior years) and scope changes from third party projects were excluded for the purposes of calculating the merger ratio;
- for the purposes of calculating the merger ratio, A$3.5 million of funds and asset management income in relation to Carindale Property Trust and Knox was included in property management income. A further A$2.2 million of funds management income in relation to Carindale Property Trust was netted off the outside equity interests; and
- A$3.7 million of asset management income from the property linked notes was not included in the trading EBIT or the FFO for the purposes of calculating the merger ratio.

Westfield ANZ's operating performance and FFO represents earnings generated by Westfield ANZ from:

- ownership interests in retail property assets (property investment net operating income); and
- the operating platform (property development and project management, property management and funds management).

The split of proportionate trading EBIT for the year ended 31 December 2013 and the forecast for the year ending 31 December 2014 between property investment and the operating platform is shown below:

Westfield ANZ – Proportionate Trading EBIT by Activity (A$ millions)

	Year ended 31 December 2013	Year ending 31 December 2014	
		forecast	merger ratio
Property investment	889.1	938.1	938.1
Operating platform	189.8	206.1	153.0
Corporate overheads	(29.9)	(28.3)	(28.3)
Trading EBIT	**1,049.0**	**1,115.9**	**1,062.8**

Source: Westfield Group and Grant Samuel analysis

Overheads in the Westfield ANZ Proportionate Operating Performance table (of A$75.9 million in 2013 and A$74.2 million in 2014) include both corporate overheads and business related overheads. Westfield Group has estimated that corporate overheads represent A$29.9 million in 2013 and A$28.3 million in 2014. The remaining overheads (A$46.0 million in 2013 and A$45.9 million in 2014) relate to Westfield ANZ's business, and more specifically, to the property development and project management business on the basis that:

- property investment income is already net of all operating costs; and
- the costs associated with property management income are charged back to the shopping centres.

On a consolidated basis, the operating platform recognises earnings generated from Westfield ANZ's joint venture partners (i.e. Westfield Retail Trust, Carindale Property Trust) and external third parties. Property management income from owned assets is recognised as property net operating income rather than in trading EBIT for the operating platform and development margins are not charged on owned assets but are recognised in property revaluations (through lower development costs) rather than in trading EBIT. As a result, the operating performance of Westfield ANZ does not reflect the true earnings of the operating platform (that Westfield Group securityholders are contributing to Scentre Group as part of the Proposal). The table below shows an estimate of the "economic" trading EBIT for the Westfield ANZ operating platform for the year ended 31 December 2013 and the forecast for the year ending 31 December 2014 assuming that Westfield ANZ recognised income and profit from internally managed assets:

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Westfield ANZ – Pro Forma Economic EBIT for Operating Platform (A$ millions)						
	External			Internal		
Year ended 31 December 2013	Westfield Retail Trust	Other third parties[23]	Accounting EBIT	Westfield Group	Carindale Property Trust[24]	Total Economic EBIT
Projects	100.6	25.1	125.7	100.6	-	226.3
Property management	52.2	48.6	100.8	46.7	1.4	148.9
Funds management	-	9.3	9.3	-	1.4	10.7
Pro forma EBIT before overheads			**235.8**			**385.9**
Overheads	-	-	(46.0)	-	-	(46.0)
Pro Forma EBIT for Operating Platform			**189.8**			**339.9**
	External			Internal		
Year ending 31 December 2014	Westfield Retail Trust[25]	Other third parties	Accounting EBIT	Westfield Group[25]	Carindale Property Trust	Total Economic EBIT
Projects	14.9	77.3	92.2	14.9	4.6	111.7
Property management	54.6	48.6	103.2	48.9	1.4	153.5
Funds management	-	3.5	3.5	-	1.3	4.8
Pro forma EBIT before overheads			**198.9**			**270.0**
Overheads	-	-	(45.9)	-	-	(45.9)
Pro Forma EBIT for Operating Platform used for the merger ratio			**153.0**			**224.1**
Other adjustments[26]						
Projects	47.2	-	47.2	47.2	-	94.4
Funds management	-	5.9	5.9	-	-	5.9
Pro Forma EBIT for Operating Platform			**206.1**			**324.4**

Source: Westfield Group and Grant Samuel analysis

The economic earnings of the Westfield ANZ operating platform have been calculated assuming that Westfield ANZ would generate:

- the same property management income on internally managed assets as is earned from Westfield Retail Trust for these services other than for:
  - Tea Tree Plaza, where Westfield Retail Trust pays fees based on its 18.75% interest whereas Westfield ANZ would earn fees on its 31.25% interest (subject to the treatment of the property liked notes set out below); and
  - the interests in the Westfield ANZ properties that are the subject of the property linked notes. Westfield ANZ effectively receives property management fees from the holders of the property liked notes based on the percentage interest held by each noteholder and this is included in the property management income from other third parties in the table above. As a result, on a consolidated basis, Westfield ANZ would only earn internal

[23] Other third parties comprises joint venture partners, the 75% of Westfield Carindale that is not owned by Westfield ANZ and property management fees received from holders of the property linked notes.

[24] Carindale Property Trust represents Westfield ANZ's indirect 25% interest in Westfield Carindale.

[25] As disclosed in Westfield Group's announcement of the Proposal on 4 December 2013. Refer to Section 2.5 of the Westfield Group Securityholder Booklet for further details.

[26] Refer to pages 23-24 for details of these adjustments.

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property management fees on the residual interest in the relevant property as set out below:

Westfield ANZ – Impact of Property Linked Notes				
	Relevant interest			
Property	Combined Westfield ANZ and Westfield Retail Trust	Westfield Retail Trust	Property Linked Noteholders	Westfield ANZ
Parramatta	50.00%	25.00%	15.50%	9.50%
Hornsby	100.00%	50.00%	31.25%	18.75%
Burwood	100.00%	50.00%	31.25%	18.75%
Southland	50.00%	25.00%	15.50%	9.50%
Belconnen	100.00%	50.00%	31.25%	18.75%
Tea Tree Plaza	50.00%	18.75%	31.25%	-

Source: Westfield Group

This approach is consistent with the measurement of NTA, where Westfield ANZ's interests in shopping centres are carried on the balance sheet at valuations that assume property management fees are paid on 100% of gross rental income to an external party (Westfield ANZ recognises internal management fees as additional property net operating income).

The net impact of these adjustments is that Westfield ANZ would earn lower overall property management fees from internally owned shopping centres than is generated from Westfield Retail Trust (the impact is a A$5.5 million reduction in 2013 and a forecast A$5.7 million reduction in 2014); and

- property management income on its indirect 25% interest in Westfield Carindale on the same basis as is recognised by Carindale Property Trust.

Note that to the extent that property management income on owned assets is recognised as income of the operating platform, there would be a corresponding reduction in property net operating income (i.e. no overall impact on Westfield ANZ's earnings).

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4.3 Financial Position

The proportionate pro forma financial position of Westfield ANZ as at 31 December 2013 is summarised below:

Westfield ANZ – Pro Forma Proportionate Financial Position (A$ millions)	
	As at 31 December 2013
Cash	211.5
Shopping centre investments	14,402.5
Development projects and construction in progress	280.3
Other assets	344.3
Total assets	**15,238.6**
Interest bearing liabilities	(7,305.5)
Other financial liabilities	(1,371.4)
Deferred tax liabilities	(149.8)
Other liabilities	(697.3)
Total liabilities	**(9,524.0)**
Net assets	**5,714.6**
Net assets attributable to external non controlling interests	(229.2)
Net assets attributable to Westfield Group securityholders	**5,485.4**
Gearing	*47.2%*

Source: Westfield Group and Grant Samuel analysis

Westfield ANZ's most significant assets are its investments in shopping centres (including investment in current and future redevelopment and expansion of new and existing shopping centre investments). The shopping centre investments are shown at independent valuations. Each of these properties was independently valued at either 30 June 2013 or 31 December 2013. The independent valuations have been prepared on the basis that property management fees are paid on 100% of gross rental income to an external party (Westfield ANZ recognises internal management fees as additional property net operating income).

Westfield ANZ's pro forma financial position does not recognise the property development and project management rights and the property management rights that it has in relation to jointly owned and third party owned properties, other than A$15.2 million in relation to property management and development rights at Warringah and Knox that were acquired by Westfield ANZ as part of the restructure of ownership interests between Westfield ANZ, Westfield Retail Trust and AMP Capital in October 2012.

Westfield ANZ had pro forma net borrowings as at 31 December 2013 of A$7.1 billion and gearing of 47.2%. The pro forma borrowings at 31 December 2013 are shown after the refinancing of Westfield Group's existing borrowings, which will be completed on or before implementation of the Proposal and prior to the effective transfer of Westfield ANZ to Scentre Group.

Other financial liabilities of A$1.4 billion represent property linked notes which are designed to provide returns based on the economic performance of a number of Westfield ANZ's Australian shopping centres. The notes, issued effective from 1 January 2007, are perpetual with a first review date of 31 December 2016 at which time the holders, PGGM Australian Investment Trust and a major global institution, can elect to redeem the notes. On redemption, the obligation to pay the amount due on the notes can be satisfied, at Westfield ANZ's option, by a transfer of the relevant interest in the underlying property. Subsequent reviews on the same terms occur every five years from 31 December 2016.

Westfield ANZ consolidates Carindale Property Trust in its accounts as a result of its 50% interest in the trust. The net assets attributable to external non controlling parties represents the 50% interest in Carindale Property Trust owned by other investors.

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5 Profile of Westfield Retail Trust

5.1 Background

Westfield Retail Trust was established in December 2010 through a restructure of Westfield Group in which:

- units in Westfield Retail Trust were distributed to Westfield Group securityholders on a pro rata basis; and
- Westfield Retail Trust undertook a capital raising under which A$2.05 billion was raised (out of a maximum of A$3.5 billion) at A$2.75 per security (A$1.22 billion from an entitlement offer to Westfield Group securityholders and A$0.83 billion from a public offer).

Westfield Retail Trust became a 50% joint venture partner in 54 of Westfield Group's shopping centres in Australia and New Zealand. The rationale for the creation of Westfield Retail Trust was a belief that there was investor demand for a geographic specific trust focused on investing in high quality retail property in Australia and New Zealand with low gearing and earnings primarily sourced in Australian dollars.

On formation of Westfield Retail Trust, agreements were put in place under which:

- subsidiaries of Westfield Holdings (part of Westfield Group) were appointed as the responsible entities for Westfield Retail Trust 1 and Westfield Retail Trust 2;
- Westfield Group acts as property and development manager for the joint venture on terms generally consistent with those already in place with other third party joint venture partners;
- Westfield Group provides ancillary services to Westfield Retail Trust (accounting, tax, treasury, corporate, human resources, information technology and compliance) at cost; and
- Westfield Retail Trust is licensed to use the "Westfield" brand as long as subsidiaries of Westfield Holdings remain as responsible entities of Westfield Retail Trust 1 and Westfield Retail Trust 2.

Westfield Group and Westfield Retail Trust also entered into an agreement to co-operate on retail property acquisition and growth opportunities, although Westfield Retail Trust is free to pursue opportunities with other parties.

The property ownership, management and development arrangements between Westfield Retail Trust and Westfield Group are long term. Westfield Retail Trust is not able to terminate the property management and development arrangements unless Westfield Group owns less than a 25% interest in the relevant property or for material breach of obligations.

Westfield Retail Trust's strategy is to invest in Australian and New Zealand retail property for the long term, providing investors with returns consistent with the rental income and capital growth of the underlying shopping centres.

Westfield Retail Trust has a market capitalisation of approximately A$9 billion and is the second largest REIT listed on the ASX (after Westfield Group).

5.2 Property Portfolio

As a result of a subsequent restructure of the portfolio of joint venture assets held with Westfield Group and AMP Capital, the sale of four shopping centre assets (three in New Zealand and one in Australia) and the consolidation of Westfield Sydney and Sydney Central Plaza into one asset on completion of the development, Westfield Retail Trust currently has investment interests in 46 shopping centres across Australia and New Zealand. A summary of the portfolio as at 31 December 2013 is set out below:

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Westfield Retail Trust – Portfolio Summary as at 31 December 2013[27]			
	Australia	**New Zealand**	**Total[28]**
Centres	37	9	46
Retail outlets	10,712	1,409	12,121
Gross lettable area (million m^2)	3.3	0.4	3.7
Investment in shopping centres[29] (billions)	A$12.4	NZ$1.4	A$13.6
Weighted average estimated valuation yield	5.9%	7.3%	6.0%
Total annual sales (billions)	A$19.3	NZ$2.0	A$21.0
Portfolio leased	>99.5%	99.5%	>99.5%
Specialty occupancy cost	na	na	19.2%
Specialty retail sales[31]	A$9,864/$m^2$	NZ$8,542/$m^2$	na
Comparable specialty retail sales growth	1.4%	0.4%	na
Average specialty store rent	A$1,537/$m^2$	NZ$1,128/$m^2$	na
Average specialty store rent growth[30]	1.8%	0.4%	1.7%
Comparable net operating income growth[31]	2.0%	0.3%	1.7%

Source: Westfield Retail Trust

Westfield Retail Trust also acquired a 50% interest in Casey Central from the October 2012 restructure of ownership interests with AMP Capital. The 50% interest in Casey Central was acquired from AMP Capital and resulted in Westfield Retail Trust being a 50% partner in the shopping centre with Westfield ANZ. It is not included in Westfield Retail's (or Westfield ANZ's) portfolio as it is classified as held for redevelopment.

Each of Westfield Retail Trust's investments in shopping centres are held in the 50:50 joint venture with Westfield Group other than the 50% investment in Westfield Tea Tree Plaza, which is 18.75% owned by Westfield Retail Trust and 31.25% owned by Westfield Group as a result of the property linked note in place over a 31.25% interest in Westfield Tea Tree Plaza at the time Westfield Retail Trust was established.

As at 31 December 2013, Westfield Retail Trust had identified A$1.3 billion[32] of current and future development opportunities, of which A$0.3 billion[32] is currently under construction. Westfield Retail Trust's development pipeline is the same as the development pipeline for Westfield ANZ set out in Section 4.1 of this report other than:

- the development projects under construction by Westfield ANZ for third parties (Macquarie and Pacific Fair); and;
- the Coomera development site that is jointly owned by Westfield ANZ and QIC.

Westfield Retail Trust does not have an interest in any of these projects.

Westfield Retail Trust generates 100% of its revenue from property investment and has a similar geographic split to Westfield ANZ (89% of revenue from Australia, 11% of revenue from New Zealand).

27 All disclosures exclude assets disposed of during the period.

28 NZ$ have been translated to A$ at exchange rates of A$1 = NZ$1.0869.

29 Investment in shopping centres excludes investment in construction in progress and assets held for resale.

30 31 December 2013 compared to 31 December 2012.

31 For the 12 months ended 31 December 2013.

32 Westfield Retail Trust's share of total project cost.

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5.3 Financial Performance

The historical proportionate financial performance and FFO of Westfield Retail Trust for the three years ended 31 December 2013 and the forecast proportionate financial performance and FFO for the year ending 31 December 2014 are summarised below:

Westfield Retail Trust – Proportionate Financial Performance (A$ millions)

	Year ended 31 December			Year ending 31 December
	2011 historical	2012 historical	2013 historical	2014 forecast[33]
Property investment revenue	**1,018.5**	**1,079.6**	**1,101.8**	
Property expenses and outgoings	(271.4)	(289.7)	(302.8)	
Corporate overheads	(35.0)	(37.1)	(36.1)	
Trading EBIT	**712.1**	**752.8**	**762.9**	**776.2**
Net interest expense	(134.0)	(163.5)	(168.0)	(173.6)
Other adjustments[34]	292.1	260.1	205.5	25.0
Profit before tax	**870.2**	**849.4**	**800.4**	**627.6**
Tax expense[35]	(21.1)	(18.6)	(23.3)	(24.5)
Profit after tax attributable to Westfield Retail Trust securityholders	**849.1**	**830.8**	**777.1**	**603.1**
Funds from operations				
Trading EBIT	**712.1**	**752.8**	**762.9**	**766.2**
Amortisation of tenant allowances	18.5	18.8	20.1	24.0
Realised gain on income hedging currency derivatives	-	-	(1.2)	(0.7)
Net interest expense	(134.0)	(163.5)	(168.0)	(173.6)
Tax on underlying operations	(16.4)	(16.7)	(17.0)	(18.2)
FFO attributable to Westfield Retail Trust securityholders	**580.2**	**591.4**	**596.8**	**607.7**
Statistics				
Earnings per security (A cents)	*27.8*	*27.2*	*25.9*	
FFO per security (A cents)	*19.0*	*19.4*	*19.9*	*20.4*
Distribution per security (A cents)	*16.5*	*18.8*	*19.9*	*20.4*
Distribution payout ratio (based on FFO)	*87%*	*97%*	*99%*	*100%*
Interest cover[36]	*5.3x*	*4.6x*	*4.5x*	*4.5x*
Return on contributed equity[37]	*6.3%*	*6.4%*	*6.6%*	*na*

Source: Westfield Retail Trust and Grant Samuel analysis

Westfield Retail Trust has reported steady growth in revenue, EBIT, FFO and distribution per security over the last three years and this trend is forecast to continue in 2014, reflecting the stable and consistent cash flows generated from its portfolio of shopping centre assets which is characterised by:

- annual contracted increases in rent;

33 The forecast for 2014 has been prepared on the basis that there are no property revaluations or mark to market of financial instruments in relation to a movement in exchange rates (shown in other adjustments in prior years). As a result, profit after tax is not comparable to prior years. Therefore earnings per security has not been calculated.

34 Other adjustments are property revaluations, net fair value loss on interest rate hedges and gain/loss from capital transactions.

35 Tax expense includes deferred tax and tax on capital transactions.

36 Interest cover is trading EBIT divided by net interest expense.

37 Return on contributed equity is calculated as FFO divided by contributed equity at year end.

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- 99% of rental income being derived from minimum contracted base rents; and
- the portfolio of shopping centre assets consistently being over 99% leased.

The portfolio generated annual growth in comparable net operating income of 4.3% in 2011, 2.9% in 2012 and 1.7% in 2013 and is forecast to achieve growth in comparable net operating income of 1.5-2.0% in 2014. Net operating income also benefited from an increase in property investment revenue from redevelopment and expansion of the portfolio (Belconnen in 2011, Westfield Sydney and Fountain Gate in 2012, West Lakes in 2013 and Mt Gravatt in 2014) which, combined with the trust increasing its interest in three properties (Knox, Mt Gravatt and Warringah) in a restructuring of the of ownership interests with AMP Capital in October 2012, more than offset the loss of revenue from the sale of assets in Australia (Pacific Fair, Booragoon and Macquarie in 2012 and Karrinyup in 2013) and New Zealand (Downtown, Pakuranga and Shore City in 2012).

The increase in distribution per security also benefited from changes to the distribution policy in 2012 (when the payout ratio was increased from 90% to 100% of distributable earnings) and in 2013 (when distributions were based on FFO rather than distributable earnings) and the buyback of securities (primarily in 2013). As a result of these changes, growth in distribution per security was 13.6% in 2012 and 5.9% in 2013. Growth in distribution per security is forecast to be lower in 2014 at 2.8% (and more comparable to growth in FFO) in the absence of any changes to the distribution policy and no further buyback of securities.

5.4 Financial Position

The proportionate financial position of Westfield Retail Trust as at 31 December 2013 is summarised below:

Westfield Retail Trust – Proportionate Financial Position (A$ millions)	
	As at 31 December 2013
Cash	42.7
Shopping centre investments	13,632.0
Development projects and construction in progress	247.0
Deferred tax assets	0.5
Other assets	125.7
Total assets	**14,047.9**
Interest bearing liabilities	(3,171.0)
Deferred tax liabilities	(106.2)
Other liabilities	(295.4)
Total liabilities	**(3,572.6)**
Net assets attributable to Westfield Retail Trust securityholders	**10,475.3**
Statistics	
Number of issued stapled securities at year end (million)	*2,979.2*
Net tangible assets per security	*A$3.52*
Net tangible assets per security (before net deferred tax liability)	*A$3.55*
Gearing[38]	*22.3%*

Source: Westfield Retail Trust and Grant Samuel analysis

Shopping centre investments makes up the majority of Westfield Retail Trust's assets. These investments are shown as independent valuation and each was independently valued at either 30 June 2013 or 31 December 2013.

[38] Gearing is net borrowings divided by total assets less cash.

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Westfield Retail Trust had committed facilities at 31 December 2013 of A$3.8 billion of which A$3.1 billion was drawn. Its drawn funding base is made up of commercial paper (A$0.2 billion), fixed and floating rate notes (A$1.9 billion) (A$1.1 billion A$ denominated and A$0.8 billion € denominated) and unsecured interest only floating rate bank facilities (A$1.0 billion). The notes and bank facilities are subject to negative pledge arrangements.

5.5 Capital Structure and Ownership

As at 11 April 2014, Westfield Retail Trust had 2,979,214,029 stapled securities on issue. Each stapled security represents one unit in Westfield Retail Trust stapled to one unit in Westfield Retail Trust 2.

Westfield Retail Trust has an Executive Deferred Award Plan under which 5,144,388 awards were outstanding as at 31 December 2013. However, this is a cash settled plan and no Westfield Retail Trust securities are issued on maturity. One executive also has long term benefits under the Westfield Group Executive Deferred Award Plan (as a result of being entitled to these awards when he joined Westfield Retail Trust from Westfield Group when Westfield Retail Trust was established in December 2010). The terms of these securities are similar to those of the Executive Deferred Award Plan (i.e. they are also cash settled).

On 25 October 2012, Westfield Retail Trust announced and intention to undertake an on market buyback of up to A$200 million of its securities over a 12 month period as part of its capital management program. The trust extended the buyback by a further A$100 million (to A$300 million) on 10 September 2013 following the sale of its investment in Westfield Karrinyup. At the end of the buyback period, Westfield Retail Trust has bought back 74,952,166 securities at a total cost of A$226.4 million (an average price of A$3.02 per security).

The top 10 securityholders in Westfield Retail Trust hold in excess of 85% of the stapled securities on issue and are predominantly nominee companies. As at 11 April 2014, there were two substantial securityholders:

Westfield Retail Trust – Substantial Securityholders as at 11 April 2014

Securityholder	Number of Securities	Percentage
UniSuper Ltd	252,904,080	8.5%
Vanguard Investments Australia Ltd and the Vanguard Group, Inc.	205,718,730	6.9%
BlackRock Investment Management (Australia) Limited	159,493,747	5.4%

Source: Westfield Retail Trust

Members of the Lowy family and their associates sold their 7.05% interest in Westfield Retail Trust on market in March 2013.

Based on an analysis of Westfield Retail Trust's top 200 securityholders (representing approximately 90% of Westfield Retail Trust's total issued securities), holders of approximately 47% of Westfield Retail Trust's securities are foreign, with most securities held by securityholders based in North America (21%) and the United Kingdom (10%). The balance of securities are held by securityholders based in Asia and the rest of Europe.

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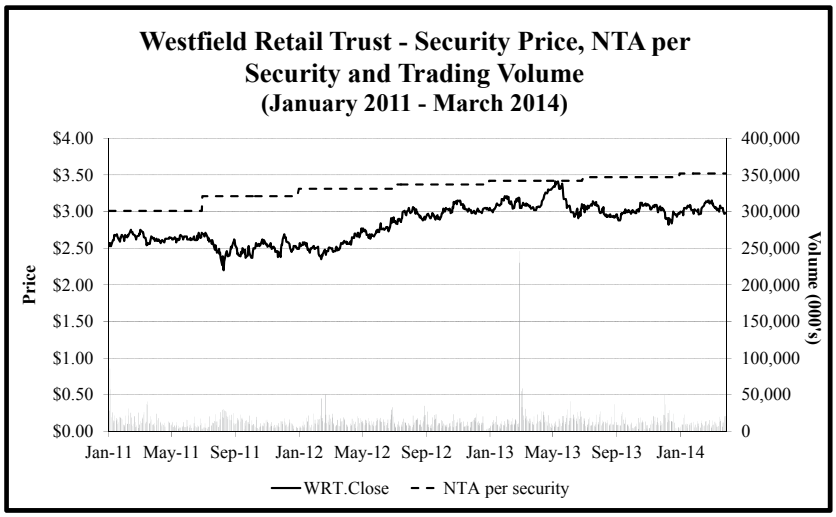
5.6 Security Price Performance

The following graph illustrates the movement in the Westfield Retail Trust security price and trading volumes since 1 January 2011:



Source: IRESS

The Westfield Retail Trust security price has traded in the range A$2.18-3.45 over the last three years. The security price generally traded at around A$2.60 during the 12 months following the establishment of Westfield Retail Trust in December 2010, at a discount to the A$2.75 issue price of securities under the associated capital raising and the NTA per security of A$3.01. The security price has subsequently increased as Westfield Retail Trust has reported growth in earnings, increased distributions and increases in NTA per security. Westfield Retail Trust securities closed at A$3.00 the day prior to announcement of the Proposal. Securities in Westfield Retail Trust traded as high as A$3.14 following announcement of the Proposal on 4 December 2013 before closing at A$2.99. Since that time, Westfield Retail Trust securities have traded in the range A$2.82-3.18, at a volume weighted average price of A$2.99 and closed at A$2.98 on 31 March 2014.

Westfield Retail Trust securities have consistently traded at a discount to NTA per security. This is not uncommon for listed REITS, particularly those that are externally managed, reflecting in part the leakage of value through the payment of management fees to the external manager. The discount to NTA has ranged from 0% to 31% although the average discount to NTA of 15% is consistent with that observed in recent trading.

Westfield Retail Trust has been a liquid stock with average weekly volume over the twelve months prior to the announcement of the Proposal representing approximately 2.5% of average securities on issue or annual turnover of around 129% of total average issued capital.

Westfield Retail Trust is included in various indices including the S&P/ASX 200 A-REIT Index and the S&P/ASX 50. At 31 March 2014 its weighting in these indices was approximately 9.4% and 0.8% respectively. As a result of its significant weighting in property-based indices, the Westfield Retail Trust security price and the relevant indices tend to move together.

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6 Profile of Scentre Group

6.1 Operations and Strategy

Scentre Group will be an ASX listed, internally managed REIT whose activities will include:

- ownership interests in 47 shopping centres in Australia and New Zealand; and
- a fully integrated operating platform providing internal capability in property management, leasing, design, development, construction, marketing and funds management.

Scentre Group will own 14 of the top 20 shopping centres in Australia. It will have A$1.9 billion of projects under construction (Scentre Group share A$0.6 billion) and A$3 billion of future development opportunities (Scentre Group share A$2 billion) including major development opportunities in Brisbane, Sydney and Auckland. A summary of pro forma AUM as at 31 December 2013 is set out below:

Scentre Group – Pro Forma Assets under Management as at 31 December 2013

	Australia	New Zealand	Total[39]
Shopping centres	38	9	47
Assets held in joint ventures	21	-	21
Retail outlets	11,135	1,409	12,544
Gross lettable area (million m^2)	3.4	0.4	3.8
Scentre Group investment in shopping centres (billions)[40]	A$26.0	NZ$2.8	A$28.6
Joint venture partner interests (billions)	A$10.0	-	A$10.0
AUM (billions)	A$36.0	NZ$2.8	A$38.6
Scentre Group share of AUM	72%	100%	74%

Source: Westfield Group Securityholder Booklet

Scentre Group's significant investment in shopping centres reflects the increased ownership from combining Westfield ANZ and Westfield Retail Trust. 26 shopping centres that were previously held as joint venture interests will become 100% owned by Scentre Group, providing further joint venture opportunities.

Scentre Group will have a strategy of owning, developing and operating major shopping centres in Australia and New Zealand with a focus on maximising income and capital growth through intensive management, value enhancing redevelopment and potential acquisitions.

Scentre Group will have exclusive, royalty free use of the "Westfield" brand for its shopping centres in Australia and New Zealand and will have the opportunity to collaborate with Westfield Corporation on the development of products and services that leverage social, mobile and digital technologies through an agreement with Westfield LABS Corporation.

Scentre Group will be the largest A-REIT and is expected to be one of the 20 largest entities listed on the ASX.

[39] NZ$ have been translated to A$ at exchange rates of A$1 = NZ$1.0869.

[40] Investment in shopping centres includes investment in construction in progress and assets held for resale.

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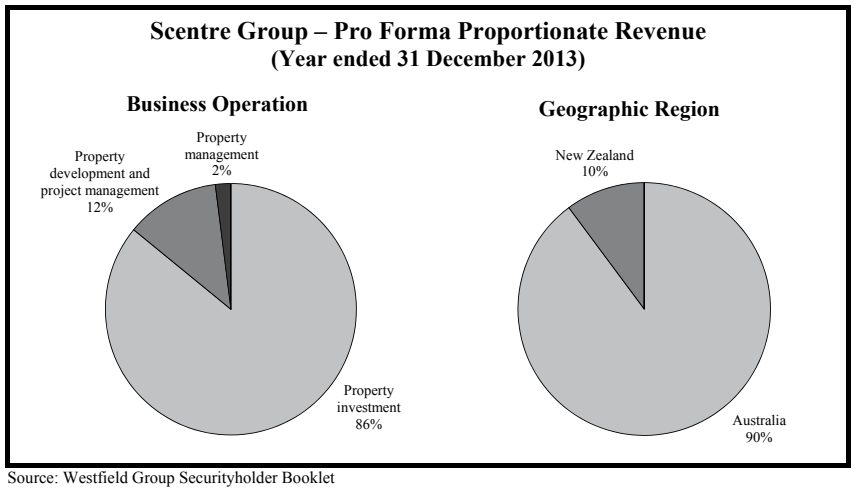
The composition of pro forma proportionate revenue by business operation and geographic region for the year ended 31 December 2013 is shown below:



Source: Westfield Group Securityholder Booklet

A more detailed profile of Scentre Group is set out in Section 4 of the Westfield Group Securityholder Booklet.

6.2 Earnings and Distributions

The historical pro forma proportionate operating performance of Scentre Group for the three years ended 31 December 2013 and the forecast pro forma proportionate financial performance for the year ending 31 December 2014 is summarised below:

Scentre Group – Pro Forma Proportionate Financial Performance (A$ millions)				
	Year ended 31 December			Year ending 31 December
	2011 historical	2012 historical	2013 historical	2014 forecast
Property investment net operating income	1,641.1	1,705.6	1,743.9	1,781.2
Project income	29.0	30.8	25.1	77.3
Property management income[41]	45.1	47.3	52.3	55.8
Overheads	(103.8)	(101.4)	(104.0)	(98.0)
Trading EBIT	**1,611.4**	**1,682.3**	**1,717.3**	**1,816.3**
Net interest expense				(593.6)
Other adjustments[42]				29.3
Profit before tax				**1,252.0**
Tax expense[43]				(102.8)
Profit attributable to external non controlling interests				(11.5)
Profit after tax attributable to Scentre Group securityholders				**1,137.7**

41 Property management income includes funds management income.

42 Other adjustments are realised loss on hedging currency derivatives and mark to market of interest rate derivatives (i.e. the reversal of mark to market balances that are included in net interest expense).

43 Tax expense includes deferred tax and tax on capital transactions.

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Scentre Group – Pro Forma Proportionate Financial Performance (A$ millions)				
	Year ended 31 December			Year ending 31 December
	2011 historical	2012 historical	2013 historical	2014 forecast
Funds from operations				
Trading EBIT	**1,611.4**	**1,682.3**	**1,717.3**	**1,816.3**
Amortisation of tenant allowances	34.1	38.7	41.5	48.7
Realised gain/(loss) on hedging currency derivatives	1.4	5.6	0.8	(0.7)
FFO before net interest and tax	**1,646.9**	**1,726.6**	**1,759.6**	**1,864.3**
Net interest expense				(593.6)
Tax on underlying operations				(90.2)
FFO attributable to external non controlling interests				(11.5)
FFO attributable to Scentre Group securityholders				**1,169.0**
Adjustment to mark to market of Westfield Retail Trust fixed rate debt and derivatives[44]				(29.0)
Adjusted FFO attributable to Scentre Group securityholders				**1,140.0**
Statistics				
FFO per security (A cents)				*A21.5*
Distribution per security (A cents)				*A20.4*
Distribution payout ratio (based on FFO)				*95%*
Interest cover[45]				*3.1x*

Source: Westfield Group Securityholder Booklet and Grant Samuel analysis

The detailed pro forma financial performance of Scentre Group is set out in Sections 5.3 to 5.5 of the Westfield Group Securityholder Booklet. The pro forma financial performance has been prepared by Westfield Retail Trust and Westfield Group and reviewed by Ernst & Young. Ernst & Young's opinion is set out in Section 10 of the Westfield Group Securityholder Booklet.

The financial performance of Scentre Group is based on the audited historical financial performance of Westfield Retail Trust and Westfield ANZ and the Directors' forecasts of the financial performance of Westfield Retail Trust and Westfield ANZ on a stand alone basis. The assumptions adopted in preparing the forecast financial information are set out in Section 5.8 of the Westfield Group Securityholder Booklet. The financial information has been prepared on the following basis:

- adjustments have been made to the historical financial information as if the current operations of Westfield Retail Trust and Westfield ANZ had been merged prior to 1 January 2011. The forecast financial information has been prepared on the basis that the Proposal was implemented on 31 December 2013;
- the following inter entity transactions have been eliminated from the historical and forecast financial information:
  - property management fees charged by Westfield ANZ to Westfield Retail Trust (reclassified as property investment net operating income). Property management fees derived from external parties remain in Scentre Group's accounts; and
  - project income recognised by Westfield ANZ on the redevelopment of properties owned by Westfield Retail Trust. Project income derived from external parties remains in Scentre Group's accounts; and

[44] Pro forma forecast mark to market of interest rate derivatives represents the reversal of brought forward mark to market balance relating to interest cash flows that are included in net interest expense in the pro forma proportionate financial performance.

[45] Interest cover is trading EBIT divided net interest expense. Net interest expense includes interest paid on the property linked notes.

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- the forecast financial information reflects the new financing and other arrangements that Scentre Group expects to introduce on completion of the Proposal, resulting in:
  - operating cost savings of A$9.2 million per annum relating to removal of duplicated corporate overheads (primarily employee costs);
  - net interest savings of A$47.9 million (including interest hedging in relation to the proposed refinancing and the impact of an estimated non cash mark to market accounting adjustment to Westfield Retail Trust fixed rate debt and derivatives); and
  - tax expense savings of A$7.7 million.

The forecast pro forma financial information does not reflect one off transaction costs and refinancing costs of A$341 million associated with implementation of the Proposal. The total transaction costs of A$150 million will be shared equally between Scentre Group and Westfield Corporation.

Scentre Group's proposed distribution policy will be to distribute up to 100% of FFO to Scentre Group securityholders. The policy allows for retention to fund capital expenditure requirements. The forecast distribution for 2014 of A20.4 cents per Scentre Group security represents a payout ratio of 95%.

6.3 Financial Position

The pro forma proportionate financial position of Scentre Group as at 31 December 2013 is summarised below:

Scentre Group – Pro Forma Proportionate Financial Position (A$ millions)	
	As at 31 December 2013
Cash	254.2
Shopping centre investments	28,034.5
Development projects and construction in progress	515.8
Deferred tax assets	92.1
Other assets	385.8
Total assets	**29,282.4**
Interest bearing liabilities	(11,395.5)
Other financial liabilities	(1,371.4)
Deferred tax liabilities	(256.0)
Other liabilities	(1,050.8)
Total liabilities	**(14,073.7)**
Net assets	**15,208.7**
Net assets attributable to external non controlling interests	(229.2)
Net assets attributable to Scentre Group securityholders	**14,979.5**
Statistics	
Number of issued stapled securities at year end (million)	*5,311.5*
Net tangible assets per security	*A$2.82*
Net tangible assets per security (before net deferred tax liability)	*A$2.85*
Gearing[46]	*38.4%*

Source: Westfield Group Securityholder Booklet and Grant Samuel analysis

The Scentre Group pro forma financial position and the underlying assumptions are set out in detail in Section 5.10 of the Westfield Group Securityholder Booklet. Ernst & Young has reviewed the Scentre Group pro forma financial position and its opinion is set out in Section 10 of the Westfield Group Securityholder Booklet.

[46] Gearing is net borrowings divided by total assets less cash.

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The pro forma financial position of Scentre Group as at 31 December 2013 is based on the audited financial position of Westfield Retail Trust and Westfield ANZ as at 31 December 2013. The pro forma financial position of Scentre Group as at 31 December 2013 has been prepared on the following basis:

- the Proposal was implemented on 31 December 2013;
- consolidation adjustments and eliminations have been made to reflect:
  - elimination of receivables and payables between Westfield Retail Trust and Westfield ANZ;
  - elimination of profits on redevelopment projects currently in progress that are now wholly owned; and
  - the acquisition fair value of Westfield Retail Trust assets and liabilities;
- payment of the A$850 million capital return to Westfield Retail Trust securityholders;
- payment of estimated transaction costs of A$75 million (being 50% of the A$150 million of transaction costs associated with the Proposal that are to be shared between Scentre Group and Westfield Corporation) and A$266 million associated with the refinancing of borrowings in Westfield Group entities attributable to Scentre Group. The transaction costs will be expensed and the costs associated with the refinancing will be part of Scentre Group's borrowings; and
- debt adjustments to reflect the settlement of inter-group balances and the additional borrowings attributable to Scentre Group.

Scentre Group's pro forma financial position does not include any value for the operating platform, other than A$15.2 million in relation to property management and development rights at Warringah and Knox that were acquired by Westfield ANZ as part of the restructure of ownership interests between Westfield ANZ, Westfield Retail Trust and AMP Capital in October 2012.

If the Proposal is implemented, Scentre Group's debt facilities will comprise an A$5 billion bridge facility and A$4.05 billion in unsecured revolving bank loan facilities as well as Westfield Retail Trust's existing A$3.8 billion of financing facilities. The bridge facility has a two year maturity with an option to extend for a further year. The unsecured revolving bank loan facilities have maturities ranging from two to six years. It is intended that the bridge facility will be refinanced in the global debt markets within two years of drawing.

Based on the pro forma financial position as at 31 December 2013, after implementation of the Proposal, Scentre Group will have net borrowings of A$11.1 billion and gearing (defined as net borrowings/total assets less cash) will be 38.4%. Scentre Group will aim to maintain gearing levels in the range 30-40% over the long term.

6.4 Directors and Management

The Scentre Group Board is expected to comprise:

- the existing directors of Westfield Retail Trust[47] other than Domenic Panaccio, the current Managing Director of Westfield Retail Trust, who will retire following implementation of the Proposal; and
- two additional representatives from Westfield Corporation, Frank Lowy (who will be Chairman of Scentre Group) and Brian Schwartz (who will be Deputy Chairman of Scentre Group) (the third Westfield Corporation director on the Scentre Group Board, Steven Lowy, is a current director of Westfield Retail Trust).

Peter Allen, the current Group Chief Financial Officer ("CFO") of Westfield Group, will be Chief Executive Officer ("CEO") of Scentre Group. The remaining senior executive team of Scentre Group will comprise:

[47] Peter Allen, Richard Warburton AO, LVO, Laurence Brindle, Andrew Harmos, Michael Ihlein, Steven Lowy and Sandra McPhee.

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- the Westfield Group Australian and New Zealand senior management team, other than Robert Jordan (the current Managing Director of Australian, United States and New Zealand) who will step back from this role once the Proposal is implemented; and
- certain members of the Westfield Group Corporate senior management team, including Peter Allen (CEO), Mark Bloom (CFO), Maureen McGrath (General Counsel – Corporate & Compliance) and Richard Williams (Treasurer).

6.5 Capital Structure and Ownership

Under the Proposal:

- Westfield Group securityholders will receive 1,246 securities in Scentre Group for every 1,000 Westfield Group securities held; and
- Westfield Retail Trust securityholders will receive 918 securities in Scentre Group for every 1,000 Westfield Retail Trust securities held.

The 5,869,425 Westfield Group securities held by the WESOP Trust will participate in the Proposal, resulting in the WESOP Trust holding 7,313,303 Scentre Group securities (i.e. 5,869,425 x 1.246). These securities will be transferred to Scentre Group. The 5,869,425 Westfield Retail Trust securities held by the WESOP Trust will also participate in the Proposal, resulting in the issue of 5,388,132 Scentre Group securities (i.e. 5,869,425 x 0.918). The total of 12,701,435 Scentre Group securities that Scentre Group effectively holds in itself will be eliminated on consolidation.

As a result, Scentre Group will have 5,311,516,792 securities on issue:

Scentre Group – Issued Securities

	Westfield Group	Westfield Retail Trust	Conversion ratio	Scentre Group
Westfield Group securityholders	2,078,089,686[48]		1.246	2,589,299,749
Westfield Retail Trust securityholders		2,979,214,029	0.918	2,734,918,478
Total issued securities				**5,324,218,227**
Less: securities held by WESOP Trust				(12,701,435)
Net issued securities				**5,311,516,792**

Source: Westfield Group

Westfield Group securityholders will hold an aggregate 48.6% of Scentre Group securities and Westfield Retail Trust securityholders will hold an aggregate 51.4% of Scentre Group securities.

Based on substantial securityholders of Westfield Group and Westfield Retail Trust as at 11 April 2014, Scentre Group would have two substantial securityholders:

Scentre Group – Pro Forma Substantial Securityholders as at 11 April 2014

Securityholder	Number of Securities	Percentage
Vanguard Investments Australia Ltd and the Vanguard Group, Inc.	363,500,632	6.8%
BlackRock Investment Management (Australia) Limited	329,881,134	6.2%

Source: Westfield Group, Westfield Retail Trust, IRESS and Grant Samuel analysis

Vanguard Investments Australia Limited and the Vanguard Group, Inc and BlackRock Investment Management (Australia) Limited would be the largest securityholders in Scentre Group given their substantial securityholdings in both Westfield Group and Westfield Retail Trust.

Through their 8.4% interest in Westfield Group, members of the Lowy family and their associates would hold 216,466,285 securities in Scentre Group representing a 4.1% interest.

[48] Including the 5,869,425 Westfield Group securities held by the WESOP Trust that will participate in the Proposal.

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7 Profile of Westfield Corporation

7.1 Operations and Strategy

Westfield Corporation will be an ASX listed, international group whose activities will include:

- ownership interests in 43 shopping centres in the United States and the United Kingdom[49]; and
- the associated operating platform including property management, leasing, design, development, construction, marketing, digital and funds management.

Westfield Corporation will own and operate flagship centres in some of the world's leading cities including London, Los Angeles and San Francisco. It will have US$2.8 billion of projects under construction (Westfield Corporation share US$2.0 billion) and US$9 billion of future development opportunities (Westfield Corporation share US$4.0 billion) including major development opportunities in London, New York and Milan. A summary of pro forma AUM as at 31 December 2013 is set out below:

Westfield Corporation – Pro Forma Assets under Management as at 31 December 2013

	United States	United Kingdom	Total[50]
Shopping centres	38	5[49]	43[49]
Assets held in joint ventures	23	4	27
Retail outlets	6,747	1,245	7,992
Gross lettable area (million square feet)	46.3	6.7	53.0
Westfield Corporation investment in shopping centres (billions)[51]	US$12.7[49]	£3.2[49]	US$17.9[49]
Joint venture partner interests (billions)	US$6.1	£2.8	US$10.7
AUM (billions)	US$18.8	£6.0	US$28.6
Westfield Corporation share of AUM	67%	53%	62%

Source: Westfield Group Securityholder Booklet

Westfield Corporation will continue the current strategy of Westfield Group but focused solely on international markets. It will continue to own, develop and operate leading shopping centres in major world cities with a focus on enhancing returns and long term growth through:

- intensive management of the portfolio and generating new income opportunities by leveraging Westfield Corporation's global brand;
- executing the US$9 billion development pipeline at value enhancing investment returns;
- integrating digital technology throughout the portfolio (including in Australia and New Zealand through its arrangements with Scentre Group);
- pursuing acquisition opportunities focused on creating leading retail destinations in major world cities; and
- redeploying capital to higher return opportunities from the introduction of joint venture partners and divestment of non-core assets.

[49] Westfield Corporation's number of, and investment in, shopping centres includes adjustments for Westfield Group's acquisition of the remaining 50% of the retail component of the World Trade Center for US$800 million, with an initial payment of approximately US$600 million, which was made in March 2014. It does not include adjustments for the proposed divestment of the Merry Hill, Derby and Sprucefield shopping centres in the United Kingdom for £597 million announced on 20 March 2014.

[50] £ have been translated to US$ at exchange rates of £1 = US$1.6538.

[51] Investment in shopping centres includes investment in construction in progress and assets held for resale.

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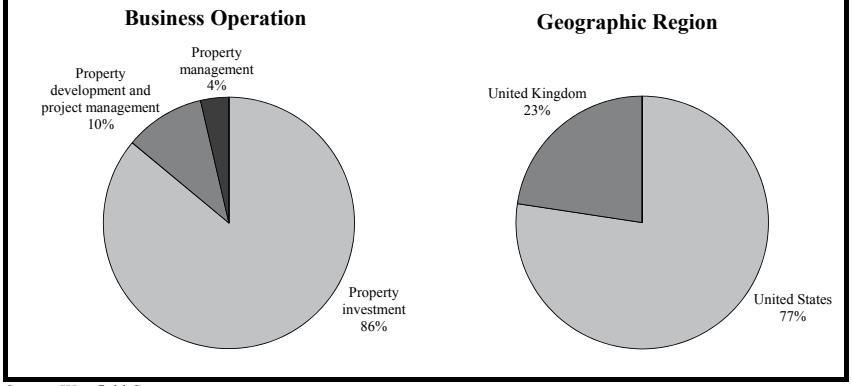
Westfield Corporation is expected to be one of the largest global retail REITs by market capitalisation and is expected to be one of the 25 largest entities listed on the ASX. Westfield Corporation has indicated that it will investigate appropriate locations for listings over the next 18 months.

The composition of pro forma proportionate revenue by business operation and geographic region for the year ended 31 December 2013 is shown below:

Westfield Corporation – Pro Forma Proportionate Revenue (Year ended 31 December 2013)



Source: Westfield Group

A more detailed profile of Westfield Corporation is set out in Section 7 of the Westfield Group Securityholder Booklet.

7.2 Earnings and Distributions

The historical pro forma proportionate operating performance of Westfield Corporation for the three years ended 31 December 2013 and the forecast pro forma proportionate financial performance for the year ending 31 December 2014[52] is summarised below:

Westfield Corporation – Pro Forma Proportionate Financial Performance ($ millions)

	Year ended 31 December			Year ending 31 December 2014 forecast	
	2011 historical A$	2012 historical A$	2013 historical A$	A$	US$
Property investment net operating income	748.2	827.9	904.6	999.3	909.4
Project income	69.0	76.1	78.2	59.1	53.8
Property management income	30.3	32.5	35.4	39.2	35.7
Overheads	(166.2)	(150.1)	(142.2)	(130.6)	(118.8)
Trading EBIT	**681.3**	**786.4**	**876.0**	**967.0**	**880.0**

[52] The pro forma proportionate financial performance of Westfield Corporation does not include Westfield Group's proposed divestment of the Merry Hill, Derby and Sprucefield shopping centres in the United Kingdom for £597 million announced on 20 March 2014. If this divestment completes, Westfield Corporation's FFO would fall by US1.8 cents per security. The divestment is not expected to impact Westfield Corporation's forecast distribution for 2014 of US24.6 cents per security although the payout ratio would increase to 65%.

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Westfield Corporation – Pro Forma Proportionate Financial Performance ($ millions)	Year ended 31 December			Year ending 31 December 2014 forecast	
	2011 historical A$	2012 historical A$	2013 historical A$	A$	US$
Trading EBIT					
Net interest expense				(97.5)	(88.7)
Other adjustments[53]				(95.0)	(86.4)
Profit before tax				**774.5**	**704.9**
Tax expense[54]				(79.0)	(71.8)
Profit after tax attributable to Westfield Corporation securityholders				**695.5**	**633.1**
Funds from operations					
Trading EBIT	**681.3**	**786.4**	**876.0**	**967.0**	**880.0**
Amortisation of tenant allowances	35.9	40.9	50.1	51.6	47.0
Realised gain on currency hedging derivatives	3.2	18.7	27.0	13.5	12.3
FFO before net interest and tax	**720.4**	**846.0**	**953.1**	**1,032.1**	**939.3**
Net interest expense				(97.5)	(88.7)
Tax on underlying operations				(25.1)	(22.8)
FFO attributable to Westfield Corporation securityholders				**909.5**	**827.8**
Statistics					
FFO per security (cents)				*A43.8*	*US39.8*
Distribution per security (cents)				*A27.1*	*US24.6*
Distribution payout ratio (based on FFO)				*62%*	*62%*
Interest cover[55]				*9.9x*	*9.9x*

Source: Westfield Group Securityholder Booklet and Grant Samuel analysis

The detailed pro forma financial performance of Westfield Corporation is set out in Sections 8.3 and 8.4 of the Westfield Group Securityholder Booklet. The pro forma financial performance has been prepared by Westfield Group and reviewed by Ernst & Young. Ernst & Young's opinion is set out in Section 10 of the Westfield Group Securityholder Booklet.

The financial performance of Westfield Corporation is based on the audited historical financial performance of Westfield Group and the Directors' forecasts of the financial performance of Westfield Group. The assumptions adopted in preparing the forecast financial information are set out in Section 8.7 of the Westfield Group Securityholder Booklet. The financial information has been prepared on the following basis:

- the historical financial performance has been adjusted as if Westfield ANZ has always been separated from Westfield Corporation (i.e. Westfield ANZ revenue and expenses have been eliminated). The forecast financial information has been prepared on the basis that the Proposal was implemented effective from 1 January 2014;
- the pro forma historical financial performance has been adjusted so that divestments of non core shopping centres in the United States and the United Kingdom that occurred in 2011, 2012 and 2013 and the sale of Westfield Group's 50% interest in it joint venture in Brazil in 2013 are reflected as having occurred on 1 January 2011 (i.e. these shopping centres and the joint venture interest in Brazil were all disposed of effective from 1 January 2011);

[53] Other adjustments are realised gain on hedging currency derivatives and mark to market of interest rate derivatives (i.e. the reversal of mark to market balances that are included in net interest expense).

[54] Tax expense includes deferred tax and tax on capital transactions.

[55] Interest cover is trading EBIT divided by net interest expense.

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- following implementation of the Proposal, Westfield Corporation will adopt US$ as its reporting currency. The forecast for 2014 has been converted from A$ to US$ at an exchange rate of A$1 = US$0.9100. Other exchange rates used for 2014 are A$1 = £0.5700 and US$1 = £0.6300;
- the forecast financial information reflects the new financing and other arrangements that Westfield Corporation expects to introduce on completion of the Proposal, resulting in:
  - operating cost savings of approximately A$20 million per annum, primarily relating to executives. Savings are expected to be achieved from expatriate employees becoming local employees, redundancies from efficiencies in roles and lower costs associated with travel;
  - net interest savings from a lower level of borrowings at a lower average rate; and
  - tax expense savings.

The forecast pro forma financial information does not reflect one off transaction costs of A$150 million and refinancing costs of A$1.1 billion associated with implementation of the Proposal. The total transaction costs of A$150 million will be shared equally between Westfield Corporation and Scentre Group.

Westfield Corporation's proposed distribution policy will continue the distribution policy of Westfield Group to set a distribution target at the start of each year having regard to the prior year's distribution, forecast changes in FFO, capital expenditure plans as well as other general business and financial considerations. The forecast distribution for 2014 of US24.6 cents per Westfield Corporation security represents a payout ratio of 62%.

7.3 Financial Position

The pro forma proportionate financial position of Westfield Corporation as at 31 December 2013[56] is summarised below:

Westfield Corporation – Pro Forma Proportionate Financial Position ($ millions)

	As at 31 December 2013	
	A$	**US$**
Cash	1,087.9	971.8
Shopping centre investments	17,823.8	15,920.2
Development projects and construction in progress	2,197.4	1,962.7
Deferred tax assets	1.1	1.0
Other assets	1,569.6	1,402.0
Total assets	**22,679.8**	**20,257.7**
Interest bearing liabilities	(8,931.2)	(7,977.3)
Other financial liabilities	(389.1)	(347.5)
Deferred tax liabilities	(3,314.7)	(2,960.7)
Other liabilities	(1,814.6)	(1,620.9)
Total liabilities	**(14,449.6)**	**(12,906.4)**
Net assets attributable to Westfield Corporation securityholders	**8,230.2**	**7,351.3**
Statistics		
Number of issued stapled securities at year end (million)	*2,078.1*	*2,078.1*
Net tangible assets per security	*A$3.96*	*US$3.55*
Net tangible assets per security (before net deferred tax liability)	*A$5.56*	*US$4.96*
Gearing[57]	*36.3%*	*36.3%*

Source: Westfield Group Securityholder Booklet and Grant Samuel analysis

[56] The pro forma financial position of Westfield Corporation as at 31 December 2013 does not include the proposed divestment of the Merry Hill, Derby and Sprucefield shopping centres in the United Kingdom for £597 million announced on 20 March 2014.

[57] Gearing is net borrowings divided by total assets less cash.

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The Westfield Corporation pro forma financial position and the underlying assumptions are set out in detail in Section 8.9 of the Westfield Group Securityholder Booklet. Ernst & Young has reviewed the Westfield Corporation pro forma financial position and its opinion is set out in Section 10 of the Westfield Group Securityholder Booklet.

The pro forma financial position of Westfield Corporation as at 31 December 2013 is based on the audited financial position of Westfield Group as at 31 December 2013. The pro forma financial position of Westfield Corporation as at 31 December 2013 has been prepared on the following basis:

- the Proposal was implemented on 31 December 2013;
- Westfield ANZ's assets and liabilities attributable to Scentre Group have been removed;
- payment of estimated transaction costs of A$75 million (being 50% of the A$150 million of transaction costs associated with the Proposal that are to be shared between Scentre Group and Westfield Corporation) and A$1.1 billion associated with the refinancing of borrowings in Westfield Group entities attributable to Westfield Corporation. The transaction costs will be expensed and the costs associated with the refinancing will be part of Westfield Corporation's borrowings;
- debt adjustments to reflect the settlement of inter-group balances and the additional borrowings attributable to Westfield Corporation; and
- following implementation of the Proposal Westfield Corporation will adopt US$ as its reporting currency. The pro forma financial position as at 31 December 2013 has been converted from A$ to US$ at an exchange rate of A$1 = US$0.8932.

Westfield Corporation's pro forma financial position does not include any value for the operating platform.

If the Proposal is implemented, Westfield Corporation's debt facilities will comprise a US$5.5 billion bridge facility, a US$3.25 billion unsecured syndicated revolving loan facility and a US$0.2 billion unsecured bilateral revolving bank loan facility as well as a number of secured loan facilities totalling US$2.5 billion that will migrate from Westfield Group to Westfield Corporation on existing terms. Certain existing unsecured facilities will also migrate from Westfield Group to Westfield Corporation. The bridge facility has a two year maturity with an option to extend for a further year. The unsecured revolving bank loan facility has a maturity of four years with two, six month extension options. The unsecured bilateral syndicated revolving loan facility is for a term of three years. It is intended that the bridge facility will be refinanced in the global debt markets within two years of drawing.

Based on the pro forma financial position as at 31 December 2013, after implementation of the Proposal, Westfield Corporation will have net borrowings of US$7.0 billion (including US$1.6 billion of net borrowings from its share of equity accounted investments) and gearing (defined as net borrowings/total assets less cash) will be 36.3%[58]. Westfield Corporation will aim to maintain gearing levels in the range 30-40% over the long term.

7.4 Directors and Management

The Westfield Corporation Board is expected to comprise the existing directors of Westfield Group[59] other than Peter Allen, who will become CEO of Scentre Group and sit on its Board.

[58] Pro forma net borrowings as at 31 December 2013 does not include Westfield Group's proposed divestment of the Merry Hill, Derby and Sprucefield shopping centres in the United Kingdom for £597 million announced on 20 March 2014. If this divestment completes, pro forma net borrowings would decrease to US$6.4 billion and gearing would decrease to 33.0%.

[59] Frank Lowy AC, Brian Schwartz AM, Peter Lowy, Steven Lowy, Ilana Atlas, Roy Furman, Lord Peter Goldsmith QC PC, Mark G Johnson, Mark R Johnson AO, John McFarlane and Professor Judith Sloane.

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The current co-CEOs of Westfield Group, Peter Lowy and Steven Lowy, will be co-CEOs of Westfield Corporation. Peter Lowy will step down from an executive role after a transition period of around 18 months but will remain in the Westfield Corporation Board as a non-executive director. Michael Gutman will be appointed President and Chief Operating Officer of Westfield Corporation and will oversee the United States and United Kingdom senior management teams (other than Robert Jordan who will step back from this role once the Proposal is implemented).

7.5 Capital Structure and Ownership

As Westfield Group securityholders will receive 1,000 securities in Westfield Corporation for every 1,000 securities held in Westfield Group, the issued capital of Westfield Corporation will be identical to the current issued capital of Westfield Group i.e. 2,078,089,686 stapled securities. The 5,869,425 securities held by the WESOP Trust will no longer be consolidated and eliminated from the number of securities on issue. Although these securities will participate in the Proposal and be exchanged for 5,869,425 Westfield Corporation Securities (as well as 7,313,304 Scentre Group securities), these securities will be transferred to Scentre Group. Scentre Group will record the 5,869,425 securities it effectively holds in Westfield Corporation as an investment.

As at 11 April 2014, Westfield Group had awarded 15,744,816 rights over stapled securities under its equity linked incentive plans. Under the Proposal, following implementation, Westfield Corporation and Scentre Group will determine whether these rights will vest, lapse, remain outstanding or be adjusted in accordance with their terms and those that vest or remain outstanding will continue on their existing (or adjusted) terms, with Westfield Corporation employees entitled to receive, on vesting, securities in Westfield Corporation or an equivalent cash payment and Scentre Group employees entitled to receive, on vesting, securities in Scentre Group or an equivalent cash payment. As this decision has not yet been made, it is not possible to calculate the number of rights that Westfield Corporation will have on issue, although it will be less than 15,744,816 assuming that some Westfield Group employees holding rights will become employees of Scentre Group.

Substantial securityholders in Westfield Group will become substantial securityholders in Westfield Corporation although their percentage interests will be diluted slightly by the inclusion of the 5,869,425 securities previously held by the WESOP Trust:

Westfield Corporation – Pro Forma Substantial Securityholders as at 11 April 2014

Securityholder	Number of Securities	Percentage
Members of the Lowy family and associates	173,728,961	8.4%
BlackRock Investment Management (Australia) Limited	147,243,880	7.1%
Vanguard Investments Australia Ltd and the Vanguard Group, Inc.	140,169,212	6.7%

Source: Westfield Group, IRESS and Grant Samuel analysis

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8 Evaluation of the Proposal

8.1 Summary

In Grant Samuel's opinion, the Proposal is in the best interests of Westfield Group securityholders, in the absence of a superior proposal.

In forming its opinion, Grant Samuel has considered whether the Proposal is "fair" and "reasonable" (as two separate criteria) and has concluded that it is fair. As the Proposal is fair, it is also reasonable. As the Proposal is fair and reasonable, it is in the best interests of Westfield Group securityholders.

Westfield Group has a long history of changing its corporate structure to meet the evolving needs of its business and to adapt to changing market circumstances with the overall goal of optimising the return on invested capital.

While the creation of a single unified group in 2004 gave the scale required to underpin global expansion, the success of this strategy has meant that the need for the financial capacity of the current structure is no longer of paramount importance and the size and the diversification of the business is leading to a new set of issues that need to be addressed. The Proposal is a logical step in this evolution.

The Proposal involves the merger of Westfield ANZ with Westfield Retail Trust to form Scentre Group. If the Proposal is implemented, Westfield Group securityholders will continue to hold their existing interests in Westfield Group's international business (through Westfield Corporation) and will receive, in aggregate, 48.6% of the issued securities in Scentre Group. From the perspective of Westfield Group shareholders, the Proposal is effectively a demerger of Westfield ANZ, albeit not a "pure" demerger. Economically, securityholders retain substantially the same interest in Westfield ANZ's property portfolio but have sold a 51.4% interest in the operating platform (to Westfield Retail Trust securityholders).

The Proposal will be fair to Westfield Group securityholders if the estimated value of Westfield ANZ (i.e. the business that Westfield Group securityholders are contributing to Scentre Group) is less than or equal to the estimated value of 48.6% of the securities in Scentre Group that will be issued to Westfield Group securityholders if the Proposal is implemented.

The value of Westfield ANZ has been analysed on two bases:

- the notional market value, calculated by allocating the market value of Westfield Group between its international operations and Westfield ANZ. This allocation does not have a high degree of reliability and several different approaches have been utilised. The outcomes vary widely but are centred around a value range of A$7.5-8.5 billion; and
- fundamental value, calculated by aggregating:
  - the book value of the property portfolio at 31 December 2013 (largely based on independent valuations as at that date);
  - the estimated value of the operating platform having regard to:
    - DCF analysis based on a high level forecast cash flow model to 2023; and
    - multiples of EBIT.

    In both cases the analysis is focused on cash flows and earnings that include notional income from internally owned assets that is not included in accounting EBIT (which is then consistent with the basis of the independent property valuations).

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On this basis, Grant Samuel has estimated a value for the operating platform of A$3.0-3.5 billion which implies multiples of 9.2-10.8 times forecast 2014 economic EBIT and 13.4-15.6 times the merger ratio forecast 2014 EBIT[60];

- other assets and liabilities; and
- an allowance for corporate overheads.

The resultant value for Westfield ANZ is in the range A$8.2-8.7 billion.

Estimating a trading price for Scentre Group securities is judgemental as Scentre Group does not yet exist. Scentre Group should trade at a higher rating than Westfield Retail Trust securities given its simplified structure and ownership of the operating platform. Grant Samuel has estimated a trading price for Scentre Group securities in the range A$3.10-3.35 (after any initial period of selling by Westfield Group securityholders not wishing to hold a purely Australian and New Zealand exposure). This price range was estimated having regard to the pro forma NTA backing of Scentre Group securities, multiples of FFO and EBIT and estimated distribution yields. Based on this estimated trading price range, the value of the consideration to be received by Westfield Group securityholders in is the range A$8.0-8.6 billion.

While the bottom end of the value of the consideration is slightly below the bottom end of the fundamental value range for Westfield ANZ, it is the range for the value of the consideration that is relevant, particularly given the uncertainty associated with estimating a trading price for a security that does not yet exist. There is a substantial degree of overlap and approximately 70% of the value range for the consideration falls within the Westfield ANZ value range. The notional market value attributable to Westfield ANZ falls in a wide range but the better estimates are broadly consistent with the value of the consideration. Accordingly, the Proposal is "fair".

Grant Samuel also considered value for Westfield Group securityholders from two other perspectives:

- overall value. Assuming a minimum trading price for Scentre Group securities of A$3.00, Westfield Group securityholders will be better off as long as Westfield Corporation trades at prices that imply a multiple of at least 16 times pro forma 2014 FFO. This is a higher multiple than the multiple at which Westfield Group has recently traded (circa 15 times) but:
  - Westfield Group's multiple is a blended multiple that includes the lower growth but more stable Australian and New Zealand businesses; and
  - it is below the multiples at which Westfield Corporation's key international peers trade which are typically in the order of 17-18 times forecast FFO.

  In Grant Samuel's opinion, it is likely that combined value of securityholder interests will be greater under the Proposal than they would have been under the status quo but:
  - there is unlikely to be an unlocking of material "hidden value", at least in the short term, but the other benefits and advantages of the Proposal can be expected to positively support securityholder value over time; and
  - fully closing the gap to international peers may take some time and may well require a shift in the primary listing of Westfield Corporation; and
- the fairness of the merger ratio. The relative contributions of Westfield Group securityholders and Westfield Retail Trust securityholders to Scentre Group can be compared across a number of parameters (e.g. FFO, fundamental value). The analysis shows that Westfield Group securityholders contribute between 48% and 56% to Scentre Group,

[60] The merger ratio forecast 2014 EBIT was used by Westfield Group and Westfield Retail Trust to negotiate the merger ratio. It excludes A$47.2 million of income from two major projects completed in 2012 which is included in forecast 2014 EBIT for accounting purposes as well as A$3.7 million of asset management fees in relation to the properties the subject of the property linked notes and A$2.2 million of funds management income in relation to Carindale Property Trust that was netted off the outside equity interest.

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depending upon the parameter, which compares to the attributable share of Scentre Group of 48.6%.

All mergers of this kind involve a delicate balance between the competing interests of the two parties. While the analysis is not precise, Grant Samuel believes the merger ratio of 48.6% is within the bounds of a fair and equitable result for both sets of investors.

There are other important factors that Westfield Group securityholders should take into account:

- the key advantages of the Proposal for Westfield Group securityholders include:
  - it creates two internally managed, integrated listed retail property groups split along geographic lines which is expected to benefit securityholders in terms of:
    - providing a clearer investment proposition with the potential to attract a broader range of investors; and
    - providing securityholders with increased flexibility to manage their investment and currency exposures;
  - management of each entity will be able to focus on the strategic objectives of their respective businesses and make decisions appropriate for each businesses risk/return profile, which should provide an enhanced capacity to pursue growth opportunities in each entity's geographical markets;
  - an increase in attributable FFO and NTA per security in the order of 3% and 2-2.5% respectively; and
  - it removes the structural issues associated with Westfield Retail Trust that may have had a "spillover" effect on Westfield Group.

  Over the longer term, these advantages can be expected to create greater value for Westfield Group securityholders; and
- the restructure is not a "must do". The status quo would continue to offer investors a financially sound, well defined exposure to a business that is a global leader in the retail property sector, albeit geographically diversified. Westfield Group considered a number of alternative transactions to the Proposal but, after careful consideration, determined that the Proposal is the preferred option to create long term value for Westfield Group securityholders.

There are disadvantages that should not be taken lightly. In particular, the loss of global scale at the entity level could have some impact on Westfield Corporation's financing of large development projects and its ability to execute large corporate transactions. The change in investment characteristics to a lower risk profile, with overall less exposure to operating platforms and more exposure to shopping centre assets, will not suit some Westfield Group securityholders. There are also risks from licensing the "Westfield" brand to Scentre Group and in relation to the future financing arrangements and funding costs for both entities. However, in Grant Samuel's opinion, these disadvantages and risks are not significant enough to change the conclusion.

8.2 Rationale for the Proposal

Westfield Group has continually reviewed and changed its corporate structure to enable it to achieve its strategic goals. This approach is evidenced by changes to the group's corporate structure over time, in particular:

- the merger of Westfield Holdings, Westfield Trust and Westfield America Trust in 2004 to create Westfield Group; and
- the spin off of 50% of Westfield Group's Australian and New Zealand property portfolio to create Westfield Retail Trust in 2010.

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The rationale for the 2004 restructure was to create the scale and capital base necessary to pursue major global acquisition opportunities. At the time of the 2004 restructure, Westfield Group's international business was primarily focused on the United States. The diversity and scale of the international business was limited and the "Westfield" brand was less well established, particularly in the United Kingdom. The combination of Westfield Holdings, Westfield Trust and Westfield America Trust provided the critical mass necessary to further develop the United States market and expand into the European market. This geographical diversification coupled with the substantial capital base of the merged group provided a number of benefits including the ability to fund international expansion using the stable and lowly geared Australian and New Zealand portfolio and reduced borrowing costs across the group from relatively low interest rates in the United States. Within six months of completion of the 2004 restructure, Westfield Group had expanded its international portfolio and future development opportunities to the United Kingdom.

Since its formation, Westfield Group has focused on growth. The broad strategy of Westfield Group has been to create value by increasing earnings potential and return on equity. This has been achieved through improving the quality of the portfolio by selling non-core assets and reducing invested capital by entering into strategic joint ventures, with the capital released redeployed into higher return activities such as the development pipeline and investment in iconic projects. The 2010 restructure that created Westfield Retail Trust was a key step in executing this strategy.

The evolution of Westfield Group over the last 10 years is illustrated below:

Evolution of Westfield Group

Parameter	December 2004	June 2010	*Movement*		December 2013	*Movement*	
			no./A$	*%*		*no./A$*	*%*
Number of centres	126	119	*-7*	*-6%*	90	*-29*	*-24%*
Number of joint ventures	37	41	*+4*	*+11%*	74	*+33*	*+80%*
AUM (A$ billions)	41.9	61.7	*+19.8*	*+47%*	70.0	*+8.3*	*+14%*
Investment in centres (A$ billions)	34.9	47.4	*+12.5*	*+36%*	34.0	*-13.4*	*-28%*
Active income[61] (as % of total)	1.8%	4.1%	*+2.3bps*		15.2%	*+11.1bps*	
Gearing	40.6%	37.4%	*-3.2 bps*		36.0%	*-1.4 bps*	
Return on contributed equity	na	9.1%	*na*		11.8%	*+2.7 bps*	

Source: Westfield Group, Grant Samuel analysis

The table shows the impact of the successful execution of Westfield Group's strategy. The reduction in the number of shopping centres as non-core assets have been divested, the significant increase in the number of joint ventures and the increase in AUM over the last 10 years is reflected in a reduction in invested capital, an increase in active income (property management and project income) as a percentage of total income, reduced gearing and an increased return on contributed equity.

Through this strategy, Westfield Group's international business has grown considerably over the last 10 years. It now has:

- a higher quality, diversified portfolio of shopping centres;
- the scale to have multiple funding options for large development projects (including through the introduction of joint venture parties); and

[61] Active income is EBIT from property development and construction management and property management. The percentage of active income at December 2004 and June 2010 has been calculated based on active income for the six months ended 31 December 2004 and the six months ended 30 June 2010. The percentage of active income at December 2013 has been calculated based on active income for the 12 months ended 31 December 2013.

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- a track record of delivering quality projects in international markets (e.g. Westfield London and Westfield Stratford in the United Kingdom) and management depth globally. The international business no longer needs input or expertise from the Australian business.

A clear distinction in the outlook for Westfield Group's respective geographical markets has also emerged, with growth and development opportunities significantly stronger in the United States and the United Kingdom than in Australia and New Zealand.

It can be beneficial for an entity to have activities in a range of geographic markets as the diversification helps cushion the effects of adverse conditions in individual regions. On the other hand, once the various geographical businesses are of sufficient size (i.e. so that there is no financial imperative for them to remain as a single entity), it is often more efficient to allow investors to make choices about diversification.

Westfield ANZ and Westfield Group's international business have reached this point and no longer need the diversification benefits provided by being part of a single, global group.

The creation of Scentre Group is therefore the next step in the evolution of Westfield Group's corporate structure, creating two separate entities, each appropriately structured to achieve business and growth opportunities in their respective markets.

8.3 Fairness

8.3.1 Approach

From the perspective of a Westfield Group securityholder, the Proposal is effectively a demerger of Westfield ANZ. After the Proposal is implemented, Westfield Group securityholders will hold two separate interests:

- securities in Westfield Corporation which will own the international business operations of Westfield Group; and
- securities in Scentre Group which will own the Australian and New Zealand business operations of Westfield Group (together with the assets of Westfield Retail Trust).

However, it is not a "pure" demerger as the underlying economic interests of Westfield Group securityholders "before" and "after" are not identical. Their interest in the underlying Australian and New Zealand shopping centre portfolio changes only marginally – they swap an aggregate 50% direct ownership interest in the shopping centres (with the other 50% owned by Westfield Retail Trust) for a 48.6% interest in the new entity (Scentre Group) that owns 100% of this shopping centre portfolio. However, their economic interest in the Australian and New Zealand operating platform (i.e. property management and project management and property development) does change materially. In very broad terms, the net effect of the Proposal is that Westfield Group securityholders are selling a 51.4% interest in the Australian and New Zealand operating platform to Westfield Retail Trust securityholders.

Accordingly, it is necessary to assess fairness and reasonableness as separate tests and to analyse the value aspects of the Proposal to determine whether or not it is fair to Westfield Group securityholders. It is also relevant that, to the extent the Proposal is considered a related party transaction, ASIC's Regulatory Guideline 111 sets a specific framework for assessing fairness.

Having considered these requirements, it is Grant Samuel's view that the appropriate test for the purpose of assessing fairness is to compare:

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- the value of what Westfield Group securityholders are "giving up", in other words the value of the Westfield ANZ business that is to be transferred to Scentre Group (encompassing both the shopping centre portfolio and the operating platform); and

- the value of what Westfield Group securityholders receive as consideration, being securities in Scentre Group.

The Proposal is not a "control transaction" (as that term is defined in ASIC regulatory guides) as there is no impact on the control of any entity. The security register of Westfield Corporation immediately post implementation of the Proposal will be identical to that of Westfield Group. The register of Scentre Group will be different (as it will also include Westfield Retail Trust investors) but it will be an entirely open register with no party holding an interest greater than 6.8%, let alone an interest above 20%. In other words, there is no change of control event. On one interpretation, Scentre Group can be regarded as a "merger of equals".

Accordingly, value analysis does not involve assessment of "control values" (i.e. assuming 100% ownership of an asset or business) but instead should reflect "portfolio values" (i.e. minority interests).

In this context, Grant Samuel has considered the value of Westfield ANZ from two perspectives:

- market value. This analysis considers the value the market, through the price of Westfield Group securities, places on the Westfield ANZ business; and

- fundamental value. This analysis considers the theoretical value of Westfield ANZ based on:
  - independent valuations of the property portfolio (as at 31 December 2013); and
  - the estimated value of the operating platform having regard to DCF analysis and earnings multiples.

Both of these approaches provide useful insight into value but also have limitations and drawbacks which are discussed further below.

The value of the consideration to be received by Westfield Group securityholders (securities in Scentre Group) has been assessed by estimating the likely trading price of Scentre Group securities once they are listed on the ASX. However, it must be emphasised that this is a "normalised" trading price. In the period immediately following implementation, it is likely that there may be relatively high levels of selling, particularly by foreign Westfield Group securityholders who were attracted to Westfield Group because of its global business and do not wish to hold an asset such as Scentre Group with its exclusive focus on Australia and New Zealand. This may lead to some price weakness in the short term.

8.3.2 Market Based Value of Westfield ANZ

There are a number of ways to estimate the value the market currently puts on Westfield ANZ, but all analyses will be based on the Westfield Group security price and the market capitalisation of Westfield Group.

In the months prior to the announcement of the Proposal, Westfield Group securities traded in the range A$10.11-11.26, although the security price has been weaker more recently:

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Westfield Group – Security Prices Prior to Announcement of the Proposal (A$)				
Period	**Low**	**High**	**Close**	**VWAP**
3 December 2013	10.20	10.44	10.36	10.35
1 week prior to announcement	10.11	10.53		10.38
1 month prior to announcement	10.11	10.99		10.60
3 months prior to announcement	10.11	11.26		10.80

Source: IRESS

The security price reached a high of A$11.04 following the announcement of the Proposal on 4 December 2013 but has subsequently drifted lower, trading in the range A$9.67-10.72, at a volume weighted average price of A$10.17 and closing at A$10.25 on 31 March 2014.

Taking this recent trading in Westfield Group securities into account, Grant Samuel has undertaken its analysis using Westfield Group security prices of A$10.00, A$10.50 and A$11.00.

(i) Total segment value basis

The following analysis calculates the value of Westfield ANZ based on the relative contributions to Westfield Group's earnings. For this purpose, FFO has been used as the relevant parameter:

Westfield ANZ – Basic Market Value Analysis (A$ millions)				
	Section Reference	**Low**	**Mid**	**High**
Westfield Group security price (A$)		10.00	10.50	11.00
Number of issued securities (millions)	3.5	2,072.2	2,072.2	2,072.2
Market capitalisation		**20,722.2**	**21,758.3**	**22,794.4**
Forecast 2014 FFO				
Westfield ANZ pro forma FFO[62]	4.2	592.7	592.7	592.7
Westfield Group FFO	3.3	1,420.6	1,420.6	1,420.6
Westfield ANZ share		41.7%	41.7%	41.7%
Notional value of Westfield ANZ		**8,645.7**	**9,078.0**	**9,510.2**
Implied forecast 2014 FFO multiple		*14.6x*	*15.3x*	*16.0x*

This analysis attributes a value in the range A$8.6-9.5 billion to Westfield ANZ. However, it assumes that all earnings are valued equally by the market. This is highly unlikely to be the case and it is clear from a review of Westfield Group's own announcements, broker reports and other commentary that the international business is perceived as having (at this stage in the cycle and in terms of the relative size of the development pipeline) materially higher growth prospects than Westfield ANZ over the next few years.

Accordingly, it is likely that, at least implicitly, the market attributes higher multiples to the international business and lower multiples to Westfield ANZ.

The following table shows the impact on the notional value for Westfield ANZ if it is assumed that the multiples for the international business are 10% and 20% higher than the multiples for Westfield ANZ:

[62] Westfield ANZ pro forma 2014 FFO includes A$47.2 million of project income and A$3.7 million of asset management income that was not included in the FFO for the purposes of calculating the merger ratio.

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Westfield ANZ – Growth Adjusted Market Value Analysis (A$ millions)			
	Low	**Mid**	**High**
Westfield Group security price (A$)	10.00	10.50	11.00
Forecast 2014 FFO			
Notional value of Westfield ANZ @ 10% differential	**8,169.6**	**8,578.0**	**8,986.5**
Implied forecast 2014 FFO multiple – Westfield ANZ	*13.8x*	*14.5x*	*15.2x*
Implied forecast 2014 FFO multiple – International	*15.2x*	*15.9x*	*16.7x*
Notional value of Westfield ANZ @ 20% differential	**7,743.2**	**8,130.3**	**8,517.5**
Implied forecast 2014 FFO multiple – Westfield ANZ	*13.1x*	*13.7x*	*14.4x*
Implied forecast 2014 FFO multiple – International	*15.7x*	*16.5x*	*17.2x*

The 20% differential is probably too high as the implied multiples for Westfield ANZ are below key Australian peers. The 10% case appears more reasonable. On this basis, the best estimate of the value the market currently attributes to Westfield ANZ is in the range A$8.2-9.0 billion (and towards the lower end based on the most recent trading).

(ii) Separate operating platform value basis

The analysis can be further extended by attempting to allocate value separately between the shopping centre portfolio and the operating platform. This analysis is, however, subject to a much higher level of uncertainty for a variety of reasons including, in particular, the substantial deferred tax liabilities of Westfield Group. As at 31 December 2013, the net deferred tax liability stood at A$3.5 billion, A$3.2 billion of which related to deferred tax on shopping centres. While the potential liability does exist:

- it will not be paid as a cash tax cost unless the shopping centres to which it relates are divested in a way which crystallises the deferred tax. While Westfield Group is generally a long term holder of property assets, it has divested a number of assets over recent years without incurring a material amount of deferred tax;
- it is shown in the balance sheet at face value with no allowance for the time value of money; and
- if it is fully allowed for, the notional value of the operating platform (international plus Australia and New Zealand) becomes unrealistically high (around A$6-8 billion) relative to the earnings contribution (A$307.0 million[63] in 2013).

It is apparent that the market does not treat it as a liability equal to its face value. On the other hand, Westfield Group has divested a significant number of lesser properties and, over the next few years, plans to continue to:

- rationalise its portfolio by reducing its investment in smaller shopping centres and focussing on leading shopping centres in major global cities with strong franchise characteristics; and
- seek joint venture partners for significant interests in its high quality assets as a means of releasing capital to be redeployed into higher returning activities (e.g. development).

[63] Operating platform EBIT of A$307.0 million has been sourced from the Segment Reporting Note 26 in Westfield Group's 2013 Annual Report which refers to an operating platform EBIT of A$344.3 million. Based on discussions with Westfield Group, this segment EBIT has been adjusted for corporate overheads equal to 50% of the corporate overheads allocated to Development of A$74.7 million (i.e. A$344.3 million less 50% x A$74.7 million = A$307.0 million).

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While it is not clear how much of the deferred tax liability is or should be recognised (other than it is clearly not fully allowed for), one approach is to consider the position at the likely extremes – where there is no allowance for any deferred tax liability (i.e. it is added back to NTA in full) and an allowance for 50% of the deferred tax liability. The following table sets out the notional market value of the platform on each basis:

Westfield Group – Operating Platform Value Analysis (A$ millions)

	Section Reference	Low	Mid	High
Westfield Group security price (A$)		10.00	10.50	11.00
Westfield Group NTA as at 31 December 2013	3.4	15,111.5	15,111.5	15,111.5
100% of deferred tax liability relating to properties	3.4	3,234.2	3,234.2	3,234.2
Operating platform NTA[64]		(151.7)	(151.7)	(151.7)
Capitalised Westfield Group corporate overheads[65]		(490.5)	(490.5)	(490.5)
Westfield Group adjusted NTA (property portfolio)		**17,703.5**	**17,703.5**	**17,703.5**
Notional value of Westfield Group operating platform		**3,018.7**	**4,054.8**	**5,090.9**
Westfield Group NTA as at 31 December 2013	3.4	15,111.5	15,111.5	15,111.5
50% of deferred tax liability relating to properties	3.4	1,617.1	1,617.1	1,617.1
Operating platform NTA[64]		(151.7)	(151.7)	(151.7)
Capitalised Westfield Group corporate overheads[65]		(490.5)	(490.5)	(490.5)
Westfield Group adjusted NTA (property portfolio)		**16,086.4**	**16,086.4**	**16,086.4**
Notional value of Westfield Group operating platform		**4,635.8**	**5,671.9**	**6,708.0**

The issue then becomes how to allocate value between the international operating platform and the Australian and New Zealand operating platform. There are a number of alternative bases. One simple basis is AUM as this is the key driver of both property management income and project income. On this basis, the Australian and New Zealand platform has an notional market value of:

Allocation of Operating Platform Value Based on Assets Under Management (A$ millions)

	Section Reference	Low	Mid	High
Westfield Group security price (A$)		10.00	10.50	11.00
Westfield Group AUM (A$ billions)	3.2	70.0	70.0	70.0
Westfield ANZ AUM (A$ billions)	4.1	38.6	38.6	38.6
Westfield ANZ share		55.1%	55.1%	55.1%
100% of deferred tax liability added to NTA				
Notional value of Westfield Group operating platform		3,018.7	4,054.8	5,090.9
Notional value of Westfield ANZ operating platform		**1,664.6**	**2,235.9**	**2,807.3**
50% of deferred tax liability Added to NTA				
Notional value of Westfield Group operating platform		4,635.8	5,671.9	6,708.0
Notional value of Westfield ANZ operating platform		**2,556.3**	**3,127.7**	**3,699.0**

64 Operating platform NTA of A$151.7 million has been sourced from the Segment Reporting Note 26 in Westfield Group's 2013 Annual Report.

65 Capitalised Westfield Group corporate overheads have been calculated as corporate overheads of A$32.9 million (sourced from the Segment Reporting Note 26 in Westfield Group's 2013 Annual Report) multiplied by an FFO multiple of 15 times.

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Another basis would be relative earnings contributions:

Allocation of Operating Platform Value Based on EBIT (A$ millions)				
	Section Ref-erence	Low	Mid	High
Westfield Group security price (A$)		10.00	10.50	11.00
Westfield Group historical 2013 operating platform EBIT	3.2	307.0[63]	307.0	307.0
Westfield ANZ historical 2013 operating platform EBIT	4.2	189.8	189.8	189.8
Westfield ANZ share		61.8%	61.8%	61.8%
100% of deferred tax liability added to NTA				
Notional value of Westfield Group operating platform		3,018.7	4,054.8	5,090.9
Notional value of Westfield ANZ operating platform		**1,866.6**	**2,507.3**	**3,147.9**
50% of deferred tax liability added to NTA				
Notional value of Westfield Group operating platform		4,635.8	5,671.9	6,708.0
Notional value of Westfield ANZ operating platform		**2,866.5**	**3,507.2**	**4,147.9**

The analysis gives a higher notional value for the Westfield ANZ operating platform based on EBIT as Westfield ANZ's operating platform EBIT in 2013 represented almost 62% of total operating platform EBIT whereas on an AUM basis, Westfield ANZ only represents approximately 55% of total AUM. The higher percentage based on EBIT may reflect in part the high proportion of project income generated by Westfield ANZ in 2013 and therefore may overstate the notional value of the Westfield ANZ operating platform (particularly having regard to the relative development pipelines).

Adding the notional value of the Westfield ANZ operating platform estimated above to Westfield ANZ's pro forma NTA and deducting capitalised corporate overheads gives the following values for Westfield ANZ:

Westfield ANZ – Separate Operating Platform Value Analysis (A$ millions)				
	Section Ref-erence	Low	Mid	High
Westfield Group security price (A$)		10.00	10.50	11.00
AUM basis, 100% deferred tax liability add back				
Westfield ANZ pro forma NTA as at 31 December 2013	4.3	5,485.4	5,485.4	5,485.4
Capitalised corporate overheads (mid point)	9.4	(396.2)	(396.2)	(396.2)
Notional value of Westfield ANZ operating platform		1,664.6	2,235.9	2,807.3
Notional value of Westfield ANZ		**6,753.8**	**7,325.1**	**7,896.5**
AUM basis, 50% deferred tax liability add back				
Westfield ANZ pro forma NTA as at 31 December 2013	4.3	5,485.4	5,485.4	5,485.4
Capitalised corporate overheads (mid point)	9.4	(396.2)	(396.2)	(396.2)
Notional value of Westfield ANZ operating platform		2,556.3	3,127.7	3,699.0
Notional value of Westfield ANZ		**7,645.5**	**8,216.9**	**8,788.2**
EBIT basis, 100% deferred tax liability add back				
Westfield ANZ pro forma NTA as at 31 December 2013	4.3	5,485.4	5,485.4	5,485.4
Capitalised corporate overheads (mid point)	9.4	(396.2)	(396.2)	(396.2)
Notional value of Westfield ANZ operating platform		1,866.6	2,507.3	3,147.9
Notional value of Westfield ANZ		**6,955.8**	**7,596.5**	**8,237.1**
EBIT basis, 50% deferred tax liability add back				
Westfield ANZ pro forma NTA as at 31 December 2013	4.3	5,485.4	5,485.4	5,485.4
Capitalised corporate overheads (mid point)	9.4	(396.2)	(396.2)	(396.2)
Notional value of Westfield ANZ operating platform		2,866.5	3,507.2	4,147.9
Notional value of Westfield ANZ		**7,955.7**	**8,596.4**	**9,237.1**

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This analysis attributes a value to Westfield ANZ in the range A$6.8-8.8 billion (based on AUM) and A$7.0-9.2 billion (based on EBIT). These ranges are wide but at the low end reflect the impact of adding back 100% of the deferred tax liability to NTA. Westfield ANZ has no intention of selling the majority of its shopping centres and divestments of shopping centre assets over recent years have taken place without incurring a material amount of deferred tax. Accordingly, the add back of 100% of the deferred tax liability is arguably a more appropriate benchmark, resulting in an notional value of Westfield ANZ in the range A$6.8-7.9 billion (based on AUM) and A$7.0-8.2 billion (based on EBIT).

8.3.3 Fundamental Value of Westfield ANZ

Grant Samuel's analysis of the fundamental value of the operating platform of Westfield ANZ is set out in Section 9 of this report. The value of Westfield ANZ's operating platform is estimated to be in the range A$3.0-3.5 billion having regard to DCF analysis and earnings multiples.

On this basis, the estimated value of Westfield ANZ is in the range A$8.2-8.7 billion:

Westfield ANZ - Valuation Summary (A$ millions)			
	Section Reference	Value Range	
		Low	High
Value of shopping centre portfolio	9.2	12,871.0	12,871.0
Value of operating platform	9.3	3,000.0	3,500.0
Other operating assets and liabilities	9.4	(122.0)	(122.0)
Corporate overheads	9.5	(401.9)	(390.5)
Enterprise value		**15,347.2**	**15,858.5**
Net borrowings	9.6	(6,992.9)	(6,992.9)
Other non operating assets and liabilities	9.4	(176.6)	(175.7)
Value of Westfield ANZ		**8,177.7**	**8,689.9**

The overall multiples implied by this value range are summarised below:

Westfield ANZ – Implied Valuation Parameters			
	Variable[66] (A$ million)	Low	High
Multiple of accounting EBIT[67]			
Year ended 31 December 2013	1,049.4	14.6	15.1
Year ending 31 December 2014	1,115.9	13.8	14.2
Year ending 31 December 2014 (merger ratio)	1,062.8	14.4	14.9
Multiple of accounting FFO[67]			
Year ended 31 December 2013	na	nc	nc
Year ending 31 December 2014	592.7	13.8	14.7
Year ending 31 December 2014 (merger ratio)	541.8	15.1	16.0

66 Refer to Section 4.2 of this report for the calculation of variables.

67 These measures of earnings are based on accounting earnings and do not include project income on owned assets (but do include project income earned from Westfield Retail Trust).

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8.3.4 Value of the Consideration

It is difficult to estimate the likely trading price of Scentre Group securities with a high degree of confidence, particularly initially post implementation, but Grant Samuel's analysis suggests a reasonable estimate for the purposes of assessing the Proposal is in the range A$3.10-3.35 per security (mid point of A$3.23). This price range equates to a value for the consideration of A$8.0-8.6 billion[68].

This estimate has been made after considering a number of key financial metrics relative to market benchmarks:

- multiples of EBIT;
- multiples of FFO;
- distribution yield; and
- net tangible assets.

In each case, the implied metrics of other listed retail property groups were the primary benchmarks although the wider REIT sector (both domestically and internationally) was also considered where relevant. In undertaking this analysis, it is also critical to consider the relative attributes of Scentre Group and its peers. Scentre Group would be by far the premier business in the sector, owning the largest shopping centre portfolio in Australia and New Zealand, including 14 of the 20 largest shopping centres in Australia and having:

- a track record of high occupancy, increasing specialty sales and specialty store rent per square metre and stable income. Over 70% of the portfolio's Australian shopping centres (by book value) achieve annual retail sales in excess of A$500 million;
- the strongest brand in the market (albeit under licence);
- a solid track record in development, particularly in building new, state of the art shopping centres to meet current market demands; and
- an experienced and well regarded management team (led by former Westfield Group CFO, Peter Allen) and Board (including Frank Lowy as Chairman and Brian Schwartz as Deputy Chairman).

It is not unreasonable to assume that Scentre Group will enjoy market ratings at or above the higher end of the rest of the Australian retail REIT sector.

The market rating of Scentre Group's peers, both domestically and internationally, are summarised below:

Sharemarket Rating for REITs

	Multiple of EBIT		Multiple of FFO		Distribution Yield	
	historical	forecast	historical	forecast	historical	forecast
Australian retail REITs						
Westfield Group	17.5	17.6	15.4	14.9	5.1%	5.3%
Westfield Retail Trust (pre Proposal)	15.9	15.6	15.1	14.7	6.8%	7.0%
Westfield Retail Trust (current)	15.8	15.5	15.0	14.6	6.8%	7.1%
CFS Retail Property Trust	16.9	15.8	13.9	13.9	7.2%	7.2%
Federation Centres	13.9	15.4	14.9	14.0	6.0%	6.4%
Charter Hall Retail REIT	13.8	14.0	12.0	11.8	7.5%	7.7%
Shopping Centres Australasia	nc	14.4	nc	13.2	6.1%	6.6%

[68] Calculated as A$3.10 x 2,072.2 million Westfield Group securities x 1.246 and A$3.35 x 2,072.2 million Westfield Group securities x 1.246.

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Sharemarket Rating for REITs						
	Multiple of EBIT		Multiple of FFO		Distribution Yield	
	historical	forecast	historical	forecast	historical	forecast
Australian diversified REITs[69]	14-16	13-14	14-17	13-16	5%	5-6%
United States retail REITs	17-22[70]	16-21[70]	18-19	17-19	2-4%	2.5-4%
European retail REITs	18-24	18-22	13-18	14-18	3-6%	4-6%

Source: Appendix 1

These ratings have been calculated based on security prices as at 31 March 2014 (other than the Westfield Retail Trust (pre Proposal) ratings which are based on the Westfield Retail Trust closing security price the day prior to announcement of the Proposal).

Having regard to these ratings, as well as broker reports, Grant Samuel has adopted the following parameters as being consistent with the market evidence taking into account Scentre Group's attributes:

Scentre Group Securities – Value Parameters	
Parameter	Range
Multiple of forecast FFO (accounting basis)	14.5-15.5x
Multiple of forecast EBIT (accounting basis)	16-17x
Forecast distribution yield	6.0-6.5%

The relatively high multiples for Scentre Group are supported by the significant level of internal project income that will not be included in FFO or EBIT. Scentre Group's internal project income (before overheads) represents approximately 11% of forecast 2014 FFO.

NTA is also a relevant metric. Scentre Group's pro forma NTA at 31 December 2013 was A$15.0 billion, or A$2.82 per Scentre Group security. However, this understates effective NTA in that it is based on independent valuations that assume the owner of the shopping centre pays 5% of gross rental income as a property management fee (on top of direct property expenses). Scentre Group will effectively not pay this fee (in the same manner that Westfield Group does not currently pay the fee in respect of shopping centres that it owns) and its net operating income will be commensurately higher. If pro forma NTA is restated for the effect of this saving the "notional" NTA is A$3.18 per security (after allowing for the net deferred tax liability).

Grant Samuel has also considered the implied Scentre Group security price based on trading in Westfield Retail Trust securities post the announcement of the Proposal. Securities in Westfield Retail Trust traded as high as A$3.14 following announcement of the Proposal on 4 December 2013 before closing at A$2.99. Since that time, Westfield Retail Trust securities have traded in the range A$2.82-3.18, at a volume weighted average price of A$2.99 and closed at A$2.98 on 31 March 2014. Based on a Westfield Retail Trust security price in the range A$3.00-3.15, and adjusting this security price for the terms of the Proposal (i.e. the A$285 capital return and each Westfield Retail Trust securityholder receiving 918 Scentre Group securities for every 1,000 Westfield Retail Trust securities held) implies a trading range for Scentre Group securities of A$2.96-3.12. However, the negative views of some Westfield Retail Trust securityholders and news reports covering

[69] Australian diversified REITs excludes Stockland as its trading multiples are significantly higher than the trading multiples of other Australian diversified REITs, possibly as a result of its significant land bank and its potential to take advantage of a recovery in residential building activity.

[70] The EBIT multiples for United States retail REITS have been calculated based on EBITDA. This is more comparable to the Australian and European EBIT multiples as US GAAP requires investment properties to be recognised at acquisition cost and depreciated.

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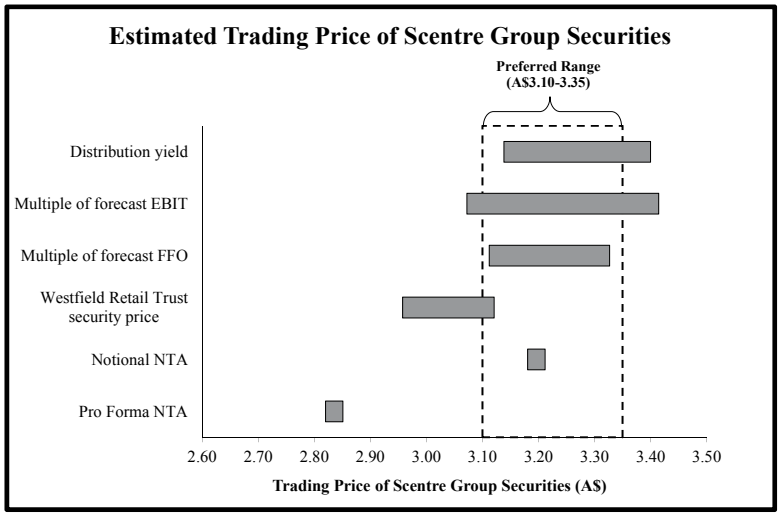
these views is likely to have created some uncertainty as to whether the Proposal will be implemented on its current terms (despite this being confirmed at Westfield Group's and Westfield Retail Trust's 2013 results announcements on 26 February 2014). This uncertainty may be adversely impacting Westfield Retail Trust's security price.

Taking all these factors into account, a range of A$3.10-3.35 is considered to be reasonable:



Note: The ranges shown for pro forma NTA and notional NTA reflect alternative assumptions for the net deferred tax liability (0% add back at the low end and 100% add back at the high end).

The trading price range of A$3.10-3.35 does represent a premium over pro forma NTA of A$2.82-2.85 (the higher pro forma NTA is before the net deferred tax liability) of 9-19%. This contrasts with the historical trading performance of Westfield Retail Trust securities which have traded at an average 15% discount to NTA over the last three years. In Grant Samuel's opinion, this turnaround can be justified:

- Westfield Retail Trust's trading was adversely affected by its structural shortcomings that meant its discount was significantly above the level that might have represented the impact of corporate overheads (approximately 5%). The issues included:
  - the complex ownership structure involving joint ownership with Westfield Group of all shopping centres in the portfolio; and
  - its external management (and the value leakage resulting from annual payments to Westfield Group of more than A$90 million), no operating management capability and with Westfield Group having management and development rights in perpetuity.

  In contrast, Scentre Group will have a much simpler corporate structure, ownership of the operating platform and no related party arrangements;

- notional NTA is towards the bottom end of the price range. Notional NTA represents the increase in NTA from the "notional" increase in property values as a result of internalisation of property management (estimated at A$1.9 billion), which increases Scentre Group's NTA per security to A$3.18-3.21 (the higher notional NTA is before the net deferred tax liability). Furthermore, Scentre Group will have a number of additional income sources not included in the notional NTA including:
  - third party property management income (A$55.8 million in 2014);

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- third party project income (A$77.3 million in 2014 before overhead costs); and
- development margins on "in-house" developments for the entire portfolio. This income will not be in EBIT or FFO but will accrue to the benefit of investors through lower cost developments (and therefore greater valuation uplifts on completion of projects). For 2014, the excluded project income is A$128.8 million, equal to approximately 11% of Scentre Group's FFO.

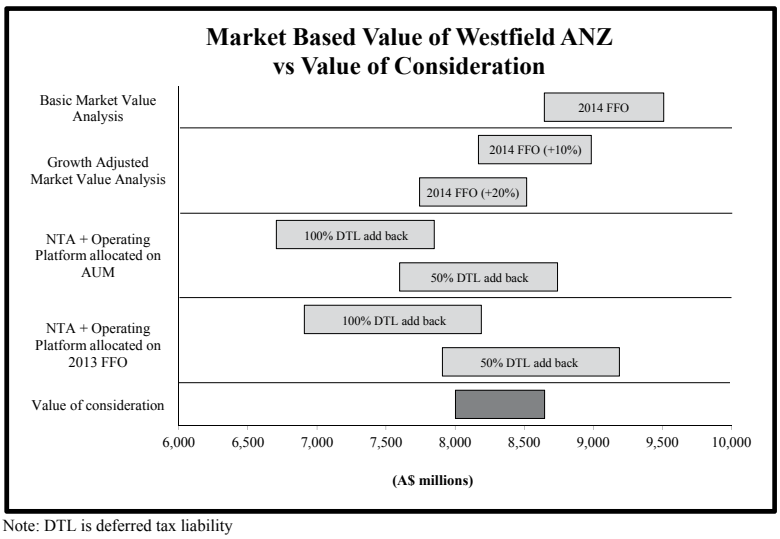
These sources of economic income will significantly exceed the level of corporate overheads (A$52.1 million in 2014 after allowing for A$45.9 million of overheads allocated to projects); and

- Westfield Group securities have traded at an average premium to NTA (excluding net deferred tax liabilities) of 21% over the last three years. If Scentre Group securities traded at the same premium, the security price would be around A$3.41 (which is above the top end of the estimated trading range adopted by Grant Samuel of A$3.10-3.35). Even if the premium to pro forma NTA was lower (as low as 10%), reflecting Scentre Group's lower growth outlook, Scentre Group securities would trade at around A$3.10.

Grant Samuel has estimated the trading price for Scentre Group securities of $3.10-3.35 for the purposes of assessing the Proposal. However, there is no certainty, and Grant Samuel does not warrant or guarantee, that Scentre Group securities will trade at prices within this range. The actual trading price could be higher or lower and will depend, inter alia, on a range of factors including market conditions at the time (including the market ratings of peer group entities) and the actual operating performance of Scentre Group.

8.3.5 Comparison and Conclusion

The comparison between market based valuations of Westfield ANZ and the value of the consideration is depicted below:



Note: DTL is deferred tax liability

The values of Westfield ANZ estimated on a market basis fall in a wide range around the value of the consideration to be received by Westfield Group securityholders. On some bases the value is materially lower and on others it is materially higher. However, the

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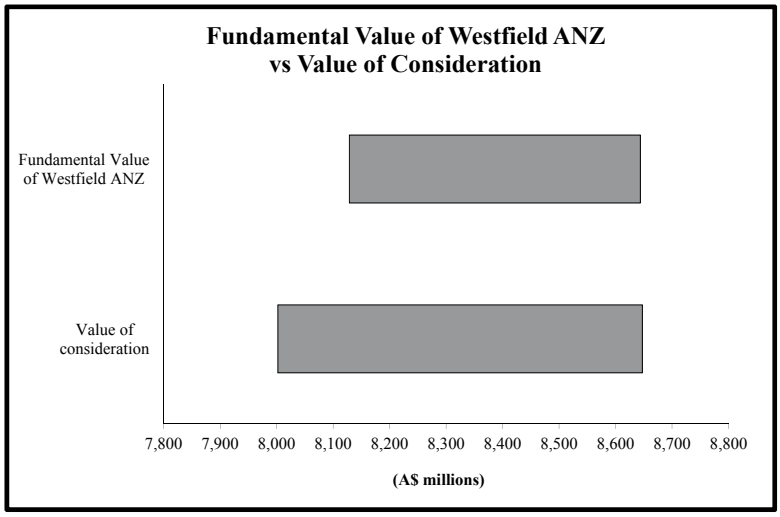
values are centred around a value range of A$7.5-8.5 billion and the better estimates are broadly consistent with the value of the consideration.

In light of the broad and untestable assumptions that underpin the market value allocations, Grant Samuel has focused on a comparison of the fundamental value of Westfield ANZ and the value of the consideration, which is depicted below:



While the bottom end of the value of the consideration is slightly below the bottom end of the value range for Westfield ANZ, it is the range for the value of the consideration that is relevant, particularly given the uncertainty associated with estimating a trading price for a security that does not yet exist. There is a substantial degree of overlap and approximately 70% of the value range for the consideration falls within the Westfield ANZ value range.

Accordingly, on either basis, the Proposal is "fair".

8.3.6 Other Value Considerations

(i) Overall Value Implications

Another approach to considering the value implications for Westfield Group securityholders is to consider whether they are likely to be better off in overall value terms relative to the status quo.

In the months prior to the announcement of the Proposal, Westfield Group securities traded in the range A$10.11-11.26, although the security price had been declining more recently, with a three month VWAP of A$10.80 and a one week VWAP of A$10.38 (refer to Section 8.3.2 for further discussion of recent trading in Westfield Group securities).

The matrix below shows the combined value of the securities that will be held by a Westfield Group securityholder if the Proposal is implemented based on:

- the terms of the Proposal under which Westfield Group securityholders will receive 1,000 securities in Westfield Corporation and 1,246 securities in Scentre Group for every 1,000 Westfield Group securities held;
- a Scentre Group security price in the range A$2.90-3.75; and

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- Westfield Corporation trading at a forecast pro forma 2014 FFO multiple in the range 15-18 times.

The analysis necessarily assumes there is no material change in market or general economic conditions that impact security prices:

Implied Value of Westfield Group Security

Scentre Group security price (A$)	Westfield Corporation multiple of FFO (times)			
	15	16	17	18
2.90	10.18	10.62	11.05	11.49
2.95	10.24	10.68	11.12	11.55
3.00	10.30	10.74	11.18	11.62
3.05	10.37	10.80	11.24	11.68
3.10	10.43	10.87	11.30	11.74
3.15	10.49	10.93	11.37	11.80
3.20	10.55	10.99	11.43	11.87
3.25	10.61	11.05	11.49	11.93
3.30	10.68	11.11	11.55	11.99
3.35	10.74	11.18	11.61	12.05
3.40	10.80	11.24	11.68	12.11
3.45	10.86	11.30	11.74	12.18
3.50	10.93	11.36	11.80	12.24
3.55	10.99	11.43	11.86	12.30
3.60	11.05	11.49	11.93	12.36
3.65	11.11	11.55	11.99	12.43
3.70	11.18	11.61	12.05	12.49
3.75	11.24	11.68	12.11	12.55

Where the market price for Westfield Corporation securities might settle is uncertain. However, for Westfield Group securityholders to be better off if the Proposal is implemented, Westfield Corporation would need to trade at a forecast pro forma FFO multiple of 16 or more times (assuming Scentre Group securities trade above around A$3.00 per security). In Grant Samuel's opinion, there is a reasonable prospect of this given:

- prior to the announcement of the Proposal, Westfield Group securities were trading at around 15 times forecast 2014 FFO. The 15 times forecast 2014 FFO multiple is a blended multiple that takes into account the market conditions and growth outlooks for both the Australian and New Zealand business and the international business. The higher growth prospects of the international business (at this stage in the cycle given the relative size of the development pipeline) would usually result in higher multiples than the overall blended multiple being attributed to the international business and lower multiples than the overall blended multiple being attributed to the Australian and New Zealand business. As set out in Section 8.3.2(i), a 10% premium for the international business would imply forecast pro forma 2014 FFO multiples for Westfield Corporation in the range 15.2-16.7 times; and

- Westfield Corporation will be an international, internally managed retail property group with a focus on owning, developing and operating shopping centres in major cities in the United States, the United Kingdom and Europe. It should, therefore, be rated more closely with its international peers, particularly those in the United States (where the majority of Westfield Corporation's shopping centres are currently located). The trading multiples for listed retail property groups operating in the

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United States and Europe are set out in Appendix 1 to this report and are summarised in the table below:

Sharemarket Ratings of Selected Listed REITs

Entity	Market Capital-isation (millions)	EBIT Multiple		FFO Multiple		Distribution Yield	
		FY13	FY14	FY13	FY14	FY13	FY14
Westfield Group	**A$21,240**	**17.5**	**17.6**	**15.4**	**14.9**	**5.1%**	**5.3%**
Retail REITs - United States[71]							
Simon Property Group	US$50,986	18.6	17.5	18.5	17.1	2.8%	3.1%
General Growth Properties	US$19,681	19.8	19.1	18.8	17.6	2.3%	2.5%
The Macerich Company	US$8,761	22.3	20.9	17.7	17.5	3.8%	4.0%
Taubman Centers	US$4,469	16.6	16.3	19.4[72]	18.6	2.8%	3.0%
Median		*19.2*	*18.3*	*18.7*	*17.6*	*2.8%*	*3.1%*
Weighted average		*19.2*	*18.2*	*18.5*	*17.4*	*2.8%*	*3.0%*
Retail REITs – Europe							
Unibail-Rodamco	€18,340	23.0	21.9	18.4	17.6	4.8%	5.0%
Klepierre	€6,357	17.4	18.1	15.8	15.8	4.8%	4.9%
Hammerson	£3,944	24.0	20.8	nc	nc	3.4%	3.7%
Corio	€3,260	17.8	17.7	12.7	14.1	6.4%	6.3%
Median		*20.4*	*19.4*	*15.8*	*15.8*	*4.8%*	*4.9%*
Weighted average		*21.5*	*20.6*	*17.2*	*16.8*	*4.8%*	*4.9%*

Source: Appendix 1

Westfield Corporation will be smaller than Simon Property Group but is expected to be comparable in size to General Growth Properties and Unibail-Rodamco. These listed REITs trade at forecast EBIT multiples of 19-22 times, forecast FFO multiples of around 17.5 times and forecast distribution yields of 2.5-5%. While it is difficult to be precise, these higher multiples indicate the potential for Westfield Corporation to be rated more highly by the market after implementation of the Proposal.

However, while Westfield Corporation will adopt US$ as its reporting currency, removing much of the complexity associated with foreign currency exposures, it will remain listed only on the ASX (at least initially) which would be expected to have a negative impact on its market rating. Westfield Group has indicated that it will investigate appropriate locations for Westfield Corporation's listing during the 18 month period following implementation of the Proposal.

In Grant Samuel's view, there is a reasonable prospect that Westfield Corporation will trade at 16 or more times forecast pro forma 2014 FFO. It could trade higher given where its international peers are trading, but it is likely to take time to fully close this gap. Indeed, to fully close this gap, Westfield Corporation may need to shift its primary listing to the United States or Europe.

71 The EBIT multiples for United States retail REITS have been calculated based on EBITDA. This is more comparable to the Australian and European EBIT multiples as United States accounting standards require property assets to be recognised at acquisition cost and depreciated.

72 The historical and forecast FFO multiples for Taubman Centers are higher than the respective EBIT multiples and higher than the other United States comparable REITs due to its high level of gearing. Taubman Centers has a gearing ratio of 87% compared to 50-60% for the other United States comparable REITs.

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(ii) Relative contribution analysis

The Proposal is effectively a demerger of Westfield ANZ (albeit not a "pure" demerger) from the perspective of Westfield Group securityholders. It is not a "control" transaction as there is no change of control event and in some respects, Scentre Group can be regarded as a "merger of equals". As a result, the question of value can be reduced to whether the proportion of the merged group (i.e. Scentre Group) to be held by each group of securityholders is equitable (i.e. is the merger ratio fair?).

Under the terms of the Proposal, Westfield Group securityholders will, in aggregate, hold a 48.6% interest in Scentre Group and Westfield Retail Trust securityholders will, in aggregate, hold a 51.4% interest in Scentre Group.

When listed entities merge, relative contributions are typically assessed in terms of market values based on security prices (as sharemarket prices provide an objective measure of the value of each entity) as well as other parameters such as earnings and assets. However, this type of analysis is not possible for the Proposal as the contribution by Westfield Group securityholders, Westfield ANZ, does not trade separately on the ASX. As a result, Grant Samuel has considered relative contributions based on:

- accounting FFO excluding certain project income (i.e. the basis used by the parties to negotiate the merger ratio);
- accounting FFO;
- economic FFO; and
- fundamental value.

FFO is used rather than EBIT as FFO takes into account the relative gearing of each of the entities, which is relevant when considering relative equity ownership interests.

The fundamental value of Westfield ANZ is set out in Section 9 of this report. The fundamental value of Westfield Retail Trust using the same basic approach is set out below:

Westfield Retail Trust – Fundamental Value		
	Section Reference	**A$ millions**
Net assets as at 31 December 2013	5.4	10,475.3
Add: deferred tax liability in relation to properties	5.4	106.2
Less: final distribution		(295.7)[73]
Less: capitalised corporate overheads		(623.8)[74]
Less: capital return		(850.0)
Fundamental value of Westfield Retail Trust		**8,812.0**

The contribution to the merged group on each of these bases is summarised below:

[73] Calculated as Westfield Retail Trust's final distribution for the year ended 31 December 2013 of A9.925 cents per security multiplied by 2,979.2 million securities.

[74] Calculated as Westfield Retail Trust's forecast 2014 corporate overheads of A$37.0 million multiplied by a forecast EBIT multiple of 16.9 times (equivalent to the overall EBIT multiple implied by the valuation). This is higher than the forecast EBIT multiple implied by Grant Samuel's valuation of Westfield ANZ (of around 14 times) but this is considered to be reasonable given Westfield Retail Trust's structure and external management (which generates lower earnings from substantially the same asset base).

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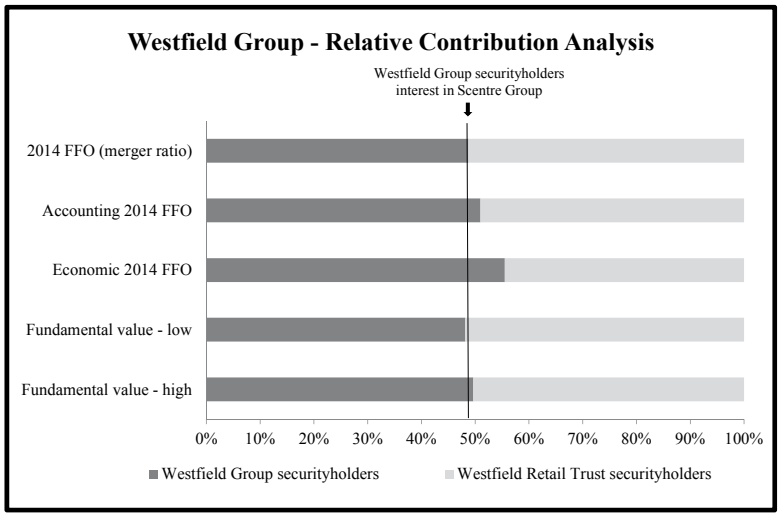
Scentre Group – Relative Contribution Analysis			
	Section Reference	Westfield Group	Westfield Retail Trust
Interest in Scentre Group		**48.6%**	**51.4%**
Contribution of 2014 FFO (merger ratio basis)	4.3, 5.3	541.8	569.7[75]
		48.7%	*51.3%*
Contribution of 2014 accounting FFO	4.3, 5.3	592.7	569.7[75]
		51.0%	*49.0%*
Contribution of 2014 economic FFO	4.3, 5.3	711.0	569.7[75]
		55.5%	*44.5%*
Contribution of fundamental value – low	9, refer above	8,177.7	8,812.0
		48.1%	*51.9%*
Contribution of fundamental value – high	9, refer above	8,689.9	8,812.0
		49.7%	*50.3%*

The relative contribution analysis is shown graphically in the chart below:



The analysis indicates that, depending on the contribution basis used, Westfield Group securityholders contribute between 48.1% and 55.5% to Scentre Group, compared to their aggregate 48.6% interest in Scentre Group.

However, in considering this analysis it is important to take the following into account:

- the relative contributions based on accounting 2014 FFO are not materially different to those implied by the merger ratio;
- while a comparison based on economic FFO indicates that Westfield Group securityholders are contributing more than they receive, it is based on economic FFO

[75] Westfield Retail Trust's FFO has been adjusted to include A$38 million of additional interest expense as a result of the A$850 million capital return to Westfield Retail Trust securityholders.

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with a very high contribution from project income (including, in particular, income from two large projects that were completed in prior years) that is higher risk than property investment and property management income and may not be able to be sustained at that level in the future; and

- the fundamental value of Westfield ANZ, is necessarily subjective and relies on judgements as to important assumptions, particularly about future asset growth. Having said that, the mid point of the valuation range implies a relative contribution by Westfield Group securityholders of 48.9% which is consistent with the merger ratio of 48.6% of Scentre Group.

In summary, Grant Samuel's view is that having regard to the issues outlined above and the subjective nature of the analysis, the relative contributions are not unreasonable compared to the relative share that Westfield Group securityholders receive in Scentre Group. On this basis, the merger ratio represents a fair balance of competing interests.

8.4 Reasonableness

8.4.1 Conclusion

As the Proposal is fair, it is also reasonable. In any event, there are a number of other factors that, when taken together, support the reasonableness of the Proposal. Irrespective of fairness, Grant Samuel believes the benefits and advantages outweigh the costs, disadvantages and risks. These factors are set out in the following sections.

8.4.2 Advantages and Benefits

(i) Clearer investment proposition and greater flexibility for investors

The effect of the Proposal is to create two internally managed, integrated listed retail property groups split along geographic lines – one focused solely on the Australian and New Zealand markets and the other focused internationally (but primarily in the United States and United Kingdom).

The benefits for securityholders are twofold:

- it provides a clearer investment proposition with the potential to attract a broader range of investors. While both entities will have the same key attractions of internal management, "Westfield" branding and management depth, they will have distinctive investment characteristics. Scentre Group will provide exposure to the pre-eminent participant in retail property in its region with a stable but lower growth income stream. In contrast, Westfield Corporation will provide exposure to markets that are evidencing stronger growth (at this stage in the cycle) and have significantly more potential for growth through new developments as well as refurbishment and expansion of the existing portfolio. This growth differential can be seen through the relative sizes of the respective development pipeline:

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Relative Pipelines		
	Westfield Corporation (US$ billions)	**Scentre Group (A$ billions)**
Development pipeline		
Total Value[76]	11.8	4.9
% of AUM	*42%*	*13%*
Attributable share[76]	6.0	2.6
Multiple of FFO	*7.3x*	*2.3x*
Construction in progress		
Total Value	2.8	1.9
% of AUM	*10%*	*5%*
Attributable value	2.0	0.6
Multiple of FFO	*2.4x*	*0.5x*

This finer delineation of the investment characteristics available to investors should be attractive, particularly for larger investors that prefer to achieve risk diversification for themselves (and more efficiently). It will also simplify the investment proposition in that each entity will have fewer country exposures and fewer currency risks to be assessed.

At the same time, it should be recognised that the current situation is not "unclear". Westfield Group already operates within a reasonably well defined niche – it is a specialist retail centre owner, manager and developer focused on iconic properties in major world cities (albeit across a range of geographies); and

- it provides securityholders with increased flexibility to manage their investment exposures. At present Westfield Group securityholders by definition have an exposure to both businesses in fixed proportions. They cannot make their own investment decisions between these exposures and their only alternative is to have no exposure to Westfield Group. Following implementation of the Proposal, they will be able to shift their relative exposure between the two groups as they see fit based on their own perceptions as to relative growth outlooks, price/value considerations and risks.

  They will also be able to better manage currency exposures (at least as between the A$ and US$/£) as they see fit rather than have that decision made for them by Westfield Group (through its hedging program and debt currency allocations).

(ii) Increased management focus on strategy appropriate for market

The Proposal will result in the creation of two geographically separate entities, Westfield Corporation and Scentre Group, with separate boards and senior management teams focused on their respective businesses. The board and management of each entity will be able to focus on the strategic objectives (operational and financing/capital management) and priorities of their respective businesses, make decisions appropriate for the risk/return profile of each business and address specific operational issues taking into account the underlying characteristics of the markets in which they operate.

Under Westfield Group's current structure, the time of the Westfield Board needs to be divided between the international and the Australian and New Zealand businesses and may not always be reflective of the size and earnings of the respective business. Even though

[76] Development pipeline includes construction in progress. Attributable share of development pipeline includes attributable share of construction in progress.

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the management teams of the international and the Australian and New Zealand businesses currently operate largely independently from each other, the Westfield Group CEO and other senior head office functions need to split their time between the businesses.

This management focus will allow each entity to:

- concentrate its operating strategy on the specific growth opportunities and needs of the relevant geographic market (revenue enhancement, developments, acquisitions etc). For example, Westfield Corporation can focus on developing large flagship shopping centres whereas Scentre Group's focus is more likely to be on redevelopment of major suburban shopping centres; and

- tailor its financing and capital management strategy (i.e. sources of funding (including the introduction of joint venture partners), gearing, type and term of borrowings, hedging, level of distributions etc) to achieve these specific operating objectives. The appropriate capital strategy for a more mature Scentre Group may, over time, be quite different to that of Westfield Corporation.

This should provide an enhanced capacity to pursue growth opportunities in each entity's respective geographical markets.

(iii) Increase in attributable earnings per security

The Proposal is expected to result in an increase in attributable FFO per security for Westfield Group securityholders. Based on pro forma forecasts for Westfield Group, Westfield Corporation and Scentre Group for the year ending 31 December 2014, the uplift in FFO per security is in the order of 3%:

Westfield Group Securityholders – Impact on Attributable Earnings and FFO (A cents)

Year ending 31 December 2014	Westfield Group	Westfield Corporation	Attributable Scentre Group[77]	Combined	Change
FFO per security	68.6	43.8	26.8	70.5	+2.9%
Distribution per security	52.5	27.1	25.4	52.5	0.0%

The increase in FFO per security attributable to Westfield Group securityholders results from the cost savings that are expected to be achieved by Westfield Corporation (approximately A$20 million) and Scentre Group (A$9.2 million), lower attributable interest expense and tax benefits from tax deductions for overheads previously incurred by Westfield Retail Trust (for which no deduction was available). These savings are offset in part by the loss of earnings from internalisation of development projects (although this is only an accounting impact, there is no loss of value as there will be a corresponding greater uplift in revaluation of the redeveloped shopping centre).

However, the increase in attributable FFO per security does not result in an increase in distributions to Westfield Group securityholders (based on an exchange rate of A$1 = US$0.91) as a result of lower distribution payout ratios, particularly for Westfield Corporation.

The increase in attributable FFO should result in improved returns on invested capital for Westfield Group securityholders.

[77] Calculated based on the merger ratio of 1.246 times pro forma earnings per security (of A21.5 cents) and pro forma FFO per security (of A20.4 cents) for Scentre Group for the year ending 31 December 2014.

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(iv) Increase in attributable NTA per security

The Proposal will result in an increase in attributable NTA per security of around 2-2.5% for Westfield Group securityholders:

Westfield Group Securityholders – Impact on Attributable NTA per Security (A$)					
NTA per security	**Westfield Group**	**Westfield Corporation[78]**	**Attributable Scentre Group[79]**	**Combined**	**Change**
Post net deferred tax liability	7.29	3.96	3.51	7.47	+2.5%
Pre net deferred tax liability	8.92	5.56	3.55	9.11	+2.1%

However, this increase is unlikely to have any direct positive impact on the Westfield Corporation or Scentre Group security price because that will largely be driven by earnings and distributions per security rather than NTA.

(v) Removal of Westfield Retail Trust structural issues

Despite providing total investment returns of 9.5% per annum since listing in 2011, Westfield Retail Trust has generally traded at a substantial discount to NTA (on average 15%) that exceeds the discount that might be attributable to corporate overheads (approximately 5%). The reasons for this discount are attributed to structural issues (e.g. lack of flexibility in determining strategy, corporate governance, dependence on Westfield Group). Strictly, this is not a direct concern to Westfield Group securityholders. However, there is the potential for some "spillover" impact on Westfield Group. For example:

- it might adversely impact perceptions of other potential joint venture partners; and
- it inhibits Westfield Retail Trust's ability to raise capital to participate in future major acquisitions alongside Westfield Group.

The Proposal eliminates this problem by shifting Westfield Retail Trust investors into a new entity (Scentre Group) that is an internally managed business that does not have any of these structural issues.

8.4.3 Disadvantages, Costs and Risks

Disadvantages

(i) Loss of global scale at entity level

Westfield Group securityholders that retain their securities in Westfield Corporation and Scentre Group will not suffer any loss of geographical diversification as a result of the Proposal. In fact, they will have increased ability to more finely tune and change their geographical diversification over time through holding two separate securities (refer to Section 8.4.2(i) above).

Strategically, there will be no consequences for business development. Each entity has sufficient market presence and management depth to continue to pursue its organic growth opportunities. However, financially, there could be some impact on the financing of large development projects as illustrated below:

[78] Westfield Corporation pro forma NTA per security and gearing is based on an exchange rate of A$1 = US$0.91. As Westfield Corporation will adopt US$ as its reporting currency, the A$ equivalent NTA per security and cash, borrowings and total assets balances could change which would result in different impacts for Westfield Group securityholders.

[79] Calculated based on the merger ratio of 1.246 x pro forma NTA per security (of A$2.82 after the net deferred tax liability and A$2.85 before the net deferred tax liability).

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Westfield Group Securityholders – Impact on Financial Capacity			
	Westfield Group (A$ billions)	Westfield Corporation (US$ billions)	Scentre Group (A$ billions)
Share of development pipeline[80]	8.0	6.0	2.6
Share of construction in progress	2.6	2.0	0.6
FFO	1.4	0.8	1.1
Share of development pipeline/FFO	*5.6x*	*7.3x*	*2.3x*
Share of construction in progress/FFO	*1.8x*	*2.4x*	*0.5x*

Westfield Corporation (with a higher growth profile and exposure to a greater number of large development opportunities) will have the greater funding task to cover the pipeline of development projects. This is indicated by the increase in share of development pipeline/FFO from 5.7 times for Westfield Group to 7.3 times for Westfield Corporation. This will be a consideration, particularly for debt funding of development opportunities. On the other hand, Westfield Corporation is not overgeared or capital constrained.

The counterpoint to this is that the rollout of the development pipeline will have a greater impact on the return on contributed equity for Westfield Corporation securityholders.

There is also some impact on the ability of Westfield Corporation to pursue large scale corporate transactions (compared to Westfield Group) given the likely 30% reduction in market capitalisation.

In contrast Scentre Group, with a lower growth profile and exposure to smaller development opportunities, will arguably have more than adequate financial capacity to undertake development projects, although it may be constrained by its higher level of gearing (compared to Westfield Retail Trust).

(ii) Change in investment characteristics

From the perspective of Westfield Group securityholders, the Proposal is effectively a sale of a majority interest (51.4%) in the Australian and New Zealand operating platform. At present, Westfield Group securityholders, in aggregate, hold 100% of the Australian and New Zealand operating platform while only holding a 50% interest in the Australian and New Zealand shopping centre portfolio (with the other 50% held by Westfield Retail Trust). If the Proposal is implemented, Westfield Group securityholders will, in aggregate, hold a 48.6% interest in the Australian and New Zealand operating platform and a 48.6% interest in the whole of the Australian and New Zealand shopping centre portfolio.

The Proposal will therefore result in a change in the characteristics of the investment held by Westfield Group securityholders. While geographical exposure will not change in any material way, Westfield Group securityholders will, overall, have less exposure to operating platforms, and correspondingly more exposure to shopping centre assets. Based on 2014 EBIT before overheads, the exposure of Westfield Group securityholders to operating platforms will decline by 50% from 16% of EBIT before overheads to 8% of EBIT before overheads:

[80] Share of development pipeline includes share of construction in progress.

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Westfield Group Securityholders – Impact on Investment Characteristics (A$ millions)				
2014 EBIT	**Westfield Group**	**Westfield Corporation[81]**	**Attributable Scentre Group[82]**	**Combined**
Property investment	1,879.9	999.3	865.7	1,865.0
Operating platform	354.0	98.3	64.7	163.0
EBIT (before overheads)	**2,251.9**	**1,097.6**	**930.4**	**2,028.0**
Percentage of EBIT				
Property investment	*84%*	*91%*	*93%*	*92%*
Operating platform	*16%*	*9%*	*7%*	*8%*

The Proposal reduces the risk profile of Westfield Group securityholders due to the increased exposure to the more stable income stream from property investment and reduced exposure to operating platform income, particularly project income, which is higher risk and higher return. Arguably, property management income could also be included with property investment (as property management fees are 5% of gross rental income). The outcome is similar, with exposure to project income declining from 9% of 2014 EBIT before overheads to 5% of 2014 EBIT before overheads (although this is partly because of the loss of Westfield Retail Trust income for accounting purposes i.e. it is not a real loss of exposure).

This change in investment characteristics will not suit some securityholders that have invested in Westfield Group for greater exposure to the higher risk, higher return project income.

At the same time, the critical factor for securityholders is that they have received fair value for the effective sale of the interest in the operating platform.

(iii) Ability to re-enter the Australian retail property market

As part of the Proposal, Westfield Corporation will own the "Westfield" brand but will enter into a Trade Mark Licence Agreement with Scentre Group for the exclusive, royalty free use of the "Westfield" brand on shopping centres in Australia and New Zealand.

Unless Westfield Corporation is able to terminate this agreement (which it is able to do if Scentre Group breaches the agreement by, for example, using the brand for other than a permitted purpose), Westfield Corporation will not be able to use the "Westfield" brand in Australia and New Zealand. This will limit its ability to re-enter the Australian retail property market in the future if re-entering the Australian market ever becomes strategically important (other than through making a takeover offer for Scentre Group).

Equally, Scentre Group is not able to use the "Westfield" brand anywhere other than Australia and New Zealand (although this is not part of Scentre Group's operating strategy).

[81] Westfield Corporation's EBIT before overheads is based on an exchange rate of A$1 = US$0.91. As Westfield Corporation will adopt US$ as its reporting currency, the A$ equivalent EBIT before overheads could change which would result in different impacts for Westfield Group securityholders.

[82] Calculated based on the aggregate 48.6% interest in Scentre Group held by Westfield Group securityholders.

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Costs

(i) Transaction costs

Westfield Group has estimated that the total transaction costs of the Proposal to be borne by Westfield Group will be approximately A$215 million. These costs comprise:

- A$75 million of transaction costs (fees payable for legal and financial advice, preparation, printing and distribution of the securityholder booklets, holding of the scheme meeting etc). These costs represent 50% of the total transaction costs of A$150 million that will be incurred jointly with Westfield Retail Trust; and
- A$140 million of refinancing costs relating to the restructuring of Westfield Group's debt (excluding any "make whole" payment required on repurchase or redemption of Westfield Group's outstanding bonds which are currently trading at a higher price than their face value[83]).

These costs are one off and are not material in the overall context of Westfield Group, representing less than 1.0% of the current market capitalisation of Westfield Group.

Of the total transaction costs, approximately A$43 million will have been incurred by Westfield Group at the time that Westfield Group securityholders vote on the Proposal. Therefore, the additional transaction costs that will be incurred if the Proposal is implemented are approximately A$172 million.

Risks

(i) Short term impact on Scentre Group security price

Under the Proposal, Westfield Group securityholders will receive securities in Westfield Corporation and Scentre Group. Holders of approximately 40% of Westfield Group's securities are foreign (with most based in North America and the United Kingdom).

It is possible that there could be short term downward pressure on Scentre Group's security price immediately following implementation of the Proposal as foreign securityholders that hold Westfield Group securities for the exposure to international retail properties sell their Scentre Group securities. This would have the impact of reducing the combined value of the securities Westfield Group securityholders hold (i.e. for each Westfield Group security, one Westfield Corporation security and 1.246 Scentre Group securities). The sale on market of Scentre Group securities held by ineligible foreign securityholders may also contribute to a short term decline in Scentre Group's security price.

However, the following factors that should mitigate the impact of any short term selling of Scentre Group securities:

- Westfield Retail Trust has a similar percentage of its securities held by foreign investors (approximately 47%) and there is some overlap of securityholders, indicating a desire by foreign investors to also hold an Australian and New Zealand focused business; and
- securityholders representing only approximately 3% of Westfield Group's issued securities are expected to be ineligible foreign securityholders.

[83] The "make whole" payment of A$1.1 billion has been excluded from transaction costs on the basis that the premium is essentially recovered over time from the lower interest rates payable on the financing arrangements that replace the existing arrangements.

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In any event, any impact diminishes over time. Any restructuring of the security register is likely to be settled within months of implementation of the Proposal.

(ii) Relationship between Westfield Corporation and Scentre Group

If the Proposal is implemented, Westfield Corporation and Scentre Group will enter into agreements:

- to give Scentre Group exclusive, royalty free use of the "Westfield" brand in Australia and New Zealand;
- to give Scentre Group access to the activities of Westfield LABS Corporation; and
- for transitional services arrangements.

The latter two agreements are reasonably straightforward and non-controversial. The transitional services agreement will only be for a short period of time (although there are risks associated with how seamlessly Westfield Corporation and Scentre Group can separate the resources and support services that are currently shared across both entities). The LABS Agreement, while likely to be longer term, gives Scentre Group the option to access the activities of Westfield LABS Corporation on the basis that it contributes an appropriate proportion of the development costs in respect of a product and is granted a royalty free and exclusive licence to use the product in Australia and New Zealand.

However, the Trade Mark Licence Agreement is more complicated. Giving unrelated third party access to a valuable brand creates risks, particularly in relation to standards and product quality. While the agreement will be able to be terminated for breach (which includes inappropriate use of the brand), the damage to the brand may have already been done and the process for Scentre Group to cease use of the brand would take time. On the other hand, shopping centres (unlike, say, hotel chains) are not really a "cross border" products and there may be little or no "pollution" of the "Westfield" brand internationally as a result of any intentional or unintentional inappropriate use of the "Westfield" brand in Australia and New Zealand.

At the same time there are risks for Scentre Group in not owning the "Westfield" brand given its high level of recognition and its reputation in Australia and New Zealand. The impact of a breach of the Trade Mark Licence Agreement would be material but the key risks are within Scentre Group's control. Scentre Group is not able to use the "Westfield" brand on shopping centres in Australia and New Zealand that do not meet specified criteria and is not able to use the "Westfield" brand outside of Australia and New Zealand. While Scentre Group is free to own and manage shopping centres that do not meet the specified criteria in the Trade Mark Licence Agreement, these centres would not be able to be branded "Westfield", which may impact the ability to attract quality tenants.

(iii) Impact on funding costs

A typical result of splitting into two smaller entities (albeit Westfield ANZ then merges with Westfield Retail Trust to become a larger entity) is an increase in the cost of debt (i.e. higher margins) as a result of reduced scale and diversity of income. In this case it is more difficult to assess any likely impact because of the repayment of the outstanding bonds, the use of the short term bridging facilities and uncertainty as to interest rates on the longer term refinancings.

In Grant Samuel's view, it is likely that there will be some adverse impact on margins, although probably less so for Westfield Corporation despite the loss of relatively stable Australian income, as it is expected to raise debt in the United States and Europe (at lower rates than Westfield Group is able to borrow at in Australia) and its level of gearing is not changing. Even if this is the case, it is still expected that Westfield Corporation will have a

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significantly lower overall cost of debt than Westfield Group currently has, particularly as a result of the repayment of the outstanding bonds (albeit at a cost) that are at rates significantly higher than current market rates.

The implications for Scentre Group are less clear as Westfield Retail Trust's existing debt remains in place and is supplemented with additional debt, initially in the form of bridging finance. Scentre Group's higher level of gearing may have an impact on the interest margins it is ultimately required to pay on new facilities (although it will benefit from greater scale than Westfield Retail Trust and full control over its own assets).

In addition, the credit ratings of Westfield Corporation and Scentre Group could have further adverse impacts on the cost of debt facilities.

(iv) New financing arrangements to be entered into by Westfield Corporation and Scentre Group

Implementation of the Proposal will require:

- Westfield Group to repurchase or redeem all of its outstanding bonds and repay substantially all of its bank debt facilities (and potentially terminate all of its derivatives); and
- Westfield Corporation and Scentre Group to take out bridge facilities and bilateral/syndicated debt facilities to finance this cash requirement.

While the terms and conditions of the bridge facilities are more restrictive than would be considered available to Westfield Corporation and Scentre Group in the ordinary course of business, it is expected that they will be refinanced in the short term by issuing new bonds in the global debt capital markets. These bonds are expected to be issued in a range of maturities ranging from three to 12 years. The terms for these bonds are not known at this point in time. There is a risk that Westfield Corporation and Scentre Group will be exposed to unfavourable debt markets at the time of the refinancing and that refinancing may not be available on commercially attractive terms.

8.4.4 Other Consequences of the Proposal

(i) Index weighting and liquidity

Westfield Group currently has a market capitalisation of approximately A$22 billion and is included in most major S&P/ASX market indices, including the S&P/ASX 20 Index. It is the largest entity in the S&P/ASX 200 A-REIT Index. Westfield Group is also included in a number of international indices such as the S&P Global Property 40 Index. Westfield Retail Trust has a market capitalisation of approximately A$9 billion and is also included in most major S&P/ASX market indices, including the S&P/ASX 20 Index.

The Proposal will result in Westfield Group being split into two entities (one of which will merge with Westfield Retail Trust to form Scentre Group). Westfield Corporation will have a smaller weighting in these indices which could impact on liquidity through lower institutional interest. Conversely, Scentre Group will have a larger weighting in relevant S&P/ASX indices as it will comprise Westfield Retail Trust plus Westfield ANZ.

However, in Grant Samuel's view, the adverse impact on investor interest of lower index weighting for Westfield Corporation is unlikely to be significant:

- the reduction in weighting has no direct impact on index based investors because, all things being equal, the aggregate weighting remains the same (except for the impact of the A$850 million capital return). It is just split in a different fashion;

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- while Westfield Corporation will have a lower position in the S&P indices, it (along with Scentre Group) will remain in the S&P/ASX 20 Index and the S&P/ASX 50 Index, the key benchmark for large capitalisation entities;
- for general Australian institutional investors, the most widely used index is the S&P/ASX 200 Index. Both Westfield Corporation and Scentre Group will remain well within this index; and
- Westfield Corporation will still be a leading global property company and is expected to remain in relevant international indices (albeit with a reduced weighting).

The broader impact of the Proposal in the general liquidity of securities in Westfield Corporation and Scentre Group, and the consequent impact on investor interest, is difficult to predict with any confidence. However, Grant Samuel does not believe it is likely to be adverse:

- both entities will be of significant size;
- both Westfield Corporation and Scentre Group will have open and diverse security registers which should promote deep and liquid markets for their securities; and
- both entities may attract new investors that do not currently invest in Westfield Group and Westfield Retail Trust. Westfield Corporation will be attractive to investors seeking an exposure to a "pure" international retail property business with high growth potential and Scentre Group will be a more attractive Australian and New Zealand focused business given its simplified structure and ownership of the operating platform.

(ii) Impact on attributable gearing

The Proposal will have only a marginal impact on attributable gearing for Westfield Group securityholders:

Westfield Group Securityholders – Impact on Attributable Gearing (A$ millions)

Gearing	Westfield Group	Westfield Corporation[78]	Attributable Scentre Group[84]	Combined
Cash	1,299.4	1,087.9	123.5	1,211.4
Borrowings	14,244.1	8,931.2	5,538.2	14,469.4
Total assets	37,246.7	22,679.8	14,231.2	36,911.0
Gearing	*36.0%*	*36.3%*	*38.4%*	*37.1%*

While this outcome may not appear intuitive given the repurchase or redemption of Westfield Group's outstanding bonds at a premium and the payment of the capital return to Westfield Retail Trust securityholders that Westfield Group securityholders do not participate in, it is a result of merging with the lower geared Westfield Retail Trust (even after the capital return) and is reflected in a significant increase in gearing attributable to Westfield Retail Trust securityholders.

[84] Calculated based on the aggregate 48.6% interest in Scentre Group held by Westfield Group securityholders.

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8.4.5 Alternatives

The Board of Westfield Group considered a range of alternatives to meet its strategic objectives and create long term growth for Westfield Group securityholders prior to recommending the Proposal, including:

- maintaining the existing Westfield Group structure;
- demerging Westfield ANZ as a separate listed entity without merging with Westfield Retail Trust;
- selling additional interests in individual Australian properties;
- the Proposal but with Westfield Corporation maintaining an interest in certain iconic Australian properties; and
- creating separate classes of securities that track the economic performance of each of Westfield Group's international business and its Australian and New Zealand business.

There is no pressing need for Westfield Group to restructure. The status quo would continue to offer investors a financially sound, well defined exposure to a single business that is a global leader in the retail property sector, albeit geographically diversified. However, there are benefits from the Proposal that should lead to greater securityholder value over the longer term. Westfield Group does not regard the status quo as a desirable alternative given the diverging profiles of, and outlook for, Westfield Group's Australian and New Zealand and international businesses and its history of evolving its corporate structure to enable it to achieve its strategic goals.

Each of the remaining alternatives was determined to provide a sub-optimal outcome for Westfield Group securityholders, primarily as they would increase confusion in the market (e.g. two listed entities owning interests in the same shopping centres), create added complexity (e.g. tracking stocks) or further complicate the structure (e.g. selling additional interests in shopping centres or retaining interests in certain shopping centres.

As Westfield Corporation will be a purely international business, the next logical step would be to explore an offshore listing for Westfield Corporation.

It is conceivable that an alternative proposal could be put to Westfield Group and/or Westfield Retail Trust. To date, no such proposal has been put to Westfield Group and, if such a proposal emerged, it would need to be considered on its merits. The extent of interest in Westfield Group and Westfield Retail Trust from other parties is unknown. However, given Westfield Group's size and the relationships between Westfield Group and Westfield Retail Trust, the likelihood of an alternative proposal is considered low.

The key points for Westfield Group securityholders are:

- the Proposal does not prevent any control transaction from taking place in future and may, in fact, facilitate a control transaction as:
  - Westfield Corporation is smaller in size than Westfield Group. Westfield Group's market capitalisation of in excess of A$20 billion limits the number of potential acquirers with the capacity to execute a control transaction; and
  - Scentre Group is a more attractive acquisition target that Westfield Retail Trust as it is a unified, internally managed business;
- in Grant Samuel's opinion, Westfield Group securityholders are likely to be better off if the Proposal is implemented that if it is not (i.e. the status quo); and

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- there has been ample time since the Proposal was announced on 4 December 2013 for other parties to come forward and that opportunity remains until the securityholder meeting at the end of May 2014.

8.4.6 Related Party Considerations

Paragraph 62 of ASIC Regulatory Guide 111 lists a number of factors that an expert might consider in assessing the reasonableness of a related party transaction. These issues are addressed below to the extent that they are relevant to Westfield Group securityholders and have not been addressed elsewhere in this report:

- while the Proposal does have an opportunity cost in that the merger of Westfield ANZ with Westfield Retail Trust to form Scentre Group results in Westfield ANZ no longer being part of Westfield Group and prevents Westfield Group from implementing any alterative transaction in relation to Westfield ANZ:
  - the Board of Westfield Group considered alternative transactions and determined that the Proposal was the best alternative for Westfield Group securityholders; and
  - if the Proposal is implemented, Westfield Group securityholders will, in aggregate, hold 48.6% of Scentre Group and will therefore continue to have exposure to the Westfield ANZ business (albeit through a different entity).

  The Proposal does not inhibit Westfield Corporation from pursuing other transactions in relation to its international business and there is no adverse impact on the potential for a control transaction in the future;

- it is difficult to evaluate the bargaining position of Westfield Group relative to Westfield Retail Trust and it may be argued that Westfield Group has a superior bargaining position to Westfield Retail Trust. However:
  - the independent directors on Westfield Retail Trust's Board retained financial and legal advisers to assist in negotiations with Westfield Group and its advisers;
  - Westfield Retail Trust undertook due diligence on those parts of the Australian and New Zealand business owned or operated by Westfield Group that would be transferred to Scentre Group as part of the Proposal; and
  - there is no imperative for Westfield Retail Trust to agree to the Proposal and the current arrangements could have been left on foot with no direct adverse consequences. Westfield Retail Trust is not under any financial stress;

- there is no selective treatment of any securityholder under the Proposal. Westfield Group director Frank Lowy will join the Scentre Group Board along with Steven Lowy (who is a current director of Westfield Retail Trust). While this board representation is in excess of the Lowy family and their associates interest in Scentre Group (of 4.1%), it (along with the appointment of independent Westfield Group director Brian Schwartz to the Scentre Group Board) reflects the aggregate 48.6% interest of Westfield Corporation securityholders in Scentre Group. The directors of Westfield Retail Trust endorsed the appointment of Frank Lowy and Brian Schwartz to the Scentre Group Board as it gives a positive signal to the market and provides stability and continuity within the Australian and New Zealand business. In any event, Scentre Group securityholders will have direct control over the appointment, election and removal of all directors of Scentre Group; and

- except for the agreements entered into by Westfield Corporation and Scentre Group as part of the Proposal:
  - to give Scentre Group exclusive, royalty free use of the "Westfield" brand in Australia and New Zealand;

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- to give Scentre Group access to the activities of Westfield LABS Corporation (at the option of Scentre Group and on the basis that Scentre Group contributes an appropriate proportion of the development costs in respect of a product and is granted a royalty free and exclusive licence to use the product in Australia and New Zealand); and
- for transitional services arrangements;

there are no further transactions planned between Westfield Corporation and Scentre Group. After implementation of the Proposal, Westfield Corporation and Scentre Group will be independent, stand alone entities operating in separate geographical locations.

8.5 Other Matters

8.5.1 Taxation Consequences

The Proposal involves a complex series of implementation steps, and the tax consequences are made more complicated by a Westfield Group security comprising a share in Westfield Holdings, a unit in Westfield Trust and a unit in Westfield America Trust, each of which are treated as a separate asset for capital gains tax ("CGT") purposes.

The analysis set out below outlines the major tax consequences of the Proposal and should be viewed as indicative only. It does not purport to represent formal tax advice regarding the taxation consequences of the Proposal for securityholders. Further details on the taxation consequences of the Proposal for Australian resident and non resident securityholders are set out in Section 12 of the Westfield Group Securityholder Booklet. In any event, the taxation consequences for Westfield Group securityholders will depend on their individual circumstances. If in any doubt, securityholders should consult their own professional tax adviser.

(i) Capital gains tax

Westfield Group expects to receive draft tax rulings from the Australian Taxation Office ("ATO") in relation to the tax consequences of the Proposal. Westfield Group expects that the ATO will issue a final class ruling that confirms the taxation consequences of the Proposal. The major tax consequences of the Proposal for Westfield Group securityholders are:

- securityholders that acquired their securities after 19 September 1985 and who hold their securities on capital account should not realise a capital gain or capital loss on the disposal of their Westfield Group securities. Westfield Group securityholders will be able to choose CGT rollover relief in respect of the Proposal and as a result, will pay either no, or no material, Australian tax on implementation of the Proposal;
- securityholders will be required to apportion the cost base in their Westfield Holdings shares and Westfield Trust units among the different securities they will hold in Westfield Corporation and Scentre Group. The cost base in Westfield America Trust units will not change; and
- securityholders with a nil cost base in their Westfield Trust units at the time the Proposal is implemented will realise a nominal capital gain in respect of the stapling distribution.

Non resident Westfield Group securityholders should have no CGT consequences from implementation of the Proposal provided that the securities are not taxable Australian property.

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(ii) Treatment of Westfield Corporation and Scentre Group distributions

The stapled securities of Westfield Corporation will comprise Westfield America Trust, WFD Trust and WCL.

The stapled securities of Scentre Group will comprise Westfield Holdings, Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2.

Securityholders will be required to include their share of the net income of Westfield America Trust, WFD Trust, Westfield Trust and Westfield Retail Trust 1 in their assessable income for tax purposes. Income distributed will generally retain the character it has when it was derived by the relevant trust (e.g. foreign income, on which securityholders may be entitled to receive a foreign income tax offset, capital gains etc). Non assessable distributions will give rise to a CGT event and securityholders will make a capital gain if the non assessable distribution exceeds the cost base of the relevant unit (and the relevant cost base will be reduced to nil) or if the non assessable gain does not exceed the cost base of the relevant unit, the cost base will be reduced by the amount of the non assessable distribution. As Westfield Retail Trust 1 units that are acquired on implementation of the Proposal will be taken to be acquired on 30 June 2014 and the ATO does not allow securityholders to count the day of acquisition in the 12 month holding period, those Westfield Retail Trust 1 units will not have been held for at least 12 months and the CGT discount factor will not apply to any non assessable component of the Westfield Retail Trust distribution paid in respect of them that is expected to be paid in February 2015.

Distributions from WCL, Westfield Holdings and Westfield Retail Trust 2 (which is taxed like a company) will be taxed as dividends and may be franked. Securityholders will be required to include in their assessable income the amount of any dividends paid as well as the amount of franking credits (if any) attached to the dividends. Securityholders will generally be entitled to a tax offset equal to the amount of the franking credits.

8.5.2 Ineligible Foreign Securityholders

Ineligible foreign securityholders will not receive Westfield Corporation and Scentre Group securities under the Proposal. They will have their existing Westfield Group securities transferred to a nominee who will participate in the Proposal and will hold the Westfield Corporation and Scentre Group securities that would have otherwise been received by ineligible foreign securityholders. The nominee will sell these Westfield Corporation and Scentre Group securities and pay the sale proceeds to the ineligible foreign securityholders (Westfield Group will bear any brokerage costs or fees of the nominee). Ineligible foreign securityholders may also have to pay tax on any profit on the disposal of their Westfield Corporation and Scentre Group securities (in their country of residence). However:

- their Westfield Corporation and Scentre Group securities will be sold for market value;
- they can acquire Westfield Corporation and Scentre Group securities through the ASX if they wish to retain an exposure to these entities; and
- securityholders representing only approximately 3% of Westfield Group's issued securities are expected to be impacted by these provisions.

Alternatively, ineligible foreign securityholders could sell their Westfield Group securities on the ASX by the last day of trading of Westfield Group securities (expected to be 16 June 2014). Ineligible foreign securityholders would not need to wait until the sale process is completed to receive the sale proceeds although they will need to pay any associated brokerage fees.

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8.6 Securityholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Proposal is in the best interests of securityholders and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to securityholders in relation to the Proposal, the responsibility for which lies with the directors of Westfield Group.

In any event, the decision whether to vote for or against the Proposal is a matter for individual securityholders based on each securityholder's views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from securityholder to securityholder. If in any doubt as to the action they should take in relation to the Proposal, securityholders should consult their own professional adviser.

Similarly, it is a matter for individual securityholders as to whether to buy, hold or sell securities in Westfield Group, Westfield Retail Trust, Westfield Corporation or Scentre Group. This is an investment decision independent of a decision on whether to vote for or against the Proposal upon which Grant Samuel does not offer an opinion. Securityholders should consult their own professional adviser in this regard.

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9 Valuation of Westfield Group's Australian and New Zealand Business

9.1 Summary

Westfield ANZ has been valued in the range A$8.2-8.7 billion.

The value for Westfield ANZ is the aggregate of the estimated market value of its shopping centre portfolio and operating platform less capitalised overheads plus other assets less external borrowings and non-trading liabilities. The valuation is summarised below:

Westfield ANZ - Valuation Summary (A$ millions)

	Section Reference	Value Range	
		Low	High
Value of shopping centre portfolio	9.2	12,871.0	12,871.0
Value of operating platform	9.3	3,000.0	3,500.0
Other assets and liabilities	9.4	(122.0)	(122.0)
Corporate costs	9.5	(401.9)	(390.5)
Enterprise value		**15,347.2**	**15,858.5**
Net borrowings	9.6	(6,992.9)	(6,992.9)
Other assets and liabilities	9.4	(176.6)	(175.7)
Value of Westfield ANZ		**8,177.7**	**8,689.9**

The shopping centre portfolio has been valued at A$12.9 billion based on independent valuations of each of shopping centre and takes into account Westfield ANZ's effective interest in each of the shopping centres in the portfolio. It includes the value of construction in progress.

The value attributed to the operating platform of A$3.0-3.5 billion is an overall judgement having regard to a number of valuation methodologies and parameters, including DCF analysis and capitalisation of earnings or cash flows (multiples of EBIT).

The value attributed to Westfield ANZ implies the following multiples of EBIT and FFO:

Westfield ANZ – Implied Valuation Parameters

	Variable[85] (A$ million)	Low	High
Multiple of accounting EBIT			
Year ended 31 December 2013	1,049.4	14.6	15.1
Year ending 31 December 2014	1,115.9	13.8	14.2
Year ending 31 December 2014 (merger ratio)	1,062.8	14.4	14.9
Multiple of accounting FFO			
Year ended 31 December 2013	na	nc	nc
Year ending 31 December 2014	592.7	13.8	14.7
Year ending 31 December 2014 (merger ratio)	541.8	15.1	16.0

EBIT and FFO are on an accounting basis. They are not economic EBIT and FFO and therefore exclude project income on owned assets. This is consistent with the earnings for other listed REITs on which comparable multiples have been calculated.

In considering these multiples it should be noted that EBIT and FFO include A$88.9 million (in 2013) and A$47.2 million (in 2014) of project income earned from third parties (Westfield Retail

[85] Refer to Section 4.2 of this report for the calculation of variables.

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Trust) on projects completed during 2012 (Westfield Sydney and Fountain Gate) and scope changes on certain other projects. While it is usual for profits to be recognised up to 18 months after projects are completed, these projects were particularly large and, while Westfield ANZ has a substantial pipeline of development projects, there is no certainty that this level of project profits will continue. In this regard, it could be argued that the EBIT and FFO in 2013 and 2014 may represent a short term peak in Westfield ANZ's earnings. Excluding earnings from completed projects (as was done in calculating the merger ratio[86]), the forecast EBIT multiples increase to 14.4-14.9 times and the forecast FFO multiples would increase to 15.1-16.0 times. These multiples represent the other extreme. The normalised level of project income and therefore the "true" multiple is likely to be somewhere in between.

Grant Samuel has reviewed these multiples having regard to the sharemarket ratings of selected publicly listed retail and diversified REITs in Australia and retail REITs in the United States and Europe. There have been no recent transactions involving retail REITs in Australia. The market evidence is analysed in Appendix 1 to this report and is summarised below:

Sharemarket Rating for REITs

	Multiple of EBIT		Multiple of FFO		Distribution Yield	
	historical	forecast	historical	forecast	historical	forecast
Australian retail REITs						
Westfield Group	17.5	17.6	15.4	14.9	5.1%	5.3%
Westfield Retail Trust (pre Proposal)	15.9	15.6	15.1	14.7	6.8%	7.0%
Westfield Retail Trust (current)	15.8	15.5	15.0	14.6	6.8%	7.1%
CFS Retail Property Trust	16.9	15.8	13.9	13.9	7.2%	7.2%
Federation Centres	13.9	15.4	14.9	14.0	6.0%	6.4%
Charter Hall Retail REIT	13.8	14.0	12.0	11.8	7.5%	7.7%
Shopping Centres Australasia	nc	14.4	nc	13.2	6.1%	6.6%
Australian diversified REITs[87]	**14-16**	**13-14**	**14-17**	**13-16**	**5%**	**5-6%**
United States retail REITs	**17-22[88]**	**16-21[70]**	**18-19**	**17-19**	**2-4%**	**2.5-4%**
European retail REITs	**18-24**	**18-22**	**13-18**	**14-18**	**3-6%**	**4-6%**

Source: Appendix 1

The forecast multiples implied by the valuation of Westfield ANZ are:

- below the forecast accounting EBIT multiples for Westfield Group (which is more relevant than Westfield Retail trust given the similar nature of the business operations of Westfield Group and Westfield ANZ) of 17.6 times. However, Westfield ANZ is substantially smaller in scale than Westfield Group and is focused solely on the Australian and New Zealand market (suggesting a lower multiple than the Westfield Group average is appropriate); and
- below the forecast accounting FFO multiples for Westfield Group of 14.9 times, although as explained above, the forecast accounting FFO includes a significant proportion of project income that may represent a peak in Westfield ANZ's earnings and which may not be sustainable at this level. Assuming a "true" forecast accounting FFO multiple implied by the

86 EBIT for the purposes of calculating the merger ratio also excluded A$3.7 million of asset management fees in relation to the properties the subject of the property linked notes and A$2.2 million of funds management income in relation to Carindale Property Trust that was netted off the outside equity interest. The multiples include the impact of these additional income streams although the impact of these adjustments on the implied multiples is immaterial.

87 Australian diversified REITs excludes Stockland as its trading multiples are significantly higher than the trading multiples of other Australian diversified REITs, possibly as a result of its significant land bank and its potential to take advantage of a recovery in residential building activity.

88 The EBIT multiples for United States retail REITS have been calculated based on EBITDA. This is more comparable to the Australian and European EBIT multiples as US GAAP requires investment properties to be recognised at acquisition cost and depreciated.

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valuation midway between the forecast accounting FFO multiple and the forecast merger ratio FFO multiple of 14.5-15.4 times, the forecast FFO multiples implied by the valuation of Westfield ANZ are consistent with:

- the Westfield Group forecast FFO multiple adjusted for the growth outlook for the Westfield ANZ business (of 13.8-15.2 times, refer to Section 8.3.2(i)); and
- the forecast multiple of accounting FFO used in estimating a value for Scentre Group securities of 14.5-15.5 times;

- within the range of EBIT multiples and towards the high end of the range of FFO multiples for other Australian retail REITs. In Grant Samuel's view, this outcome is reasonable having regard to:
  - Westfield ANZ's considerably larger scale and ability to achieve greater economies of scale;
  - Westfield ANZ's relatively higher growth profile as a result of its established development pipeline;
  - its greater share of earnings from development activities relative to Australian retail REITs. Development income generally warrants a lower multiple than property management income;
  - the significant contribution from development margins on owned assets that are not included in accounting measures of EBIT and FFO; and
  - its relatively higher gearing, suggests a higher FFO multiple is appropriate; and
- below the range of EBIT multiples for United States and European retail REITs, below FFO multiples for United States retail REITs and within the range of FFO multiples for European REITs. The United States REITs and some of the European REITs have higher growth profiles and are substantially larger in scale than Westfield ANZ and other Australian REITs. Other European REITs have a low growth profile as a result of weak economic conditions and are of similar scale to Westfield ANZ. All of the United States REITs are more highly geared than Westfield ANZ, resulting in higher FFO multiples, while gearing for European REITs is similar to Westfield ANZ. In addition, different accounting standards makes comparison of EBIT multiples for United States retail REITs less reliable than FFO multiples.

9.2 Value of Shopping Centre Portfolio

9.2.1 Methodology

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved. Nevertheless, valuations are generally based on either or both DCF analysis and/or multiples of earnings.

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In estimating the value of the shopping centre portfolio, Grant Samuel has relied on independent property valuations. Property valuers typically use a number of methodologies including DCF, capitalisation of income and direct comparison (i.e. value per square metre of net lettable area) to determine individual property values.

9.2.2 Shopping Centre Portfolio

The shopping centre portfolio has been valued at A$12.9 billion. This value represents the book value of the portfolio as at 31 December 2013, taking into account Westfield ANZ's effective interest in each of the shopping centres in the portfolio:

Westfield ANZ Shopping Centre Portfolio (A$ millions)		
	Section Reference	Book Value
Investment properties	4.3	14,402.5
Development projects and construction in progress	4.3	280.3
Book value of shopping centre portfolio		**14,682.8**
Less: outside equity interest in Carindale Shopping Centre		(342.6)
Less: interests related property linked note holders		(1,469.2)
Value of Westfield ANZ shopping centre portfolio		**12,871.0**

The book value for each of Westfield ANZ's shopping centres as at 31 December 2013 reflects the latest valuations undertaken by independent valuers plus capital expenditure, tenant allowances, deferred costs, ground leases and straight line rent and acquisitions and disposals since the valuation date. Approximately 59% of the shopping centre portfolio (by value) was independently valued as at 31 December 2013 and a further 35% was independently valued at 30 June 2013. The remaining shopping centres, Mount Gravatt and Miranda, are under development and were last valued as at 30 June 2012. Construction in progress on these shopping centres of A$77.3 million and A$203.0 million of other properties, including the greenfield project at Coomera as well as sundry land at Newmarket, Casey and Tuggerah, are included in development projects and construction in progress.

Grant Samuel has not undertaken any valuations of the shopping centres owned by Westfield ANZ and, for the purposes of this report, has relied on the independent property valuations commissioned by Westfield Group for those properties in determining the underlying net asset value of investments in property assets. Refer to Section 2.4 of this report for the basis on which the independent valuations have been prepared.

Given the short time that has elapsed since 30 June 2013 and 31 December 2013 and the nature of the assets being valued (i.e. passive investments in retail property assets for which there is no liquid market), there is unlikely to have been any material change in the market value of these assets since they were valued.

Westfield ANZ's 50% interest in Carindale Property Trust (which owns 50% of Carindale Shopping Centre) is consolidated, resulting in the book value of investment properties including a 50% interest in Carindale Shopping Centre. An adjustment has been made to the value of Westfield ANZ's shopping centre portfolio to exclude the 25% interest in Carindale Shopping Centre that is indirectly held by the 50% outside equity interests in Carindale Property Trust.

The value of Westfield ANZ's shopping centre portfolio has been adjusted to reflect the economic value of the property linked notes by assuming the notes are redeemed by way of a transfer of the relevant interests in the underlying assets. The book value of the relevant interests in each of the shopping centres, totalling A$1,469.2 million, has been deducted from the value of Westfield ANZ's shopping centre portfolio.

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9.3 Value of Operating Platform

9.3.1 Overview

Grant Samuel has estimated the value of the Westfield ANZ operating platform to be in the range A$3.0-3.5 billion (before corporate overheads). This valuation is a subjective judgement having regard to both DCF analysis and earnings multiple analysis.

The primary focus was on DCF analysis. Earnings multiple analysis has been used as a cross check. The value ranges selected are judgements derived through an iterative process. The objective is to determine a value that is both consistent with the market evidence as to multiples and fits with the output of the DCF analysis in terms of the various scenarios and their likelihood.

9.3.2 Discounted Cash Flow Analysis

DCF models for the operating platform have been developed by Grant Samuel with input from Westfield Group with reference to:

- the forecast economic trading EBIT of the Westfield ANZ operating platform for the year ending 31 December 2014 set out in Section 4.2 of this report;
- management forecasts of trading EBIT for the Westfield ANZ operating platform for the year ending 31 December 2015;
- information on the development pipeline for the Westfield ANZ operating platform as at 31 December 2013 (adjusted by Grant Samuel to include project profits that would be derived from properties owned by Westfield ANZ); and
- forecast economic property management fees for the Westfield ANZ operating platform for the two years ending 31 December 2015.

Cash flows are based on the economic trading performance for the Westfield ANZ operating platform, assuming that Westfield ANZ received fees from internally managed assets (which is consistent with the basis of the property valuations). Cash flows also capture income on properties that are subject to the property linked notes on the assumption that, if the notes were satisfied by way the transfer of interests in those properties to the note holders, Westfield ANZ would continue to provide property development and management services in relation to those interests.

The DCF model forecasts nominal after tax cash flows from 1 January 2014 to 31 December 2023, a period of ten years, with a terminal value calculated to represent the value of cash flows in perpetuity. Separate cash flow forecasts have been developed for the property development, property management and funds management platforms. The terminal value has been calculated based on a perpetual growth assumption ("the perpetuity method") assuming a discount rate of 9-9.5% and a terminal growth rate of 2.5%. The terminal value implies a multiple of 10.4-11.2 times forecast EBIT for 2023, which is consistent with multiples implied by transactions involving property management platforms. A corporate tax rate of 29% has been assumed and takes into account the statutory tax rates in Australia (30%) and New Zealand (28%).

(i) Discount Rate

For the purposes of the valuation of the Westfield ANZ operating, Grant Samuel has utilised discount rates of 9-9.5%. The Westfield ANZ operating platform is an integrated business that is engaged in a range of activities. It derives 35-50% of its economic cash

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flows from development activities and 50-65% from property management activities and funds management. The selected discount rate reflects a blend of these activities.

For passive property managers that derive a majority of cash flows from funds management and property management income, listed REITs provide a reasonable basis for assessing parameters (e.g. betas, gearing) to derive a discount rate since property management fees are a function of rental income. Earnings from these activities is fairly stable. Leasing contracts are generally long term (typically 5-7 years and longer for anchor tenants) and, therefore, other than on renewal of leases (or in the event of tenant insolvency), property management income is largely "locked in". Funds management income (other than performance fees) is generally based on a fixed percentage of funds under management and, therefore, is also relatively stable (other than as a result of property revaluations, acquisitions or divestments). These entities would be expected to have a relatively low beta and high gearing.

Cash flows from development projects activities are substantially more volatile than funds and property management cash flows. This volatility will also be reflected in the level of property management income from redeveloped properties. Cash flows from development projects are subject to development risk (where a developer enters into a fixed price contract such that a cost overrun that does not qualify as an agreed variation will reduce development profits) and activity levels will be heavily influenced by economic conditions. These entities would be expected to have a relatively high beta and low gearing.

It has been assumed that Westfield ANZ continues to pay tax at the applicable statutory rates for Australia (30%) and New Zealand (28%). Because of its historical structure and other reasons, Westfield ANZ incurs corporate tax on its active earnings. This differs from other management platforms which are held within stapled entity structures that are able to be structured such that no tax is payable by the entity on earnings from management activities (i.e. distributions made are predominantly before tax imposts, with tax paid by the investor).

The determination of appropriate discount rates for the valuation is difficult:

- the cost of equity capital is not a precise or provable number nor can it be estimated with any degree of reliability. The cost of equity capital is not directly observable and models such as the Capital Asset Pricing Model ("CAPM") do no more than infer it from other data using one particular theory about the way in which security prices behave. Any estimate therefore depends on the efficacy of the theory and the robustness of the data but the available tools such as CAPM involve:
  - models which have limited empirical validity (and competing formulation);
  - simplifying assumptions;
  - the use of historical data as proxy for estimates of forward looking parameters;
  - data of dubious statistical reliability; and
  - unresolved issues.

  It is easy to over-engineer the process and to credit the output of models with a precision it does not warrant. The reality is that any cost of capital estimate or model output should be treated as a broad guide rather than an absolute truth. The cost of capital is fundamentally a matter of judgement, not merely a calculation;
- strict application of the CAPM at the present time give results that are unrealistically low (primarily because of low government bond rates) and are inconsistent with other measures.

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Use of the CAPM[89] based on current parameters would result in a cost of equity of 9.4% calculated as follows:

- a risk free rate of 4.0% based on the 10 year Commonwealth Government bond rate as at 31 March 2014;
- a market risk premium of 6%, which is similar to that used by a wide variety of analysts and practitioners (typically in the range 5-7%); and
- a beta factor of 0.9, based on expected betas for a retail property management platform with substantial development activities:
  - there are no listed Australian retail property management platforms. The only listed Australian property management platform of any substantial scale is Charter Hall Group, however, it manages a diversified portfolio. Charter Hall Group's four year monthly adjusted Bloomberg beta is 1.2 and its two year monthly adjusted Bloomberg beta is 0.8; and
  - intuitively, a retail property management platform with a mix of cash flows from development projects and property management activities would be expected to have beta of around 1.0. Although property management fees on existing properties are largely "locked in, development project cash flows are subject to construction risk and will fluctuate with economic cycles (e.g. project income fell during the global financial crisis). Future property management income in relation to those development projects is also more risky. Project income represents a significant proportion of the Westfield ANZ operating platform's cash flows (approximately 35-50% on an economic basis); and
  - the nature of Westfield ANZ's income contrasts sharply with that of other retail platforms. For example, in the case of CFSGAM's property management platform, the manager of CFS Retail Property Trust, development represented only 15% of income before overheads and alignment fees.

The resultant WACC[90] calculation is 8.4-8.9% assuming:

- a cost of debt of 6.3% (based on the 4.0% risk free rate, Westfield ANZ's expected premium on 10 year swap rates of 2% and a swap spread of 0.3%);
- a debt/equity mix of 10-20% debt and 80-90% equity; and
- a 29% tax rate, based on Westfield ANZ's effective tax rate on economic profits.

In Grant Samuel's opinion, these calculations understate the true cost of capital. In this context:

- anecdotal information suggests that equity investors have substantially repriced risk since the global financial crisis and that acquirers are pricing offers on the basis of hurdle rates well above those implied by theoretical models. This can be evidenced through the decline in earnings multiples (relative to the peak in 2007) although it has yet to be translated into the measures of market risk premium (at least those based on longer term historical data). In this regard, an increase in the market risk premium of 1% (i.e. from 6% to 7%) would increase the calculated WACC range to 9.2-9.7%.

89 The formula for deriving the cost of equity using CAPM is $Re = Rf + Beta\ (Rm - Rf)$, where Re = the cost of equity capital, Rf = the risk free rate and Rm-Rf = the market risk premium.

90 The formula used to calculate a WACC under a classical tax system is $WACC = (Re \times E/V) + (Rd \times (1-t) \times D/V)$, where E/V = the proportion of equity to total value (where V = D + E), D/V = the proportion of debt to total value, Re = the cost of equity capital, Rd = the cost of debt capital and t = the corporate tax rate.

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Another way of looking at this is to note that while long term interest rates have fallen by 30% since 2007 there has not been a corresponding lift in earnings multiples (although they have risen), suggesting investors have offset this reduction with an increase in their risk premium and/or a reduction in long term earnings growth rates; and

- global interest rates, including long term bond rates, are at very low levels by comparison with historical norms reflecting the liquidity still being pumped into many advanced economies to stimulate economic activity. Effective real interest rates are now extremely low, if not negative in some cases (e.g. the United States). Grant Samuel does not believe this position is sustainable. Conceptually, the interest rates used to calculate the discount rate should recognise this expectation (i.e. they should be forecast for each future period) but for practical ease market practice is that a single average rate based on the long term bond rate is generally adopted for valuation purposes. Some academics/valuation practitioners consider it to be inappropriate to add a "normal" market risk premium (e.g. 6%) to a temporarily depressed bond yield and therefore advocate that a "normalised" risk free rate should be used. On this basis, an increase in the risk free rate to (say) 5% would increase the calculated WACC range to 9.4-9.9%.

In certain situations, other approaches such as the Gordon Growth Model ("GGM") provide more useful measures of the cost of equity. The GGM postulates that the cost of equity is equal to the current (strictly one year forecast) distribution or dividend yield plus the long term growth rate (it is essentially a restatement of the perpetuity formula). However, there is an insufficient base of evidence to use the GGM in relation to Westfield ANZ's operating platform. There are no comparable entities that are solely an operating platform to use as a proxy for the distribution yield.

On the basis of the above, Grant Samuel has adopted a discount rate in the range 9-9.5% for the valuation of the Westfield ANZ operating platform.

(ii) Development Project Platform

Methodology and Approach

Cash flows were prepared for each development project on the basis of information on the development pipeline as at 31 December 2013 provided by Westfield Group. This information included:

- details of projects comprising the A$4.9 billion development pipeline (as set out in Section 4.1 of this report), details of potential future projects totalling A$0.8 billion and an estimated A$0.4 billion of sundry projects;
- estimates of commencement and completion dates;
- an estimate of total project cost (including owners' costs); and
- for projects commencing prior to 2016, project profits expected to be recognised by Westfield ANZ (in total and for 2014 and 2015).

Project profits are recognised on a percentage completion basis[91], with profits recognised up to 18 months after practical completion. This differs substantially from the timing of cash

[91] On this basis, no profit is recognised until the project is 50% complete, at which stage 25% of profit is recognised and continues to be recognised up to 90% when the project reaches practical completion. The remaining 10% of construction profit is withheld for 12 months (up to 18 months) after practical completion.

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flows, which occur throughout the construction period (between commencement and completion dates). Grant Samuel's analysis has been prepared on a cash basis.

Project profits provided by Westfield Group included only those expected to be recognised by Westfield ANZ (i.e. in respect of Westfield ANZ's joint venture partners (Westfield Retail Trust, Carindale Property Trust) and external third parties. Grant Samuel has reflected the full value of the operating platform by including the cash flows that would be earned if Westfield ANZ recognised project profits on its owned assets and on interests subject to the property linked notes.

Assumptions

The key operating assumptions are:

- project profits are primarily construction profits, as well as development fees (3% of project cost), design fees (10% of project cost), project leasing fees, tenancy, design and co-ordination fees, major tenant new and renewal lease fees and market rent review fees and are net of direct and indirect overheads;
- cash flows are recognised evenly throughout the construction period (between commencement and completion dates) and include future cash flows in relation to:
  - Westfield ANZ's A$4.9 billion development pipeline;
  - an estimated A$0.4 billion of sundry projects;
  - development work for tenants; and
  - a further A$0.8 billion of potential future projects.

  Completed projects (i.e. Westfield Sydney, Fountain Gate, Carindale and Westlakes) are excluded since no further cash payments are expected to be received;
- no acquisitions or divestments of properties subject to development;
- based on the economic cash flows for the operating platform, including income on owned assets as well as income from Westfield Retail Trust, other joint venture parties and external third parties. Cash flows for internally managed assets are assumed to be the same as those generated from projects undertaken for Westfield Retail Trust, other than to allow for the different interests in Tea Tree Plaza and interests subject to the property linked notes;
- projects commencing from 2016 generate a 14% margin (before overheads) on project costs (excluding owners' costs), representing the weighted average of margins for projects commencing in 2014 and 2015. Owners costs' are assumed to be 15% of total costs, consistent with estimates provided for projects commencing in 2014 and 2015; and
- project cash flows (before overheads) increase from A$132.4 million in 2014 to around A$172 million in 2017 (compared to pro forma project income (for accounting purposes) of A$226.3 million in 2013 and A$206.1 million in 2015 – refer to Section 4.2). From 2018, as the existing pipeline runs off, it is replaced by new (currently unidentified) projects so that cash flows increase by inflation (2.5% per annum) and reach A$200 million in 2023. The pipeline is replenished by new opportunities and redevelopment of the existing 47 properties under management over a 7-10 year cycle (i.e. an average of 5-7 redevelopments each year).

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(iii) Property Management Platform

Methodology and Approach

Westfield Group has provided forecast economic property management fees for each property for the two years ending 31 December 2015. Grant Samuel has projected cash flows associated with the property management platform for 1 January 2016 to 31 December 2023 based on growth in AUM. Property values reflect growth in annual gross income on existing properties and the impact of redevelopments.

Assumptions

The key operating assumptions are:

- property management income represents property management fees only and excludes property management expenses incurred by Westfield ANZ where they are passed through to property owners;
- 2014 and 2015 forecasts reflect negative, but gradually improving, leasing spreads (i.e. movements in rental income on renewal of leases), relative to leasing spreads in 2013 of negative 6-7%;
- the starting point is Westfield ANZ's AUM of A$38.5 billion as at 31 December 2013, which comprises:
  - A$12.9 billion of Westfield ANZ properties including the effective 25% interest in Carindale Shopping Centre and excluding interests subject to property linked notes);
  - A$1.5 billion of properties subject to the property linked notes;
  - A$13.9 billion of Westfield Retail Trust properties; and
  - A$10.2 billion of third party interests in properties jointly owned with Westfield Group as well as Eastgardens (which is 100% owned by a third party) and includes a 75% economic interest in Carindale Shopping Centre;
- growth in AUM reflects:
  - no acquisitions or divestments of properties;
  - an estimated A$3.6 billion remaining expenditure (including owners' costs and project profits) on identified projects for which Westfield ANZ also performs property management services (calculated as A$4.9 billion development expenditure, less A$1.1 billion of costs on Macquarie and Pacific Fair, which Westfield ANZ does not manage, less an estimated A$0.2 billion expenditure incurred as at 31 December 2013):
  - an estimated A$0.4 billion of sundry projects;
  - a further A$0.8 billion of potential future projects.
  - completed projects are excluded as they are already in the portfolio values as at 31 December 2013;
  - expenditure is capitalised evenly throughout the construction period;
  - from 2018, as the existing pipeline runs off, it is replaced by new (currently unidentified) projects such that development expenditure increases by 2.5% per annum;
  - a 3% average revaluation uplift for all properties though the cycle; and
  - a constant New Zealand dollar/Australian dollar exchange rate.

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Overall, Westfield ANZ assets (excluding interests subject to property linked notes) and Westfield Retail Trust assets increase by an average of 5.0% per annum, interests subject to property linked notes increase by 4.8% per annum and third party AUM increases by 6.0% per annum (reflecting the higher level of development activity for these assets);

- property management income is calculated as 0.4% of average AUM for the period, consistent with historical levels, and reflects the impact of redevelopments and revaluations; and
- property management fees increase relatively smoothly from A$153.5 million in 2014 by an average of 5.4%, reflecting the continued execution and replenishment of the development pipeline and steady increases in property values.

(iv) Funds Management

The key operating assumptions are:

- Westfield ANZ continues to receive a responsible entity fee of 0.6% of the total tangible assets of Carindale Property Trust;
- total tangible assets for Carindale Property Trust increase from A$685.1 million as at 31 December 2013 by an average of 3% per annum, assuming:
  - no acquisitions or divestments;
  - no further redevelopments;
  - an average 3% revaluation uplift through the cycle based on assumed growth in retail expenditure; and
  - other assets and liabilities increase at the same rate as property values (3% per annum); and
- other funds management income (primarily in relation to interests subject to the property linked notes) increases from A$6.3 million in 2014 by an average of 4.8% (consistent with the growth rate utilised in calculating property management fees in relation to interests subject to the property linked notes).

(v) Westfield ANZ Overheads

Westfield ANZ's forecast overheads for 2014 of A$45.9 million are assumed to increase by an average of 4% per annum, based on labour inflation.

(vi) General Assumptions

General assumptions are:

- inflation of 2.5%;
- no movements in working capital, as Westfield ANZ is a mature business with a moderate growth profile;
- capital expenditure equals depreciation; and
- a corporate tax rate of 29%.

As with any long term projections, there are inherent uncertainties about future events and outcomes and small changes in certain assumptions can have disproportionate impacts on the calculated values. The DCF model is based on a large number of assumptions which

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are subject to significant uncertainty, many of which are outside the control of Westfield Group:

- national and regional economic conditions influencing the level of retail activity (e.g. employment trends, consumer sentiment, level of inflation and interest rates);
- factors influencing property valuations (e.g. availability of financing and demand for shopping centres from investors);
- local real estate conditions, such as the level of demand for and supply of retail space;
- the perception of prospective tenants and shoppers of the attractiveness, convenience and safety of the shopping centres;
- the convenience and quality of competing shopping centres and other retail options such as the internet, as well as trends in the retail industry;
- the financial condition of tenants and, in particular, anchor tenants;
- development approval processes;
- complexity of development projects; and
- labour costs.

As a result of these uncertainties, there is a wide range of potential outcomes that could occur, both positive and negative (and an even greater number of possible combinations of those outcomes) including:

- the start date of development projects is delayed (e.g. due to a delay in obtaining development approvals or delay in signing up major tenants). This is primarily a risk for projects commencing in 2016 and beyond, the majority of which do not have either agreements with anchor tenants or development approvals in place;
- a greater complexity of projects results in a longer construction period than anticipated and/or an increase in construction costs. Westfield ANZ enters into fixed price contracts for development projects so that a cost overrun that does not qualify as an agreed variation will reduce development profits;
- weak retail conditions result in more negative leasing spreads than those included in the 2014 and 2015 forecasts or negative leasing spreads persist for longer than anticipated, reducing property management income. Alternatively, insolvency of a major tenant would reduce property management income; and
- overheads increase at higher or lower rates than expected.

No scenario has been run that reflects the cancellation of any of the projects in the development pipeline. Westfield Group believes that regardless of the level of retail activity, all of the retail space in the current pipeline could be rented and, therefore, all projects would proceed. Over the last 10 years (which include the global economic recession), Westfield ANZ has maintained over 99.5% occupancy. Nevertheless, Westfield ANZ's development project activity was curtailed (postponed) during the global economic recession when liquidity was constrained and it is possible that projects could be deferred in future cyclical downturns.

Each scenario assumes as a starting point that Scenario A is achieved (i.e. all development projects in the development pipeline as well as potential future projects are completed on

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schedule and result in anticipated profits being achieved). A description of each scenario is outlined in the table below.

Westfield ANZ Operating Platform - DCF Scenarios	
Scenario	**Description**
Scenario A	All development projects in the development pipeline as well as potential future projects are completed on schedule and result in anticipated profits being achieved (including a 14% margin in 2016 and beyond). Negative, but gradually improving leasing spreads in 2014 and 2015. Unallocated corporate expenses increase by 4% per annum.
Scenario B	Scenario A, except with a six month delay in future development projects commencing in 2016 and beyond
Scenario C	Scenario A, except with a one year delay in future development projects commencing in 2016 and beyond
Scenario D	Scenario A, except with a six month extension in the construction period of projects commencing in 2016 and beyond
Scenario E	Scenario A, except that margin on development projects commencing in 2016 and beyond is 13% (not 14%)
Scenario F	Scenario B except that margin on development projects commencing in 2016 and beyond is 13% (Scenario E)
Scenario G	Scenario C except that margin on development projects commencing in 2016 and beyond is 13% (Scenario E)
Scenario H	Scenario A, except that negative leasing spreads or insolvency of tenants results in a revaluation uplift 2% per annum (not 3%)
Scenario I	Scenario A, except with growth in unallocated corporate expenses one percentage point higher (i.e. 5%)
Scenario J	Scenario A, except with growth in unallocated corporate expenses one percentage point lower (i.e. 3%)

The output of the DCF analysis is summarised below:

Westfield ANZ Operating Platform – NPV Analysis (A$ millions)				
Scenario	**Discount Rate**			
	10.0%	**9.5%**	**9.0%**	**8.5%**
Scenario A	2,992.3	3,207.2	3,455.4	3,745.2
Scenario B	2,958.1	3,173.2	3,421.7	3,712.0
Scenario C	2,837.6	3,045.5	3,285.7	3,566.3
Scenario D	2,901.7	3,110.3	3,351.1	3,632.3
Scenario E	2,904.4	3,112.3	3,352.3	3,632.6
Scenario F	2,871.2	3,079.3	3,319.5	3,600.1
Scenario G	2,757.7	2,958.8	3,191.1	3,462.5
Scenario H	2,898.6	3,104.6	3,342.5	3,620.1
Scenario I	2,959.5	3,171.4	3,416.1	3,701.7
Scenario J	3,022.9	3,240.7	3,492.1	3,785.7

As discussed above, net present values from DCF analyses are subject to significant limitations and should always be treated with considerable caution. The following factors are relevant to consideration of the NPV outcomes:

- NPV is most sensitive to the level of development project activities, as these activities influence both development profits and property management income. Each of Scenarios B through G result in lower development profits;
- a delay in the commencement of development projects (Scenarios B and C) is reasonably probable for projects commencing in 2016 and beyond. A majority do not

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have agreements with anchor tenants or development approvals in place. Furthermore, historically, many projects have commenced after a short delay (Scenario B). A significant economic downturn may result in projects being delayed for longer periods (Scenario C);

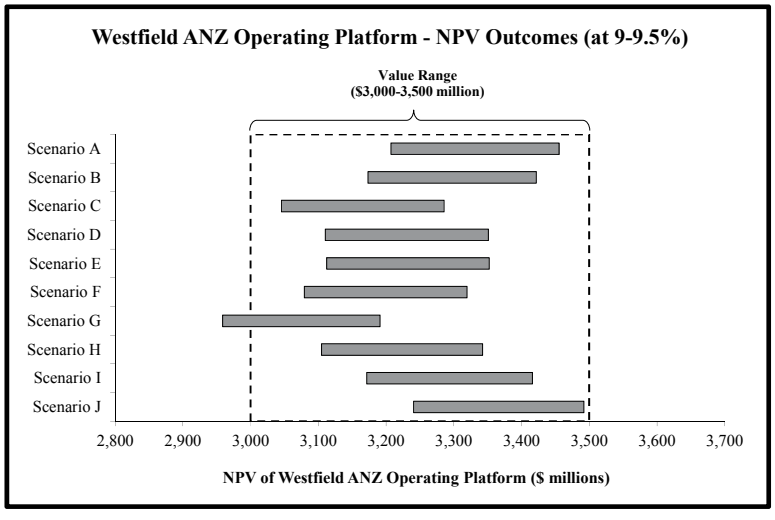
- an extension of the construction period for certain projects (e.g. due to greater complexity than anticipated) is also a risk but is unlikely to occur across all future projects as is represented in Scenario D. Westfield's historical experience is that it has mostly completed projects in advance of schedule;

- Scenario E represents a lower project margin on projects commencing after 2016 and Scenario F represents a combination of lower project margin and a six month delay. A lower margin on some projects is certainly feasible (e.g. as a result of greater complexity of projects), however, given there are no particularly large projects, this would need to occur across a number of projects. Furthermore, Westfield ANZ has advised that margins assumed on future development projects are conservative. Scenario G (lower project margin and a 12 month delay) is considered unlikely;

- Scenario H represents the impact on property management income of persistent, negative leasing spreads in all years or significant loss of income as a result of the insolvency of a number of large tenants. However, the 2014 and 2015 forecasts already reflect negative leasing spreads (which are assumed to gradually improve relative to 2013 levels) and it is unlikely that this (or significant tenant insolvencies) would be sustained through the cycle; and

- NPV outcomes are less sensitive to operating expense growth (Scenarios I and J) as a result of the business's low operating leverage (relatively low fixed costs).

Grant Samuel's selected value range of A$3.0-3.5 billion for the operating platform reflects a subjective balancing of the scenarios. This is depicted diagrammatically below:



Scenario A assumes that all development projects occur on schedule and achieve the anticipated project profits. It is reasonably likely that there would be some delay in commencement dates (Scenario B). In addition, there are a number of other risks to the platform, including greater project complexity than anticipated resulting in lower development margins, an economic recession that results in the delay in future projects or

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periods of negative leasing spreads, particularly in later years. While the estimated valuation range for Westfield ANZ's operating platform is reasonably wide:

- it covers all of the Scenarios other than the bottom end of Scenario G (which is regarded as appropriate having reference to the discussion above) and therefore allows for all of the eventualities considered in the scenario analysis; and
- it does not result in a wide range for the overall valuation of Westfield ANZ as the investment in shopping centres and net borrowings do not have ranges in their valuations.

9.3.3 Earnings Multiple Analysis

The valuation of A$3.0-3.5 billion attributed to the Westfield ANZ operating platform implies the following multiples of EBIT and economic EBIT:

Westfield ANZ Operating Platform – Implied Valuation Parameters			
	Variable (A$ million)	Low	High
Multiple of accounting EBIT[92]			
Year ended 31 December 2013	189.8	15.8	18.4
Year ending 31 December 2014	206.1	14.6	17.0
Year ending 31 December 2014 (merger ratio)	153.0	19.6	22.9
Multiple of economic EBIT[92]			
Year ended 31 December 2013	339.9	8.8	10.3
Year ending 31 December 2014	324.4	9.2	10.8
Year ending 31 December 2014 (merger ratio)	224.1	13.4	15.6

In considering these multiples, it should be noted that:

- the Proposal is not a control transaction and multiples should not reflect a premium for control;
- they are overall multiples reflecting a blend of activities. Implicitly the value of each component of the business is likely to have different multiples appropriate for the nature of the income stream. Westfield ANZ has a significant proportion of project income (approximately 35-50% before overheads). There is a strong argument that property management income should be valued at the same multiple as property investment net operating income (i.e. the inverse of the property investment net operating income yield) but that lower multiples should apply to project income given the greater risk and volatility associated with this income stream.

  At the same time, it needs to be recognised that it is an integrated business, not two separate businesses (i.e. project income would not be generated if there was not also the property management function);
- accounting EBIT includes project income and property management income from external third parties only whereas economic EBIT also includes project income and property management income earned on owned shopping centres. EBIT multiples are the relevant comparison for most of the comparable transactions. Economic EBIT is comparable to multiples of net savings which is not available for many transactions (but is available, for example in relation to the acquisition of CFSGAM's property

[92] Refer to Section 4.2 of this report for the calculation of EBIT and economic EBIT.

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management platform). Economic EBIT is a more appropriate measure because it captures all of the value created by the operating platform; and

- accounting EBIT in 2013 and 2014 includes A$88.9 million and A$47.2 million respectively of project profits earned from third parties on projects completed during 2012 (including Westfield Sydney and Fountain Gate) and economic EBIT additionally includes the project income attributable to owned assets (i.e. a total of A$177.8 and A$94.4 million of project profits respectively from completed projects). The cash from these projects was also received earlier and so no cash income from the projects will be received in 2014. While this raises the question of the validity of the earnings measures:
  - this is the nature of accounting for project income (i.e. recognition for accounting purposes is up to 18 months after completion); and
  - Westfield ANZ has a rolling pipeline of projects (and, for example, there will be cash received in 2014 that is not reported as profit until 2016).

  The real issue is identifying the normalised and sustainable level of project income. In this regard, it could be argued that the EBIT in 2013 and 2014 may represent a peak in Westfield ANZ's earnings. Excluding earnings from completed projects (as was done in setting the merger ratio[93]), the forecast 2014 accounting EBIT multiples increase from 14.6-17.0 times to 19.6-22.9 times and the forecast 2014 economic EBIT multiples increase from 9.2-10.8 times to 13.4-15.6 times. The "true" multiple is likely to be in between. As a guide, cash project income in the DCF in 2014 and 2015 is in the order of A$120-130 million (on an economic basis), compared to:
  - A$226.3 million in 2013 and A$206.1 million in 2014 (on an economic basis); and
  - A$92.2 million in 2014 used for setting the merger ratio.

Grant Samuel has reviewed these multiples having regard to multiples of EBIT based on:

- recent transactions involving real estate management platforms in Australia;
- pre 2007 transactions involving the mergers of listed real estate management platforms with their associated funds; and
- notional values for real estate management platforms implied by sharemarket ratings (including Westfield Group). Implied multiples were calculated by adjusting the market value and earnings of relevant entities to exclude property investment activity based on book values for assets.

The multiples implied for the Westfield ANZ operating platform are high in comparison to recent transactions involving real estate management platforms (which may include at least some element of a control premium). In Grant Samuel's view, this outcome is reasonable having regard to:

- compared to managers of properties in other sectors (e.g. office), retail property management requires a greater degree of specialisation and is more difficult to replicate. This specialisation allows managers of retail properties to command higher fees and generate higher margins than managers of properties in other sectors;

[93] EBIT for the purposes of calculating the merger ratio also excluded A$3.7 million of asset management fees in relation to the properties the subject of the property linked notes and A$2.2 million of funds management income in relation to Carindale Property trust that was netted off the outside equity interest. The multiples include the impact of these additional income streams although the impact of these adjustments on the implied multiples is immaterial.

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- relative to its retail peers, Westfield ANZ's superior market position, greater depth of knowledge and experience, proven ability to undertake large scale, high quality development projects and the integrated nature of the operating platform;
- the high quality of Westfield ANZ's AUM. Properties managed by Westfield ANZ include 14 of the top 20 centres in Australia and it has a greater share of large centres (over A$500 million in sales) than its closest peers. Its portfolio is diversified by asset and geography;
- its strong brand name. Unlike its peers, the "Westfield" brand is associated with both the business as a whole and each of the shopping centres. Strong brand recognition is particularly important at large shopping centres which are major tourist centres (e.g. Westfield Sydney, Bondi Junction) and also assists Westfield ANZ in partnering, corporate sponsorship and generating new revenue streams;
- the substantial scale of its operations, which provide the following advantages:
  - unique relationships with national and international retailers;
  - the ability to connect shoppers through multiple channels (including digital, mobile and in centre experiences);
  - scale economies in advertising and marketing; and
  - the ability to partner with leading businesses (including contractors, suppliers, advertisers and brands);
- the highly successful track record of the management of Westfield ANZ in intensively managing shopping centres to maximise the income generated (and therefore the property management fees received). Westfield ANZ generates higher specialty sales per square metre than its closest peers;
- its substantial future development pipeline and a strong track record in originating, executing and creating value from development projects. Successful completion of these development projects alone (of which an estimated A$4.8 billion[94] expenditure is remaining) will increase AUM by 13% which will provide a boost to all income streams; and
- the "captive" nature of its sources for projects and property management income (in Westfield Retail Trust, Carindale Property Trust and Westfield Trust), which reduces the volatility of earnings.

Furthermore, a number of recent transactions involving real estate management platforms reflect a variety of circumstances some of which could have had an adverse effect on values as discussed below.

On the other hand, the multiples for the Westfield ANZ operating platform are lower than:

- the pre 2007 transactions involving the mergers of listed real estate management platforms with their associated funds; and
- the notional values for real estate management platforms implied by sharemarket ratings (albeit that analysis should be treated with considerable caution).

[94] Calculated as the sum of an estimated A$3.6 billion remaining expenditure on identified projects for which Westfield ANZ also performs property management services (A$4.9 billion development pipeline, less A$1.1 billion of expenditure on Macquarie and Pacific Fair, less an estimated A$0.2 billion expenditure incurred as at 31 December 2013), A$0.4 billion of sundry projects and a further A$0.8 billion of potential future projects.

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Acquisitions of Real Estate Management Platforms

There have been a number of transactions involving the acquisition of real estate management platforms in recent years. Set out in Appendix 1 is an analysis of those transactions for which there is sufficient information to prepare meaningful valuation parameters.

Based on the transaction evidence set out in Appendix 1, the valuation parameters for the most comparable transactions to the Westfield ANZ operating platform are set out below:

Recent Transaction Evidence - Real Estate Management Platforms

Date	Target	Consider-ation (A$ millions)	EBIT Multiple (times)		Multiple of net savings
			historical	forecast	
Dec 2013	CFSGAM's property management platform	475.0	na	11.8	9.8
Aug 2011	Centro Properties Group's services business	240.0	6.0	6.8[95]	na
Feb 2010	Real estate management platform for Macquarie Group	108.0	4.3[96]	7.7	na
Feb 2008	DB RREEF Holdings Pty Limited (remaining 50% interest)	260.0	na	10.5	na

Source: Grant Samuel analysis (Appendix 1)

Each of these transactions is of substantial scale and involves active funds and asset management activities. However:

- the price paid for the remaining 50% interest in DB RREEF Holdings Pty Limited (the responsible entity for DB RREEF Trust, now DEXUS), was set in August 2004 when the initial 50% interest was acquired and therefore the implied multiples may not reflect those achievable in current market conditions. In addition, although the business managed office, retail and industrial assets, the major focus was the office sector. However, there were significant third party management activities;
- the Macquarie Group property funds management platform's primary focus was the office sector. This transaction occurred as part of Macquarie Group's strategy to exit its listed funds businesses at a time of restricted liquidity and negative market sentiment towards the satellite fund model. Higher multiples would be expected for a retail property platform;
- the Centro Properties services business was involved exclusively in the retail sector but occurred as part of a restructuring/recapitalisation, which may be reflected in lower implied multiples. This business now comprises the internalised management functions of ASX listed Federation Centres; and
- CFSGAM's operating platform also included a majority of retail assets. However, compared to Westfield ANZ's operating platform, the CFSGAM platform:
  - is smaller in scale (A$13.9 billion AUM) compared to Westfield ANZ's A$38.6 billion AUM, indicating that lower economies of scale are achievable (e.g. in advertising and marketing);

[95] Based on recurring fees (i.e. base management fees, property management fees and recoveries but excludes performance fees and other non recurring items. Including all fees (i.e. transaction fees such as rollover, termination and performance fees) the forecast EBIT multiple declines to 4.7 times.

[96] Historical EBIT for Macquarie Group's real estate management platform included substantial income from other property services (leasing, development management, acquisition services and disposal services) which were curtailed in the forecast year.

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- has a lower proportion of development management revenue (around 15% of 2014 revenue before alignment fees) than the Westfield ANZ operating platform (55%);
- the portfolio managed by CFSGAM's platform is less diversified than the Westfield ANZ portfolio. Chadstone Shopping Centre represents approximately 20% of the portfolio (by value) and 53% of properties (by value) are in Victoria;
- is less asset intensive, with a development pipeline of A$2.7 billion, compared with the Westfield ANZ pipeline of A$4.9 billion. As a result, the growth profile for the CFSGAM operating platform is lower than for the Westfield ANZ platform; and
- generates lower specialty sales per square metre and managed relatively smaller centres (around 30% of the portfolio (by value) had sales of more than A$500 million per centre compared with more than 70% for shopping centres managed by the Westfield ANZ platform).

In addition, CFSGAM's earnings included:

- a substantial element of funds management income that was arguably less secure (as the responsible entity can be removed by a simple majority vote by securityholders); and
- payment of the accrued balance of performance management fees (at the maximum level allowed per annum) which is an income stream with a limited life and some uncertainty.

Accordingly, the underlying multiples attributable to CFSGAM's property management income are higher than the average multiple of 9.8 times net savings. In any event, Westfield ANZ's property management income would warrant a higher multiple than CFSGAM having regard to the attributes outlined above (particularly the growth profile from the development pipeline).

On the other hand, the much higher proportion of project income would push down the average multiple appropriate for Westfield ANZ's operating platform.

Listed Entity Transactions

Some insight into appropriate multiples can also be gained from transactions involving listed entities engaged in real estate funds and asset management. Prior to 2007 there was substantial restructuring of the Australian REIT sector involving many of the major participants such as Westfield, Macquarie Goodman (now Goodman Group), DB RREEF Trust (now DEXUS), Australand Property Group and Mirvac Group. Typically, this involved the listed fund (and asset) manager merging with one (or more) of the funds that they managed, thereby creating internally managed REITs.

The following table sets out the effective value crystallised for the management business through such mergers and where there is sufficient information to prepare meaningful valuation parameters:

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Transaction Evidence - Real Estate Management Platforms				
Date	Transaction	Consideration (A$ millions)	EBIT Multiple (times)	
			historical	forecast
Oct 2004	Formation of Macquarie Goodman Group	832.0	23.5	16.6
Aug 2004	Formation of DB RREEF Trust (acquisition of 50% of manager)	140.0	7.7	7.0[97]
Apr 2004	Formation of Westfield Group	5,665-6,590[98]	24-28	20-23

Source: Grant Samuel analysis

In considering these multiples it is important to recognise that:

- they occurred prior to 2007 in more buoyant market conditions;
- in the cases of Macquarie Goodman and Westfield Group the values crystallised were largely a function of merger ratios based on market values and, accordingly, the multiples reflect the fact that, at the time, the market attributed high values to successful standalone managers because of minimal capital requirements and expectations of strong earnings growth from development pipelines and fund expansion; and
- the managers of Westfield and Macquarie Goodman were both listed entities with substantial sector specific real estate management platforms. In comparison, on the formation of DB RREEF Trust there was only partial internalisation as only 50% of the manager was acquired for scrip in the new entity and cash for working and regulatory capital. The manager was an unlisted company provided funds and asset management services to a diversified property portfolio.

Evidence from Sharemarket Prices

Grant Samuel has also analysed the listed REITs with real estate management platforms. This review has involved adjusting the market value and earnings of each entity to exclude property investment activity based on book values for assets. The implied valuation metrics (based on only being able to meaningfully analyse two REITs on this basis other than Westfield Group which is considered below) fall in a wide range of 7-23 times historical EBIT and 19 times forecast EBIT. The multiples relevant for Westfield ANZ's operating platform would be those at the top end of the range (representing the multiples for Charter Hall Group). This is a relatively crude process, being dependent on the level of disclosure and allocation of corporate expenses to business segments and it assumes the value attributed to property investments is equal to book value. The results should be treated with considerable caution.

The trading price for Westfield Group securities also provides a relevant benchmark for assessing the multiples implied by the valuation of Westfield ANZ's operating platform as the notional value of Westfield Group's total operating platform (i.e. the Australia and New Zealand platform and the international platform) can be estimated and overall multiples calculated. Grant Samuel's analysis, based on Westfield Group security prices of $10.00, $10.50 and $11.00 is set out below:

97 Based on EBIT forecast for 2005/06 as 2004/05 year is a transitionary year for the business and therefore the transaction multiple is probably lower than 7.7 times 2005 EBIT and closer to the forecast 2006 multiple of 7.0 times.

98 Consideration based on the value attributed to Westfield Holdings Limited's property development and construction and property and funds management businesses by the independent expert in relation to the merger of Westfield Holdings Limited, Westfield Trust and Westfield America Trust. The implied multiples for the second forecast year (30 June 2006) were 14.9-17.3 times EBIT.

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Westfield Group – Implied Trading Multiples for Operating Platform (A$ millions)	Section Reference	Low	Mid	High
Westfield Group security price (A$)		10.00	10.50	11.00
Market capitalisation	8.3.2(i)	**20,722.2**	**21,758.3**	**22,794.4**
Enterprise value		**35,420.1**	**36,456.2**	**37,492.3**
Westfield Group historical 2013 EBIT	3.3	2,053.9	2,053.9	2,053.9
Westfield Group – historical EBIT multiple		*17.2*	*17.7*	*18.3*
100% of deferred tax liability added back to NTA				
Notional value of operating platform	8.3.2(ii)	3,018.7	4,054.8	5,090.9
Operating platform historical 2013 EBIT	8.3.2(ii)	307.0	307.0	307.0
Operating platform – implied historical EBIT multiple		*9.8*	*13.2*	*16.6*
50% of deferred tax liability added back to NTA				
Notional value of operating platform	8.3.2(ii)	4,635.8	5,671.9	6,708.0
Operating platform historical 2013 EBIT	8.3.2(ii)	307.0	307.0	307.0
Operating platform – implied historical EBIT multiple		*15.1*	*18.5*	*21.9*

The multiples fall in a wide range reflecting the range of security prices for Westfield Group and the alternative treatments of the deferred tax liability (i.e. either 100% added back to NTA or 50% added back to NTA). For the "mid" Westfield Group security price of A$10.50, the implied multiples for Westfield Group's operating platform are 13.2 or 18.5 times historical 2013 EBIT depending on the deferred tax liability treatment, while the overall Westfield Group historical 2013 EBIT multiple is 17.7 times. These are overall multiples for Westfield Group and, as discussed earlier in this Section, it is likely that the implicit multiple attributable to the Australian and New Zealand business is lower than the overall average. In addition, it should be noted that these multiples are based on accounting EBIT rather than economic EBIT.

Given the uncertainties inherent in the analysis, it is difficult to draw definitive conclusions but the historical 2013 EBIT multiples implied by Grant Samuel's valuation of the Westfield ANZ operating platform (A$3.0-3.5 billion) of 15.8-18.4 times is not out of line with the multiples for Westfield Group's overall operating platform implied by its trading price.

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9.4 Other Assets and Liabilities

Westfield ANZ's other operating net liabilities have been valued at A$122 million and its non operating net liabilities have been valued at A$176-177 million:

Westfield ANZ – Other Assets and Liabilities (A$ millions)			
	Section reference	Low	High
Other net liabilities as at 31 December 2013	4.3	(502.8)	(502.8)
Less: intangible assets (property management rights)		(15.2)	(15.2)
Less: book value of investment in Westfield Retail Trust		(20.3)	(20.3)
Less: 50% of Carindale Property Trust other assets and liabilities		11.6	11.6
Less: operating platform assets and liabilities		288.5	288.5
Add: deferred tax liability related to properties		116.2	116.2
Other operating assets and liabilities for valuation purposes		**(122.0)**	**(122.0)**
Market value of investment in Westfield Retail Trust		17.7	18.6
Westfield ANZ share of final 2013 distribution		(292.1)	(292.1)
Cash payment from property linked noteholders		97.8	97.8
Other non operating assets and liabilities for valuation purposes		**(176.6)**	**(175.7)**

The starting point for the valuation of other assets and liabilities is Westfield ANZ's other net liabilities (including deferred tax liabilities) as at 31 December 2013 of A$502.8 million. To determine other operating assets and liabilities, this figure has been adjusted to:

- deduct intangible assets related to property management rights are these are incorporated in the valuation of the operating platform;
- deduct non operating assets (the investment in 5.9 million Westfield Retail Trust securities);
- deduct 50% of the other assets and liabilities of Carindale Property Trust that represent outside equity interests (as Carindale Property Trust is consolidated);
- deduct operating assets and liabilities associated with the operating platform as these are reflected in the separate valuation of the operating platform; and
- add back deferred tax liabilities that relate to investments in shopping centres being carried on the balance sheet in excess of their tax cost base. This liability has been added back on the basis that Westfield ANZ has no intention of divesting the majority of these shopping centres.

Other non operating assets and liabilities represent:

- the market value of Westfield ANZ's 5.9 million securities in Westfield Retail Trust (based on a Westfield Retail Trust security price in the range A$3.00-3.15);
- Westfield ANZ's share of Westfield Group's final distribution for the year ended 31 December 2013. On 28 February 2014, Westfield Group paid a final distribution for the year ended 31 December 2013 of A25.5 cents per security. This distribution represented a A7.92 cent dividend from Westfield Holdings Limited, a A9.74 cent distribution from Westfield Trust unit and a A7.84 cent distribution Westfield America Trust. The distribution was not provided for and cash in relation to the distribution is included in Westfield ANZ's financial position as at 31 December 2013. Based on discussions with Westfield Group, Grant Samuel has treated as a non operating liability the amount of the cash distribution in relation to Westfield Trust and 55% of the dividend from Westfield Holdings; and
- Grant Samuel adjusted the value of Westfield ANZ's shopping centre portfolio by A$1,469.2 million, reflecting the book value of the relevant interests in each of the shopping centres as at 31 December 2013. However, the liability to the noteholders as at 31 December 2013 was

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only A$1,371.4 million, the difference representing the noteholders' share of accumulated capital expenditure on the relevant shopping centres since the notes were issued in 2007. If the interests in the shopping centres were transferred to the noteholders at 31 December 2013, the noteholders would be required to make a cash payment to Westfield ANZ of A$97.8 million (i.e. the difference between A$1,469.2 million and A$1,391.4 million). This has been included in the value of Westfield ANZ as a non operating asset.

9.5 Corporate Overheads

Westfield ANZ has forecast corporate overheads of A$28.3 million for the year ending 31 December 2014. These overheads represent costs associated with running the head office of Westfield ANZ and include the Westfield ANZ executive office (such as costs associated with the offices of the Managing Director and Chief Financial Officer, company secretarial and legal, planning and development, corporate affairs etc.) as well as treasury, tax, audit and risk management. Certain human resources and information technology costs are also includes to the extent those services are allocated to employees in the head office.

The cash flow model on which the valuation of the Westfield ANZ operating platform is based and the valuations of the shopping centres reflect only costs associated with the management of the relevant business. They do not reflect any "head office" costs. Therefore, separate allowance has been made for corporate overheads.

Corporate overheads have been capitalised at a multiple of 13.8-14.2 times (equivalent to the overall forecast EBIT multiple implied by the valuation of Westfield ANZ) to give a value for corporate overheads in the range A$391-402 million for the purposes of the valuation.

9.6 Net Borrowings

Westfield ANZ's net borrowings for valuation purposes are A$7.0 billion. This amount is based on Westfield ANZ's pro forma proportionate net borrowings as at 31 December 2013 of A$7.1 billion:

Westfield ANZ - Net Borrowings		
	Section reference	**A$ millions**
Pro forma proportionate net borrowings as at 31 December 2013	4.3	7,094.0
Less: 50% of Carindale Property Trust net borrowings		(101.1)
Westfield ANZ Net Borrowings for valuation purposes		**6,992.9**

Westfield ANZ's 50% interest in Carindale Property Trust is consolidated in Westfield ANZ's balance sheet. Therefore, the 50% outside equity interest in the Carindale Property Trust's net borrowings as at 31 December 2013 (i.e. 50% of A$202.1 million) has been deducted to calculate Westfield ANZ's net borrowings for valuation purposes.

As Grant Samuel has assumed the property linked notes are redeemed by way of a transfer of the underlying assets the book value of the notes has been excluded from net borrowings.

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10 Qualifications, Declarations and Consents

10.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally) and provides marketing and distribution services to fund managers. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 500 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Stephen Wilson MCom (Hons) CA (NZ) SF Fin and Jaye Gardner BCom LLB (Hons) CA SF Fin. Each has a significant number of years of experience in relevant corporate advisory matters. Celeste Oakley BEc LLB CFA F Fin assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

10.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Proposal is in the best interests of Westfield Group securityholders. Grant Samuel expressly disclaims any liability to any Westfield Group securityholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Westfield Group Securityholder Booklet issued by Westfield Group and has not verified or approved any of the contents of the Westfield Group Securityholder Booklet. Grant Samuel does not accept any responsibility for the contents of the Westfield Group Securityholder Booklet (except for this report).

10.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Westfield Group or Westfield Retail Trust or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.

Grant Samuel had no part in the formulation of the Proposal. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of A$1.25 million for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

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10.4 Declarations

Westfield Group has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be caused by any conduct involving negligence, fraud or wilful misconduct by Grant Samuel. Westfield Group has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by Westfield Group are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been negligent, fraudulent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to Westfield Group and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

Following circulation of the full draft report, Westfield Group provided revised financial information for Westfield ANZ, Scentre Group and Westfield Corporation which resulted in minor changes to Grant Samuel's valuation of Westfield ANZ and some of the analysis in its evaluation of the Proposal. The cumulative impact of these changes was an increase in the estimated value of Westfield ANZ of A$66.3-69.1 million, less than 1% of Westfield ANZ's value. The changes had no impact on Grant Samuel's conclusions.

10.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Westfield Group Securityholder Booklet to be sent to securityholders of Westfield Group. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

10.6 Other

The accompanying letter dated 11 April 2014 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED
11 April 2014

Grant Samuel & Associates

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Appendix 1

Market Evidence

Real Estate Funds and Asset Management

There are no substantial listed entities in Australia primarily focussed on real estate funds management, asset management and development management activities. Entities with these activities generally derive a significant proportion of earnings from investment in real estate (either directly or indirectly) and are generally sector specialists providing the full range of management services often including significant property development activities. Consequently, to review value parameters that apply to real estate management platforms to assist in forming a view on the value of Westfield ANZ's operating platform, Grant Samuel has place greater emphasis on transaction evidence than the evidence from sharemarket trading.

Evidence from Transactions

There has been considerable transaction activity in Australia involving the acquisition of real estate funds management, asset management and development management rights in recent years. However, the global economic downturn is an important consideration when reviewing the value parameters implied by recent transaction activity.

Prior to 2008 there was significant consolidation in the listed real estate investment trust ("REIT") sector in Australia the rationale for which was to access the benefits of size and scale (e.g. increased liquidity, greater diversification and a lower cost of capital). During this period, the availability of funds for growth increased the number of listed property groups (including investment, development, funds management and asset management activities) and, due to the limitations of the relatively small Australian market, resulted in the development of Australian domiciled REITs holding international real estate assets and fund managers managing REITs with assets in overseas jurisdictions. This period witnessed a significant level of corporate activity and transaction multiples were relatively high. In particular, transactions involving entities with active property development or syndication activities (e.g. Macquarie Goodman and Westfield) were undertaken at higher earnings multiples than transactions relating to management rights associated with more passive real estate asset management and fund management services.

The global economic downturn (which commenced with the global financial crisis in late 2007) had a significant impact on the real estate funds management and asset management sector. Market conditions were challenging (with limited access to debt and equity funding, declining property values and weaker economic conditions) and many transactions since 2007 reflected a level of financial distress, including:

- those that occurred as part of (or immediately prior to) recapitalisations or restructurings (e.g. Centro Properties Group's services business, Becton Investment Management Limited, Orchard Industrial Property Fund and Babcock & Brown Communities Group);
- the acquisition of a 50% interest in Trinity Funds Management Limited by Clarence Property Corp, Limited, occurred as part of substantial asset sales to reduce debt;
- the sale of managers of geared United States or European assets (e.g. sale of the European funds management business for Valad Property Group); and
- sale or internalisation of property management businesses which were performing poorly or loss making (e.g. Mirvac Domaine Property Funds Limited, acquisition of Trinity Funds Management by LaSalle Investment Management).

These transactions took place at lower earnings multiples. Other transactions reflect the sale of a manager as part of a global deleveraging strategy (e.g. Macquarie Group's real estate management platform). More recently, as market conditions have improved and participants have sought domestic growth opportunities, transactions have occurred at higher earnings multiples.

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A selection of relevant Australian transactions (third party acquisitions, internalisation and internalisation and acquisition of rights to independent funds) since 2008 involving property funds management, asset management and development management rights for which financial information is available is set out below:

Recent Transaction Evidence - Real Estate Funds and Asset Management[1]

Date	Target	Transaction	Management (FM/AM/DM[2])	Property Category	Consideration[3] ($ millions)	EBIT Multiple[4] (times)		Multiple of Net Savings (times)
						historical	forecast	
Integrated Real Estate Platforms								
Third Party Acquisitions								
Dec 2013	Management rights to CPA	Acquisition by DEXUS Property Group (part of takeover offer for CPA)	FM	Office	41.0	na	2.9[5]	na
Jul 2012	Austock's property funds management business	Acquisition by Folkestone Limited	FM,AM	Education	11.5	4.1	na	na
Jul 2011	ING Healthcare Pty Ltd	Acquisition of 67.5% by APN Property Group	FM, AM	Healthcare	4.3	na	6.8	na
Apr 2011	European funds management business of Valad Property Group[1]	Acquisition by Blackstone Real Estate Advisors	FM,AM	Diversified (Europe)	24.9[6]	5.5	na	na
Oct 2010	Becton Investment Management Limited[1]	Acquisition by 360 Capital Group (prior to May 2011 restructuring proposal)	FM,AM,DM	Diversified	6.0[6]	0.6	na	na
May 2010	Trinity Funds Management Limited[1]	Acquisition of 50% by Clarence Property Corporation	FM,AM	Diversified	10.0	4.6	na	na
Feb 2010	Real estate management platform for Macquarie Group	Acquisition by Charter Hall Group	FM,AM,DM	Diversified	108.0	4.3[7]	7.7	na
Dec 2008	Mirvac Domaine Property Funds Limited[1]	Acquisition by Australia Property Growth Fund	FM,AM	Diversified	5.8	0.6	1.4	na
Internalisation								
Oct 2013	Funds management business of GDI Property Group	Internalisation by GDI Property Group prior to initial public offering	FM,AM,DM	Office	27.3[8]	5.3[9]	na	na
Internalisation and acquisition of rights to independent funds								
Dec 2013	CFSGAM's property management platform	Internalisation by CFS Retail Property Trust	FM,AM,DM	Retail	475.0	na	11.8	9.8
Aug 2011	Centro Properties Group's services business[1]	Internalisation by Centro Retail Australia	FM,AM,DM	Retail	240.0	6.0	6.8[10]	na
Feb 2008	DB RREEF Holdings Pty Limited	Internalisation of remaining 50% interest by DB RREEF Trust	FM,AM,DM	Diversified	260.0	na	10.5	na

1 Transactions involving a level of financial distress have been shaded.

2 FM = funds management, AM = asset management, DM = development management

3 Implied value if 100% of company or business had been acquired.

4 Represents gross consideration divided by EBIT. EBIT is earnings before interest, tax, investment income and significant items. However, in some transactions only EBITDA (i.e. earnings before interest, tax, depreciation, amortisation, investment income and significant items) is available. As funds and assets management businesses are not typically capital intensive in some instances EBIT multiples have been calculated by reference to EBITDA.

5 EBIT calculated as $17.5 million responsible entity fee revenue from CPA, less $3.5 million incremental costs for an acquirer with an existing real estate management platform.

6 Consideration sourced from the independent expert report for each transaction.

7 Historical EBIT for Macquarie Group's real estate management platform included substantial income from other property services (leasing, development management, acquisition services and disposal services) which were curtailed in the forecast year.

8 Includes a $8.8 million disposal fee.

9 Fee income varies widely from year to year depending on activity levels. Therefore, calculation utilises average EBIT (excluding performance fees) for FY11-FY13.

10 Excludes performance fees and other non recurring items.

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Recent Transaction Evidence - Real Estate Funds and Asset Management[1]								
Date	Target	Transaction	Management (FM/AM/DM[2])	Property Category	Consideration[3] ($ millions)	EBIT Multiple[4] (times)		Multiple of Net Savings (times)
						historical	forecast	
Funds Management								
Third Party Acquisitions								
Aug 2011	Investa Funds Management Limited	Acquisition by Australian Unity Property Limited	FM	Office, Industrial	13.9	6.4	na	na
Jul 2011	Trinity Funds Management Limited[1]	Acquisition by LaSalle Investment Management	FM	Diversified	9.3	3.3	na	na
Mar 11	Management rights for ING Office Fund	Acquisition by Investa Listed Funds Management Limited	FM	Office	24.6	3.7	3.8	na
Sep 2010	Westpac Funds Management Limited	Acquisition by Australian Unity Property Limited	FM	Diversified	10.0	na	6.1	na
Apr 2010	Mirvac PFA Limited	Acquisition by Australia Property Growth Fund	FM	Diversified	14.0	3.3	2.9	na
May 2009	MacarthurCook Limited	Acquisition of remaining 71.7% by AIMS Financial Group Pty Ltd	FM	Industrial, Mortgages	11.6	6.6	na	na
Internalisation								
Jun 2009	Macquarie Leisure Management Limited	Internalisation by Macquarie Leisure Trust	FM	Leisure	15.9	8.2[11]	na	15.9
May 2009	Management rights for Orchard Industrial Property Fund[1]	Internalisation of 50.1% by Growthpoint Properties Limited as part of recapitalisation	FM	Industrial	6.0	na	5.0[12]	5.0

Source: Grant Samuel analysis[13]

When considering these multiples it is important to have regard to the following matters:

- the financial information in a number of transactions is limited and does not allow detailed analysis to be undertaken;
- transactions involving distressed situations occurred at lower earnings multiples;
- the multiples for transactions which have occurred since 2008 and do not reflect distressed situations are in a wide range of 3-8 times historical EBIT, 3-12 times forecast EBIT and 10-16 times net savings. Several factors influence multiples for real estate management companies and the implied multiples for each transaction reflect a unique combination of these factors. Multiples are typically higher for:
  - transactions involving larger funds management businesses, relative to those involving relatively small businesses or management of single funds as a result of economies of scale. There are relatively few transactions of any substantial size (only the acquisition of Macquarie Group's funds management platform, internalisation of management rights of Kiwi Income Property Trust and internalisation and acquisition of rights to independent funds in relation to CFS Retail Property Trust and DB RREEF Trust);
  - real estate asset management businesses requiring specialised knowledge (such as the retail sector relative to the office sector), as margins are typically higher for these businesses;

11 Although Macquarie Leisure Trust Group had limited entrenchment issues and the incumbent manager only held a 5.8% interest, it had strong performance with a nil carry forward performance deficit and multiple is relatively high (8.2 times historical EBIT).

12 Forecast EBIT is sourced from the independent expert report prepared for the Orchard Industrial Property Fund transaction and based on forecast management fee savings (i.e. does not appear to include expenses). Consequently, the EBIT multiple may be understated.

13 Grant Samuel analysis based on data obtained from IRESS, Capital IQ, company announcements, transaction documentation and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each transaction depends on analyst coverage, availability and corporate activity.

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- transactions involving internalisation and internalisation and acquisition of rights to independent funds relative to those for third party transactions, however, this may be because the internalisation transactions are generally larger than the third party transactions; and
- internalisation transactions with a higher degree of management entrenchment. For example, where:
  - the management contract is long term and only cancellable in unusual or unlikely circumstances (e.g. insolvency of the manager);
  - provisions are embedded in loan agreements or ownership agreements that are triggered if the incumbent manager is replaced and result in a substantial cost or loss to the entity;
  - the incumbent manager has a substantial interest in the fund, allowing it to potentially block a vote to remove them as responsible entity; and
  - there has been strong performance by the manager and there is a likelihood of paying a performance fee in future.

In Grant Samuel's opinion, the most comparable transactions to assist in forming a view on the value of Westfield ANZ's operating platform are the acquisition of Macquarie Group's funds management platform, the internalisation of Centro Properties Group's services business and the internalisation and the acquisition of management rights to independent funds by CFS Retail Property Trust and DB RREEF Trust. These transactions occurred at multiples in the range 6-8 times historical EBIT and in the range 7-11.8 times forecast EBIT. Each transaction is of substantial scale and involves active funds and asset management, however:

- the price paid for the remaining 50% interest in DB RREEF was set in August 2004 (when the initial 50% interest was acquired) prior to the onset of the global economic recession and, therefore, the implied multiples may not reflect those that could be achieved in current market conditions. In addition, although the business managed office, retail and industrial assets, the major focus was the office sector and there were significant third party management activities;
- the Macquarie Group funds management platform's primary focus was the office sector;
- the Centro Properties services business was involved exclusively in the retail sector but occurred as part of a restructuring/recapitalisation, likely reducing the implied multiples; and
- the CFS Retail Property Trust transaction is most relevant. It involved both the internalisation of management rights to CFS Retail Property Trust and the acquisition of Commonwealth Bank of Australia's retail property funds management platform.

Grant Samuel notes that on 13 December 2013 a transaction to internalise all of the funds management and asset management of New Zealand listed REIT Kiwi Income Property Fund ("KIP") was completed. KIP was previously managed by CFSGAM Property (alongside CFX and CPA). It has a substantial exposure to the retail sector (65% of assets), however, the transaction involved management rights to a single fund and there was a performance fee deficit as at 30 September 2013 (suggesting that limited or no value was placed on the performance fee savings). The transaction occurred at a multiple of 6.6 times historical EBIT.

Evidence from Sharemarket Prices

The only listed entity of scale with a primary focus on real estate fund management and asset management is Charter Hall Group. Consequently, in order to review the value parameters implied by sharemarket ratings for real estate management platforms, Grant Samuel has also reviewed listed REITs with real estate management platforms. This review has focussed on entities with AUM in excess of $1 billion primarily in the retail, industrial and office property sectors (namely Goodman Group, DEXUS Property Group ("DEXUS") and The GPT Group ("GPT")). This review has involved adjusting the market rating and earnings of each entity to exclude property investment activity. However, this is a relatively crude process (being dependent on the level of disclosure and allocation of corporate expenses to business segments) and the results should be treated with some caution.

The results of Grant Samuel's analysis are set out in the table below. It should be noted that, although DEXUS and GPT have significant real estate management platforms, corporate expenses for these entities exceed their earnings from external management activities and therefore it is not possible to calculate implied multiples for

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the management business. Furthermore, as Goodman Group includes development project management fees in its development segment (which include, amongst other items, other development income and income from sales of development properties) it is not possible to calculate EBIT multiples for its real estate management platform (although limited analysis indicates multiples in the range 13-15 times).

Sharemarket Ratings of Selected Listed Real Estate Funds and Asset Management Entities

Entity	Sector	Activities[2]	Market Capitalisation[14] ($ millions)	EBIT Multiple[15] (times)	
				FY13	FY14
Charter Hall Group	Diversified	FM, AM, DM, I	1,388	23.3	18.9
APN Property Group	Diversified	FM, I	60	7.1	na

Source: Grant Samuel analysis[16]

The multiples shown are based on sharemarket prices as at 31 March 2014. Therefore, the multiples do not reflect a premium for control. All of the listed entities have a 30 June year end. The last reported balance sheet for all entities is 31 December 2013.

The multiples are in a wide range of 7-23 times historical EBIT and 19 times forecast EBIT. In this regard:

- Charter Hall Group is of substantial scale and can likely capture significant economies of scale and is engaged in a full range of management activities (funds, asset and development management and property investment). However, Charter Hall Group manages a diversified portfolio comprising office (58% of AUM), retail (27% of AUM) and industrial (15% of AUM) predominantly located in Australia. Its focus on third party funds management (94% of AUM) and reasonably strong growth profile result in relatively high EBIT multiples; and
- APN Property Group is relatively small with around $2.0 billion of AUM. AUM is almost exclusively third party (over 98%). It is focused exclusively on funds management (i.e. does not engage in asset management and development management) and, therefore, its multiples are low.

A brief description of each entity is set out below:

Charter Hall Group

Charter Hall Group provides funds management, asset management and development management services and has $10.6 billion AUM including $10.5 billion in Australia and $0.1 billion offshore. Charter Hall Group manages 53 office properties (58% of AUM), 91 retail properties (27% of AUM) and 49 industrial properties (15% of AUM). The Australian managed properties are held through wholesale funds, partnerships and mandates (66% of AUM), listed funds (20% of AUM) and direct investments (14% of AUM). Third party AUM represents 94% of total AUM. Charter Hall Group is experiencing strong earnings growth due to growth in AUM.

APN Property Group

APN Property Group is a real estate funds manager and holds investments in various real estate funds which it manages. It manages 20 funds with $2.0 billion AUM, including domestic and international property securities, direct property, private and listed funds on behalf of institutions, superannuation funds and individual investors. APN Property Group is almost exclusively engaged in funds management on behalf of third parties (over 98% of AUM).

14 Market capitalisation based on sharemarket prices as at 31 March 2014.

15 Represents adjusted gross capitalisation divided by EBIT from funds, asset and development management activities.

16 Grant Samuel analysis based on data obtained from IRESS, Capital IQ, company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

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Real Estate Investment Trusts

Evidence from Sharemarket Prices

The sharemarket ratings of selected publicly listed retail and diversified REITs in Australia and retail REITs in the United States and Europe are set out below by region:

Sharemarket Ratings of Selected Australian Listed REITs[17]

Entity	Management Basis[18]	Market Capital-isation (millions)	Premium/ (Discount) to NTA[19]	EBIT Multiple		FFO Multiple		Distribution Yield	
				FY13	FY14	FY13	FY14	FY13	FY14
Westfield Group	**I**	**A$21,240**	**40.6%**	**17.5**	**17.6**	**15.4**	**14.9**	**5.1%**	**5.3%**
Westfield Retail Trust	**E**	**A$8,878**	**(15.2)%**	**15.8**	**15.5**	**15.0**	**14.6**	**6.8%**	**7.1%**
Westfield Retail Trust (pre)[20]	**E**	**A$8,938**	**(14.7)%**	**15.9**	**15.6**	**15.1**	**14.7**	**6.8%**	**7.0%**
Retail REITs - Australia									
CFS Retail Property Trust	I	A$5,704	0.7%[21]	16.9	15.8	13.9	13.9	7.2%	7.2%
Federation Centres	I	A$3,369	2.6%	13.9	15.4	14.9	14.0	6.0%	6.4%
Charter Hall Retail REIT	E	A$1,321	8.5%	13.8	14.0	12.0	11.8	7.5%	7.7%
Shopping Centres Australasia	I	A$1,077	4.1%	nc	14.4	nc	13.2	6.1%	6.6%
Carindale Property Trust	E	A$396	(14.0)%	35.3[22]	nc	nc	nc	5.1%	5.5%
Diversified REITs – Australia									
Stockland Group	I	A$8,721	7.4%	23.1	20.1	17.1	15.0	6.4%	6.4%
GPT	I	A$6,397	(4.0)%	14.4	14.1	14.2	13.7	5.3%	5.8%
Mirvac Group	I	A$6,277	14.0%	16.3	12.5	17.2	16.3	5.1%	5.3%
DEXUS	I	A$5,862	2.9%[23]	na	na	na	12.5	na	6.0%
Retail REITs - United States[24]									
Simon Property Group	I	US$50,986	na[25]	18.6	17.5	18.5	17.1	2.8%	3.1%
General Growth Properties	I	US$19,681	na	19.8	19.1	18.8	17.6	2.3%	2.5%
The Macerich Company	I	US$8,761	na	22.3	20.9	17.7	17.5	3.8%	4.0%
Taubman Centers	I	US$4,469	na	16.6	16.3	19.4	18.6	2.8%	3.0%
Retail REITs - Europe									
Unibail-Rodamco	I	€18,340	38.8%	23.0	21.9	18.4	17.6	4.8%	5.0%
Klepierre	I	€6,357	21.5%	17.4	18.1	15.8	15.8	4.8%	4.9%
Hammerson	I	£3,944	(2.8)%	24.0	20.8	nc	nc	3.4%	3.7%
Corio	I	€3,260	(8.9)%	17.8	17.7	12.7	14.1	6.4%	6.3%

Source: Grant Samuel analysis[16]

17 During 2013 there were initial public offerings for a number of REITs. Other than GDI Property Group, these REITs have not been included in this analysis due to their size and/or the sector focus.

18 E = externally managed; I = internally managed.

19 NTA is based on the last reported balance sheet. NTA excludes deferred tax liabilities and is after providing for the latest distribution to the extent that it was not provided for in the reported balance sheet. Adjustments have also been made for acquisitions, disposals, capital raisings and share buybacks as appropriate.

20 Based on security price and securities outstanding on 3 December 2013, the trading day prior to the announcement of the Proposal. Multiples are calculated based on Westfield Retail Trust's 31 December 2013 balance sheet and historical earnings is for the 2013 year.

21 Valuation metrics for CFS Retail Property Trust are based on pro forma NTA per security and pro forma distribution for FY14 assuming the internalisation of management rights on 1 July 2013.

22 Carindale Property Trust's relatively high historical multiple likely reflects that earnings are expected to emerge from the recent redevelopment of the Carindale shopping centre.

23 Valuation metrics for DEXUS are based on pro forma NTA per security and pro forma FFO and distribution for FY14 assuming 100% acquisition of CPA on 1 July 2013.

24 The EBIT multiples for United States retail REITs have been calculated using EBITDA. This is more comparable to the Australian and European EBIT multiples as US GAAP requires investment properties to be recognised at acquisition cost and depreciated.

25 In accordance with US GAAP, investment properties are recognised at acquisition cost and depreciated. Therefore, premiums/discounts to NTA are not meaningful.

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All of the Australian listed entities have a 30 June year end except for GPT, Westfield Group and Westfield Retail Trust which have a 31 December year end (i.e. for these entities FY14 equates to year ending 31 December 2014). All of the United States and European entities have 31 December year ends. The multiples shown are based on sharemarket prices as at 31 March 2014 except for the Westfield Retail Trust (pre) multiples which have been calculated based on security prices as at 3 December 2013, the day prior to the announcement of the Proposal.

A brief description of each REIT is set out below:

CFS Retail Property Trust

CFS Retail Property Trust ("CFS Retail") is an internally managed REIT with investments in 28 retail centres in Australia. As at 31 December 2013, the portfolio had a book value of $8.6 billion and comprised regional (56%), super regional (21%) and sub regional (14%) shopping centres, retail outlets (8%) and other (1%). At 30 June 2013, the shopping centre portfolio had gross lettable area of 1,422 million square metres and 99.4% occupancy. On 7 March 2014, unitholders approved a proposal for CFS Retail to acquire CFSGAM's property management platform and internalise the management rights in relation to CFS Retail's property portfolio.

Federation Centres

Federation Centres is an internally managed REIT with $6.7 billion AUM, including a $4.3 billion Australian retail investment portfolio and $2.4 billion of third party retail assets. The investment portfolio comprises sub regional (61%), regional (28%), convenience (10%) and other (1%) centres and is geographically diversified. At 31 December 2013, the 57 centre investment portfolio had gross lettable area of 1.4 million square metres, 99.5% occupancy and a weighted average lease expiry of 6.1 years. Federation Centres relatively high forecast multiple reflects lower forecast earnings as a result of the wind down of the syndicates business.

Charter Hall Retail REIT

Charter Hall Retail REIT is externally managed by Charter Hall Group and has passive investments in retail centres located mainly on the east coast of Australia. As at 31 December 2013 its core Australian portfolio included 77 properties with a book value of $1.9 billion. It also had $132 million of overseas properties classified as discontinued operations. The Australian portfolio comprised neighbourhood (48%), sub regional (42%) and freestanding (10%) centres and had a gross lettable area of 532,000 square metres, 98.2% occupancy and a weighted average lease expiry of 7.5 years. Charter Hall Retail REIT is trading at a premium to NTA possibly as a result of the non-discretionary spending nature of its shopping centre portfolio, strong growth outlook and the divestment program for its European assets.

Shopping Centres Australasia Property Group

Shopping Centres Australasia Property Group ("Shopping Centres Australasia") is an internally managed REIT with a portfolio of 73 shopping centres in Australia and New Zealand. At 31 December 2013, Australian centres represented around 87% of portfolio value and New Zealand centres represented the remaining 13%. The portfolio is geographically diversified across major states in Australia. The $1.6 billion investment portfolio as at 31 December 2013 comprised neighbourhood (59%), sub regional (25%) and freestanding (16%) centres. The portfolio has gross lettable area of 458,131 square metres, 97.1% occupancy and a weighted average lease expiry (by gross lettable area) of 13.8 years.

Carindale Property Trust

Carindale Property Trust is an externally managed REIT. Its sole investment is a 50% interest in Westfield Carindale, Brisbane which has 135,000 square metres of gross lettable area. As at 30 June 2013, Carindale Property Trust was valued at $685.1 million (50% basis). A $310 million redevelopment of Westfield Carindale was completed in August 2012. Its relatively high historical EBIT multiple likely reflects expected growth in rental income as a result of this redevelopment.

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Stockland Group

Stockland is an internally managed stapled entity. It is a diversified property group which develops, owns and manages retail shopping centres, office buildings, industrial sites, residential communities and retirement living villages. At 31 December 2013 the portfolio was valued at $7.9 billion and comprised 41 retail centres ($5.5 billion), 16 office properties ($1.5 billion) and 13 industrial properties ($0.9 billion). Stockland is the largest residential developer and one of the top three retirement living operators in Australia. In the last few years, residential and retirement living developments have been curtailed. In the year to 30 June 2013, the residential and retirement living activities accounted for around 40% of Stockland's real estate related assets (including substantial development land banks) but only 16% of EBIT, however, are expected to contribute to strong growth in future years. This growth is reflected in its relatively high multiples.

The GPT Group

GPT is an internally managed stapled entity. It is a diversified property group engaged in property investment, selective property development and property funds management (two unlisted wholesale funds which had $7.1 billion of AUM at 31 December 2013). GPT's property portfolio was valued at $8.6 billion at 31 December 2013 and comprised retail (52%), office (34%) and industrial (14%) properties. The retail portfolio has 0.9 million square metres of gross lettable area, occupancy of 99.6% and a weighted average lease expiry of 4.1 years. The office portfolio has net lettable area of 1.0 million square metres, occupancy of 90.6% and a weighted average lease expiry of 5.8 years. The logistics portfolio has gross lettable area of 0.7 million square metres, occupancy of 96.2% and a weighted average lease expiry of 5.1 years. GPT has a development pipeline of $0.8 billion of projects underway and planned with an additional $2.3 billion of opportunities.

Mirvac Group

Mirvac is an internally managed stapled entity engaged in property investment, property development and funds management. It aims to achieve 80% of operating profit after tax from property investment and 20% from property development through the cycle. As at 31 December 2013, its investment portfolio comprised 69 property assets valued at $7.2 billion. The weighting to the office sector was 65% of property value with the remainder primarily invested in retail (24%), industrial (6%) and other properties (i.e. residential, indirect investments, car parks and a hotel) (5%). Approximately 89% the office portfolio is classified premium or A-grade and concentrated in the Sydney and Melbourne central business districts ("CBD"). The retail portfolio comprised sub regional (81%), CBD (11%) and neighbourhood (8%) centres. Mirvac has a $4.7 billion development pipeline (including office, retail and residential developments).

DEXUS Property Group

DEXUS is an internally managed stapled entity which invests directly in and manages office and industrial properties within Australia in addition to developing and managing Australian properties on behalf of third parties. As at 31 December 2013, its portfolio was valued at $7.4 billion and comprised 78% office and 22% industrial properties. Third party funds under management were $6.6 billion at 31 December 2013 with assets across the retail (51%), office (34%) and industrial (15%) sectors. DEXUS has a development pipeline of $2.8 billion, including $1.1 billion of owned assets and $1.7 billion through third party funds. On 11 December 2013, DEXUS announced, in conjunction with Canada Pension Plan Investment Board ("the Consortium"), a conditional takeover offer for Commonwealth Property Office Fund ("CPA"). As at 3 March 2014, the Consortium had a relevant interest in over 90% of the units in CPA, allowing it to proceed with compulsory acquisition of the remaining interests. The transaction increases DEXUS's assets under management by $3.1 billion (after asset sales). The metrics for DEXUS are based on the pro forma financial information for DEXUS assuming 100% acquisition of CPA as set out in the Consortium Bidder's Statement.

Simon Property Group, Inc.

Simon Property Group, Inc. is an internally managed REIT capitalised at around US$20 billion. It primarily invests in 308 properties in the United States including 156 regional malls, 66 premium outlets, 13 mills, 62 community/lifestyle centres and 11 other shopping centres or outlet centres. It also owns 15 premium outlet centres in Asia, Canada and Mexico. Its United States malls and premium outlets have occupancy of 96.1%, the mills have 98.5% occupancy and community/lifestyle centres have 95% occupancy. The international portfolio

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is 99.4% occupied. The portfolio has a net lettable area of 22.6 million square metres. It also has a 28.9% interest in Klepierre SA, a European focused retail REIT. In December 2013, it announced a spin off of its interests in 98 properties comprising strip centres and smaller enclosed malls.

General Growth Properties, Inc.

General Growth Properties, Inc is an internally managed REIT capitalised at around US$20 billion. It invests directly in and manages in high quality regional malls in the United States. It has interests in 120 regional malls comprising 11.6 million square metres of gross lettable area, 13 strip/other retail properties (0.5 million square metres) and six stand-alone office buildings (65,000 square metres). Approximately 70% of net income is sourced from 73 Class A malls. At 31 December 2013, Class A malls had 97.1% occupancy and the overall portfolio had 97.1% occupancy. The properties experienced 12.3% positive leasing spreads in 2013. As at 31 December 2013, it had a development pipeline of US$2.1 billion.

The Macerich Company

The Macerich Company is an internally managed REIT with a market capitalisation of around US$8 billion. It invests directly in and manages in regional and community shopping centres throughout the United States. At 31 December 2013, it had interests in 54 regional shopping centres and 9 community/power shopping centres totalling 5.3 million square metres of gross lettable area. Its regional shopping centres have 94.6% occupancy.

Taubman Centers, Inc.

Taubman Centers, Inc. is an internally managed REIT capitalised at around US$4 billion. It invests directly in and manages in regional and super regional shopping centres in 12 states in the United States. Taubman Centres, Inc. comprises interests retail properties, The Taubman Company LLC (the manager of properties) and Taubman Properties Asia LLC and its subsidiaries. The property portfolio has 91.7% occupancy and gross lettable area of 2.4 million square metres.

Unibail-Rodamco SE

Unibail-Rodamco SE is an internally managed REIT capitalised at around €19 billion. At 31 December 2013, it has investments in $32 billion of properties throughout Europe comprising shopping centres (80%), office properties (12%), convention and exhibition centres (7%) and services (2%). In 2013, European shopping centres contributed 81% of net rental income (including 43% from France), commercial property (mainly in France) contributed a further 12% and conventions and exhibitions in France contributed 7%. At 31 December 2013, the retail portfolio had 97.5% occupancy and the office portfolio had 89.7% occupancy. At 31 December, it had a development pipeline of €6.9 billion.

Klepierre SA

Klepierre SA is an internally managed REIT capitalised at around €6 billion. It has investments in 256 large shopping centres in 13 countries throughout Europe and manages a further 62 properties on behalf of third parties. At 31 December 2013, its investment portfolio was valued at €16 billion and comprised shopping centres (95%), retail (4%) and office properties (1%). The shopping centre portfolio was 96.5% occupied and had a weighted average lease expiry of 4.7 years. Klepierre SA has a development pipeline of €3 billion. It also has a 56.1% interest in Steen & Strom, Scandinavia's largest shopping centre owner and manager. Klepierre SA is owned 28.9% by Simon Property Group. In January 2014, it entered into an agreement to dispose of 127 retail malls to a consortium for €2.0 billion.

Hammerson plc

Hammerson plc is an internally managed REIT capitalised at around £4 billion. It invests in retail properties in the United Kingdom and France valued at £5.9 billion, including 20 prime shopping centres, 22 convenient retail parks and investments in 9 premium designer outlet villages. As at 31 December 2013, its portfolio had 1.7 million square metres of lettable area, 97.7% occupancy and a weighted average lease expiry of 8.0 years. It has a £2.1 billion development pipeline.

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Corio NV

Corio NV is an internally managed REIT capitalised at around €3 billion. It invests in retail properties (99% of portfolio value) and other properties (1%) throughout Europe. Its properties are located in the Netherlands (26%), France (23%), Italy (18%), Spain/Portugal (9%), Germany (15%), Turkey (8%) and other (1%). At 31 December 2013, the portfolio was valued at €7.0 billion, was 94% occupied and had 1.9 million square metres of lettable area. In 2013, leasing spreads were negative 4.1% and properties were revalued downwards by 5.5%. It has a €1.2 billion development pipeline, significantly lower than the pipeline in the preceding four years, and one project was cancelled in 2013. In late 2012, Corio announced a program to divest 45 traditional retail centres with a book value of €1.4 billion (having sold €329 million of assets in 2012). A further 15 assets were sold in 2013 for €322 million and 12 assets were sold in early 2014 for €250 million.

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SECTION 12
AUSTRALIAN TAXATION LETTER

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Greenwoods & Freehills

The Directors
Westfield Holdings Limited
Level 30, 85 Castlereagh Street
Sydney NSW 2000

9 April 2014

The Directors
Westfield Management Limited as
responsible entity of Westfield Trust
Level 30, 85 Castlereagh Street
Sydney NSW 2000

The Directors
Westfield America Management Limited as
responsible entity of Westfield America Trust
Level 30, 85 Castlereagh Street
Sydney NSW 2000

Dear Directors

Westfield Group: Proposal for a restructure and merger with Westfield Retail Trust
Australian Taxation Implications

We have been instructed by Westfield Holdings, Westfield Management as responsible entity of Westfield Trust and Westfield America Management as responsible entity of Westfield America Trust to prepare this letter to be included in the Securityholder Booklet.

Capitalised terms not otherwise defined in this letter have the meaning given in the Securityholder Booklet.

1 Scope

This letter addresses the Australian income tax and goods and services tax (**GST**) implications of the Proposal for Eligible Securityholders.

This letter deals only with the taxation implications relevant to Eligible Securityholders who hold (or will hold) their Westfield Group Securities, Westfield Corporation Securities and Scentre Group Securities on capital account for income tax purposes. This letter does not apply to Eligible Securityholders who:

- carry on a business of trading in shares or other securities;
- hold (or will hold) their Westfield Group Securities, Westfield Corporation Securities and Scentre Group Securities on revenue account for income tax purposes; or

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- are subject to the Taxation of Financial Arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (the **ITAA 97**) in respect of their Westfield Group Securities, Westfield Corporation Securities and Scentre Group Securities.

The information in this letter is general in nature and is based on the law in force in Australia at the time of issue of this Securityholder Booklet. The precise taxation implications will depend upon each Eligible Securityholder's specific circumstances. Accordingly, all persons should seek their own independent taxation advice before reaching conclusions as to the possible taxation consequences of the Proposal. Non-residents of Australia should also consider their domestic tax consequences of the Proposal.

The comments in this section are generally directed at Eligible Securityholders who are Australian residents and who acquired, or are taken to have acquired, their Westfield Group Securities after 19 September 1985 (ie, post-CGT assets). Where relevant, specific comments have been made regarding:

- Eligible Securityholders who are not Australian residents; or
- Eligible Securityholders who acquired, or are taken to have acquired, any of their component securities that comprise Westfield Group Securities before 20 September 1985 (ie, pre-CGT assets).

2 Class Ruling

Westfield Group expects to receive a draft class ruling that sets out the preliminary but considered views of the ATO in respect of the income tax consequences of the Proposal for Eligible Securityholders (**Westfield Group Draft Class Ruling**). These consequences are explained in further detail below.

3 Overview of the key Australian tax issues

In general terms, the Westfield Group is reorganising by:

- first, splitting into two distinct businesses, an international business to be conducted by the new Westfield Corporation Group, and an Australian and New Zealand business (the **Demerger Stage**); and
- secondly, arranging for the Australian and New Zealand business to merge with the business of the Westfield Retail Trust group to form the Scentre Group (the **Merger Stage**).

From an Australian tax perspective, the Demerger Stage and the Merger Stage have specific consequences. The key Australian tax outcomes from the Demerger Stage are that you will be required to apportion the current cost base that you have in your:

- Westfield Holdings Shares across your Westfield Holdings Shares and new Westfield Corporation Limited Shares; and
- Westfield Trust Units across your Westfield Trust Units and new WFD Trust Units.

Your current cost base in your Westfield America Trust Units will not change under the Demerger Stage.

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The key Australian tax outcomes from the Merger Stage steps are outlined below:

Step	Key Australian tax outcomes
1 The number of shares and units that you have in Westfield Holdings and Westfield Trust will be split in line with the Merger Ratio (being the **Capital Conversion**).	This is not a taxable event, but you will be required to spread the cost base you have in the Westfield Holdings Shares and Westfield Trust Units after the Demerger Stage across the new (larger number of) securities that you will hold after the Capital Conversion.
2 Westfield Trust will make capital distribution of $0.0011 per subdivided Westfield Trust Unit to you which will be applied to acquire Westfield Retail Trust Securities as follows: • one Westfield Retail Trust 1 Unit for $0.001; and • one Westfield Retail Trust 2 Unit for $0.0001, (the **Westfield Retail Trust Stapling Distribution**).	The Westfield Retail Trust Stapling Distribution will generally reduce your cost base per Westfield Trust Unit. If your CGT cost base in your Westfield Trust Units is nil or is less than the nominal capital distribution, you will make a capital gain that may be eligible for the CGT discount. The starting cost base which you will obtain in a Westfield Retail Trust 1 Unit will only be $0.001. A result of having a low cost base in the new Westfield Retail Trust 1 Units is that distributions by Scentre Group on those Westfield Retail Trust 1 Units that are not assessable income (ie, so-called "tax deferred amounts") in excess of $0.001 per Unit will be taxable as capital gains that may be eligible for the CGT discount.
3 The Westfield Holdings Shares and Westfield Trust Units will be stapled to the Westfield Retail Trust Securities to form Scentre Group.	This step should not result in any tax consequences for you.

In summary, the key Australian tax outcomes arising from the Proposal for Australian resident Eligible Securityholders relate to the cost bases you will have in the Scentre Group Securities and Westfield Corporation Securities, as summarised below:

Scentre Group Securities	
Westfield Holdings Shares	Current cost base per Westfield Holdings Share is: 1 *reduced* under the Demerger Stage through the cost base spreading over Westfield Holdings Shares and Westfield Corporation Limited Shares; and 2 *further reduced* under the Capital Conversion that occurs under the Merger Stage, through the cost base spreading over the subdivided Westfield Holdings Shares.

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Scentre Group Securities	
Westfield Trust Units	Current cost base per Westfield Trust Unit is: 1 *reduced* under the Demerger Stage through the cost base spreading over Westfield Trust Units and WFD Trust Units; 2 *further reduced* under the Capital Conversion which occurs under the Merger Stage, through the cost base spreading over the subdivided Westfield Trust Units; and 3 *further reduced* by up to $0.0011 per subdivided Westfield Trust Unit in respect of the Westfield Retail Trust Stapling Distribution paid by Westfield Trust under the Merger Stage (which may also result in a capital gain).
Westfield Retail Trust 1 Units	Cost base per Westfield Retail Trust 1 Unit will be $0.001.
Westfield Retail Trust 2 Units	Cost base per Westfield Retail Trust 2 Unit will be $0.0001.

Westfield Corporation Securities	
Westfield America Trust Units	No change to current cost base per Westfield America Trust Unit.
Westfield Corporation Limited Shares	Cost base per Westfield Corporation Limited Share is determined by spreading the current cost base of Westfield Holdings Shares over Westfield Holdings Shares and Westfield Corporation Limited Shares.
WFD Trust Units	Cost base per WFD Trust Unit is determined by spreading the current cost base of WFD Trust Units over Westfield Trust Units and WFD Trust Units.

Further details of the cost base adjustments are explained below. In addition, information to assist you in determining the cost bases of your Scentre Group Securities and Westfield Corporation Securities will be made available on the Scentre Group and Westfield Corporation websites once established.

4 Demerger Stage

4.1 Acquisition of Westfield Corporation Limited Shares

The following discussion proceeds on the basis that the ATO will confirm in the Westfield Group Draft Class Ruling that demerger roll-over relief under Division 125 of the ITAA 97 is available in respect of the acquisition of Westfield Corporation Limited Shares.

(a) Distribution of Westfield Corporation Limited Shares by Westfield Holdings

The Capital Reduction by way of the distribution of Westfield Corporation Limited Shares by Westfield Holdings to you will be accounted for by Westfield Holdings as a return of share capital.

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Provided that you elect for demerger roll-over relief, any capital gain that you would make under CGT event G1 as a result of the Capital Reduction will be disregarded. There is no formal election required to be lodged. Rather, your income tax return should be prepared in a manner that is consistent with the choice that you make (ie, you would evidence your choice to elect for demerger relief by disregarding any capital gain that you would otherwise have made as a result of the Capital Reduction).

No assessable dividend will arise to you from the distribution of Westfield Corporation Limited Shares. To the extent that the market value of Westfield Corporation Limited Shares exceeds the amount of the Capital Reduction, there will be a deemed dividend for tax purposes (called a "demerger dividend"). However, any such deemed dividend will not be included in your assessable income and will not need to be disclosed as such in your income tax return.

(b) Cost base of Westfield Holdings Shares and Westfield Corporation Limited Shares

You will be required to calculate the cost base (and reduced cost base) of your Westfield Holdings Shares and new Westfield Corporation Limited Shares by:

- working out the sum of the cost bases (and reduced cost bases) of your Westfield Holdings Shares just before the Implementation Date; and
- apportioning that sum over the Westfield Holdings Shares and new Westfield Corporation Limited Shares received based on their relative market values just after the Implementation Date.

Information regarding the relative market values of Westfield Holdings and Westfield Corporation Limited will be made available to you.

(c) Date of acquisition of Westfield Corporation Limited Shares

For the purposes of determining eligibility for the CGT discount concession on a subsequent capital gain, the Westfield Corporation Limited Shares you receive will be taken to have been acquired on the same date as the corresponding Westfield Holdings Shares.

(d) Demerger roll-over relief not chosen

If you do not choose to obtain demerger roll-over relief you will make a capital gain under CGT event G1 to the extent (if any) that the Capital Reduction amount exceeds the cost base that you have in your Westfield Holdings Shares.

If you are an individual, trustee or complying superannuation entity and have held the Westfield Holdings Share for at least 12 months at the time of the CGT event, you should be entitled to apply the applicable CGT discount factor to reduce any capital gain (after offsetting capital losses).

The cost base and date of acquisition of your new Westfield Corporation Limited Shares will still be determined as outlined above in section 4.1(b) and section 4.1(c).

(e) Pre-CGT Westfield Holdings Shares

No capital gain from the Capital Reduction should arise in respect of your Westfield Holdings Shares acquired, or taken to have been acquired, before 20 September 1985 (**pre-CGT Westfield Holdings Shares**).

If you choose demerger roll-over relief in respect of your pre-CGT Westfield Holdings Shares, you will be taken to have acquired your new Westfield Corporation Limited Shares before 20 September 1985.

However, if you do not choose demerger roll-over relief in respect of your pre-CGT Westfield Holdings Shares:

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- the new Westfield Corporation Limited Shares that you acquire under the Demerger Stage as a consequence of holding pre-CGT Westfield Holdings Shares will not be taken to be pre-CGT shares; and
- the first element of the cost base and reduced cost base of the new Westfield Corporation Limited Shares you receive as a consequence of holding pre-CGT Westfield Holdings Shares will be calculated in accordance with the rules in Division 110 and Division 112 of the ITAA 97.

No assessable dividend will arise to you from the distribution of Westfield Corporation Limited Shares as any deemed dividend for tax purposes will be a "demerger dividend".

4.2 Acquisition of WFD Trust Units

(a) Distribution by Westfield Trust of WFD Trust Units

The Proposal will involve a distribution to you of WFD Trust Units from Westfield Trust followed by a transfer of Westfield Trust's international business assets to WFD Trust. This step will not be a "demerger" for income tax purposes, but rather will be a restructure which is subject to Subdivision 126-G of the ITAA 97.

As the distribution will be made from the corpus of Westfield Trust's trust estate and will be attributable to the contributed equity capital of Westfield Trust, the distribution of WFD Trust Units should not be assessable income to you.

Technically, CGT event E4 will occur as a result of the distribution in respect of each of your Westfield Trust Units. Ordinarily, you would make a capital gain if the total value of the non-assessable payments made by Westfield Trust during the income year in respect of a unit exceeds the cost base of the unit (in which case the cost base and reduced cost base of the unit would be reduced to nil). Where the sum of the non-assessable payments is not more than the cost base of the unit, the cost base and reduced cost base of the unit would be reduced by the amount of the non-assessable payment.

In relation to the Proposal, the amount of the aggregate distribution by Westfield Trust will be $100 and so, as a practical matter, no reportable capital gain is expected to arise for most Eligible Securityholders as the amounts involved in respect of all their holdings will be too small to record in their tax returns. Similarly, no adjustment to your cost base or reduced cost base of your Westfield Trust Units should be required as a result of this distribution.

Further information about the way you should perform CGT event E4 calculations in respect of the distribution of WFD Trust Units will be made available to you.

(b) Cost base of Westfield Trust Units and WFD Trust Units

You will need to adjust the cost base of your Westfield Trust Units and new WFD Trust Units as the responsible entities of Westfield Trust and WFD Trust will be making elections under Subdivision 126-G of the ITAA 97 to apply CGT roll-over relief to the transfer of Westfield Trust's international business assets to WFD Trust.

The cost base adjustment will effectively require you to allocate the cost base (and reduced cost base) of your Westfield Trust Units (ascertained just before the Implementation Date) across your Westfield Trust Units and new WFD Trust Units on a reasonable basis.

Where the cost base of your Westfield Trust Units just before the Implementation Date is nil due to previous non-assessable distributions from Westfield Trust, the cost base of your Westfield Trust Units and WFD Trust Units just after the Implementation Date should also be nil.

Information regarding the cost base adjustments will be made available to you.

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(c) Date of acquisition of WFD Trust Units

For the purpose of determining eligibility for the CGT discount concession on a subsequent capital gain, your new WFD Trust Units should be taken to have been acquired on the date that you acquired the corresponding Westfield Trust Units.

(d) Pre-CGT Westfield Trust Units

No CGT consequences should arise in respect of your Westfield Trust Units acquired, or taken to have been acquired, before 20 September 1985 (**pre-CGT Westfield Trust Units**).

Each new WFD Trust Unit acquired in respect of a pre-CGT Westfield Trust Unit will be taken to be acquired by you before 20 September 1985.

4.3 Non-resident Eligible Securityholders

The distribution of Westfield Corporation Limited Shares and WFD Trust Units should have no CGT consequences for you if the securities are not taxable Australian property, which should be the case if:

- you, together with your associates, did not hold 10% or more of the Westfield Group Securities on the Implementation Date, or at any time throughout a 12 month period starting 24 months before, and ending on, the Implementation Date;
- you are not a former Australian resident who elected to treat your Westfield Group Securities as taxable Australian property when you ceased to be an Australian resident; and
- you did not hold your Westfield Group Securities at any time in carrying on a business at or through a permanent establishment in Australia.

Further, the cost base adjustments outlined above will not be relevant unless the Westfield Corporation Securities or Scentre Group Securities are taxable Australian property at the time a subsequent CGT event occurs.

Finally, no dividend withholding tax should arise in respect of the distribution of Westfield Corporation Limited Shares as any deemed dividend for tax purposes will be a “demerger dividend”.

4.4 Westfield America Trust Units

The Demerger Stage should not affect your existing cost base (and reduced cost base) or the date of acquisition for CGT purposes of your Westfield America Trust Units.

5 Merger Stage

5.1 Stapling of Westfield Corporation Limited and WFD Trust

There should be no tax implications for you as a result of the stapling of Westfield Corporation Limited Shares and WFD Trust Units to Westfield Group Securities.

5.2 De-stapling of Westfield Group Securities

There should be no tax implications for you as a result of the de-stapling of Westfield Holdings Shares and Westfield Trust Units from Westfield America Trust Units, Westfield Corporation Limited Shares and WFD Trust Units.

5.3 Subdivision of Westfield Trust Units

Westfield Trust Units will be subdivided on a 1.246 for 1 basis to achieve the Merger Ratio, which will have the following income tax consequences:

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- the subdivision of Westfield Trust Units will not constitute a CGT event happening in relation to your Westfield Trust Units;
- you will be taken to have a cost base and reduced cost base in your subdivided Westfield Trust Units based on the cost base and reduced cost base of your Westfield Trust Units (after the Demerger Stage – see section 4.2(a)); and
- for CGT purposes (including for the purposes of determining eligibility for the CGT discount concession on a subsequent capital gain), your subdivided Westfield Trust Units will be taken to have been acquired on the same date as your corresponding original Westfield Trust Units.

5.4 Subdivision of Westfield Holdings Shares

Westfield Holdings Shares will be subdivided on a 1.246 for 1 basis to achieve the Merger Ratio, which will have the following income tax consequences:

- the subdivision of Westfield Holdings Shares will not constitute a CGT event happening in relation to your Westfield Holdings Shares;
- you will be taken to have a cost base and reduced cost base in your subdivided Westfield Holdings Shares based on the cost base and reduced cost base of your Westfield Holdings Shares (after the Demerger Stage – see section 4.1(b)); and
- for CGT purposes (including for the purposes of determining eligibility for the CGT discount concession on a subsequent capital gain), your subdivided Westfield Holdings Shares will be taken to have been acquired on the same date as your corresponding original Westfield Holdings Shares.

5.5 Distribution from Westfield Trust and acquisition of Westfield Retail Trust 1 Units and Westfield Retail Trust 2 Units

Westfield Retail Trust Stapling Distribution

(a) Westfield Trust will make a further capital distribution of $0.0011 per subdivided Westfield Trust Unit (being the Westfield Retail Trust Stapling Distribution) to facilitate the acquisition of new units in each of Westfield Retail Trust 1 and Westfield Retail Trust 2. As the Westfield Retail Trust Stapling Distribution will be a distribution of corpus of Westfield Trust's trust estate, it will not be assessable income to you.

However, CGT Event E4 will happen with respect to each subdivided Westfield Trust Unit as a result of the Westfield Retail Trust Stapling Distribution.

The Westfield Retail Trust Stapling Distribution of $0.0011 paid by Westfield Trust in respect of each subdivided Westfield Trust Unit will result in the cost base and reduced cost base in each subdivided Westfield Trust Unit being reduced by $0.0011. If your cost base in your subdivided Westfield Trust Unit is less than $0.0011, you will make a capital gain to the extent of the shortfall which may be eligible for the CGT discount factor.

The receipt of the Westfield Retail Trust Stapling Distribution will not be a taxable event for CGT purposes in respect of subdivided pre-CGT Westfield Trust Units.

(b) Cost base and reduced cost base of Westfield Retail Trust 1 Units and Westfield Retail Trust 2 Units

On your behalf, Westfield Trust will apply 100% of the Westfield Retail Trust Stapling Distribution towards the acquisition of new Westfield Retail Trust 1 Units and Westfield Retail Trust 2 Units.

Accordingly, the first element of your cost base and reduced cost base for each new Westfield Retail Trust 1 Unit will be $0.001 and for each new Westfield Retail Trust 2 Unit will be $0.0001.

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(c) Acquisition date of Westfield Retail Trust 1 Units and Westfield Retail Trust 2 Units

You will be taken to have acquired the new Westfield Retail Trust 1 Units and Westfield Retail Trust 2 Units on the Implementation Date.

If you receive the Stapling Distribution in respect of pre-CGT Westfield Trust Units, your new Westfield Retail Trust 1 Units and Westfield Retail Trust 2 Units will not be pre-CGT assets.

5.6 Stapling of Scentre Group Securities

There should be no income tax implications for you as a result of the stapling of one Westfield Holdings Share, one Westfield Trust Unit, one Westfield Retail Trust 1 Unit and one Westfield Retail Trust 2 Unit to form a Scentre Group Security.

6 Holding and disposing of Scentre Group Securities: Australian residents

6.1 Holding of Scentre Group Securities

Each Scentre Group Security will comprise one Westfield Holdings Share, one Westfield Trust Unit, one Westfield Retail Trust 1 Unit and one Westfield Retail Trust 2 Unit to form a Scentre Group Security which are Stapled and cannot be traded separately. However, each of the four securities comprising a Scentre Group Security will constitute a separate asset for CGT purposes. Accordingly, where a Scentre Group Security is acquired, it will need to be treated for CGT purposes as the acquisition of a Westfield Holdings Share, a Westfield Trust Unit, a Westfield Retail Trust 1 Unit and a Westfield Retail Trust 2 Unit.

The manner in which you determine the cost base in each of the individual securities comprising the Scentre Group Securities that you will hold following the Proposal is summarised in section 3 above.

The date of acquisition of some components of the Scentre Group Securities that you will hold following the Proposal will be different, which will be relevant in determining whether the CGT discount is available on a subsequent capital gain. In respect of the Westfield Holdings Share and Westfield Trust Unit, your current date of acquisition for CGT discount purposes will not change; whereas the acquisition date for your Westfield Retail Trust 1 Unit and Westfield Retail Trust 2 Unit (acquired as a result of the Westfield Retail Trust Stapling Distribution) will be the Implementation Date.

6.2 Distributions from Westfield Trust and Westfield Retail Trust 1

You will be required to include your share of the net income of Westfield Trust and Westfield Retail Trust 1 (as advised by their respective responsible entities) in your assessable income for tax purposes. Scentre Group will provide you with an annual taxation statement, along with a tax guide, to assist in the completion of your tax return.

Income distributed by Westfield Trust or Westfield Retail Trust 1 will generally retain the character it had when it was derived by the relevant trust. Distributions from Westfield Trust and Westfield Retail Trust 1 may include various components, the tax treatment of which may differ.

If a distribution from Westfield Trust or Westfield Retail Trust 1 includes foreign income in respect of which foreign tax has been paid (such as dividends received from Scentre Group's New Zealand entities that are subject to dividend withholding tax), you may be entitled to receive a foreign income tax offset equal to the lesser of the Australian tax otherwise payable by you on that income or the quantum of foreign income tax paid. However, if your total amount of foreign income tax paid on income from all sources in an income year is $1,000 or less, then you will be entitled to claim a foreign income tax offset for the total amount of foreign income tax paid. The amount of foreign income tax paid in respect of the foreign income component of a distribution is required to be included in your assessable income. However, if Australian tax is payable by you on foreign income, the foreign income tax offset may be applied against that Australian tax liability. Foreign

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income tax offsets that are not utilised in the income year in which the relevant foreign income is derived will not be able to be carried forward.

If a net capital gain is included in the taxable income of Westfield Trust or Westfield Retail Trust 1 (for example, on disposal of an asset), you will be regarded as having derived a capital gain equal to your proportionate share of that net capital gain. However, where the CGT discount concession has been applied in calculating the net capital gain at the Westfield Trust or Westfield Retail Trust 1 level, you will be required to gross-up the amount of the capital gain included in your assessable income. You can then apply any available capital losses from other sources to offset the capital gain and then apply your CGT discount factor, if applicable.

If Westfield Trust or Westfield Retail Trust 1 makes non-assessable distributions to you, such distributions will give rise to CGT event E4. You will need to determine the CGT event E4 outcomes for your Westfield Trust and Westfield Retail Trust 1 Units separately as follows:

- you will make a capital gain if the total value of the non-assessable distribution(s) paid to you during the income year in respect of your Westfield Trust Unit or Westfield Retail Trust 1 Unit exceeds the cost base of your Westfield Trust Unit or Westfield Retail Trust 1 Unit at that time, and your cost base and reduced cost base of the unit will be reduced to nil; and
- where the sum of the non-assessable distribution(s) paid to you during the income year in respect of your Westfield Trust Unit or Westfield Retail Trust 1 Unit is not more than the cost base of your Westfield Trust Unit or Westfield Retail Trust 1 Unit, the cost base and reduced cost base of the unit will be reduced by the amount of the non-assessable payment.

Where applicable, you may apply your CGT discount factor to a capital gain arising from a CGT event E4 happening as a result of the receipt of a non-assessable distribution from Westfield Trust or Westfield Retail Trust 1, provided that the relevant unit has been held for at least 12 months prior to the end of the income year in which you receive the non-assessable distribution.

Westfield Retail Trust 1 Units acquired as part of the Proposal will be taken to have been acquired on the Implementation Date (30 June 2014). As the ATO considers that you cannot count the day of acquisition of the Westfield Retail Trust 1 Units in the 12 month holding period (see Taxation Determination 2002/10), the Westfield Retail Trust 1 Units acquired on the Implementation Date will not have been held for at least 12 months at the time a CGT event E4 occurs for the income year ended 30 June 2015. This means that for Westfield Retail Trust 1 Units acquired under the Proposal, the CGT discount factor will not be available for a CGT event E4 capital gain arising in respect of any non-assessable component of the Westfield Retail Trust 1 distribution that is expected to be paid in February 2015.

6.3 Distributions from Westfield Holdings and Westfield Retail Trust 2

Westfield Holdings is a company, and for tax purposes, Westfield Retail Trust 2 will be taxed like a company under Division 6C of the *Income Tax Assessment Act 1936*. This means that distributions from both Westfield Holdings and Westfield Retail Trust 2 (other than certain capital distributions) will be taxed as dividends and may be franked.

Your assessable income will include the amount of the dividends paid by Westfield Holdings or distributions made by Westfield Retail Trust 2, as well as the amount of franking credits, if any, attached to the dividends/distributions. You will generally be entitled to a tax offset (rebate) corresponding to the amount of the franking credits.

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Generally, to be eligible for the franking credit and tax offset, you must have held your Westfield Holdings Shares or Westfield Retail Trust 2 Units "at risk" for at least 45 days (not including the date of acquisition or the date of disposal). This rule should not apply to you if you are an individual whose tax offset entitlement (on all shares and interests in shares held) does not exceed $5,000 for the income year in which the franked dividend is paid. If you enter into put or call options (or other derivatives) in relation to Scentre Group Securities, this may affect whether you hold the securities sufficiently "at risk" for the purposes of the franking rules, and specific advice should be sought.

Where you are an individual, a complying superannuation entity or a registered charity (in certain circumstances), you will generally be entitled to a tax refund to the extent that the franking credits attached to your dividends/distributions from Westfield Holdings or Westfield Retail Trust 2 for an income year exceed your tax liability for the income year.

Where you are a company, any franked distributions that you receive from Westfield Holdings or Westfield Retail Trust 2 will generally give rise to a franking credit in your franking account.

6.4 Disposal of Scentre Group Securities

Each individual security comprising a Scentre Group Security is a separate CGT asset. As such, the disposal of a Scentre Group Security will constitute a disposal for CGT purposes in respect of each individual security comprising that Scentre Group Security. Accordingly, the capital proceeds referable to the disposal of each individual security will need to be determined by apportioning the total capital proceeds received in respect of the disposal of the Scentre Group Security on a reasonable basis.

Upon disposal of a Scentre Group Security:

- you will make a capital gain in relation to a particular component security if the portion of the capital proceeds reasonably attributed to the Westfield Holdings Share, Westfield Trust Unit, Westfield Retail Trust 1 Unit or Westfield Retail Trust 2 Unit (as applicable) exceeds the cost base of the relevant share or unit; and
- you will make a capital loss if the portion of the capital proceeds reasonably attributed to the Westfield Holdings Share, Westfield Trust Unit, Westfield Retail Trust 1 Unit or Westfield Retail Trust 2 Unit (as applicable) is less than the reduced cost base of the relevant share or unit.

Westfield Retail Trust 1 Units and Westfield Retail Trust 2 Units acquired under the Proposal will only have a nominal cost base (see section 5.5 above).

In order to be eligible for the CGT discount factor, you must have held the relevant security for at least 12 months before the time of the CGT event. As outlined in section 6.1 above, the date of acquisition of the individual securities of the Scentre Group that you will hold following the Proposal will be different.

Generally, a capital loss arising in respect of one security may offset a capital gain arising in respect of another, subject to specific loss rules for Scentre Group Securityholders that are companies or trusts.

7 Holding and disposing of Scentre Group Securities: non-residents

The information in this section dealing with non-residents of Australia does not apply to non-residents who hold their Scentre Group Securities through a permanent establishment in Australia, or hold their Scentre Group Securities via an interposed Australian entity.

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7.1 Westfield Trust and Westfield Retail Trust 1 distributions

It is expected that Westfield Trust and Westfield Retail Trust 1 will be managed investment trusts (**MITs**) for tax purposes which means that MIT withholding will apply to the 'fund payment' component of a distribution, which will generally include:

- rental income from Australian properties and other Australian sourced income (other than tax deferred distributions, interest, dividends and royalties); and
- gross capital gains in respect of taxable Australian property (including real property situated in Australia).

The MIT withholding rate depends on whether you are a resident of a country which Australia has gazetted to be an "exchange of information country". If you are not a resident of such a country, the MIT withholding rate will be 30%. If you are a resident of such a country the MIT withholding rate will be 15%. MIT withholding tax does not always represent the final tax liability in respect of such distributions and in some circumstances you may have additional tax filing and tax payment obligations.

For Australian sourced interest and dividend components of distributions, the responsible entities of Westfield Trust and Westfield Retail Trust 1 will also be required to deduct withholding tax as follows:

- interest income at a withholding tax rate of 10%;
- unfranked dividends that are not declared to be conduit foreign income at a withholding tax rate of generally 30%. However, for residents of countries with which Australia has concluded a tax treaty, the withholding tax rate on such distributions is generally reduced to 15%; and
- for franked dividends and unfranked dividends that are declared to be conduit foreign income, no withholding tax will apply.

The interest and dividend withholding taxes represent a final tax liability.

7.2 Westfield Holdings and Westfield Retail Trust 2 distributions

Franked distributions and unfranked dividends (to the extent they are declared to be conduit foreign income, such as dividends received from Scentre Group's New Zealand entities) from Westfield Holdings or Westfield Retail Trust 2 will be exempt from withholding tax.

Unfranked distributions that are not declared to be conduit foreign income will be subject to dividend withholding tax. The withholding tax rate is generally 30%. However, for dividends paid to residents of countries with which Australia has concluded a tax treaty, the withholding tax rate is generally reduced to 15%.

7.3 Disposal of Scentre Group Securities

The disposal of your Scentre Group Securities will have no consequences for you if your Scentre Group Securities are not taxable Australian property.

Your Scentre Group Securities will be taxable Australian property if you are a former Australian resident who elected to treat your Scentre Group Securities as taxable Australian property when you ceased to be an Australian resident.

For other non-resident Scentre Group Securityholders:

- the Westfield Trust or Westfield Retail Trust 1 components of your Scentre Group Security should not be taxable Australian property unless you (and your associates) either:

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- at the time of the disposal, hold 10% or more of the issued units in Westfield Trust or Westfield Retail Trust 1 (as applicable); or
- prior to the time of disposal, held 10% or more of the issued units in Westfield Trust or Westfield Retail Trust 1 (as applicable) throughout a 12 month period that began no earlier than 24 months before the time of the disposal and ended no later than that time; and

- the disposal of the Westfield Holdings or Westfield Retail Trust 2 component of your Scentre Group Security should not be taxable Australian property if, as expected, the underlying value of Westfield Holdings or Westfield Retail Trust 2 is not principally derived from Australian real property. If the underlying value of Westfield Holdings or Westfield Retail Trust 2 is principally derived from Australian real property, the 10% ownership requirements (as outlined above for Westfield Trust Units and Westfield Retail Trust 1 Units) will apply.

8 Holding and disposing of Westfield Corporation Securities: Australian residents

8.1 Holding of Westfield Corporation Securities

Each Westfield Corporation Security will comprise one Westfield America Trust Unit, one Westfield Corporation Limited Share and one WFD Trust Unit which are Stapled and cannot be traded separately. However, each of the three securities comprising a Westfield Corporation Security will constitute a separate asset for CGT purposes. Accordingly, where a Westfield Corporation Security is acquired, it will need to be treated for CGT purposes as the acquisition of a Westfield America Trust Unit, Westfield Corporation Limited Share and a WFD Trust Unit.

The manner for determining the cost base in each of the individual securities comprising the Westfield Corporation Securities that you will hold following the Proposal is summarised in section 3 above.

The date of acquisition of the components of the Westfield Corporation Securities for the purposes of determining whether the CGT discount is available on a subsequent capital gain will be the based on the current date of acquisition of your Westfield Group Securities. In respect of the Westfield America Trust Unit, your current date of acquisition for CGT discount purposes will not change. In respect of your WFD Trust Unit and Westfield Corporation Limited Share, the date of acquisition for CGT discount purposes should be based on the date of acquisition of your Westfield Trust Unit and Westfield Holdings Share (respectively) (see sections 4.1(c) and 4.2(c) above).

8.2 Distributions from Westfield America Trust and WFD Trust

You will be required to include your share of the net income of Westfield America Trust and WFD Trust (as advised by their respective responsible entities) in your assessable income for tax purposes. Westfield Corporation will provide you with an annual taxation statement, along with a tax guide, to assist in the completion of your tax return.

Income distributed by Westfield America Trust or WFD Trust will generally retain the character it had when it was derived by the relevant trust. Distributions from Westfield America Trust or WFD Trust may include various components, the tax treatment of which may differ.

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If a distribution from Westfield America Trust or WFD Trust includes foreign income in respect of which foreign tax is paid (such as income relating to their UK and US assets and entities), you may be entitled to receive a foreign income tax offset equal to the lesser of the Australian tax otherwise payable by you on that income or the quantum of foreign income tax paid. However, if your total amount of foreign income tax paid on income from all sources in an income year is $1,000 or less, then you will be entitled to claim a foreign income tax offset for the total amount of foreign income tax paid. The amount of foreign income tax paid in respect of the foreign income component of a distribution is required to be included in your assessable income. However, if Australian tax is payable by you on foreign income, the foreign income tax offset may be applied against that Australian tax liability. Foreign income tax offsets that are not utilised in the income year in which the relevant foreign income is derived will not be able to be carried forward.

If a net capital gain is included in the taxable income of Westfield America Trust or WFD Trust (for example, on disposal of an asset), you will be regarded as having derived a capital gain equal to your proportionate share of that net capital gain. However, where the CGT discount concession has been applied in calculating the net capital gain at the Westfield America Trust or WFD Trust level, you will be required to gross-up the amount of the capital gain included in your assessable income. You can then apply any available capital losses from other sources to offset the capital gain and then apply your CGT discount factor, if applicable.

If Westfield America Trust or WFD Trust makes non-assessable distributions to you, such distributions will give rise to a CGT event E4. You will need to determine the CGT event E4 outcomes for your Westfield America Trust Units and WFD Trust Units separately:

- you will make a capital gain if the total value of the non-assessable distribution(s) made by the responsible entity during the income year in respect of your WFD Trust Unit or Westfield America Trust Unit exceeds your cost base in the WFD Trust Unit or Westfield America Trust Unit at that time, and the cost base and reduced cost base of the unit are reduced to nil; and
- where the sum of the non-assessable distribution(s) made by the responsible entity during the income year in respect of your WFD Trust Unit or Westfield America Trust Unit is not more than the cost base of the WFD Trust Unit or Westfield America Trust Unit at that time, the cost base and reduced cost base of the unit will be reduced by the amount of the non-assessable payment.

8.3 Dividends from Westfield Corporation Limited

Your assessable income will include the amount of the dividends paid by Westfield Corporation Limited, as well as the amount of franking credits, if any, attached to such dividends. You will generally be entitled to a tax offset (rebate) corresponding to the amount of the franking credits.

Generally, to be eligible for the franking credit and tax offset, you must have held your Westfield Corporation Limited Share “at risk” for at least 45 days (not including the date of acquisition or the date of disposal). This rule should not apply to you if you are an individual whose tax offset entitlement (on all shares and interests in shares held) does not exceed $5,000 for the income year in which the franked dividend is paid. If you enter into put or call options (or other derivatives) in relation to Westfield Corporation Securities, this may affect whether you hold the shares sufficiently “at risk” for the purposes of the franking rules, and specific advice should be sought.

Where you are an individual, a complying superannuation entity or a registered charity (in certain circumstances), you will generally be entitled to a tax refund to the extent that the franking credits attached to your dividends from Westfield Corporation Limited for an income year exceed your tax liability for the income year.

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Where you are a company, any franked dividend that you receive from Westfield Corporation Limited will generally give rise to a franking credit in your franking account.

8.4 Disposal of Westfield Corporation Securities

As outlined above, each individual security comprising a Westfield Corporation Security will be a separate CGT asset. As such, the disposal of a Westfield Corporation Security will constitute a disposal for CGT purposes in respect of each individual security comprising that Westfield Corporation Security. Accordingly, the capital proceeds referable to the disposal of each individual security will need to be determined by apportioning the total capital proceeds received in respect of the disposal of the Westfield Corporation Security on a reasonable basis.

Upon disposal of a Westfield Corporation Security:

- you will make a capital gain in relation to a particular security if the portion of the capital proceeds reasonably attributed to the Westfield America Trust Unit, Westfield Corporation Limited Share or WFD Trust Unit (as applicable) exceeds the cost base of the relevant share or unit; and
- you will make a capital loss if the portion of the capital proceeds reasonably attributed to the Westfield America Trust Unit, Westfield Corporation Limited Share or WFD Trust Unit (as applicable) is less than the reduced cost base of the relevant share or unit.

In order to be eligible for the CGT discount, you must have held each security for at least 12 months prior to the CGT event.

Generally, a capital loss arising in respect of one security can offset a capital gain arising in respect of another, subject to specific loss rules for Westfield Corporation Securityholders that are companies or trusts.

9 Holding and disposing of Westfield Corporation Securities: non-residents

The information in this section dealing with non-residents of Australia does not apply to non-residents who hold their Westfield Corporation Securities through a permanent establishment in Australia, or hold their Westfield Corporation Securities via an interposed Australian entity.

9.1 Westfield America Trust and WFD Trust distributions

Having regard to the intended activities and assets of Westfield America Trust and WFD Trust, it is not expected that the Westfield America Trust and WFD Trust distributions will be subject to a material amount of withholding tax. This is because the majority of the income of Westfield America Trust and WFD Trust is not expected to have an Australian source or be capital gains in respect of taxable Australian property. To the extent Westfield America Trust and WFD Trust do derive Australian sourced income, then the following withholding may relevantly apply.

- As it is expected that Westfield America Trust and WFD Trust will be MITs for tax purposes, Australian sourced income (other than interest, dividends or royalties) and capital gains in respect of taxable Australian property will be subject to MIT withholding. Where MIT withholding applies, the withholding rate depends on whether you are a resident of a country which Australia has gazetted to be an "exchange of information country". If you are not a resident of such a country, the MIT withholding rate will be 30%. If you are a resident of such a country the MIT withholding rate will be 15%.

  MIT withholding tax does not always represent the final tax liability in respect of such distributions and in some circumstances you may have additional tax filing and tax payment obligations.

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- For Australian sourced interest and dividends, the withholding taxes represent a final tax liability. The rates withholding are as follows.
  - For interest income, the withholding tax rate is 10%.
  - For unfranked dividends that are not declared to be conduit foreign income, the withholding tax rate is generally 30%. However, for residents of countries with which Australia has entered into a tax treaty, the rate of withholding on such distributions is generally reduced to 15%.
  - For franked dividends and unfranked dividends that are declared to be conduit foreign income, no withholding tax will apply.

9.2 Westfield Corporation Limited dividends

Franked dividends and unfranked dividends (to the extent they are declared to be conduit foreign income) from Westfield Corporation Limited will be exempt from withholding tax. Having regard to Westfield Corporation Limited's expected assets and activities, it is expected that the majority of the income of Westfield Corporation Limited will be conduit foreign income on the basis that it is foreign sourced.

Unfranked distributions that are not declared to be conduit foreign income will be subject to dividend withholding tax. The withholding tax rate is generally 30%. However, for dividends paid to residents of countries with which Australia has concluded a tax treaty, the rate of withholding is generally reduced to 15%.

9.3 Disposal of Westfield Corporation Securities

The disposal of your Westfield Corporation Securities will have no consequences for you if your Westfield Corporation Securities are not taxable Australian property.

Your Westfield Corporation Securities will be taxable Australian property if you are a former Australian resident who elected to treat your Westfield Corporation Securities as taxable Australian property when you ceased to be an Australian resident.

For other non-resident Westfield Corporation Securityholders, no component of your Westfield Corporation Security should be taxable Australian property if, as expected, the underlying value of each security is not principally derived from Australian real property.

If the underlying value of a security is principally derived from Australian real property, the security should only be taxable Australian property if:

- at the time of the disposal, you (and your associates) hold 10% or more of the Westfield Corporation Securities; or
- prior to the time of disposal, you (and your associates) held 10% or more of the Westfield Corporation Securities throughout a 12 month period that began no earlier than 24 months before the time of the disposal and ended no later than that time.

10 GST

There is no Australian GST payable in respect of the acquisition or disposal of Westfield Corporation Securities or Scentre Group Securities.

11 Australian TFN and ABN

You are not required to quote a TFN or Australian Business Number (**ABN**) to the Westfield Group in order to participate in the Proposal or in respect of the holding of securities. However, if a TFN or ABN or details of a relevant exemption are not provided, tax at the top marginal tax rate plus Medicare levy (currently 46.5% but increasing to 47% from 1 July 2014) will be withheld on any unfranked dividends or trust distributions paid.

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Securityholders are generally entitled to claim an income tax credit/refund (as applicable) in their income tax returns in respect of the tax withheld.

Westfield Group proposes to provide the details of TFNs, ABNs or relevant exemptions that it holds in respect of securityholders to Westfield Retail Trust 1, Westfield Retail Trust 2, Westfield Corporation Limited and WFD Trust. However, you may request that Westfield Group not provide these details to Westfield Retail Trust 1, Westfield Retail Trust 2, Westfield Corporation Limited and WFD Trust.

Yours sincerely

Greenwoods & Freehills Pty Ltd

Greenwoods & Freehills Pty Limited

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SECTION 13
FEES AND OTHER COSTS – SCENTRE GROUP TRUSTS

13.1 Consumer advisory warning

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.

The Corporations Act requires that the above standard consumer advisory warning and the following sections 13.2 to 13.4 be included in this Securityholder Booklet. The information in the consumer advisory warning is standard across product disclosure statements and is not specific to information on fees and other costs associated with an investment in Scentre Group Trusts.

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13.2 Fees and other costs

The following table shows fees and other costs that you may be charged in relation to your investment in Scentre Group Trusts. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of Scentre Group Trusts as a whole.

Taxes are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

For the purposes of this section, a reference to Scentre Group Responsible Entities is a reference to Westfield Management as responsible entity of Westfield Trust, RE1 as responsible entity of Westfield Retail Trust 1 and RE2 as responsible entity of Westfield Retail Trust 2, and a reference to Scentre Group Trusts is a reference to Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 (or any one of them as applicable).

Fees and other costs – Scentre Group Trusts

Type of fee or cost	Amount[62]	How and when paid
Fees when your money moves in or out of Scentre Group Trusts		
Establishment fee The fee to open your investment	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment	Nil	Not applicable
Withdrawal fee The fee on each amount you take out of your investment	Nil	Not applicable
Termination fee The fee to close your investment	Nil	Not applicable
Management costs		
The fees and costs for managing your investment	The Scentre Group Responsible Entities will not charge any management fees. The Scentre Group Responsible Entities will however recover their costs in operating the Scentre Group Trusts (**Operating Expenses**).[63] The aggregate of the Operating Expenses of the Scentre Group Trusts are estimated at 0.22% per annum of the combined net asset value of the Scentre Group Trusts,[64] i.e. $107.60 for every $50,000 invested in Scentre Group Trusts.[65]	To be reimbursed from the assets of Scentre Group Trusts as the costs are incurred by the Scentre Group Responsible Entities.
Costs of the Proposal[66]	Estimated at $75 million, i.e. $246.57 for every $50,000 invested in Scentre Group Trusts.[67]	Payable by Westfield Group and Westfield Retail Trust. (Refer to section 16.25 for more information on the fees and expenses of the Proposal.)
Service fees		
Investment switching fee The fee for changing investment options	Nil	Not applicable

62 Including GST less any reduced input tax credits, as applicable.

63 "Operating Expenses" includes fees and insurance costs of the directors of the Scentre Group Responsible Entities, and other costs of operating the Scentre Group Trusts including overheads.

64 Comprising 0.37% per annum of the total asset value of Westfield Trust, 0.15% per annum of the total asset value of Westfield Retail Trust 1 and 0.15% per annum of the total asset value of Westfield Retail Trust 2.

65 This assumes that the net assets of Scentre Group Trusts during 2014 is $14.7 billion, being the pro forma net assets for Scentre Group Trusts as at 31 December 2013. For the avoidance of doubt, the Operating Expenses set out in this table relate only to the Scentre Group Trusts, and do not include the operating expenses of Westfield Holdings.

66 These costs include an amount payable to advisers as described in section 16.10.

67 Calculated on the same basis and subject to the same assumption in footnote 68.

SECTION 13

FEES AND OTHER COSTS – SCENTRE GROUP TRUSTS

13.3 Example of annual fees and costs

The following tables give examples of how the fees and costs associated with the Scentre Group Trusts can affect your investment in Scentre Group Trusts over the first year of the operation of the group.

You should use these tables to compare this product with other managed investment products. All amounts are GST inclusive net of any reduced input tax credits.

Example: First year after the issue of units in Scentre Group Trusts

Type of fee or cost		Balance of $50,000 during year with contributions of $5,000 during the year[68]
Contribution fee	Nil	For every additional $5,000 you put in, you will be charged nil.
PLUS Management costs		**And**, for every $50,000 you have in Scentre Group Trusts, you will be charged the following amounts in the first year:
Management fees	Nil	Nil
Operating Expenses of Scentre Group Trusts	0.22% pa[69]	$107.60
Costs of the Proposal	0.50% pa[70]	$246.57
EQUALS Cost of your investment		If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year, you would be charged fees of **$354.17**

13.4 Additional explanation of fees and costs

Scentre Group Responsible Entity costs and expenses

Under the constitution of each Scentre Group Trust, each Scentre Group Responsible Entity is not entitled to any management fee. However, the responsible entity will recover its costs and expenses in connection with operating the relevant Scentre Group Trust, including fees and insurance costs of the directors of that Scentre Group Responsible Entity, and other costs of operating that Scentre Group Trust (including corporate overheads).

The fees and other costs described in this section 13 relate only to fees attributable to the Scentre Group Trusts, and do not reflect the operating expenses of Westfield Holdings (which will also form part of Scentre Group).

These fees and other costs are paid by the relevant Scentre Group Responsible Entity out of the relevant the assets of Scentre Group Trust, and are not a separate liability of Scentre Group Securityholders.

Reimbursement of other expenses

Under the constitution of each Scentre Group Trust, in addition to the Operating Expenses described above, each Scentre Group Responsible Entity is entitled to claim other expenses it incurs in relation to the proper performance of its duties in respect of the relevant Scentre Group Trust.

The types of expenses that might be claimed in this way include the cost of holding a meeting convened by the units holders of Scentre Group Trusts at some time in the future, or other extraordinary expenses. At the date of this Securityholder Booklet, no such extraordinary expenses are anticipated in the coming 12 months.

68 The amounts in this column are calculated based on Scentre Group Trusts' combined total pro forma net assets of $14.7 billion as at 31 December 2013. The fees described in this table are paid by the Scentre Group Responsible Entities and are not a separate liability of Scentre Group Securityholders.

69 Comprising 0.37% per annum of the total asset value of Westfield Trust, 0.15% per annum of the total asset value of Westfield Retail Trust 1 and 0.15% per annum of the total asset value of Westfield Retail Trust 2.

70 Comprising 0.89% per annum of the total asset value of Westfield Trust, 0.36% per annum of the total asset value of Westfield Retail Trust 1 and 0.36% per annum of the total asset value of Westfield Retail Trust 2.

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SECTION 14
FEES AND OTHER COSTS – WESTFIELD CORPORATION TRUSTS

14.1 Consumer advisory warning

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period

(for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable.

Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.

The Corporations Act requires that the above standard consumer advisory warning and the following sections 14.2 to 14.4 be included in this Securityholder Booklet. The information in the consumer advisory warning is standard across product disclosure statements and is not specific to information on fees and other costs associated with an investment in Westfield Corporation Trusts.

SECTION 14

FEES AND OTHER COSTS – WESTFIELD CORPORATION TRUSTS

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14.2 Fees and other costs

The following table shows fees and other costs that you may be charged in relation to your investment in Westfield Corporation Trusts. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of Westfield Corporation Trusts as a whole.

Taxes are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

For the purposes of this section, a reference to the Westfield Corporation Responsible Entity is a reference to Westfield America Management as responsible entity of Westfield America Trust and WFD Trust, and a reference to the Westfield Corporation Trusts is a reference to Westfield America Trust and WFD Trust (or either of them as applicable).

Fees and other costs – Westfield Corporation Trusts

Type of fee or cost	Amount[71]	How and when paid
Fees when your money moves in or out of Westfield Corporation Trusts		
Establishment fee The fee to open your investment	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment	Nil	Not applicable
Withdrawal fee The fee on each amount you take out of your investment	Nil	Not applicable
Termination fee The fee to close your investment	Nil	Not applicable
Management costs		
The fees and costs for managing your investment	The Westfield Corporation Responsible Entity will not charge any management fees. The Westfield Corporation Responsible Entity will however recover its costs in operating the Westfield Corporation Trusts (**Operating Expenses**). The aggregate of the Operating Expenses of the Westfield Corporation Trusts are estimated at 0.20% per annum of the combined net asset value of the Westfield Corporation Trusts,[72] i.e. $102.30 for every $50,000 invested in Westfield Corporation Trusts.[73]	To be reimbursed from the assets of Westfield Corporation Trusts as the costs are incurred by the Westfield Corporation Responsible Entity.
Costs of the Proposal[74]	Estimated at $75 million, i.e. $450.71 for every $50,000 invested in Westfield Corporation Trusts.[75]	Payable by Westfield Group and Westfield Retail Trust. (Refer to section 16.25 for more information on the fees and expenses of the Proposal.)
Service fees		
Investment switching fee The fee for changing investment options	Nil	Not applicable

71 Including GST less any reduced input tax credits, as applicable.

72 Comprising 0.33% per annum of the total asset value of Westfield America Trust and 0.15% per annum of the total asset value of WFD Trust.

73 This assumes that the net assets of Westfield Corporation Trusts during 2014 is $7.2 billion, being the pro forma net assets for Westfield Corporation Trusts as at 31 December 2013. For the avoidance of doubt, the Operating Expenses set out in this table relate only to the Westfield Corporation Trusts, and do not include the operating expenses of Westfield Corporation Limited.

74 These costs include an amount payable to advisers as described in section 16.10.

75 Calculated on the same basis and subject to the same assumptions in footnote 76.

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14.3 Example of annual fees and costs

The following tables give examples of how the fees and costs associated with the Westfield Corporation Trusts can affect your investment in Westfield Corporation Trusts over the first year of the operation of the trusts.

You should use these tables to compare this product with other managed investment products. All amounts are GST inclusive net of any reduced input tax credits.

Example: First year after the issue of units in Westfield Corporation Trusts

Type of fee or cost		Balance of $50,000 during year with contributions of $5,000 during the year[76]
Contribution fee	Nil	For every additional $5,000 you put in, you will be charged nil.
PLUS Management costs		**And**, for every $50,000 you have in Westfield Corporation Trusts, you will be charged the following amounts in the first year:
Management fees	Nil	Nil
Operating Expenses of Westfield Corporation Trusts	0.20 % pa[77]	$102.30
Costs of the Proposal	0.90 % pa[78]	$450.71
EQUALS Cost of your investment		If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year, you would be charged fees of: **$553.01**

14.4 Additional explanation of fees and costs

Westfield Corporation Responsible Entity costs and expenses

Under the constitution of each Westfield Corporation Trust, the Westfield Corporation Responsible Entity is not entitled to any management fee. However, it will recover its reasonable costs and expenses in connection with operating the Westfield Corporation Trusts, including fees and insurance costs of the directors of the Westfield Corporation Responsible Entity, and other costs of operating the Westfield Corporation Trusts including overheads.

The fees and other costs described in this section relate only to fees attributable to the Westfield Corporation Trusts, and do not reflect the operating expenses of Westfield Corporation Limited (which will also form part of Westfield Corporation).

These fees and other costs are paid by the relevant Westfield Corporation Responsible Entity out of the assets of the relevant Westfield Corporation Trust, and are not a separate liability of Westfield Corporation Securityholders.

Reimbursement of other expenses

Under the constitution of each Westfield Corporation Trust, in addition to the Operating Expenses described above, the Westfield Corporation Responsible Entity is entitled to claim other expenses it incurs in relation to the proper performance of its duties in respect of the relevant Westfield Corporation Trust.

The types of expenses that might be claimed in this way include the cost of holding a meeting convened by the unitholders of Westfield Corporation Trusts at some time in the future, or other extraordinary expenses. At the date of this Securityholder Booklet, no such extraordinary expenses are anticipated in the coming 12 months.

76 The amounts in this column are calculated based on Westfield Corporation Trusts' combined total pro forma net assets of $7.2 billion as at 31 December 2013. The fees described in this table are paid by the Westfield Corporation Responsible Entity and are not a separate liability of Westfield Corporation Securityholders.

77 Comprising 0.33% per annum of the total asset value of Westfield America Trust and 0.15% per annum of the total asset value of WFD Trust.

78 Comprising 0.90% per annum of the total asset value of Westfield America Trust and 0.90% per annum of the total asset value of WFD Trust.

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SECTION 15
SECURITYHOLDER AND OTHER APPROVALS

15.1 General

A number of securityholder and Court approvals are required to implement the Proposal.

Westfield Group Securityholder approval is required to:

(a) approve the Scheme (**Scheme Resolution**);

(b) reduce the capital of Westfield Holdings (**Capital Reduction Resolution**);

(c) convert each Westfield Holdings Share into 1.246 Westfield Holdings Shares (**Capital Conversion Resolution**);

(d) amend the constitutions of Westfield Holdings, Westfield Trust and Westfield America Trust and appoint as directors of Westfield Holdings those members of the Scentre Group Board who are not already directors of Westfield Holdings (**Constitution Amendment Resolutions**);

(e) approve the Proposal for all purposes (**Proposal Approval Resolutions**);

(f) approve the giving of financial benefits by Westfield Holdings to related parties under the Scentre Group Stapling Deed (**Stapling Deed Resolution**); and

(g) approve the change of name of Westfield Holdings from Westfield Holdings Limited to Scentre Group Limited (**Westfield Holdings Name Change Resolution**).

The purpose of the Meetings is to obtain these interdependent approvals.

Each of the General Meetings Resolutions is conditional upon the Scheme becoming Effective.

The Court approvals and Resolutions are set out in further detail below.

15.2 Approval of the Scheme

First Court Hearing

On Friday, 11 April 2014, the Court made the requisite orders that the Scheme Meeting be convened and that this Securityholder Booklet be despatched to Westfield Group Securityholders. The orders made by the Court convening the Scheme do not constitute an endorsement of, or any other expression of opinion on, the Scheme or this Securityholder Booklet.

Approvals required from Westfield Group Securityholders and the Court

For the Scheme to take effect, section 411(4) of the Corporations Act requires a meeting of Westfield Group Securityholders (in their capacity as Westfield Holdings shareholders) to be held, at which the Scheme must be approved by a resolution passed by a majority in number of Securityholders present and voting (either in person or by proxy) at the Scheme Meeting and representing in aggregate not less than 75% of the votes cast on the resolution at the Scheme Meeting. The Scheme Resolution is set out in the Notice of Scheme Meeting in Appendix 1 of this Securityholder Booklet. The result of the Scheme Meeting must then be provided to the Court, which will consider whether or not to approve the Scheme.

For the reasons set out in section 3.2, each of the Westfield Group Directors recommends that you vote in favour of the Scheme Resolution.

Second Court Hearing

Westfield Holdings will apply to the Court for an order approving the Scheme if the Scheme is approved by the requisite majority of Westfield Group Securityholders at the Scheme Meeting. The Court has a discretion as to whether to grant the orders approving the Scheme, even if the Scheme is approved by the requisite majority of Westfield Group Securityholders.

Each Westfield Group Securityholder and, with the Court's permission, any other interested person has the right to appear at the Second Court Hearing.

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The Corporations Act and the Supreme Court (Corporations) Rules 1999 provide a procedure for Securityholders to oppose the approval by the Court of the Scheme. If you wish to oppose the approval of the Scheme at the Second Court Hearing you may do so by filing with the Court and serving on Westfield Holdings a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing. With leave of the Court, you may also oppose the approval of the Scheme by appearing at the Second Court Hearing and applying to raise any objections you may have at the hearing. Westfield Holdings should be notified in advance of an intention to object. The date for the Second Court Hearing is currently scheduled to be Friday, 13 June 2014, though an earlier or later date may be sought. Any change to this date will be announced through ASX and notified on Westfield Group's website (www.westfieldgroup.com).

ASIC has also been given the opportunity to comment on this Securityholder Booklet in accordance with subsection 411(2) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with subsection 411(17)(b) of the Corporations Act, that it has no objections to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing.

What will happen under the Scheme?

If the Scheme is approved by Westfield Group Securityholders, and the Court at the Second Court Hearing, the Scheme will become formally Effective when a copy of the Court order approving the Scheme is lodged with ASIC, or on such earlier date as the Court determines and specifies in the order.

If the Scheme becomes Effective, then on the Implementation Date:

(a) each Eligible Securityholder (in their capacity as Westfield Holdings shareholders) as at the Record Date will become a member of Westfield Corporation Limited; and

(b) each Ineligible Foreign Securityholder will be compulsorily divested of their Westfield Group Securities, which will participate in the Sale Facility.

Judicial advice

Westfield Management (as responsible entity of Westfield Trust) and Westfield America Management (as responsible entity of Westfield America Trust) have applied to the Court for judicial advice and have received such advice confirming that:

(a) Westfield Management and Westfield America Management would be justified in convening the General Meetings for the purposes of considering the General Meetings Resolutions at the General Meetings to implement the Proposal; and

(b) subject to approval of the General Meetings Resolutions at the General Meetings, Westfield Management and Westfield America Management would be justified in proceeding on the basis that the proposed amendments to the Westfield Trust and Westfield America Trust constitutions would be within their powers as trustee and responsible entity, including the powers of alteration conferred by those constitutions and section 601GC of the Corporations Act.

At the Second Court Hearing, Westfield Management and Westfield America Management will seek judicial advice confirming that they would be justified in acting upon the General Meetings Resolutions passed at the General Meetings, and that all costs and expenses incurred as trustee or responsible entity in relation to the judicial advice are payable or reimbursable out of the trust assets.

Any person who claims that his or her rights as a Westfield Trust or Westfield America Trust unitholder will be prejudiced by the Westfield Trust and Westfield America Trust constitutional amendments may, at the Second Court Hearing, apply to the Court for such orders or directions as the circumstances may require.

15.3 Stapling Distributions and Capital Reduction Resolution

Stapling Distributions

In order to implement the stapling elements of the Proposal, the Westfield Group Board will determine to make the following distributions (**Stapling Distributions**) to Eligible Securityholders:

(a) Westfield Holdings will make an in-specie capital distribution of one Westfield Corporation Limited Share for each Westfield Holdings Share held by Eligible Securityholders on the Record Date;

(b) Westfield Trust will make an in-specie capital distribution of one WDFT Unit per Westfield Trust Unit held by Eligible Securityholders on the Record Date; and

(c) Westfield Trust will make another capital distribution of 0.11 cents per Westfield Trust Unit to Eligible Securityholders which will be compulsorily applied to subscribe for one Westfield Retail Trust Security on behalf of Eligible Securityholders for each Westfield Trust Unit they hold on the Record Date (following a conversion of the number of Westfield Trust Units, Westfield Holdings Shares and Westfield Retail Trust Securities).

None of these distributions will be paid in cash to the Eligible Securityholders.

No specific Securityholder approval is required for the Stapling Distributions at paragraphs (b) and (c). However, these distributions will not be made unless the Proposal is implemented.

Capital Reduction Resolution

The distribution of Westfield Corporation Limited Shares at paragraph (a) is conditional on the Scheme becoming Effective. In addition, as this distribution of Westfield Corporation Limited Shares is a capital reduction, Westfield Group has proposed the Capital Reduction Resolution to permit Westfield Holdings to reduce its share capital on the Implementation Date by the Capital Reduction Amount which will be applied equally against each Westfield Holdings Share on issue on the Implementation Date.

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The Capital Reduction Amount reflects a proportionate reduction in Westfield Holdings' contributed equity as at 31 December 2013 based on the value of Westfield Corporation Limited relative to the total combined value of Westfield Corporation Limited and Westfield Holdings after implementation of the Proposal. To determine that relative value:

- the value of Westfield Corporation Limited is determined based on:
  - the value of Westfield Corporation based on the volume weighted average price of Westfield Corporation Securities during the first 20 Business Days on which those securities trade on ASX (including on a deferred settlement basis); and
  - Westfield Corporation Limited's share of Westfield Corporation's total NTA based on Westfield Corporation's consolidated balance sheet as at the Implementation Date; and
- the value of Westfield Holdings is determined based on:
  - the value of Scentre Group based on the volume weighted average price of Scentre Group Securities during the first 20 Business Days on which those securities trade on ASX (including on a deferred settlement basis); and
  - Westfield Holdings' share of Scentre Group's total NTA based on Scentre Group's consolidated balance sheet as at the Implementation Date.

The Capital Reduction Resolution must be approved by a simple majority of votes cast on the resolution in order to be passed. The Capital Reduction Resolution is set out in the Notice of General Meetings in Appendix 2 of this Securityholder Booklet.

The Westfield Group Directors are of the view that, taking into account all relevant matters, the Capital Reduction is fair and reasonable to Westfield Group Securityholders as a whole and will not materially prejudice the ability of Westfield Holdings to pay its creditors.

15.4 Capital Conversion Resolution

Westfield Group has proposed the Capital Conversion Resolution to convert each Westfield Holdings Share on issue prior to the Implementation Date into 1.246 Westfield Holdings Shares, in preparation for the merger with Westfield Retail Trust. If, as a result of that conversion, the number of Westfield Holdings Shares held by any Westfield Holdings shareholder is not a whole number, then that Westfield Holdings shareholder must be registered in respect of the next whole number of Westfield Holdings Shares above the number which that Westfield Holdings shareholder would otherwise hold.

Where the Westfield Group Directors form the opinion that securityholdings have been split, aggregated or otherwise manipulated to obtain the benefit of rounding, transfers of security and aggregated parcels of security may be disregarded for the purpose of rounding.

The Capital Conversion Resolution must be approved by a simple majority of votes cast on the resolution in order to be passed. The Capital Conversion Resolution is set out in the Notice of General Meetings in Appendix 2 of this Securityholder Booklet.

The Capital Conversion will not be effected unless the Proposal is implemented.

15.5 Constitution Amendment Resolutions

The constitutions of each of Westfield Holdings, Westfield Trust and Westfield America Trust (**Westfield Group Constitutions**) will be amended in order to implement the Proposal.

These amendments will be effected by way of a special resolution of Westfield Group Securityholders (in their capacity as shareholders of Westfield Holdings, unitholders in Westfield Trust and unitholders in Westfield America Trust as applicable), which, if passed will amend the relevant constitution.

The constitutional amendments will be recorded and lodged as follows:

- the amendments to the Westfield Holdings constitution will be recorded in a new constitution of Westfield Holdings which will need to be adopted, and which Westfield Holdings will lodge with ASIC;
- the amendments to the Westfield Trust constitution will be recorded in a supplemental deed which Westfield Management will execute and lodge with ASIC; and
- the amendments to the Westfield America Trust constitution will be recorded in a supplemental deed which Westfield America Management will execute and lodge with ASIC.

The new Westfield Holdings constitution and supplemental deeds are available for inspection at the offices of Westfield Group, Level 30, 85 Castlereagh Street, Sydney NSW 2000 between 9.00am and 5.00pm on Business Days. A copy of these documents will also be made available on request free of charge by calling the Westfield Securityholder Information Line on 1800 674 015 (within Australia) or on +61 3 9415 4121 (from outside Australia) at any time from 8.30am to 5.00pm (Sydney time) Monday to Friday.

The Constitutional Amendment Resolution for Westfield Holdings is also a resolution to appoint as directors of Westfield Holdings those members of Scentre Group Board who are not already directors of Westfield Holdings, with effect from the Implementation Date in accordance with the terms of the amended Westfield Holdings constitution.

Further detail on the amendments of each constitution is set out below.

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Westfield Holdings constitution amendments

The new Westfield Holdings constitution will enable Westfield Holdings to implement certain elements of the Proposal, achieve consistency with the constitutions of Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 (which will be stapled to Westfield Holdings to form Scentre Group), and update the existing constitution to take into account changes to the Corporations Act and applicable regulatory regime and current market practice.

The key amendments are set out in the table below.

Proposal mechanics	
Stapling, director appointment and Stapling Distributions	To facilitate the implementation of the Proposal, the amendments: – provide for the stapling, destapling and restapling steps of the Proposal, as applicable to Westfield Holdings Shares (as set out in section 2.3); – provide for the appointment of the Westfield Retail Trust directors who are not already directors of Westfield Holdings (as set out in section 16.12) to the board of Westfield Holdings on the Implementation Date; and – provide ancillary powers regarding distributions (as described below), which facilitate the distribution of Westfield Corporation Limited Shares to Westfield Group Securityholders under the Proposal.
Consistency with other Scentre Group constitutions	
Form	Amendments to the form of the constitution are proposed to ensure consistency with the constitutions of Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2. This includes changing the format of the provisions that deal with the stapling of Westfield Holdings Shares to other securities (without material amendments to the substance of those provisions).
Other amendments	
Preference shares	The new provisions enable Westfield Holdings to issue preference shares on terms specified in a new schedule 1 to the constitution. These include terms relating to: – dividend rights and priority of payment; – entitlements to payments of capital sums on winding up or on redemption; – rights to bonus issues or capitalisation of profits; – rights to vote and attend meetings; and – rights to convert preference shares into ordinary shares of Westfield Holdings.
Directors	A number of new provisions have been inserted which enable directors to: – delegate any of their powers to any person they select for any period, on such conditions and restrictions they think fit; – act as nominee or representative of a shareholder of Westfield Holdings, on terms agreed with Westfield Holdings, and exercise the voting power conferred by any securities held by Westfield Holdings as they determine (including in circumstances where a director may be interested in the exercise); – more flexibly pass resolutions by electronic means; – be indemnified for legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties as an officer of Westfield Holdings or its subsidiary, if that expenditure has been approved in accordance with company policy; – receive superannuation contributions; and – appoint an employee of the Westfield Holdings or one of its subsidiaries (rather than an existing director of Westfield Holdings as is currently the case) as Managing Director or Executive Director, with such person ceasing to be a Director if they cease to be employed by Westfield Holdings or one of its subsidiaries.

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Ancillary powers regarding distributions	The existing Westfield Holdings constitution allows for the declaration of in-specie dividends. The proposed amendment is to extend the ancillary powers available to implement in-specie dividends and to address reductions of capital, thereby providing greater flexibility for the payment of distributions in the future. The amendments provide that: – the directors may resolve that a distribution by dividend, reduction of capital or a buy-back can be satisfied by the distribution of specific assets, including shares or debentures in Westfield Holdings or any other body corporate or trust; – in relation to any decision to pay a dividend, or to return capital by a reduction of capital, buy-back or otherwise, the directors may: – settle any difficulty that arises as they think expedient, including withholding assets, cash, shares, debentures or other securities where Westfield Holdings is required to make a payment to a government or taxing authority, or aggregating parcels of shares where shareholdings have been split or aggregated to obtain a benefit from rounding of fractions of shares; – fix the value for distribution of specific assets; – pay cash or issue shares, debentures or other securities in order to adjust rights of members; – vest assets in a trustee on trust; or – authorise any person to make an agreement with Westfield Holdings on behalf of members for the purpose of a dividend or return of capital; and – that the directors may make a cash payment to a member instead of a distribution of assets, or allocate the assets to a trustee for sale, if the distribution would be illegal or unlawful, would give rise to a parcel that is not a marketable parcel, or the directors in their discretion determine that the distribution would be impractical, or if the member so agrees.
Direct voting	Currently, members are entitled to vote on resolutions considered at a members' meeting, either by attending in person or by appointing a proxy to attend and vote at the meeting on their behalf. The proposed amendment will allow members to vote using alternative methods which could include electronic or postal voting, in addition to the usual voting methods. The directors will have discretion to determine whether or not to allow direct voting, and if so the methods and procedures for casting direct votes.
Other	The amendments include the removal of a casting vote of the chairman of a meeting of WHL shareholders in the case of an equality of votes. Other provisions have been inserted to enable Westfield Holdings to serve documents to give documents to members electronically.

Westfield Trust constitution amendments

The proposed amendments to the constitution of Westfield Trust are primarily designed to:

- set out the mechanisms by which Westfield Management as responsible entity of Westfield Trust will implement the Proposal;
- allow Westfield Trust to be operated consistently with Westfield Retail Trust 1 and Westfield Retail Trust 2, which will be stapled to Westfield Trust as part of Scentre Group;
- facilitate efficient capital management between the stapled entities of Scentre Group following implementation of the Proposal;
- comply with ASIC Regulatory Guide 134 (**RG 134**), being the latest policy released by ASIC which provides guidance on the content of constitutions of registered managed investment schemes; and
- update the constitution, taking into account current market practice and changes to the Corporations Act (as modified by any applicable ASIC relief).

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The key amendments are set out below.

Proposal mechanics

Provisions have been inserted to enable the responsible entity to implement the Proposal (as described in section 2.3), including powers to:

- staple, unstaple and restaple Westfield Trust Units;
- distribute WFD Trust Units to Eligible Securityholders;
- convert the number of Westfield Trust Units on issue;
- pay a capital distribution and apply it, on behalf of Eligible Securityholders, to the subscription for Westfield Retail Trust Securities;
- facilitate the transfer of Westfield Trust Units held by Ineligible Foreign Securityholders, in accordance with sale facility arrangements described in section 2.9; and
- act as agent and attorney for Westfield Trust unitholders to do all things reasonably necessary to implement the Proposal.

Consistency with Westfield Retail Trust 1 and Westfield Retail Trust 2 constitutions

A number of provisions have been redrafted for consistency with the Westfield Retail Trust 1 and Westfield Retail Trust 2 constitutions, including those provisions relating to the manner of determining the issue price of units (as part of stapled securities), calculating "market price" for various reasons, processing of applications, redemptions and transfers of units (as part of stapled securities), determining distributable income, making payments, sending notices and holding meetings.

Capital management

Provisions have been included to allow the re-allocation of capital across the stapled entitles of Scentre Group, to ensure that each entity is appropriately capitalised.

For this purpose, the new provisions enable the responsible entity to at any time, distribute an amount of capital from the trust, on terms that that distribution is to be applied by the responsible entity (on behalf of and at the deemed direction of members) as a capital payment to another stapled entity of Scentre Group.

Similarly, the constitution facilitates another stapled entity of Scentre Group undertaking a capital reduction or distribution, on terms that the whole or any part of that amount is to be paid to or for the benefit of each member of Westfield Trust. In that event, each member of Westfield Trust is deemed to have directed the responsible entity to accept that incoming capital reallocation amount on their behalf.

RG 134

A number of amendments have been made to ensure compliance with RG 134, including in regard to calculation of unit prices, methods for valuation of assets, limits on when fees and expenses may be charged, investor complaints and procedures on termination of Westfield Trust.

Other amendments

Amendments have been made to update the constitution, including:

- new provisions regulating direct voting by members;
- clearer powers of the responsible entity consistent with those already in the constitutions of Westfield Retail Trust 1 and Westfield Retail Trust 2;
- more detailed provisions relating to the issue of options over Westfield Trust Units;
- a new ability for Westfield Trust to issue financial instruments (such as convertible notes, derivatives or debentures), subject to the Corporations Act; and
- as is already provided for in the constitutions of Westfield Retail Trust 1 and Westfield Retail Trust 2, specific powers for the responsible entity to carry out certain types of reorganisation proposals in the future, including consolidating or dividing Westfield Trust Units, stapling and unstapling Westfield Trust Units, and, with the approval of an ordinary resolution of members, undertaking various other strategies to restructure Westfield Trust (such as exchanging Westfield Trust Units for interests in another trust).

SECTION 15

SECURITYHOLDER AND OTHER APPROVALS

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Westfield America Trust constitution amendments

The proposed amendments to the constitution of Westfield America Trust are primarily designed to:

- set out the mechanisms by which Westfield America Management as responsible entity of Westfield America Trust will implement the Proposal;
- allow Westfield America Trust to be operated consistently with WFD Trust, which will be stapled to Westfield America Trust as part of Westfield Corporation;
- facilitate efficient capital management between the stapled entities of Westfield Corporation following implementation of the Proposal;
- comply with RG 134; and
- update the constitution, taking into account current market practice and changes in the Corporations Act (as modified by any applicable ASIC relief).

The key amendments are set out below.

Proposal mechanics

Provisions have been inserted to enable the responsible entity to implement the Proposal, including powers to:

- staple and unstaple Westfield America Trust Units;
- facilitate the transfer of Westfield America Trust Units held by Ineligible Foreign Securityholders, in accordance with sale facility arrangements described in section 2.9; and
- act as agent and attorney for Westfield America Trust unitholders to do all things reasonably necessary to implement the Proposal.

Consistency with new WFD Trust constitution

A number of provisions have been redrafted for consistency with the new WFD Trust constitution, including those provisions relating to the manner of determining the issue price of units (as part of stapled securities), calculating "market price" for various reasons, redemptions and transfers of units (as part of stapled securities), determining distributable income, sending notices and holding meetings, voting procedures at a meeting of members, procedures on termination of the trust, and provisions relating to restricted securities.

Capital management

Provisions have been included to allow the re-allocation of capital across the stapled entities of Westfield Corporation, to ensure that each entity is appropriately capitalised. The proposed capital reallocation provisions are very similar to the provisions to be included in the Westfield Trust constitution, which are summarised above.

RG 134

A number of amendments have been made to ensure compliance with RG 134, including in regard to calculation of unit prices, methods for valuation of assets limits on where fees and expenses may be charged, investor complaints, and procedures on termination of Westfield America Trust.

Other amendments

Amendments have been made to update the constitution, including:

- new provisions regulating direct voting by members;
- clearer powers of the responsible entity consistent with those included in the new WFD Trust constitution;
- more detailed provisions relating to the issue of options over Westfield America Trust Units;
- a new ability for Westfield America Trust to issue financial instruments (such as convertible notes, derivatives or debentures), subject to the Corporations Act; and
- specific powers for the responsible entity to carry out certain types of reorganisation proposals in the future, including consolidating or dividing Westfield America Trust Units, stapling and unstapling Westfield America Trust Units, and, with the approval of an ordinary resolution of members, undertaking various other strategies to restructure Westfield America Trust (such as exchanging Westfield America Trust Units for interests in another trust).

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15.6 Proposal Approval Resolutions

The Proposal Approval Resolutions are ordinary resolutions of Westfield Holdings shareholders, Westfield Trust unitholders and Westfield America Trust unitholders to authorise Westfield Holdings, Westfield Management and Westfield America Management to carry out the Proposal and do all things necessary to give effect to the terms of the Implementation Deed.

The Proposal Approval Resolutions must be approved by a simple majority of votes cast on the resolution in order to be passed. The Proposal Approval Resolutions are set out in the Notice of General Meetings in Appendix 2 of this Securityholder Booklet.

15.7 Stapling Deed Resolution

Westfield Group Securityholders (in their capacity as Westfield Holdings shareholders) are asked to consider, as an ordinary resolution, a resolution to approve the provision of financial benefits by Westfield Holdings (and its controlled entities) to related parties by giving effect to the terms of any transactions contemplated under the Scentre Group Stapling Deed (to which Westfield Holdings will become a party).

Following implementation of the Proposal, the Scentre Group Stapling Deed will be between Westfield Holdings, Westfield Management as the responsible entity of Westfield Trust, RE1 as the responsible entity of Westfield Retail Trust 1 and RE2 as the responsible entity of Westfield Retail Trust 2. The Scentre Group Stapling Deed provides that the parties must operate on a co-operative basis for the benefit of the Scentre Group Securityholders as a whole, including providing financial accommodation to each other. Please see section 16.9 for a summary of the Scentre Group Stapling Deed.

Chapter 2E of the Corporations Act contains restrictions on public companies providing financial benefits to related parties. Future dealings between Westfield Holdings, Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 (or their controlled entities) could result in financial benefits being conferred by Westfield Holdings on its related parties. These related parties may include directors of Westfield Holdings, who will hold units in Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 (as part of their Scentre Group Securities), and therefore by virtue of their security holdings indirectly receive a benefit from Westfield Holdings as a result of the benefit given by Westfield Holdings to the other entities of the Scentre Group. The Scentre Group Stapling Deed does not permit financial benefits to be given directly to any of the directors of Westfield Holdings.

In addition, the provision by Westfield Holdings of loans, guarantees and security for borrowings or acquisitions of Westfield Trust, Westfield Retail Trust 1 or Westfield Retail Trust 2, as well as any non-arm's length pricing of the cost of property or services provided by Westfield Holdings to Westfield Trust, Westfield Retail Trust 1 or Westfield Retail Trust 2, could be regarded as a financial benefit to Westfield Trust, Westfield Retail Trust 1 or Westfield Retail Trust 2 unitholders.

The Stapling Deed Resolution seeks approval of the giving of financial benefits to related parties of Westfield Holdings under the Scentre Group Stapling Deed, or pursuant to any transaction entered into in accordance with the Scentre Group Stapling Deed. Approval of the Stapling Deed Resolution will reduce the need for independent valuations, reports and Scentre Group Securityholder approvals for transactions between the stapled entities of the Scentre Group, namely Westfield Holdings, Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 (or their controlled entities).

This Resolution is being proposed for the purpose of section 208 of the Corporations Act. The following information comprises the explanatory statement in accordance with section 219 of the Corporations Act:

(a) the related parties to whom the resolution would permit financial benefits to be given are the related parties of Westfield Holdings who receive financial benefits under the Scentre Group Stapling Deed from time to time (including directors of Westfield Holdings and its controlled entities but only to the extent that those directors indirectly receive the benefits by virtue of their holding of Scentre Group Securities, or the Scentre Group Responsible Entities). The resolution is not intended to permit financial benefits to controlled entities of Westfield Holdings which are not wholly owned;

(b) the nature of the financial benefits are those given under the Scentre Group Stapling Deed or as a result of transactions entered into in accordance with the Scentre Group Stapling Deed, including benefits indirectly received by directors of Westfield Holdings as a result of their holding of Scentre Group Securities, and the provision by Westfield Holdings of loans, guarantees and other benefits described above;

(c) each of the Westfield Group Directors recommends to the Westfield Group Securityholders that the Stapling Deed Resolution be approved and considers that giving effect to the terms of and the transactions under the Scentre Group Stapling Deed, and the dealings between Westfield Holdings, Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 will be in the overall interests of Westfield Holdings shareholders;

(d) none of the Westfield Group Directors has an interest in the outcome of the proposed Stapling Deed Resolution other than as a holder of Westfield Group Securities as disclosed in section 16.12, as a holder of Scentre Group Securities (if the Proposal is approved), as a director of Westfield Holdings, Westfield Management, RE1 or RE2, other than as disclosed in section 16.12; and

(e) there is no information, other than that which is set out in this Securityholder Booklet, that is known to Westfield Group or any of the Westfield Group Directors which is reasonably required by Westfield Group Securityholders in order to decide whether or not it is in the interests of Westfield Holdings to pass the Stapling Deed Resolution.

The Stapling Deed Resolution is set out in the Notice of General Meetings in Appendix 2 of this Securityholder Booklet.

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15.8 Westfield Holdings Name Change Resolution

As part of the Proposal, a special resolution of Westfield Group Securityholders (in their capacity as Westfield Holdings shareholders) is required to approve the change of Westfield Holdings' name from Westfield Holdings Limited to Scentre Group Limited.

The Westfield Holdings Name Change Resolution is set out in the Notice of General Meetings in Appendix 2 of this Securityholder Booklet.

Other name change

As part of the Proposal (if implemented), each of Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 will also change its name to Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 respectively. These changes will be effected by the relevant responsible entity. No Westfield Group Securityholder approval is required.

15.9 Westfield Retail Trust Resolutions

A number of resolutions will also need to be passed by Westfield Retail Trust Securityholders in order to implement the Proposal.

Westfield Retail Trust Securityholder approval is being sought to:

- approve the Proposal for all purposes;
- amend the constitutions of Westfield Retail Trust 1 and Westfield Retail Trust 2 to implement the Proposal; and
- terminate the Westfield Retail Trust Corporate Governance Deeds Poll.

All of these resolutions must be passed by Westfield Retail Trust Securityholders for the Proposal to be implemented. The full form of the Westfield Retail Trust Resolutions is set out in the Westfield Retail Trust Securityholder Booklet.

15.10 Interconditionality

Each of the Resolutions and the Westfield Retail Trust Resolutions must be passed in order for the Proposal to be implemented.

Accordingly, if any of the Resolutions or Westfield Retail Trust Resolutions are not passed, the Proposal will not proceed.

Further conditions which need to be satisfied or waived before the Proposal is implemented are set out in the Implementation Deed, as described in section 16.1.

15.11 Voting

Approval thresholds

The approval thresholds for each of the Resolutions are as follows:

- the Scheme Resolution to be proposed at the Scheme Meeting will be passed only if it is passed by a majority in number of members who voted and 75% of the votes cast;
- the Constitution Amendment Resolutions and the Westfield Holdings Name Change Resolution to be proposed at the General Meetings will be passed as special resolutions only if they have been passed by at least 75% of the votes cast by Securityholders entitled to vote on those resolutions; and
- the Capital Reduction Resolution, the Capital Conversion Resolution, the Proposal Approval Resolutions and the Stapling Deed Resolution to be proposed at the General Meetings will be passed as ordinary resolutions only if they have been passed by at least 50% of the votes cast by the Securityholders entitled to vote on those resolutions.

Each Westfield Group Securityholder who is registered on the Westfield Register at 7.00pm on Tuesday, 27 May 2014 is entitled to attend and vote, either in person or by proxy, at the Meetings.

Voting by poll

Each Resolution proposed at the Meetings will be decided by way of a poll.

On a poll for Westfield Holdings, each Securityholder has one vote for every Westfield Holdings Share held.

On a poll for Westfield Trust and Westfield America Trust, each Securityholder has one vote for each dollar of the value of the total interests they have in Westfield Trust and Westfield America Trust respectively.

The value of a unit in Westfield Trust and Westfield America Trust is the amount that Westfield Management or Westfield America Management (as appropriate) determines in writing to be the price that a willing but not anxious buyer would pay for the Westfield Trust or Westfield America Trust Unit if it were sold on the business day immediately before the date of the Meetings. That amount will be calculated as an amount equal to the percentage that the last published net asset value for each of Westfield Trust and Westfield America Trust bears to the last sale price of Westfield Group Securities on ASX on the trading day immediately before the date of the Meetings.

If you do not vote or vote against the Resolutions, but the Resolutions are approved by the required majority of Securityholders and all other conditions to the Proposal are either satisfied or waived, then the Proposal will be implemented and will be binding on all Securityholders.

Voting exclusions

Under section 253E of the Corporations Act, Westfield Management and Westfield America Management, the responsible entities of Westfield Trust and Westfield America Trust, and their associates will not be entitled to vote on a Resolution of members of Westfield Trust or Westfield America Trust, if they have an interest in that Resolution or a matter other than as a member. However, these entities are entitled to vote as a proxy for another Westfield Group Securityholder, provided their appointment specifies the way they are to vote on the Resolution and they vote in that way.

Under section 224(1) of the Corporations Act, related parties of Westfield Holdings (including Westfield Holdings directors and entities controlled by them) must not cast votes on the Stapling Deed Resolution if the resolution permits the giving of financial benefits to those related parties. However, ASIC has agreed to grant relief to the directors of Westfield Holdings from the restriction in section 224(1) of the Corporations Act on the basis that directors of Westfield Holdings would only receive benefits on the same basis as other Scentre Group Securityholders.

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SECTION 16
ADDITIONAL INFORMATION

16.1 Implementation Deed

On 4 December 2013, Westfield Holdings, Westfield Management as responsible entity of Westfield Trust, Westfield America Management as responsible entity of Westfield America Trust, RE1 as responsible entity of Westfield Retail Trust 1, RE2 as responsible entity of Westfield Retail Trust 2 and Westfield Corporation Limited, entered into an Implementation Deed, which sets out the procedures to be followed to implement the Proposal and other related matters. It is proposed that Westfield America Management as responsible entity of WFD Trust will enter into an accession deed to become party to the Implementation Deed, immediately following the implementation of the Proposal.

In addition to those elements of the Proposal described elsewhere in this Securityholder Booklet, the Implementation Deed deals with the matters discussed in this section.

(a) Agreement to implement the Proposal

The parties agree to implement the Proposal and must use reasonable endeavours to give effect to the Proposal, subject to their constitutions, the Implementation Deed, and applicable laws. This includes using reasonable endeavours to ensure satisfaction of the conditions precedent (see section 2.4).

(b) Conditions precedent

The implementation of the Proposal is subject to a number of conditions precedent. These are set out in section 2.4.

(c) Separation principle

Subject to limited exceptions, the separation principle underlying the Proposal is that on and from the Implementation Date:

- Scentre Group will have the entire economic benefit (including the profits of the Scentre Group entities from the Implementation Date) and risk of the Australian and New Zealand business of Westfield Group and Westfield Retail Trust, as if it had owned and operated that business at all times, and none of the economic benefit or risk of the international business; and
- Westfield Corporation will have the entire economic benefit (including the profits of the Westfield Corporation entities from the Implementation Date) and risk of the international business of Westfield Group, as if Westfield Corporation had owned and operated that business at all times, and none of the economic benefit or risk of the Australian and New Zealand business.

However, subject to the transitional services arrangements described at section 2.7, if there are assets within Scentre Group or Westfield Corporation which primarily relate to or are required for the operation of the other business, the other group is entitled to ownership and/or use of those assets.

(d) Separation indemnity

Scentre Group must (subject to limited exceptions) indemnify Westfield Corporation for any liabilities incurred by Westfield Corporation relating to the Australian and New Zealand business, and Westfield Corporation must (subject to limited exceptions) indemnify Scentre Group for any liabilities incurred by Scentre Group relating to the international business.

(e) Guarantees

From the Implementation Date, Scentre Group must use its reasonable endeavours to release Westfield Corporation Limited or Westfield America Management (and their beneficiaries) from obligations in relation to guarantees, indemnities and other forms of financial support given by, or requested to be given by, Westfield Corporation Limited or Westfield America Management (or their beneficiaries) to third parties or a member of Scentre Group, to the extent they relate to the Australian and New Zealand business.

Similarly, Westfield Corporation must use its reasonable endeavours to secure the release of Westfield Holdings or Westfield Management (and their beneficiaries), from obligations in relation to guarantees, indemnities and other forms of financial support given by, or requested to be given by Westfield Holdings or Westfield Management (or their beneficiaries) to third parties or a member of Westfield Corporation, to the extent they relate to the international business.

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Scentre Group and Westfield Corporation must each indemnify each other in respect of claims and losses under such guarantees, indemnities and other financial forms of support to the extent they relate to their respective businesses.

(f) Liabilities

Following implementation, Scentre Group will indemnify members of Westfield Corporation (including their respective directors, officers and employees) from any liability arising out of the breach of Scentre Group's obligations or warranties given under the Implementation Deed. Westfield Corporation has reciprocal obligations to Scentre Group.

(g) Liabilities in relation to the securityholder booklets

Westfield Corporation indemnifies each member of Scentre Group (and their related bodies corporate) from any liability arising from a misleading or deceptive statement, or deficient disclosure, in this Securityholder Booklet and the Westfield Retail Trust Securityholder Booklet in relation to information relating to the business, assets and financial information of Westfield Group, the international business, Australian and New Zealand business conducted by Westfield Holdings and its related bodies corporate (other than RE1 and RE2) prior to the Implementation Date and information relating to the Australian and New Zealand co-owned shopping centre interests in certain circumstances (**Westfield Group Information**).

Similarly, Scentre Group indemnifies each member of Westfield Corporation (and their related bodies corporate) from any liability arising from a misleading or deceptive statement, or deficient disclosure, in this Securityholder Booklet and the Westfield Retail Trust Securityholder Booklet in relation to information relating to the business, assets and financial information of Westfield Retail Trust (**Westfield Retail Trust Information**).

Each group agrees to indemnify members of the other group from 50% of the liability arising from a misleading or deceptive statement, or deficient disclosure, in this Securityholder Booklet and the Westfield Retail Trust Securityholder Booklet in relation to information relating to the co-owned shopping centre interests of Westfield Group and Westfield Retail Trust provided by Westfield Group where such information has been adopted or approved for public disclosure by the Westfield Retail Trust Directors (other than as a consequence of approval of this Securityholder Booklet or the Westfield Retail Trust Securityholder Booklet), unless there is a non-disclosure in certain circumstances as a result of Westfield Group's fraud, recklessness, wilful misconduct or gross negligence.

(h) Termination

A party may terminate the Implementation Deed by notice in writing to the other parties if certain events occur prior to the Implementation Date. These events include:

- the Resolutions and the Westfield Retail Trust Resolutions not being passed on or before 31 December 2014 (or such other date agreed between the parties);
- the Court not approving the Scheme;
- the failure of the condition precedent for the provision of judicial advice;
- any of Westfield Holdings, Westfield Trust, Westfield America Trust, Westfield Corporation Limited, WFD Trust, Westfield Retail Trust 1 or Westfield Retail Trust 2 becoming insolvent;
- a regulatory authority or judicial entity or authority taking any action, or making or commencing to make any preliminary or final order or decree which restrains or prohibits the implementation of the Proposal.

In addition, Westfield Group and Westfield Retail Trust may each terminate the Implementation Deed if:

- they receive an alternative proposal which the Westfield Group Board, or Westfield Retail Trust Directors, acting in good faith determine is reasonably capable of being completed, and is more favourable to Westfield Group Securityholders or Westfield Retail Trust Securityholders (as applicable) than the Proposal;
- the other party(s) breach a warranty or obligation under the Implementation Deed which is material to the Proposal; or
- the representations and warranties made by the other parties are not materially true and correct.

Each of Westfield Management, Westfield America Management, RE1 and RE2 may also terminate the Implementation Deed if at any time they determine in good faith that they should do so because of the duties owed to their relevant securityholders. This includes if a responsible entity determines in good faith that the Proposal ceases to be in the best interests of Westfield Retail Trust Securityholders (in the case of RE1 and RE2) or Westfield Group Securityholders (in the case of Westfield Management or Westfield America Management).

16.2 Scheme of arrangement

The terms of the Scheme are contained in Appendix 3 and the Notice of Scheme Meeting is set out in Appendix 1.

16.3 Implementation Deeds Poll

Each of Westfield Holdings, Westfield Management as responsible entity of Westfield Trust, Westfield America Management as responsible entity of Westfield America Trust, RE1 as responsible entity of Westfield Retail Trust 1 and RE2 as responsible entity of Westfield Retail Trust 2 has executed deeds poll in favour of the Westfield Group Securityholders and Westfield Retail Trust Securityholders under which they each undertake to perform all steps that they are required to perform to implement under the Proposal.

16.4 Entitlement to participate in the Proposal

Record Date

If the Scheme becomes Effective, Securityholders on the Westfield Register on the Record Date will be able to participate in the Proposal unless they are Ineligible Foreign Securityholders. The Record Date is expected to be Thursday, 19 June 2014.

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For the purposes of determining who is a Westfield Group Securityholder on the Record Date, dealings in Westfield Group Securities will only be recognised by Westfield Group if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered on the Westfield Register as the holder of the relevant Westfield Group Securities on or before 7.00pm (Sydney time) on the Record Date; and

(b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 5.00pm (Sydney time) on the Record Date at the place where the Westfield Register is kept.

Westfield Group will not accept for registration or recognise for any purpose any transmission application or transfer of Westfield Group Securities received after 5.00pm (Sydney time) on the Record Date.

No disposals after Effective Date

If the Scheme becomes Effective, you may not dispose of or purport or agree to dispose of any Westfield Group Securities close of business after the Effective Date. Any dealings in Westfield Group Securities after this time will not be recognised.

Ineligible Foreign Securityholders

As described in section 2.9, Ineligible Foreign Securityholders will have their Westfield Group Securities transferred to the Sale Nominee on or before the Implementation Date. The Sale Nominee will then participate in the Proposal in the same way as other Westfield Group Securityholders and sell the Westfield Corporation Securities and the Scentre Group Securities it receives. The sale proceeds will be distributed to Ineligible Foreign Securityholders.

16.5 Sale Facility

Westfield Group has appointed J.P. Morgan Securities Australia Limited to act as the Sale Nominee for the purposes of the Sale Facility. The operation of the Sale Facility is described in section 2.9.

The obligations under the Sale Facility deed are conditional on the Scheme becoming Effective and the amendments to the constitutions of Westfield Trust and Westfield America Trust that are the subject of the Constitution Amendment Resolutions coming into effect.

A party may terminate the Sale Facility deed for material breach by the other party or if the other party ceases to carry on business or triggers certain insolvency events.

16.6 Scentre Group Constitutions

Westfield Holdings constitution

The main provisions of the new Westfield Holdings constitution are set out below. This summary should be read together with the summary of proposed amendments to the existing Westfield Holdings constitution set out in section 15.5.

— **Share capital**

The directors of Westfield Holdings may issue or cancel Westfield Holdings Shares, or grant options over unissued Westfield Holdings Shares. The issue of further, equally ranked Westfield Holdings Shares will only vary the rights of existing Westfield Holdings shareholders if expressly provided for in terms of the existing Westfield Holdings Shares, or required under the Corporations Act or Listing Rules.

— **Stapling**

On implementation of the Proposal, each Westfield Holdings Share will be stapled to one Westfield Trust Unit, one Westfield Retail Trust 1 Unit and one Westfield Retail Trust 2 Unit. Until unstapled, Westfield Holdings must not cause a Westfield Holdings Share to cease being part of a stapled security, and the directors may only issue, cancel, or buy-back Westfield Holdings Shares as part of a stapled security. The number of issued Westfield Holdings Shares must equal the number of other issued securities to which it is stapled at any particular time.

— **Lien and Forfeiture**

Westfield Holdings has a lien on every Westfield Holdings Share for due and unpaid calls and instalments as well as interest accruing on that amount and reasonable expenses in respect of default. Westfield Holdings may sell any Westfield Holdings Share on which Westfield Holdings has a lien (as part of stapled securities) upon 14 days' notice that it intends to do so.

— **Transfer of Westfield Holdings Shares**

Westfield Holdings Shares may be transferred as provided by the operating rules of a CS Facility (as that term is defined in the Corporations Act) or by any other method of transfer which is required or permitted by the Corporations Act and ASX. While stapling applies, Westfield Holdings Shares may only be transferred as part of the stapled securities.

— **Voting**

Subject to any rights of any shares or class of shares, each Westfield Holdings shareholder is entitled to attend and vote at a general meeting of Westfield Holdings. Subject to any direct voting rules determined by the directors, any resolution being considered at a general meeting is decided on a show of hands unless a poll is demanded. On a show of hands, each Westfield Holdings shareholder present (in person and each other person present as a proxy, attorney or a representative of a Westfield Holdings shareholder) has one vote. On a poll, each Westfield Holdings shareholder present (in person and each other person present as a proxy, attorney or a representative of a Westfield Holdings Shareholder) has one vote for each fully paid Westfield Holdings Share.

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— **Number of directors**

The minimum number of directors is three. Unless otherwise determined by Westfield Holdings shareholders in general meeting, the maximum number of directors is 16 (or any such lesser number as determined by the Westfield Holdings directors).

— **Appointment and retirement of directors**

At every annual general meeting of Westfield Holdings, one third of the Westfield Holdings directors (excluding one managing director or any director appointed to fill a casual vacancy) must retire from office. If the number is not three or a multiple of three, then the number nearest one-third and any other Westfield Holdings director who has held office for three years or more since last being elected, must retire from office.

The Westfield Holdings directors may also appoint a director to fill a casual vacancy on the board or in addition to the existing Westfield Holdings directors. A director appointed in this way (other than one managing director) holds office only until the next annual general meeting following his or her appointment.

— **Removal of director**

Westfield Holdings shareholders can by resolution remove any director and appoint another person as a replacement.

— **Dividends**

The Westfield Holdings directors may pay dividends, as determined by the Westfield Holdings directors, subject to the Corporations Act and the rights of any shareholders which hold shares which have special rights to dividends. Interest is not payable on any dividend.

— **Election to reinvest dividends**

Subject to the Listing Rules, the Westfield Holdings Directors may grant to Westfield Holdings shareholders (or a class of Westfield Holdings shareholders) the right to elect to reinvest cash dividends paid by Westfield Holdings, by subscribing for additional Westfield Holdings Shares of the same class on such terms as the Westfield Holdings directors think fit. While stapling applies, such a right may only be granted if, at the same time, an offer of an identical number of securities to which Westfield Holdings Shares are stapled is also made to Westfield Holdings shareholders.

— **Capitalisation of profits**

The Westfield Holdings directors may capitalise any sum and apply it for the benefit of Westfield Holdings shareholders in the proportions to which those Westfield Holdings shareholders would have been entitled upon distribution of that sum by way of dividend.

— **Winding up**

With the sanction of a special resolution of Westfield Holdings, the liquidator may divide among the Westfield Holdings shareholders the whole or any part of Westfield Holdings property and decide how the division is to be carried out.

— **Small holdings**

The Westfield Holdings directors may sell any shares held by a Westfield Holdings shareholder which comprise less than a marketable parcel, without request by the shareholder. Westfield Holdings may only give a small holder one divestment notice every 12 months (except in the event of a takeover bid), and after giving that written notice, allow holders at least six weeks (or 7 days in the case of a "New Small Holder", as defined) from the date of that notice to notify Westfield Holdings if they wish to retain their shares.

— **Constitution amendments**

The Westfield Holdings constitution can only be amended by special resolution passed by at least 75% of the votes cast by members entitled to vote on the resolution at a general meeting of Westfield Holdings. Westfield Holdings must give at least 28 days' written notice of such meeting.

Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 constitutions

Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 are each registered managed investment schemes, and the main rules governing their operation are set out in their constitutions (as amended) respectively. The Corporations Act, exemptions and declarations given by ASIC, the Listing Rules (subject to waivers) and the general law of trusts are also relevant to the rights and obligations of the Scentre Group Responsible Entities and holders of Scentre Group Securities (referred to in this section as "members").

The rights and liabilities attaching to units in Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 under the constitutions of those trusts (as they will be amended) are very similar, and are summarised below. This section should be read together with the summary of proposed amendments to the Westfield Trust constitution set out in section 15.5 which summarises proposed new provisions including those related to capital management and direct voting. The proposed amendments to the Westfield Retail Trust Constitutions are set out in the Westfield Retail Trust Securityholder Booklet.

— **Units and Stapling**

Subject to the terms of issue of the particular unit, each unit confers an equal undivided interest in the relevant trust's assets as a whole, subject to the liabilities of the relevant trust.

While the Stapling provisions apply, the units and any other securities to which they are Stapled must be Stapled in the same ratio and will be treated as one security. Units may only be issued if there is a corresponding issue of any other securities Stapled to those units and the issue is at the same time and to the same person.

The responsible entity has the power to issue options over units and financial instruments, although no such options or financial instruments are currently on issue.

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— **Income and distribution to members**

Subject to the terms of issue of the particular unit, members are generally entitled to share in distributions in proportion to the number of units they hold.

For each of Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2, the responsible entity may determine standing principles for calculating and distributing distributable income for any financial year or distribution period and may change the principles from time to time, or if no standing principles are applicable, distribute so much of the income of the trust determined in accordance with ordinary concepts as is available for that period after payment of costs, expenses and other outgoings.

If the responsible entity approves, members may choose to reinvest some or all of a distribution by acquiring additional units in the trust.

Distributions are payable annually or such other period as the responsible entity determines. At present, each responsible entity has determined to make semi-annual distributions.

Distributions may be in the form of cash, additional units or, in certain circumstances, in the form of other assets.

Holders of financial instruments (if any) would be entitled to be paid all coupon, interest, distribution or other periodic payments required to be paid to them under the terms of those financial instruments, with such payments to be made at the time and in the manner set out in the terms of those financial instruments.

— **Transfer of units, options or financial instruments**

Subject to the Corporations Act and the Listing Rules, while the units, options or financial instruments are quoted for trading on ASX, they may be transferred by any method permitted by the operating rules of ASX's clearing and settlement facility or the Corporations Act and ASX. While Stapled, units may only be transferred as part of Stapled Securities.

— **Withdrawal**

A unit may not be redeemed while the relevant trust is listed except by way of an on market buyback or a withdrawal offer. While Stapling applies, the responsible entity may not redeem a unit without also redeeming any other security to which it is Stapled.

— **Powers and delegation**

The responsible entity has all the powers that it is possible to confer on a trustee, including powers to invest, dispose of or otherwise deal with property or to raise or borrow money. There is also a general contracting power to enter into any form of contract and incur all types of obligations and liabilities. The responsible entity may authorise any person (including an associate of the responsible entity) to act as its agent or delegate to hold title to any asset or perform any act or exercise any discretion. It may also enter into an agreement with a person to underwrite the subscription or purchase of units, or options over those units.

— **Stapling and reorganisation proposals**

Subject to the Corporations Act and the Listing Rules, the responsible entity has the power to Staple units to any other security and to subsequently destaple them, without prior approval of members.

Units, options and financial instruments may also be consolidated or divided as determined by the responsible entity.

In addition, the responsible entity has the power to enter into certain reorganisation proposals, as discussed in section 15.5.

— **Constitution amendments**

The relevant trust constitution may be amended by a resolution of members, or by the responsible entity if the change does not adversely affect the rights of members.

— **Meetings**

While Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 are registered managed investment schemes, members' rights to requisition, attend and vote at meetings are mostly prescribed by the Corporations Act.

The responsible entity may also convene separate meetings for holders of options and financial instruments. Option holders may exercise any right they have under the Corporations Act to attend a meeting and vote on a resolution of members, but otherwise may not vote on a resolution of members or attend a meeting of members.

— **Rights and limitation of liability of responsible entity**

The responsible entity and its associates may hold units, options or financial instruments in relation to the trust of which it is responsible entity, and the responsible entity may deal with itself as trustee of the trust or in another capacity. Subject to the Corporations Act, the responsible entity is not liable to members for any loss suffered in respect of the trust.

— **Liability of members, option holders and holders of financial instruments**

The liability of a member, option holder or holder of a financial instrument ("securityholder") is limited under the constitution to the amount (if any) which remains unpaid in relation to their units, options or financial instruments, except where the responsible entity is entitled to be indemnified by that securityholder for tax or costs incurred as a result of that securityholder's action or inaction (amongst other things), although the effectiveness of these provisions has not been tested in superior courts. A securityholder need not indemnify the responsible entity if there is a deficiency in the assets of the trust, or meet the claim of any creditor of the responsible entity in respect of the trust.

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— **The responsible entity's fees and expenses, and indemnity**

The rights of the responsible entity to fees and the reimbursement of costs and expenses in respect of the trust are set out in section 13.4. In addition, the responsible entity is entitled to be indemnified out of the assets of the relevant trust for any liability incurred by it in the proper performance of its duties in relation to the relevant trust.

— **Winding up**

On winding up, each member is entitled to receive a share of the value of the trust's assets, after meeting all liabilities and expenses, proportionate to the number of units held. Westfield Retail Trust 1 and Westfield Retail Trust 2 continue until the earlier of:

- where the trusts remain registered managed investment schemes – the date which their respective members determine by extraordinary resolution or a date determined by the relevant responsible entity and advised by written notice to members at least 60 days before the proposed date of termination; or
- where the trusts are not registered managed relevant investment schemes – the date specified by the trustee entity in a notice to members; or
- the date on which the trusts terminate in accordance with their constitutions or by law.

Westfield Trust continues until the earlier of:

- the date specified by Westfield Management in a notice to members; and
- the date on which the trust terminates in accordance with its constitution or by law.

— **Small holdings**

While the units are quoted on ASX, the responsible entity may sell or redeem the units without the request of a member where the units comprise less than a marketable parcel. The responsible entity may only sell or redeem a member's units once in any 12 month period by providing a divestment notice, and must allow members at least six weeks (or 7 days in the case of a "New Small Holder", as defined) from the date of that notice to notify the responsible entity if they wish to retain their units.

16.7 Westfield Corporation Constitutions

Westfield Corporation Limited constitution

The main provisions of the Westfield Corporation Limited constitution are summarised below.

— **Share capital**

The directors of Westfield Corporation Limited may issue or cancel Westfield Corporation Limited Shares, or grant options over unissued Westfield Corporation Limited Shares.

— **Stapling**

On implementation of the Proposal, each Westfield Corporation Limited Share will be stapled to one WFD Trust Unit and one Westfield America Trust Unit. Until unstapled, Westfield Corporation Limited must not cause a Westfield Corporation Limited Share to cease being part of a stapled security, and the directors may only issue, cancel, or buy-back Westfield Corporation Limited Shares as part of a stapled security. The number of issued Westfield Corporation Limited Shares must equal the number of issued securities to which it is stapled at any particular time.

— **Lien and Forfeiture**

Westfield Corporation Limited has a lien on every Westfield Corporation Limited Share for due and unpaid calls and instalments as well as reasonable interest accruing on that amount and reasonable expenses in respect of default. Westfield Corporation Limited may sell any Westfield Corporation Limited Share on which Westfield Corporation Limited has a lien (as part of stapled securities) upon 14 days' notice that it intends to do so.

— **Transfer of Westfield Corporation Limited Shares**

Westfield Corporation Limited Shares may be transferred as provided by the operating rules of a CS Facility (as that term is defined in the Corporations Act) or by any other method of transfer which is required or permitted by the Corporations Act and ASX. While stapling applies, Westfield Corporation Limited Shares may only be transferred as part of the stapled securities.

— **Voting**

Subject to any rights of any shares or class of shares, each Westfield Corporation Limited shareholder is entitled to attend and vote at a general meeting of Westfield Corporation Limited. Subject to any direct voting rules determined by the directors, any resolution being considered at a general meeting is decided on a show of hands unless a poll is demanded. On a show of hands, each Westfield Corporation Limited shareholder present (in person and each other person present as a proxy, attorney or a representative of a Westfield Corporation Limited shareholder) has one vote. On a poll, each Westfield Corporation Limited shareholder present (in person and each other person present as a proxy, attorney or a representative of a Westfield Corporation Limited shareholder) has one vote for each fully paid Westfield Corporation Limited Share.

— **Number of directors**

The minimum number of directors is three. Unless otherwise determined by Westfield Corporation Limited shareholders in general meeting, the maximum number of directors is 16 (or any such lesser number as determined by the Westfield Corporation Limited directors in accordance with the Corporations Act).

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— **Appointment and retirement of directors**

Directors are elected at annual general meetings of Westfield Corporation Limited. Retirement will occur on a rotational basis so that a director may not hold office for three or more years, or three or more annual general meetings without standing for re-election.

The Westfield Corporation Limited directors may also appoint a director to fill a casual vacancy on the board or in addition to the existing Westfield Corporation Limited directors. A director appointed in this way (other than one managing director) holds office only until the next annual general meeting following his or her appointment.

— **Removal of director**

Westfield Corporation Limited shareholders can by resolution remove any director and appoint another person as a replacement.

— **Dividends**

The Westfield Corporation Limited directors may pay dividends, as determined by the Westfield Corporation Limited directors, subject to the Corporations Act and the rights of any shareholders which hold shares which have special rights to dividends. Interest is not payable on any dividend.

— **Election to reinvest dividends**

Subject to the Listing Rules, the Westfield Corporation Limited directors may grant to Westfield Corporation Limited shareholders (or a class of Westfield Corporation Limited shareholders) the right to elect to reinvest cash dividends paid by Westfield Corporation Limited, by subscribing for additional Westfield Corporation Limited Shares on such terms the Westfield Corporation Limited directors think fit. While stapling applies, such a right may only be granted if, at the same time, an offer of an identical number of securities to which Westfield Corporation Limited Shares are stapled is also made to Westfield Corporation Limited shareholders.

— **Capitalisation of profits**

The Westfield Corporation Limited directors may capitalise any sum and apply it for the benefit of Westfield Corporation Limited shareholders in the proportions to which those Westfield Corporation Limited shareholders would have been entitled upon distribution of that sum by way of dividend.

— **Winding up**

With the sanction of a special resolution of Westfield Corporation Limited, the liquidator may divide among the Westfield Corporation Limited shareholders the whole or any part of Westfield Corporation Limited property and decide how the division is to be carried out.

— **Small holdings**

The Westfield Corporation Limited directors may sell any shares held by a Westfield Corporation Limited shareholder which comprise less than a marketable parcel, without request by the shareholder. Westfield Corporation Limited may only give a small holder one divestment notice every 12 months (except in the event of a takeover bid), and after giving that written notice, allow holders at least six weeks (or 7 days in the case of a "New Small Holder", as defined) from the date of that notice to notify Westfield Corporation Limited if they wish to retain their shares.

— **Constitution amendments**

The Westfield Corporation Limited constitution can only be amended by special resolution passed by at least 75% of the votes cast by members entitled to vote on the resolution at a general meeting of Westfield Corporation Limited. Westfield Corporation Limited must give at least 28 days' written notice of such meeting.

WFD Trust constitution and Westfield America Trust constitution

WFD Trust and Westfield America Trust are registered managed investment schemes and the main rules governing their operation are set out in their constitutions dated 26 March 2014 and 28 March 1996 (as amended) respectively. The Corporations Act, exemptions and declarations given by ASIC, the Listing Rules (subject to waivers) and the general law of trusts are also relevant to the rights and obligations of the Westfield Corporation Responsible Entity and holders of Westfield Corporation Securities (referred to in this section as "members").

The rights and liabilities attaching to units in WFD Trust and Westfield America Trust under the constitutions of those trusts (once the Westfield America Trust constitution has been amended) will be very similar, and are summarised below. This section should be read together with the summary of proposed amendments to the Westfield America Trust constitution set out in section 15.5.

— **Units and Stapling**

Subject to the terms of issue of the particular unit, each unit confers an equal undivided interest in the relevant trust's assets as a whole, subject to the liabilities of the relevant trust.

While the Stapling provisions apply, the units and any other securities to which they may be Stapled must be Stapled in the same ratio and will be treated as one security. Units may only be issued if there is a corresponding issue of any other securities Stapled to those units and the issue is at the same time and to the same person.

The responsible entity also has the power to issue options over units and financial instruments, although no such options or financial instruments are currently on issue, except for certain options in respect of Westfield America Trust which are owned by Westfield Group entities.

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— **Income and distribution to members**

Subject to the terms of issue of the particular unit, members are generally entitled to share in distributions in proportion to the number of units they hold.

For each of WFD Trust and Westfield America Trust, the responsible entity may determine standing principles for calculating and distributing distributable income for any financial year or distribution period and may change the principles from time to time, or if no standing principles are applicable, distribute so much of the income of the trust determined in accordance with ordinary concepts as is available for that period after payment of costs, expenses and other outgoings.

If the responsible entity approves, members may choose to reinvest some or all of a distribution by acquiring additional units in the trust.

Distributions are payable annually or such other period as the responsible entity determines. It is expected that each of WFD Trust and Westfield America Trust will pay semi-annual distributions.

Distributions may be in the form of cash, additional units or, in certain circumstances, in the form of other assets. Holders of financial instruments (if any) would be entitled to be paid all coupon, interest, distribution or other periodic payments required to be paid to them under the terms of those financial instruments (with such payments to be made at the time and in the manner set out in the terms of those financial instruments).

— **Transfer of units, options or financial instruments**

Subject to the Corporations Act and the Listing Rules, while the units, options or financial instruments are quoted for trading on ASX, they may be transferred by any method permitted by the operating rules of ASX's clearing and settlement facility or the Corporations Act and ASX. While Stapled, units may only be transferred as part of Stapled Securities.

— **Withdrawal**

A unit may not be redeemed while the relevant trust is listed except by way of an on market buyback or a withdrawal offer. While Stapling applies, the responsible entity may not redeem a unit without also redeeming any other security to which it is Stapled.

— **Powers and delegation**

The responsible entity has all the powers that it is possible to confer on a trustee, including powers to invest, dispose of or otherwise deal with property or to raise or borrow money. There is also a general contracting power to enter into any form of contract and incur all types of obligations and liabilities. The responsible entity may authorise any person (including an associate of the responsible entity) to act as its agent or delegate to hold title to any asset or perform any act or exercise any discretion. It may also enter into an agreement with a person to underwrite the subscription or purchase of units, or options over those units.

— **Stapling and reorganisation proposals**

Subject to the Corporations Act and the Listing Rules, the responsible entity has the power to staple units to any other security and to subsequently destaple them, without prior approval of members.

Units, options and financial instruments may also be consolidated or divided as determined by the responsible entity.

In addition, the responsible entity has the power to enter into certain reorganisation proposals, of the kind discussed in section 15.5.

— **Constitution amendments**

The relevant trust constitution may be amended by a resolution of members, or by the responsible entity if the change does not adversely affect the rights of members.

— **Meetings**

While WFD Trust and Westfield America Trust are registered managed investment schemes, members' rights to requisition, attend and vote at meetings are mostly prescribed by the Corporations Act.

The responsible entity may also convene separate meetings for holders of options and financial instruments. Option holders may exercise any right they have under the Corporations Act to attend a meeting and vote on a resolution of members, but otherwise may not vote on a resolution of members or attend a meeting of members.

— **Rights and limitation of liability of responsible entity**

The responsible entity and its associates may hold units, options or financial instruments in relation to the trust of which it is responsible entity, and the responsible entity may deal with itself as trustee of the trust or in another capacity. Subject to the Corporations Act, the responsible entity is not liable to members for any loss suffered in respect of the trust.

— **Liability of members, options holders and holders of financial instruments**

The liability of a member, option holder or holder of a financial instrument ("securityholder") is limited under the constitution to the amount (if any) which remains unpaid in relation to their units, options or financial instruments (although the effectiveness of this provision has not been tested in superior courts). The WFD Trust constitution provides that the responsible entity is entitled to be indemnified by a securityholder for tax or costs incurred as a result of a securityholder's action or inaction (amongst other things). A securityholder need not indemnify the responsible entity if there is a deficiency in the assets of the trust, or meet the claim of any creditor of the responsible entity in respect of the trust.

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— **The responsible entity's fees and expenses, and indemnity**

The rights of the responsible entity to fees and the reimbursement of costs and expenses in respect of the trust are set out in section 14. In addition, the responsible entity is entitled to be indemnified out of the assets of the relevant trust for any liability incurred by it in the proper performance of its duties in relation to the relevant trust.

— **Winding up**

On winding up, each member is entitled to receive a share of the value of the trust's assets, after meeting all liabilities and expenses, proportionate to the number of units held.

WFD Trust continues until the earlier of:

- where the trust remains a registered managed investment scheme – the date which its members determine by extraordinary resolution or a date determined by the responsible entity and advised by written notice to members at least 60 days before the proposed date of termination; or
- where the trust is not a registered managed investment scheme – the date specified by the responsible entity in a notice to members; or
- the date on which the trust terminates in accordance with the constitution or by law.

Westfield America Trust continues until the earlier of:

- the date which its members determine by special resolution to terminate the trust; and
- the date on which the trust terminates in accordance with the constitution or by law.

— **Small holdings**

While the units are quoted on ASX, the responsible entity may sell or redeem the units without the request of a member where the units comprise less than a marketable parcel. The responsible entity may only sell or redeem a member's units once every 12 months by providing a divestment notice, and must allow members at least six weeks (or 7 days in the case of a "New Small Holder", as defined) from the date of that notice to notify the responsible entity if they wish to retain their units.

16.8 Termination of existing arrangements between Westfield Group and Westfield Retail Trust

On the Implementation Date, the following agreements will be terminated:

(a) the existing Westfield Group Stapling Deed;

(b) the Westfield Retail Trust Corporate Governance Deeds Poll;

(c) the Co-operation Deed;

(d) the existing Westfield America Management Services Agreement; and

(e) the Corporate Services Agreement.

The agreements in (b), (c) and (e) above related to the arrangements put in place in 2010 when Westfield Retail Trust was separated from Westfield Group. These arrangements will no longer be necessary following implementation of the Proposal. Similarly, the agreements in (a) and (d) above are relevant to the stapling arrangements for Westfield Group which will be superseded by the Westfield Corporation Stapling Deed and internal arrangements within Westfield Corporation. Termination of these arrangements does not give rise to payment of any fees.

16.9 Stapling Deeds

Scentre Group Stapling Deed

On 20 December 2010, RE1 as responsible entity of Westfield Retail Trust 1 and RE2 as responsible entity of Westfield Retail Trust 2 entered into a stapling deed to govern the relationship between RE1 and RE2 in respect of the Westfield Retail Trust Securities. As part of the implementation of the Proposal, Westfield Holdings and Westfield Management as responsible entity of Westfield Trust will accede as parties to this stapling deed, which sets out the terms of the relationship between each of Westfield Holdings, Westfield Management, RE1 and RE2 in respect of the Scentre Group Securities.

Westfield Corporation Stapling Deed

On or before implementation of the Proposal, Westfield Corporation Limited, Westfield America Management as responsible entity of WFD Trust and Westfield America Management as responsible entity of Westfield America Trust will enter into a stapling deed to set out the terms of the relationship between Westfield Corporation Limited and Westfield America Management in respect of the Westfield Corporation Securities.

The Scentre Group Stapling Deed and the Westfield Corporation Stapling Deed contain largely similar terms. The key terms of those deeds include:

— **Stapling**

Scentre Group Securities and Westfield Corporation Securities will remain stapled unless a special resolution of the relevant stapled securityholders approves unstapling, if stapling becomes unlawful or prohibited by the Listing Rules, or a winding up is commenced in respect of any of the respective stapled entities.

— **Co-operation and consultation**

The parties to the relevant stapling deeds agree to share accounting and other information, and to co-operate in operating their respective stapled groups, including in relation to providing information to investors, valuing assets, preparing accounts, holding meetings, issuing securities, acquiring investments and making dividends and distributions.

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- **Financial benefits**

  The parties to the relevant stapling deeds agree to give financial benefits to the other entities in their respective stapled groups including by lending money and providing guarantees. Any such benefits must only be given if they are in the interests of Westfield Corporation Securityholders or Scentre Group Securityholders (as applicable) as a whole.

- **Dealings in Stapled Securities**

  The relevant components of the Scentre Group Securities and the Westfield Corporation Securities may only be issued or transferred as part of Stapled Securities.

  Each of the parties to the relevant stapling deeds must not cancel, buy-back, redeem or reorganise shares or units, unless at the same time there is a corresponding cancellation, buy-back, redemption or reorganisation of the shares or units of each other entity in the stapled group.

- **Registers**

  Each of the parties to the relevant stapling deeds may maintain or procure the maintenance of a register of Stapled Securities. This includes the appointment of a common registrar.

  All details of Stapled Securities and dealings in those securities must be entered in the register. Although separate registers may be kept, the registers must be kept entirely consistent with one another.

- **Duties**

  When exercising any power or discretion, each of the parties to the relevant stapling deeds may consider the interests of holders of the relevant Stapled Securities as a whole, not only the interests of members of each stapled entity separately.

- **Dispute resolution**

  If there are disagreements arising from the deeds, each of the parties to the relevant stapling deeds must use their best endeavours to resolve them and negotiate in good faith before instituting proceedings.

- **Allocation of issue price**

  Each of the parties to the relevant stapling deeds must agree from time to time what part of the amount payable for the issue, redemption or buy-back of a Stapled Security is to represent the price of shares or units in each of the entities forming part of the relevant stapled group. The allocation is to be based on the methodology set out in the stapling provisions in the constitutions (unless agreed otherwise in the case of an issue or redemption) or fair values of the shares or units (in the case of a buy back).

  If the parties are unable to agree, an independent accountant must be appointed to determine what part of the amount payable is to represent the price of the constituent shares or units.

16.10 Interests of experts and advisers

Other than as set out in this Securityholder Booklet, no person named in this Securityholder Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Securityholder Booklet and no promoter of Scentre Group or Westfield Corporation, or financial services licensee named in this Securityholder Booklet as a financial services licensee involved in the Proposal, holds at the date of this Securityholder Booklet, or has held in the two years prior to that date, an interest in:

- the formation or promotion of Scentre Group or Westfield Corporation;
- any property acquired or proposed to be acquired by Scentre Group or Westfield Corporation in connection with their formation or promotion or the Proposal; or
- the Proposal (including the offer of Westfield Holdings Shares (as part of Scentre Group Securities) or Westfield Corporation Limited Shares (as part of Westfield Corporation Securities)),

nor has anyone paid or agreed to pay any amount, or given or agreed to give any benefit, to such persons for services provided in connection with the formation or promotion of Scentre Group or Westfield Corporation or the Proposal (including the offer of Westfield Holdings Shares (as part of Scentre Group Securities) or Westfield Corporation Limited Shares (as part of Westfield Corporation Securities)).

King & Wood Mallesons is entitled to be paid approximately $2.7 million (plus GST and disbursements) in fees and charges for legal services rendered to Westfield Group up to the date of this Securityholder Booklet in connection with the Proposal. Further amounts may be paid in accordance with its normal time based charges.

Ashurst Australia is entitled to be paid approximately $2.3 million (plus GST and disbursements) in fees and charges for legal services rendered to Westfield Retail Trust up to the date of this Securityholder Booklet in connection with the Proposal. Further amounts may be paid in accordance with its normal time based charges.

Greenwoods & Freehills Pty Ltd is entitled to be paid approximately $680,000 (plus GST and disbursements) in fees and charges for tax advice rendered to Westfield Group and Westfield Retail Trust up to the date of this Securityholder Booklet in connection with the Proposal. Further amounts may be paid in accordance with its normal time based charges.

HWL Ebsworth is entitled to be paid approximately $470,000 (plus GST and disbursements) in fees and charges for legal services relating to financing arrangements rendered to Westfield Group and Westfield Retail Trust up to the date of this Securityholder Booklet in connection with the Proposal. Further amounts may be paid in accordance with its normal time based charges.

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Ernst & Young Transaction Advisory Services Limited is entitled to be paid approximately $202,500 (plus GST and disbursements) in fees and charges for preparation of their Independent Limited Assurance Reports to Westfield Group and Westfield Retail Trust up to the date of this Securityholder Booklet in connection with the Proposal. Further amounts may be paid in accordance with its normal time based charges.

Ernst & Young is entitled to be paid approximately $2.8 million (plus GST and disbursements) in fees and charges for audit related services rendered to Westfield Group and Westfield Retail Trust in connection with the Proposal. Further amounts may be paid in accordance with its normal time based charges.

Grant Samuel & Associates Pty Limited is entitled to be paid approximately $1.25 million (plus GST and disbursements) in fees and charges for preparation of the Independent Expert's Report to Westfield Group up to the date of this Securityholder Booklet in connection with the Proposal. Further amounts may be paid in accordance with its normal time based charges.

KPMG Financial Advisory Services (Australia) Pty Ltd (ABN 43 007 363 214, AFSL No. 246901) is entitled to be paid approximately $450,000 million (plus GST and disbursements) in fees and charges for preparation of the independent expert's report to Westfield Retail Trust in connection with the Proposal. Further amounts may be paid in accordance with its normal time based charges.

J.P. Morgan Australia Limited, Rothschild Australia Limited, Citigroup Global Markets Australia Pty Limited, Credit Suisse (Australia) Limited, Deutsche Bank AG Sydney Branch and Merrill Lynch Markets (Australia) Pty Limited are entitled to be paid approximately $47.5 million (plus GST and disbursements) in aggregate fees and charges for financial advisory services rendered to Westfield Group in connection with the Proposal.

UBS AG, Australia Branch and Morgan Stanley Australia Limited are entitled to be paid approximately $22 million (plus GST and disbursements) in aggregate fees and charges for financial advisory services rendered to Westfield Retail Trust in connection with the Proposal.

J.P. Morgan Securities Australia Limited is entitled to be paid approximately $100,000 (plus GST and disbursements) in fees and charges for sale nominee services for the purposes of the Sale Facility rendered to Westfield Group in connection with the Proposal.

16.11 Intention of Westfield Group Directors concerning the business of Westfield Corporation

In relation to Westfield Group's Australian and New Zealand business currently held by Westfield Holdings, Westfield Holdings has been advised by the directors who will comprise the Scentre Group Board, that following implementation of the Proposal:

- Westfield Group's Australian and New Zealand business will continue and be conducted as part of the Scentre Group business under the direction of the Scentre Group Board, as set out in section 4;
- no major changes will be made to Westfield Group's Australian and New Zealand business (including redeployment of fixed assets) which will continue as part of Scentre Group's business in Australia and New Zealand as set out in section 4; and
- in relation to the present employees of Westfield Holdings who will become employees of Scentre Group, to continue the future employment of those employees.

In relation to Westfield Group's international business currently held by Westfield Holdings, it is the present intention of those of the current directors of Westfield Holdings, following the transfer of Westfield Group's international business to Westfield Corporation and implementation of the Proposal, that:

- Westfield Group's international business will continue and be conducted as part of the Westfield Corporation business under the direction of the Westfield Corporation Board, as set out in section 7;
- no major changes will be made to the international business (including redeployment of fixed assets) which will continue as part of Westfield Corporation's international business under the direction of the Westfield Corporation Board, as set out in section 7; and
- in relation to the present employees of Westfield Holdings who will become employees of Westfield Corporation (subject to some redundancies from efficiencies in roles in the case of Westfield Corporation), to continue the future employment of those employees.

16.12 Interests of Westfield Group Directors

Below sets out relevant information about interests of Westfield Group Directors (in their respective capacities including as directors of Westfield Holdings). All of the existing Westfield Retail Trust Directors except for Mr Domenic Panaccio will be appointed to the Westfield Holdings and Westfield Management boards as Scentre Group directors. For information about their interests as proposed directors of Westfield Holdings and Westfield Management, please see section 16.13.

Westfield Group Directors' interests in Westfield Group Securities, Westfield Retail Trust Securities, Scentre Group Securities and Westfield Corporation Securities

The number of Westfield Group Securities or Westfield Retail Trust Securities held directly, indirectly or beneficially by Westfield Group Directors or their related entities as at the date of this Securityholder Booklet and the number of Scentre Group Securities and Westfield Corporation Securities they will hold on implementation of the Proposal is set out below.

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Director	Existing Westfield Group Securities (direct and indirect holdings)	Existing Westfield Retail Trust Securities (direct and indirect holdings)	Scentre Group Securities following Proposal[1]	Westfield Corporation Securities following Proposal
Frank Lowy, Peter Lowy, Steven Lowy	173,728,961[2]	Nil	216,466,286	173,728,961
Peter Allen	577,902	115,000	825,636	577,902
Ilana Atlas	5,000	Nil	6,230	5,000
Roy Furman	50,000	Nil	62,300	50,000
Peter Goldsmith	5,000	6,182	11,906	5,000
Mark G Johnson	6,425	1,425	9,315	6,425
Mark R Johnson	62,000	Nil	77,252	62,000
John McFarlane	51,951	Nil	64,731	51,951
Brian Schwartz	21,110	13,591	38,781	21,110
Judith Sloan	3,000	3,709	7,143	3,000

(1) These figures are estimates only and subject to rounding, as described in section 15.4.
(2) This figure excludes the 5,869,425 securities held by Amondi Pty Limited as trustee of the Westfield Executive Option Plan Trust.

Except as set out in columns 2 or 3 of the above, there are no existing marketable Westfield Group Securities or Westfield Retail Trust Securities (respectively) held by or on behalf of the Westfield Group Directors as at the date of this Securityholder Booklet.

Each of the Westfield Group Directors will be entitled to vote at the Meetings and participate in the Scheme (in their capacities as shareholders of Westfield Holdings) on the same terms as all other Westfield Group Securityholders.

Each Westfield Group Director intends to vote, in their capacity as shareholders of Westfield Holdings, any Westfield Group Securities held or controlled by him or her in favour of the Scheme.

Westfield Group Directors' interests in Westfield Corporation Limited Shares

As set out in section 16.19, Westfield Corporation Limited Shares are not currently quoted and will all be held by Westfield Holdings prior to the implementation of the Proposal. Accordingly, there are no existing marketable Westfield Corporation Limited Shares held by, or on behalf of, any Westfield Group Director as at the date of this Securityholder Booklet.

Benefits in connection with retirement from office

No payment or other benefit is proposed to be made or given to any director, company secretary or executive officer of Westfield Group (including related bodies corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in Westfield Group (including related bodies corporate) in connection with the Proposal, other than in his or her capacity as a Westfield Group Securityholder.

Westfield Group pays premiums in respect of a directors and officers (D&O) insurance policy for the benefit of its Directors and executive officers.

Agreements or arrangements with Westfield Group Directors in connection with the Proposal

Except as set out in this Securityholder Booklet:

- there are no contracts or arrangements between a Westfield Group Director and any person in connection with or conditional upon the outcome of the Proposal; and
- no Westfield Group Director has a material interest in relation to the Proposal, other than in their capacity as a Westfield Group Securityholder.

In addition, except as set out in this Securityholder Booklet, no Westfield Group Director has during the last two years any interest in:

- the formation or promotion of Scentre Group or Westfield Corporation;
- any property acquired or proposed to be acquired by Scentre Group or Westfield Corporation in connection with their formation or promotion or the Proposal; or
- the Proposal (including the offer of Westfield Holdings Shares (as part of Scentre Group Securities) or Westfield Corporation Limited Shares (as part of Westfield Corporation Securities)),

nor has anyone paid or agreed to pay any amount, or given or agreed to give any benefit, to induce them to become or to qualify as a director or for services provided in connection with the formation or promotion of Scentre Group or Westfield Corporation or the Proposal (including the offer of Westfield Holdings Shares (as part of Scentre Group Securities) or Westfield Corporation Limited Shares (as part of Westfield Corporation Securities)).

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16.13 Interests of Westfield Retail Trust Directors

Westfield Retail Trust Directors' interests in Westfield Group Securities, Scentre Group Securities and Westfield Corporation Securities

The number of Westfield Group Securities or Westfield Retail Trust Securities held directly, indirectly or beneficially by Westfield Retail Trust Directors or their related entities as at the date of this Securityholder Booklet and the number of Scentre Group Securities and Westfield Corporation Securities they will hold on implementation of the Proposal arising from their holding of Westfield Group Securities is set out below.

Director	Existing Westfield Group Securities (direct and indirect holdings)	Existing Westfield Retail Trust Securities (direct and indirect holdings)	Scentre Group Securities following Proposal[1]	Westfield Corporation Securities following Proposal
Peter Allen	577,902	115,000	825,636	577,902
Domenic Panaccio	39,656	40,000	86,132	39,656
Richard Egerton- Warburton	5,347	72,748	73,446	5,347
Steven Lowy	173,728,961[2]	Nil	216,466,286	173,728,961
Michael Ihlein	Nil	36,000	33,048	Nil
Andrew Harmos	Nil	34,944	32,079	Nil
Sandra McPhee	Nil	36,364	33,383	Nil
Laurence Brindle	Nil	Nil	Nil	Nil

(1) These figures are estimates only and subject to rounding, as described in section 15.4.
(2) The aggregate interests of Mr Steven Lowy includes Lowy family holdings.

Except as set out in columns 2 or 3 of the above, there are no existing marketable Westfield Group Securities or Westfield Retail Trust Securities (respectively) held by or on behalf of the Westfield Retail Trust Directors as at the date of this Securityholder Booklet.

Benefits in connection with retirement from office

If the Proposal is implemented, Mr Domenic Panaccio will retire from his current position as Managing Director of Westfield Retail Trust. Under his existing service agreement, Mr Domenic Panaccio is entitled to receive certain payments upon redundancy or termination of his employment without cause, as set out in the Westfield Retail Trust Securityholder Booklet.

Agreements or arrangements with Westfield Retail Trust Directors in connection with the Proposal

Except as set out in this Securityholder Booklet:

- there are no contracts or arrangements between a Westfield Retail Trust Director and any person in connection with or conditional upon the outcome of the Proposal; and
- no Westfield Retail Trust Director has a material interest in relation to the Proposal.

In addition, except as set out in this Securityholder Booklet, no Westfield Retail Trust Director has during the last two years any interest in:

- the formation or promotion of Scentre Group or Westfield Corporation;
- any property acquired or proposed to be acquired by Scentre Group or Westfield Corporation in connection with their formation or promotion or the Proposal; or
- the Proposal (including the offer of Westfield Holdings Shares (as part of Scentre Group Securities) or Westfield Corporation Limited Shares (as part of Westfield Corporation Securities)),

nor has anyone paid or agreed to pay any amount, or given or agreed to give any benefit, to induce them to become or to qualify as a director or for services provided in connection with the formation or promotion of Scentre Group or Westfield Corporation or the Proposal (including the offer of Westfield Holdings Shares (as part of Scentre Group Securities) or Westfield Corporation Limited Shares (as part of Westfield Corporation Securities).

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16.14 ASIC relief

ASIC has granted, or agreed in principle to grant, the following exemptions:

Disclosure relief – Scheme

- regulation 5.1.01(1) and paragraph 8302(d) of Schedule 8 of the Corporations Regulations – relief from disclosing benefits payable to a director, secretary or executive officer of Westfield Group for loss of office unless in connection with the Proposal, and if so, on an aggregated, unidentifiable basis;
- regulation 5.1.01(1) and paragraph 8302(h) of Schedule 8 of the Corporations Regulations – relief to allow disclosure of change in financial position since 31 December 2013 through this Securityholder Booklet rather than the date of the last general meeting of Westfield Holdings held in May 2013; and
- regulation 5.1.01(1) and paragraph 8305 of Schedule 8 of the Corporations Regulations – consent in writing from ASIC for any forecast included in the independent expert's report or statement that an asset's market value differs from that in Westfield Holdings' books;

Disclosure relief – prospectus and PDS

- section 707 – relief from the resale provisions in sections 707(3) to (6) of the Corporations Act so that Westfield Corporation Limited Shares can be sold within 12 months of their transfer to Westfield Group Securityholders without prospectus disclosure;
- Part 7.9 of the Corporations Act – relief from various PDS content requirements which are not appropriate for this Securityholder Booklet, namely:
  - section 1013B(1) of the Corporations Act – exemption from the requirement to include the words "Product Disclosure Statement" on the front cover;
  - section 1016A of the Corporations Act – exemption from the requirement to provide application forms to Westfield Group Securityholders;
  - section 1015C of the Corporations Act – modifications to permit the Westfield Group Securityholder Booklet to be sent to Westfield Group Securityholders using the addresses as shown on the Westfield Register;
  - Division 2 of Part 7.7 of the Corporations Act – exemption from the requirement to give a Financial Services Guide to Westfield Group Securityholders in respect of any financial product advice contained in this Securityholder Booklet.

Sale Facility

- section 601FC of the Corporations Act – relief to allow Ineligible Foreign Securityholders to be treated differently to other Westfield Group Securityholders by virtue of the arrangements under the Sale Facility;
- Parts 5C, 7.6 and 7.9 of the Corporations Act – exemptions from the provisions regulating managed investment schemes, and disclosures in relation to them, in respect of the operation of the Sale Facility, as well as an exemption from the requirement to hold an AFSL in respect of services associated with operating the Sale Facility;

Financial Reporting

- section 323D(5) of the Corporations Act – relief to allow each of Westfield Corporation Limited and WFD Trust to end its initial reporting period and its first financial half year on 30 June 2014, instead of within 7 days of the date which is 6 months from the date of its registration as a company or managed investment scheme;

Related party

- section 218(2) of the Corporations Act – for the purpose of the related party approval sought under the Stapling Deed Resolution, approval to allow Westfield Holdings a period of less than 14 days for lodgement of the final form Notice of General Meetings;
- section 224(4) of the Corporations Act – declaration that related parties of Westfield Holdings are not prevented from voting on the Stapling Deed Resolution;
- Part 5C.7 of the Corporations Act – to permit Westfield Management as responsible entity of Westfield Trust to give financial benefits out of Westfield Trust to Westfield America Management as responsible entity of WFD Trust during the restructure stage of the Proposal;

Stapling Relief for Scentre Group

- sections 601FC and 601FD of the Corporations Act – to permit Westfield Management, RE1 and RE2 to not only have regard to the interests of the unitholders of their respective trust, but to the interests of Scentre Group Securityholders as a whole;
- section 601FE of the Corporations Act – to permit Westfield Management, RE1 and RE2 and each of their directors, officers or employees to use information acquired in their roles as responsible entities, directors, officers or employees of Westfield Management, RE1 and RE2 (as applicable), to the advantage of Scentre Group Securityholders as a whole;
- Part 5C.7 of the Corporations Act – to permit RE1 and RE2 to give financial benefits out of scheme property of Westfield Retail Trust to Westfield Holdings and Westfield Trust, as well as to give financial benefits out of the scheme property of Westfield Retail Trust 1 to Westfield Retail Trust 2 and vice versa;
- sections 708(13) and 1012D(3)of the Corporations Act – to permit the offer of Scentre Group Securities under a distribution reinvestment plan (**DRP**) without having to issue an additional prospectus or PDS;

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Stapling relief for Westfield Corporation

- sections 601FC and 601FD of the Corporations Act – to permit Westfield America Management to not only have regard to the interests of members of Westfield America Trust and WFD Trust (as the case may be), but to the interests of Westfield Corporation Securityholders as a whole;
- section 601FE of the Corporations Act – to permit Westfield America Management and each of its directors, officers or employees to use information acquired in their roles as responsible entity, director, officer or employee of Westfield America Management, to the advantage of Westfield Corporation Securityholders as a whole;
- Part 5C.7 of the Corporations Act – to permit Westfield America Management as responsible entity of WFD Trust and Westfield America Trust, to give financial benefits out of scheme property of Westfield America Trust and WFD Trust (as the case may be) to Westfield Corporation Limited (and its controlled entities); and
- sections 708(13) and 1012D(3) of the Corporations Act – to allow Westfield Corporation Limited and Westfield America Management to make offers of Westfield Corporation Securities under a DRP without having to issue an additional prospectus or PDS.

16.15 ASX listing

Within 7 days of the date of this Securityholder Booklet, Westfield Corporation Limited and Westfield America Management as responsible entity of WFD Trust will apply to ASX for the admission of Westfield Corporation Limited and WFD Trust to the Official List and quotation of Westfield Corporation Limited Shares and WFD Trust Units. Such applications will be conditional upon the Scheme becoming Effective.

Scentre Group Securities and Westfield Corporation Securities are expected to commence trading on ASX, initially on a deferred settlement basis on Tuesday, 17 June 2014. Normal trading of Scentre Group Securities and Westfield Corporation Securities is expected to commence on Tuesday, 1 July 2014. Scentre Group Securities will trade under the code "SCG" and Westfield Corporation Securities will trade under the code "WFD". Holding statements for Scentre Group Securities and Westfield Corporation Securities are expected to be despatched on to eligible Westfield Group Securityholders and eligible Scentre Group Securityholders by Monday, 30 June 2014.

16.16 ASX waivers and confirmations

ASX has agreed to grant the following waivers and confirmations of the Listing Rules:

Confirmations and approvals

- Listing Rule 1.1 condition 1 – confirmation that the structure and operations of Westfield Corporation Limited and WFD Trust as members of the Westfield Corporation are appropriate for listing on the ASX;
- Listing Rule 1.1 condition 3 – confirmation that an information memorandum which incorporates relevant sections of this Securityholder Booklet will be allowed in place of a listing prospectus for Westfield Corporation Limited;
- Listing Rule 1.1 condition 17 – confirmation that no further documentation is required to evidence the good fame and character of the proposed directors of Westfield Corporation Limited and Westfield America Management as responsible entity of WFD Trust, provided they are existing directors of Westfield Group;
- Listing Rule 2.1 condition 1 and Listing Rule 6.1 – confirmation that the terms applying to Westfield Corporation Securities are appropriate and equitable;
- Listing Rule 7.40 – confirmation of the proposed timetable for the Proposal;
- Listing Rule 11 – confirmation that ASX does not require:
  - Westfield Holdings, Westfield Trust or Westfield America Trust to meet the requirements of Chapters 1 and 2 as if they were applying for admission under Listing Rule 11.1.3; or
  - Westfield Holdings or Westfield Trust to obtain securityholder approval for the purposes of Listing Rule 11.1 or 11.4 in connection with the stapling of Westfield Holdings and Westfield Trust with Westfield Retail Trust;
- Guidance Note 2 – confirmation that disclosure by one entity of Westfield Corporation will satisfy the disclosure obligations of the other entities of Westfield Corporation in respect of the other components of the Westfield Corporation Securities in relation to the same matter; and
- Listing Rule 6.12.3 – confirmation that the proposed amendments to the constitutions of Westfield Trust and Westfield America Trust, which relate to the divestment of Ineligible Foreign Securityholders of their Westfield Group Securities, are fair and equitable for the purposes of Listing Rule 6.12.3.

Waivers

- Listing Rules 7.1 and 10.11 – waiver for the purposes of Westfield Trust Units and Westfield Holdings Shares being issued to Westfield Retail Trust Securityholders (and to Westfield Group Directors insofar as they are Westfield Retail Trust Securityholders); and
- Standard stapling relief for Westfield Corporation:
  - Listing Rule 1.1 condition 7 – waiver to permit the value of individual components of Westfield Corporation Securities to be lower than A$2,000 for the purposes of a parcel of those securities to be counted toward the required 400 parcels, on the basis that the value of a parcel of stapled securities will be greater than or equal to A$2,000;
  - Listing Rule 1.1 condition 8 – waiver on the basis that Westfield Corporation as a whole will comply with the asset test even though Westfield Corporation Securities may not individually comply with the asset test as separate entities;

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- Listing Rule 2.1 condition 2 – waiver on the basis that Westfield Corporation Securities will have a minimum price of at least A$0.20;
- Listing Rule 6.24 – waiver to the extent that the rates and amount of a dividend or distribution announced by Westfield America Management on a particular date in respect of Westfield Corporation need not be announced to ASX on that date or on the record date on the condition that an estimated dividend or distribution rate is advised to ASX on that date and the actual dividend and distribution rate is advised to ASX as soon as it becomes known;
- Listing Rule 8.10 – waiver to permit each relevant Westfield Corporation entity to refuse to register a transfer of a particular component of Westfield Corporation Securities if not accompanied by a corresponding transfer of all other components of Westfield Corporation Securities; and
- Listing Rule 10.1 – waiver to allow transfers of assets amongst Westfield Corporation.

ASX has agreed to grant equivalent standard stapling relief under Listing Rules 6.24, 8.10 and 10.1 for Scentre Group.

16.17 Capital structure before and after implementation of the Proposal

Immediately prior to implementation of the Proposal, there will be 2,078,089,686 Westfield Group Securities and 2,979,214,029 Westfield Retail Trust Securities on issue and quoted on ASX.

Immediately following implementation of the Proposal, there will be approximately 5,324,218,227 Scentre Group Securities on issue[79] and 2,078,089,686 Westfield Corporation Securities on issue.

16.18 Substantial Securityholders

As at the close of trading on the date of this Securityholder Booklet based on substantial holding notices lodged, the top three substantial securityholders of Westfield Group (as notified to Westfield Group) were as follows:

Substantial securityholders	Number of securities	% of securities
Members of the Lowy family and associates	179,598,386	8.01%[80]
BlackRock Investment Management (Australia) Limited (formerly Barclays Global Investors Australia)	147,243,880	6.38%
Vanguard Investments Australia Ltd	140,169,212	6.07%

16.19 Recent security price history

The latest recorded price of Westfield Group Securities on ASX before the public announcement of the Proposal on 4 December 2013 was A$10.36. The latest recorded sale price of the Westfield Group Securities on ASX before the date on which this Securityholder Booklet was lodged for registration with ASIC (being 14 April 2014) was A$10.57.

During the three months immediately prior to the date of this sale, the highest recorded sale price of Westfield Group Securities was A$10.74 which occurred on 10 April 2014, and the lowest recorded sale price was A$9.68 which occurred on 28 January 2014 .

The latest recorded price of Westfield Retail Trust Securities on ASX before the public announcement of the Proposal on 4 December 2013 was A$3.00. The latest recorded price of the Westfield Retail Trust Securities on ASX before 14 April 2014 was A$3.06.

The current price of Westfield Group Securities and Westfield Retail Trust Securities on ASX can be obtained from the ASX website (www.asx.com.au).

Westfield Corporation Limited Shares are not currently quoted, and will not be quoted until they become Stapled to the Westfield Corporation Securities pursuant to the Proposal. All of the Westfield Corporation Limited Shares are, and have been held by Westfield Holdings prior to the implementation of the Proposal, and no Westfield Corporation Limited Shares have been sold in the three months prior to the date of this Securityholder Booklet.

16.20 Availability of documents relating to Westfield Group

As an ASX listed company and a “disclosing entity” for the purposes of section 111AC(1) of the Corporations Act, Westfield Group is subject to regular reporting and disclosure obligations. Broadly, these require it to announce price sensitive information to ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information. Westfield Group’s most recent announcements are available from its website (www.westfieldgroup.com), and on the ASX website (www.asx.com.au). Further announcements concerning Westfield Group will continue to be made available on the above websites after the date of this Securityholder Booklet.

Additionally, copies of documents lodged with ASIC in relation to Westfield Group may be obtained from or inspected at an ASIC service centre. Please note ASIC may charge a fee in respect of such services.

You also have the right to obtain a copy of the following documents free of charge within 5 days of receipt of your written request by Westfield Group:

- Westfield Group Constitutions;
- Westfield Group’s annual report for the financial year ended 31 December 2013;

79 For accounting purposes, there will be 5,311,516,792 Scentre Group Securities after elimination of internally held securities by the Westfield Group Executive Share Option Plan. Subject to rounding described in section 15.4.

80 Relevant interest include securities held by Amondi Pty Limited as Trustee of the Westfield Executive Option Plan Trust (**Amondi**), based on number of Westfield Group Securities on issue as at 26 February 2009, being the date of a Form 604 Notice of change of interests of substantial holder. The current percentage (including securities held by Amondi) is 8.64%.

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- Westfield Group's half yearly report for the period ended 30 June 2013; and
- any continuous disclosure notice of Westfield Group lodged after the latest annual report for the financial year ended 31 December 2013 and before the date of this Securityholder Booklet.

The annual and half yearly reports, and continuous disclosure notices above are also available at www.westfieldgroup.com.

16.21 Availability of documents relating to Westfield Retail Trust

RE1 and RE2 (being the responsible entities of Westfield Retail Trust 1 and Westfield Retail Trust 2 respectively), are "disclosing entities" for the purposes of section 111AC(1) of the Corporations Act and are subject to regular reporting and disclosure obligations. Broadly, these require it to announce price sensitive information to ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information. Westfield Retail Trust's most recent announcements are available from its website (www.westfieldretailtrust.com), and on the ASX website (www.asx.com.au). Further announcements concerning Westfield Retail Trust will continue to be made available on the above websites after the date of this Securityholder Booklet.

Additionally, copies of documents lodged with ASIC in relation to the Westfield Retail Trust may be obtained from or inspected at an ASIC service centre. Please note ASIC may charge a fee in respect of such services.

You also have the right to obtain a copy of the following documents free of charge within 5 days of receipt of your written request by Westfield Retail Trust:

- Westfield Retail Trust Constitutions;
- Westfield Retail Trust's annual report for the financial year ended 31 December 2013;
- Westfield Retail Trust's half yearly report for the period ended 30 June 2013; and
- any continuous disclosure notice of Westfield Retail Trust lodged after the latest annual report for the financial year ended 31 December 2013 and before the date of this Securityholder Booklet.

The annual and half yearly reports, and continuous disclosure notices above are also available at www.westfieldretailtrust.com.

16.22 Availability of documents relating to Scentre Group

Following implementation of the Proposal, the Scentre Group entities will continue to be "disclosing entities" for the purposes of section 111AC(1) of the Corporations Act and will be subject to regular reporting and disclosure obligations. Broadly, these require it to announce price sensitive information to ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information. Future announcements concerning Scentre Group will be made available on its website, once established.

Additionally, copies of documents lodged with ASIC in relation to Scentre Group may be obtained from or inspected at an ASIC service centre. Please note ASIC may charge a fee in respect of such services.

You also have the right to obtain a copy of the following documents free of charge within 5 days of receipt of your written request by Scentre Group:

- Scentre Group Constitutions;
- Scentre Group's latest annual report and half yearly report;
- any continuous disclosure notice of Scentre Group lodged after the latest annual report; and
- each of Scentre Group Responsible Entities' policies regarding the exercise of discretions under the Scentre Group Constitutions which affect Westfield Trust Unit, Westfield Retail Trust 1 Unit and Westfield Retail Trust 2 Unit price calculations.

The annual and half yearly reports, and continuous disclosure notices above will also be available on Scentre Group's website once established.

16.23 Availability of documents relating to Westfield Corporation

Following implementation of the Proposal, the Westfield Corporation entities will continue to be "disclosing entities" for the purposes of section 111AC(1) of the Corporations Act and will be subject to regular reporting and disclosure obligations. Broadly, these require it to announce price sensitive information to ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information. Future announcements concerning Westfield Corporation will be made available on its website, once established.

Copies of documents lodged with ASIC in relation to Westfield Corporation may be obtained from or inspected at an ASIC service centre. Please note ASIC may charge a fee in respect of such services.

You also have the right to obtain a copy of the following documents free of charge within 5 days of receipt of your written request by Westfield Corporation:

- Westfield Corporation Constitutions;
- Westfield Corporation's latest annual report and half yearly report;
- any continuous disclosure notice of Westfield Corporation lodged after the latest annual report; and
- the Westfield Corporation Responsible Entity's policies regarding the exercise of discretions under the Westfield Corporation Constitutions which affect Westfield America Trust Unit and Westfield Corporation Limited Share price calculations.

The annual and half yearly reports, and continuous disclosure notices above will also be available on Westfield Corporation's website once established.

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16.24 Supplementary disclosure

Westfield Group will issue a supplementary document to this Securityholder Booklet if it becomes aware, between the date of lodgement of this Securityholder Booklet with ASIC and the Effective Date, that:

(a) a material statement in this Securityholder Booklet is false or misleading in a material respect;

(b) there is a material omission from this Securityholder Booklet;

(c) a significant change affecting a matter included in this Securityholder Booklet has occurred; or

(d) a significant new matter has arisen which would have been required to be included in this Securityholder Booklet if it had arisen before the date of lodgement of this Securityholder Booklet with ASIC.

The form which the supplementary document may take will depend on the nature and timing of the new or changed circumstances.

16.25 Transaction, implementation and refinancing costs

Transaction and implementation costs in relation to the Proposal are estimated to be approximately $150 million and will be equally shared between Scentre Group and Westfield Corporation. In addition, there will be some refinancing costs.

Please see section 3.3 for further details.

16.26 Other information material to the making of a decision in relation to the Scheme and to Westfield Holdings' financial position

Except as set out in this Securityholder Booklet, so far as the Westfield Group Directors are aware:

(a) there is no information material to the making of a decision by a Securityholder in relation to the Scheme being information that is within the knowledge of any Westfield Group Director or any director of a related body corporate of Westfield Group at the time of lodging this Securityholder Booklet with ASIC which has not previously been disclosed to Securityholders; and

(b) the financial position of Westfield Holdings has not materially changed since 31 December 2013, being the balance date of the last annual accounts for Westfield Holdings lodged with ASIC and ASX; and

(c) there is no information which is material to the making of a decision by a Securityholder on how to vote on the Capital Reduction Resolution being information known to Westfield Group, and which has not been previously disclosed to Securityholders.

16.27 Cooling-off period

Cooling-off rights do not apply to an investment in shares and units transferred or issued pursuant to the Proposal.

16.28 Directors' consent to lodgement

Each Westfield Group Director and each Westfield Retail Trust Director as at the date of this Securityholder Booklet has consented to the lodgement of this Securityholder Booklet with ASIC.

16.29 Consents and disclaimers

Each of the parties named below as consenting parties:

— has given and has not, before lodgement of this Securityholder Booklet with ASIC, withdrawn its written consent to be named in this Securityholder Booklet in the form and context in which it is named;

— has given and has not, before the lodgement of this Securityholder Booklet with ASIC, withdrawn its written consent to the inclusion of its respective statements and reports (where applicable) noted next to its name below, and the references to those statements and reports in the form and context in which they are included in this Securityholder Booklet;

— does not make, or purport to make, any statement in this Securityholder Booklet or any statement on which a statement in the Securityholder Booklet is based, other than those statements referred to below in respect of that person's name (and as consented to by that person);

— has not caused or authorised the issue of this Securityholder Booklet; and

— to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Securityholder Booklet.

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Role	Consenting parties	Relevant statement or report
Westfield Registry	Computershare Investor Services Pty Ltd	N/A
Australian legal adviser to Westfield Group	King & Wood Mallesons	N/A
Australian legal adviser to Westfield Retail Trust	Ashurst Australia	N/A
Australian legal adviser to Westfield Group and Westfield Retail Trust in respect of financing arrangements	HWL Ebsworth	N/A
Independent Expert to Westfield Group	Grant Samuel & Associates Pty Limited	Independent Expert's Report
Independent Expert to Westfield Retail Trust	KPMG Financial Advisory Services (Australia) Pty Ltd	Statements based on statements made by KPMG Financial Advisory Services (Australia) Pty Ltd in sections 2.5 and 3.1.
Investigating Accountant to Westfield Group and Westfield Retail Trust	Ernst & Young Transaction Advisory Services Limited	Independent Limited Assurance Reports
Provider of audit services to Westfield Group and Westfield Retail Trust	Ernst & Young	N/A
Taxation adviser to Westfield Group and Westfield Retail Trust	Greenwoods & Freehills Pty Limited	Australian Taxation Letter
Sale Nominee	J.P. Morgan Securities Australia Limited	N/A
Financial adviser to Westfield Group	J.P. Morgan Australia Limited	N/A
Financial adviser to Westfield Group	Rothschild Australia Limited	N/A
Financial adviser to Westfield Group	Citigroup Global Markets Australia Pty Limited	N/A
Financial adviser to Westfield Group	Credit Suisse (Australia) Limited	N/A
Financial adviser to Westfield Group	Deutsche Bank AG Sydney Branch	N/A
Financial adviser to Westfield Group	Merrill Lynch Markets (Australia) Pty Limited	N/A
Financial adviser to Westfield Retail Trust	UBS AG, Australia Branch	N/A
Financial adviser to Westfield Retail Trust	Morgan Stanley Australia Limited	N/A
Source of Chart 4.1.2	Shopping Centre News	Statements based on statements made by them in the "Proposal at a Glance" section and sections 1, 2.1, 3.2 and 4.1.

16.30 Complaints

If you have a complaint in connection with your investment in Westfield Trust Units, Westfield Retail Trust 1 Units or Westfield Retail Trust 2 Units (as part of your Scentre Group Securities) or Westfield America Trust Units or WFD Trust Units (as part of your Westfield Corporation Securities) you can:

- contact the relevant Compliance Officer on +61 2 9358 7967 between 8.30am and 5.30pm (Sydney time) from Monday to Friday; or
- write to the Compliance Officer at:

Compliance Officer (in relation to Scentre Group)
Level 28
85 Castlereagh Street
Sydney NSW 2000

Compliance Officer (in relation to Westfield Corporation)
Level 28
85 Castlereagh Street
Sydney NSW 2000

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For investment advice, please see your financial advisor.

The Compliance Officer will acknowledge your concern as soon as possible and within 14 days, investigate it and report back to you within 45 days.

If you are dissatisfied with the response or the complaint is not resolved within 45 days, you may raise the matter directly with the Financial Ombudsman Service Limited (**FOS**). Its contact details are:

Financial Ombudsman Service Limited (FOS)
GPO Box 3
Melbourne Vic 3001
Freecall 1300 78 08 08

Westfield Management, RE1 and RE2 (as the Scentre Group Responsible Entities) and Westfield America Management (as the Westfield Corporation Responsible Entity) are all members of FOS.

16.31 Ethical and other considerations

While Scentre Group intends to conduct itself in an ethical and sound manner, Scentre Group's investment criteria do not give additional weight to labour standards or environmental, social or ethical considerations when making or realising an investment of Scentre Group.

Environmental factors are addressed as part of normal property due diligence.

While Westfield Corporation intends to conduct itself in an ethical and sound manner Westfield Corporation's investment criteria do not give additional weight to labour standards or environmental, social or ethical considerations when making or realising an investment of Westfield Corporation.

Environmental factors are addressed as part of normal property due diligence.

Scentre Group and Westfield Corporation will review their respective investment criteria from time to time and may vary the criteria, or acquire a property that does not meet some or all of the criteria, where they consider it is in the best interests of their securityholders to do so.

16.32 Foreign securities restrictions

The distribution of this Securityholder Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities law. Westfield Group disclaims all liabilities to such persons.

Securityholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

The offers of securities made pursuant to this Securityholder Booklet are made in compliance with the laws of Australia, and in compliance with all other relevant codes, rules, and other requirements that apply to the offers in Australia.

Other than as set out below, no action has been taken to register or qualify this Securityholder Booklet or any aspect of the Proposal in any jurisdiction outside of Australia.

(a) United States

This Securityholder Booklet does not constitute an offer to any person in the US, any US person (as such term is defined in Regulation S under the U.S. Securities Act of 1933 (**Securities Act**)) (**U.S. Person**), or any person acting for the account or benefit of a U.S. Person. Securities may not be offered or sold in the US or to, or for the account or benefit of, U.S. Persons unless they are registered under the Securities Act or exempt from registration.

Westfield Group may rely on an exemption from the registration requirements of the Securities Act with respect to the securities to be issued in connection with the Proposal. Any such securities have not been, and will not be registered under the Securities Act or the securities laws of any US state or other jurisdiction. Further, neither the US Securities and Exchange Commission nor any state securities authority has approved or disapproved of the securities described in this Securityholder Booklet or the accuracy or completeness of this Securityholder Booklet. Any representation to the contrary is a criminal offence.

(b) United Kingdom

This Securityholder Booklet is addressed only to persons falling within one or more of the following exemptions from section 21 of the *UK Financial Services and Markets Act 2000* (**FSMA**):

(i) authorised firms under the FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order (the **FPO**), and their directors, officers and employees acting for such entities in relation to investment;

(ii) high net worth entities falling within article 49 of the FPO and their directors, officers and employees acting for such entities in relation to investment; and

(iii) persons who receive this Securityholder Booklet outside the UK.

The distribution of this Securityholder Booklet in the UK to anyone not falling within the above categories is not permitted by Westfield Group or Westfield Retail Trust and may contravene the FSMA. No person falling outside those categories should treat this Securityholder Booklet as constituting a promotion to him or her, or act on it for any purposes whatever.

Recipients of this Securityholder Booklet are advised that neither Westfield Group or Westfield Retail Trust are acting for or advising them and neither are responsible for providing recipients of this Securityholder Booklet with the protections which would be given to those who are clients of Westfield Group or Westfield Retail Trust under the *Financial Conduct Authority Rules*.

No prospectus is required under section 785 of the FSMA and any offer that may be made of interests in Westfield Corporation Limited, WFD Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 will be:

(i) limited to fewer than 150 persons in any European Economic Area State, in addition to qualified investors (as defined in article 2.1 of the EC Prospectus Directive); and/or

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(ii) made on the basis that the minimum consideration payable by any investor will be not less than €100,000 (or equivalent amount).

(c) New Zealand

The transfer of WFD Trust Units, and the issue of Westfield Retail Trust 1 Units and Westfield Retail Trust 2 Units to New Zealand investors are regulated offers made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Corporations Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

These offers and the content of this Securityholder Booklet are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Corporations Regulations set out how the offers must be made.

There are differences in how securities are regulated under Australian law. For example the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to these offers. If you need to make a complaint about these offers, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offers may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

The dispute resolution process described in this Securityholder Booklet is only available in Australia and is not available in New Zealand.

The transfer of Westfield Corporation Limited Shares to New Zealand investors is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

(d) Japan

Securities referred to in this Securityholder Booklet have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1945, as amended) or traded on any stock exchange in Japan.

(e) Singapore

This Securityholder Booklet has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Securityholder Booklet and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Westfield Corporation Limited Shares may not be circulated or distributed, nor may Westfield Corporation Limited Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

(i) to an institutional investor under section 274 of the *Securities and Futures Act, Chapter 289 of Singapore* (the **SFA**);

(ii) to a relevant person pursuant to section 275(1), or any person pursuant to section 275(1A), and in accordance with the conditions specified in section 275, of the SFA; or

(iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Westfield Corporation Limited Shares are subscribed or purchased under section 275 of the SFA by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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securities (as defined in section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired Westfield Corporation Limited Shares pursuant to an offer made under section 275 of the SFA except:

(iii) to an institutional investor or to a relevant person defined in section 275(2) of the SFA, or to any person arising from an offer referred to in section 275(1A) or section 276(4)(i)(B) of the SFA;

(iv) where no consideration is or will be given for the transfer;

(v) where the transfer is by operation of law;

(vi) as specified in section 276(7) of the SFA; or

(vii) as specified in regulation 32 of the *Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore*.

This Securityholder Booklet has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Securityholder Booklet and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of WFD Trust Units, Westfield Retail Trust 1 Units or Westfield Retail Trust 2 Units may not be circulated or distributed, nor may WFD Trust Units, Westfield Retail Trust 1 Units or Westfield Retail Trust 2 Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

(i) to an institutional investor under section 282Y of the SFA;

(ii) to a relevant person pursuant to section 282Z(1), or any person pursuant to section 282Z(2), and in accordance with the conditions specified in section 282Z, of the SFA; or

(iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where WFD Trust Units, Westfield Retail Trust 1 Units or Westfield Retail Trust 2 Units are subscribed or purchased under section 282Z of the SFA by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired WFD Trust Units, Westfield Retail Trust 1 Units or Westfield Retail Trust 2 Units pursuant to an offer made under section 282Z of the SFA except:

(iii) to an institutional investor or to a relevant person defined in section 282Z(3) of the SFA, or to any person arising from an offer referred to in section 282Z(2) or section 282ZA(4)(i)(B) of the SFA;

(iv) where no consideration is or will be given for the transfer;

(v) where the transfer is by operation of law;

(vi) as specified in section 282ZA(7) of the SFA; or

(vii) as specified in regulation 22 of the *Securities and Futures (Offers of Investments) (Business Trusts) (No. 2) Regulations 2005 of Singapore*.

(f) Hong Kong

This Securityholder Booklet is provided only for the personal and confidential use of its intended recipient. If you are not the intended recipient of this document, you are hereby notified that any review, dissemination, distribution or copying of this document is strictly prohibited.

This Securityholder Booklet is not a prospectus within the meaning of the *Companies Ordinance (Chapter 32, The Laws of Hong Kong*) (**CO**) nor is it an offer or invitation to the public within the meaning of the CO and the *Securities and Futures Ordinance (Chapter 571, The Laws of Hong Kong*) (**SFO**), or an advertisement, invitation or document subject to section 103(1) of the SFO.

This Securityholder Booklet and the contents within have not been authorised by the Hong Kong Securities and Futures Commission and no invitation, advertisement or other document relating to the Westfield Corporation Limited Shares, WFD Trust Units, Westfield Retail Trust 1 Units and Westfield Retail Trust 2 Units, whether in Hong Kong or elsewhere, has been or will be issued, which is directed at, or the contents of which are likely to be accessed or read by the public in Hong Kong within the meaning of the CO and the SFO (except if permitted to do so under the laws of Hong Kong).

This Securityholder Booklet must not be distributed, published or reproduced (in whole or in part), disclosed by or to any other person in Hong Kong or to any person to whom the disclosure of this document would be a breach of the CO or the SFO. You are advised to exercise caution in relation to this Securityholder Booklet. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

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APPENDIX 1
NOTICE OF SCHEME MEETING

NOTICE OF COURT ORDERED MEETING OF HOLDERS OF WESTFIELD HOLDINGS LIMITED SHARES

Westfield Holdings Limited (ABN 66 001 671 496)

By order of the Supreme Court of New South Wales made on Friday, 11 April 2014 pursuant to section 411(1) of the Corporations Act, a meeting of holders of fully paid ordinary shares in Westfield Holdings Limited (**Westfield Holdings**) will be held on Thursday, 29 May 2014, commencing at 10.00am (Sydney time) (or as soon thereafter as Westfield Group's 2014 Annual General Meeting has concluded) at Grand Ballroom, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000.

The Court has directed that Mr Frank Lowy act as chairman of the meeting or failing him, Mr Brian Schwartz.

Information on the Scheme is set out in the Securityholder Booklet of which this notice forms part. Terms used in this notice have the same meaning as set out in the Glossary to the Securityholder Booklet, unless indicated otherwise.

BUSINESS OF THE MEETING

The purpose of the meeting is to consider and, if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between Westfield Holdings and the holders of its fully paid ordinary shares.

Scheme Resolution

***THAT**, pursuant to, and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Westfield Holdings and the holders of its ordinary shares as contained in and more precisely described in the Securityholder Booklet of which the notice convening this meeting forms part is approved (with or without modification as approved by the Supreme Court of New South Wales).*

EXPLANATORY NOTES

Exercise of votes

The vote on the resolutions will be conducted by way of a poll. On a poll, each holder of Westfield Holdings Share has one vote for each Westfield Holdings Share held.

Entitlement to attend and vote at the Scheme Meeting

The Court has determined that the time for determining eligibility to vote at the Scheme Meeting is 7.00pm (Sydney time) on Tuesday, 27 May 2014. Only those holders of Westfield Holdings Shares entered on the Westfield Register at that time will be entitled to attend and vote at the Scheme Meeting.

How to Vote

If you are eligible to vote, you can vote in either of two ways:

- by attending the Scheme Meeting and voting in person or by attorney appointed by you to vote on your behalf, or, in the case of corporate shareholders, by corporate representative appointed by you to vote on your behalf; or
- by appointing a proxy to attend and vote at the Scheme Meeting on your behalf, either by using the blue Scheme Meeting Proxy Form accompanying the Securityholder Booklet (of which this notice forms part) or electronically by visiting www.westfieldgroup.com.

Voting in person

If you plan to attend the Scheme Meeting, we ask that you arrive at the venue at least 30 minutes prior to the time designated for the meeting so that we may check the number of your Westfield Holdings Shares and note your attendance.

APPENDIX 1

NOTICE OF SCHEME MEETING

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Voting by Corporations

In order to vote at the Scheme Meeting (other than by proxy), a corporation that is a holder of Westfield Holdings Shares must appoint a person to act as its representative. The appointment must comply with the corporation's constitution and with the Corporations Act 2001 (Cth). The appointment must be lodged with the Westfield Registry at Computershare Investor Services Pty Limited by mail at GPO Box 242 Melbourne, Victoria 3001 Australia, by hand at Level 4, 60 Carrington Street, Sydney 2000 or by facsimile to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia). The appointment must be received prior to the commencement of the extraordinary general meetings, or the representative must bring to the extraordinary general meetings evidence of his or her appointment including any authority under which it is signed.

Voting by attorneys

You may appoint an attorney to vote on your behalf. Those persons attending as an attorney must bring the original power of attorney to the Scheme Meeting unless Westfield Group has already noted it.

Voting by Proxy

If you are eligible to vote and do not plan to attend the Scheme Meeting in person, you are encouraged to complete and return the blue Scheme Meeting Proxy Form which accompanies this Notice of Scheme Meeting.

- A member of Westfield Holdings entitled to attend and vote at the Scheme Meeting is entitled to appoint not more than two proxies.
- Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights.
- A proxy need not be a member of Westfield Holdings and may be an individual or a body corporate.
- If you appoint a body corporate as a proxy, that body corporate will need to ensure that it appoints an individual as its corporate representative to exercise its powers at the meeting and provide satisfactory evidence of the appointment of its corporate representative prior to the commencement of the meeting.
- A corporate securityholder must sign the blue Scheme Meeting Proxy Form in accordance with its constitution or otherwise in accordance with the Corporations Act 2001 (Cth). Where the blue Scheme Meeting Proxy Form is signed by a duly authorised person or persons of a corporate securityholder, such authorisation must have been sighted by the Westfield Registry.

The form appointing the proxy must be received by the Westfield Registry by no later than 10.00am on Tuesday, 27 May 2014. You must provide your blue Scheme Meeting Proxy Form to the Westfield Registry by one of the following means:

- by lodging a proxy online via www.westfieldgroup.com – click on the "Vote online" section and follow the instructions provided;
- by mailing the enclosed blue Scheme Meeting Proxy Form to Computershare Investor Services Pty Limited, GPO Box 242 Melbourne, Victoria 3001 Australia using the reply paid envelope provided;
- by faxing the enclosed blue Scheme Meeting Proxy Form to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- by hand delivering the enclosed blue Scheme Meeting Proxy Form to Share Registry, Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 Australia.

If an attorney signs a blue Scheme Meeting Proxy Form on your behalf, a copy of the authority under which the Scheme Meeting Proxy Form was signed must be received by the Westfield Registry at the same time as the blue Scheme Meeting Proxy Form (unless you have already provided a copy of the authority to Westfield Group).

Court approval

In accordance with section 411(4)(b) of the *Corporations Act 2001* (Cth), the Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to this meeting is passed by the required majorities and the other conditions precedent to the Scheme are satisfied or waived (including each of the General Meetings Resolutions being passed at the Westfield Group extraordinary general meetings), Westfield Holdings intends to apply to the Court on Friday, 13 June 2014 for approval of the Scheme.

By order of the Board

Simon J Tuxen
Company Secretary
14 April 2014

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APPENDIX 2
NOTICE OF GENERAL MEETINGS

Notice is hereby given that the extraordinary general meetings of members of Westfield Holdings Limited (**Westfield Holdings**), and Westfield Trust (**Westfield Trust**) and Westfield America Trust (**Westfield America Trust**) (together, **Westfield Group**) will be held concurrently on Thursday, 29 May 2014 commencing at 10.30am (Sydney time) (or as soon thereafter as the meeting of the Westfield Holdings shareholders ordered by the Court, to be convened pursuant to section 411(1) of the Corporations Act to consider the Scheme Resolution has concluded) at Grand Ballroom, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000.

Terms used in this notice have the same meaning as set out in the Glossary in the Securityholder Booklet, unless indicated otherwise.

BUSINESS OF THE MEETINGS

The business to be considered at the meetings is to consider and, if thought fit, to pass the following resolutions of members of Westfield Holdings, Westfield Trust and Westfield America Trust (as applicable) (each, a **General Meetings Resolution**):

Item 1: Capital Reduction Resolution

To pass the following as an ordinary resolution of Westfield Holdings:

> ***THAT**, pursuant to and in accordance with section 256C(1) of the Corporations Act 2001 (Cth), and subject to and conditional upon the Scheme becoming Effective, the share capital of Westfield Holdings is reduced on the Implementation Date by the Capital Reduction Amount (divided equally among the Westfield Holdings Shares on issue on the Record Date) with payment of such reduction of capital to be effected and satisfied by Westfield Holdings distributing on the Implementation Date to each Eligible Securityholder one Westfield Corporation Limited Share for each Westfield Holdings Share held by the Eligible Shareholder on the Record Date.*

Item 2: Capital Conversion Resolution

To pass the following as an ordinary resolution of Westfield Holdings:

> ***THAT**, pursuant to and in accordance with section 254H of the Corporations Act 2001 (Cth), and subject to and conditional upon the Scheme becoming Effective, on the Implementation Date each Westfield Holdings Share is converted in to 1.246 Westfield Holdings Shares, with any resulting fractions of the aggregate number of Westfield Holdings Shares held by any securityholder rounded up to the next whole number of Westfield Holdings Shares above the number which the securityholder would otherwise hold (and provided that where the Westfield Group Directors form the opinion that securityholdings have been split or aggregated to obtain the benefit of rounding, by disregarding transfers of securities or aggregating parcels of securities for the purpose of rounding).*

Item 3: Westfield Trust constitution amendments

To pass the following as a special resolution of Westfield Trust:

> ***THAT:***
>
> *(a) subject to and conditional upon the Scheme becoming Effective, the constitution of Westfield Trust is amended in accordance with the provisions of the supplemental deed in the form tabled at the meeting and signed by the Chairperson of the meeting for the purposes of identification; and*
>
> *(b) Westfield Management Limited, as responsible entity of Westfield Trust, is authorised to execute and lodge with the Australian Securities and Investments Commission that supplemental deed to give effect to these amendments to the constitution of Westfield Trust.*

APPENDIX 2

NOTICE OF GENERAL MEETINGS

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Item 4: Westfield America Trust constitution amendments

To pass the following as a special resolution of Westfield America Trust:

THAT:

(a) subject to and conditional upon the Scheme becoming Effective, the constitution of Westfield America Trust is amended in accordance with the provisions of the supplemental deed in the form tabled at the meeting and signed by the Chairperson of the meeting for the purposes of identification; and

(b) Westfield America Management Limited, as responsible entity of Westfield America Trust, is authorised to execute and lodge with the Australian Securities and Investments Commission that supplemental deed to give effect to these amendments to the constitution of Westfield America Trust.

Item 5: Proposal Approval Resolutions

To pass the following as ordinary resolutions of Westfield Holdings, Westfield Trust and Westfield America Trust:

***THAT**, subject to and conditional upon the Scheme becoming Effective and the supplemental deed having been lodged with the Australian Securities and Investment Commission, the Proposal as described in the Securityholder Booklet of which the notice convening this meaning forms part, is approved for all purposes.*

Item 6: Westfield Holdings constitution amendments

To pass the following as a special resolution of Westfield Holdings:

***THAT**, subject to and conditional upon the Scheme becoming Effective, the document in the form tabled to the meeting, and for the purposes of identification signed by the Chairperson of the meeting, is adopted as the constitution of Westfield Holdings in substitution for the present constitution of Westfield Holdings (which is repealed).*

Item 7: Stapling Deed Resolution

To pass the following as an ordinary resolution of Westfield Holdings:

***THAT**, subject to and conditional upon the Scheme becoming Effective, Westfield Holdings and any entity it controls is authorised and approved to accede to the Scentre Group Stapling Deed and to give financial benefits under the Scentre Group Stapling Deed or pursuant to any transaction entered into in accordance with the Scentre Group Stapling Deed, to any related party of Westfield Holdings, including, without limitation, the responsible entities of Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 and each of their controlled entities, and the directors of Westfield Holdings receiving consequential indirect financial benefits from holding Scentre Group Securities (comprising shares in Westfield Holdings and units in Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2), the Scentre Group Stapling Deed being substantially in the form submitted to the meeting and signed by the Chairperson of the meeting for the purposes of identification.*

Item 8: Westfield Holdings Name Change Resolution

To pass the following as a special resolution of Westfield Holdings:

***THAT**, subject to and conditional upon the Scheme becoming Effective, Westfield Holdings change its name from "Westfield Holdings Limited" to "Scentre Group Limited".*

EXPLANATORY NOTES

This Notice of General Meetings should be read in conjunction with the Securityholder Booklet that accompanies this notice. The Securityholder Booklet contains an explanation of the General Meetings Resolutions and further information about the Proposal and the Capital Reduction. The Securityholder Booklet also sets out the main advantages, main disadvantages and potential risks of the Proposal as they relate to Westfield Group Securityholders to enable you to make an informed decision as to how to vote on the resolutions.

Members of Westfield Holdings, Westfield Trust, and Westfield America Trust may obtain, free of charge, a copy of the supplemental deed referred to in Resolution 3, the supplemental deed referred to in Resolution 4 and the revised constitution of Westfield Holdings referred to in Resolution 6 by calling the Westfield Securityholder Information Line on 1800 674 015 (within Australia) or on +61 3 9415 4121 (from outside Australia) at any time from 8.30am to 5.00pm (Sydney time) Monday to Friday. Copies of the documents will also be available at the Meeting.

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Exercise of votes

The vote on the resolutions will be conducted by way of a poll.

For the purposes of Westfield Holdings, each Westfield Group Securityholder has one vote for every Westfield Holdings Share held.

For the purposes of Westfield Trust and Westfield America Trust, each Westfield Group Securityholder has one vote for each dollar of the value of the total interests the Westfield Group Securityholder has in Westfield Trust and Westfield America Trust.

The value of a unit in Westfield Trust and Westfield America Trust is the amount that Westfield Management or Westfield America Management (as appropriate) determines in writing to be the price that a willing but not anxious buyer would pay for the Westfield Trust Unit or Westfield America Trust Unit if it were sold on the business day immediately before the date of the General Meetings. That amount will be calculated as an amount equal to the percentage that the last published net asset value for each of Westfield Trust and Westfield America Trust bears to the last sale price of Westfield Stapled Securities on ASX on the trading day immediately before the date of the Meeting.

As the only options on issue in Westfield America Trust are held by subsidiaries of Westfield Holdings, Westfield Group will not vote its interests in those options.

Required majorities

Resolutions 1, 2, 5 and 7 will be passed if at least 50% of the votes cast by Westfield Group Securityholders entitled to vote on the resolution are in favour of the resolution.

Each other resolution will be passed if at least 75% of the votes cast on each resolution are in favour of the resolution.

If you do not vote or vote against the Resolutions, but the General Meetings Resolutions are approved by the required majority of Westfield Group Securityholders, and all other conditions to the Proposal (including Court approval) are either satisfied or waived, then the Proposal will proceed and will be binding on all Westfield Group Securityholders.

Entitlement to attend and vote at the meeting

Only members of Westfield Holdings, Westfield America Trust and Westfield Trust who are registered on the Westfield Register as at 7.00pm (Sydney time) on Tuesday, 27 May 2014 will be eligible to attend and vote, at the General Meetings.

How to vote

If you are eligible to vote, you can vote in the following ways:

— by attending the General Meetings and voting in person or by attorney appointed by you to vote on your behalf or, in the case of corporate shareholders, by corporate representative appointed by you to vote on your behalf; or

— by appointing a proxy to attend and vote at the General Meetings on your behalf, either by using the green General Meetings Proxy Form accompanying the Securityholder Booklet (of which this notice forms part) or electronically by visiting www.westfieldgroup.com.

Voting in person

If you plan to attend the General Meetings, we ask that you arrive at the venue at least 30 minutes prior to the time designated for the meetings so that we may check the number of your Westfield Group Securities and note your attendance.

Voting by Corporations

In order to vote at the General Meetings (other than by proxy), a corporation that is a holder of Westfield Group Securities must appoint a person to act as its representative. The appointment must comply with the corporation's constitution or otherwise with the Corporations Act 2001 (Cth). The appointment must be lodged with the Westfield Registry at Computershare Investor Services Pty Limited by mail at GPO Box 242 Melbourne, Victoria 3001 Australia, by hand at Level 4, 60 Carrington Street, Sydney 2000 or by facsimile to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia). The appointment must be received prior to the commencement of the General Meetings, or the representative must bring to the General Meetings evidence of his or her appointment including any authority under which it is signed.

Voting by Attorneys

You may appoint an attorney to vote on your behalf. Those persons attending as an attorney must bring the original power of attorney to the General Meetings unless Westfield Group has already noted it.

APPENDIX 2

NOTICE OF GENERAL MEETINGS

Voting by Proxy

If you are eligible to vote and do not plan to attend the General Meetings in person, you are encouraged to complete and return the green General Meetings Proxy Form which accompanies this Notice of General Meetings.

- A member of Westfield Holdings, Westfield Trust and Westfield America Trust entitled to attend and vote at the General Meetings is entitled to appoint not more than two proxies.
- Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights.
- A proxy need not be a member of Westfield Holdings, Westfield Trust or Westfield America Trust and may be an individual or a body corporate.
- If you appoint a body corporate as a proxy, that body corporate will need to ensure that it appoints an individual as its corporate representative to exercise its powers at the meeting and provide satisfactory evidence of the appointment of its corporate representative prior to the commencement of the meeting.
- A corporate securityholder must sign the green General Meetings Proxy Form in accordance with its constitution or otherwise in accordance with the *Corporations Act 2001* (Cth). Where the green General Meetings Proxy Form is signed by a duly authorised person or persons of a corporate securityholder, such authorisation must have been sighted by the Westfield Registry.

The form appointing the proxy must be received by the Westfield Registry by no later than 10.30am on Tuesday, 27 May 2014. You must provide your green General Meetings Proxy Form to the Westfield Registry by one of the following means:

- by lodging a proxy online via www.westfieldgroup.com – click on the "Vote online" section and follow the instructions provided;
- by mailing the enclosed green General Meetings Proxy Form to Computershare Investor Services Pty Limited, GPO Box 242 Melbourne, Victoria 3001 Australia using the reply paid envelope provided;
- by faxing the enclosed green General Meeting Proxy Form to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- by hand delivering the enclosed green General Meetings Proxy Form to Share Registry, Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 Australia.

If an attorney signs a green General Meetings Proxy Form on your behalf, a copy of the authority under which the General Meetings Proxy Form was signed must be received by the Westfield Registry at the same time as the General Meetings Proxy Form (unless you have already provided a copy of the authority to Westfield Group).

By order of the Board

Simon J Tuxen
Company Secretary
14 April 2014

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APPENDIX 3
SCHEME OF ARRANGEMENT

Scheme of Arrangement

Scheme made under section 411 of the Corporations Act 2001 (Cth).

Between		
Westfield Holdings	Name	**Westfield Holdings Limited**
	ABN	66 001 671 496
	Address	Level 30, 85 Castlereagh Street Sydney NSW 2000
	Fax	(02) 9357 7131
	Attention	The Company Secretary
Westfield Shareholder	Name	Each person registered as a holder of fully paid ordinary shares in Westfield Holdings Limited on the Record Date

1 Definitions and interpretation

1.1 Definitions

In this Scheme:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the market operated by it, as the context requires.

Business Day has the meaning given in the Listing Rules.

CHESS means Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Ltd ABN 49 008 504 532.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of New South Wales.

Effective Date means the date on which the office copy of the Court order approving the Scheme is lodged with ASIC pursuant to section 411(10) of the Corporations Act.

End Date means 31 December 2014 or such other date as agreed by the parties to the Implementation Deed.

Foreign Securityholder means a Westfield Shareholder on the Record Date whose address is, or who is a citizen or resident of, a place outside Australia and New Zealand and their respective external territories or who acts on behalf of such a person.

General Meetings Resolutions means each of the resolutions to be considered by the Westfield Group Securityholders at the general meetings as set out in the notices of meetings of which are attached at Appendix 2 of the Westfield Securityholder Booklet

Implementation Date means the date that is 10 Business Days after the Effective Date, or such other date as agreed by the parties to the Implementation Deed.

Implementation Deed means the deed of that name between Westfield Holdings, Westfield Management, Westfield America Management, Westfield Corporation Limited, RE1 and RE2 dated 4 December 2013 in relation to the implementation of the Proposal.

Implementation Deeds Poll means the deeds poll executed by each of Westfield Holdings, Westfield Management, Westfield America Management, RE1 and RE2 for the benefit of, amongst others, Westfield Shareholders on the Record Date relating to actions taken by Westfield Holdings, Westfield Management, Westfield America Management, RE1 and RE2 to implement the Proposal.

Ineligible Foreign Securityholder has the meaning given in paragraph 6.2.

Ineligible Share means a Westfield Holdings Share held by an Ineligible Foreign Securityholder on the Record Date.

Listing Rules means the listing rules of ASX.

APPENDIX 3

SCHEME OF ARRANGEMENT

Proposal means the proposal to restructure Westfield Group, pursuant to which Westfield Holdings and Westfield Trust would be separated from Westfield Group and merged with Westfield Retail Trust to create two listed groups:

(a) Scentre Group, comprising Westfield Holdings, Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 and each of their controlled entities on the Implementation Date; and

(b) Westfield Corporation, comprising Westfield Corporation Limited, WFD Trust and Westfield America Trust and each of their controlled entities on the Implementation Date,

which includes the implementation steps set out in this Scheme.

RE1 means RE1 Limited as responsible entity of Westfield Retail Trust 1.

RE2 means RE2 Limited as responsible entity for Westfield Retail Trust 2.

Record Date means 7.00pm (Sydney time) on the date that is 3 Business Days after the Effective Date, or such other date as agreed by the parties to the Implementation Deed.

Regulatory Authority includes:

(a) ASX or ASIC;

(b) a government or governmental, semi-governmental or judicial entity or authority;

(c) a minister, department, office, commission, delegate, instrumentality, agency board, authority or organisation of any government; and

(d) any regulatory organisation established under statute.

Relevant Westfield Shareholder means:

(a) the Sale Nominee (in respect of all Ineligible Shares); and

(b) each Westfield Shareholder on the Record Date other than each Ineligible Foreign Securityholder.

Sale Facility means the facility to be established and implemented by Westfield Holdings, in agreement with Westfield Management and Westfield America Management, under which Ineligible Shares (along with ineligible Westfield Trust Units and Westfield America Trust Units) are transferred to the Sale Nominee and Sale Securities are sold on ASX in accordance with clause 6 of this Scheme.

Sale Facility Account means the account established by the Sale Nominee in its own name, to which the Sale Nominee must deposit all funds received in respect of the Sale Securities.

Sale Facility Consideration means, in respect of each Ineligible Foreign Securityholder, an amount equal to:

(a) the average price at which Scentre Group Securities are sold by the Sale Nominee under the Sale Facility, multiplied by the number of Scentre Group Securities that Ineligible Foreign Securityholder would otherwise have been entitled to had they participated in the Proposal (subject to rounding to the nearest whole cent or, if the amount calculated is exactly half a cent, subject to rounding down to the nearest whole cent); plus

(b) the average price at which Westfield Corporation Securities are sold by the Sale Nominee under the Sale Facility, multiplied by the number of Westfield Corporation Securities that Ineligible Foreign Securityholder would otherwise have been entitled to had they participated in the Proposal (subject to rounding to the nearest whole cent or, if the amount calculated is exactly half a cent, subject to rounding down to the nearest whole cent).

Sale Nominee means J.P. Morgan Securities Australia Limited (ABN 61 003 245 234), being the person appointed by Westfield Holdings, in agreement with Westfield Management and Westfield America Management, to act as the sale nominee for the purposes of the Sale Facility.

Sale Period means the 30 day period commencing on the Business Day after the Implementation Date.

Sale Security means a Scentre Group Security or a Westfield Corporation Security, as the case may be, held by the Sale Nominee following participation by the Sale Nominee in the implementation of the Proposal in respect of the Ineligible Shares that is, or is to be, sold under the Sale Facility.

Scentre Group Security means a stapled security comprising one Westfield Holdings Share, one Westfield Trust Unit, one Westfield Retail Trust 1 Unit and one Westfield Retail Trust 2 Unit.

Scheme means this scheme of arrangement.

Scheme Meeting means the meeting of the Westfield Shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act to consider and, if thought fit, approve the Scheme.

Second Court Date means the date on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Westfield America Management means Westfield America Management Limited (ABN 66 072 780 619) as responsible entity of Westfield America Trust.

Westfield America Trust means Westfield America Trust (ARSN 092 058 449).

Westfield America Trust Unit means a fully paid, ordinary unit in Westfield America Trust.

Westfield Corporation Limited means Westfield Corporation Limited (ABN 12 166 995 197).

Westfield Corporation Limited Constitution means the constitution of Westfield Corporation Limited.

Westfield Corporation Limited Share means a fully paid ordinary share in Westfield Corporation Limited.

Westfield Corporation Security means a stapled security comprising a Westfield Corporation Limited Share, a WFD Trust Unit and a Westfield America Management Unit.

Westfield Group means Westfield Holdings, Westfield Trust and Westfield America Management and each of their controlled entities.

Westfield Group Security means a stapled security comprising one Westfield Holdings Share, one Westfield Trust Unit and one Westfield America Management Unit.

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Westfield Group Securityholder means the holder of a Westfield Group Security.

Westfield Holdings means Westfield Holdings Limited (ABN 66 001 671 496).

Westfield Holdings Share means a fully paid ordinary share in Westfield Holdings.

Westfield Holdings Register means the register of Westfield Holdings Shares.

Westfield Management means Westfield Management Limited (ABN 41 001 670 579) as responsible entity of Westfield Trust.

Westfield Registry means Computershare Investor Services Pty Limited (ABN 48 078 279 277).

Westfield Retail Trust means Westfield Retail Trust 1 and Westfield Retail Trust 2 and each of their controlled entities.

Westfield Retail Trust 1 means Westfield Retail Trust 1 (ARSN 146 934 536).

Westfield Retail Trust 2 means Westfield Retail Trust 2 (ARSN 146 934 652).

Westfield Retail Trust 1 Unit means a fully paid ordinary unit in Westfield Retail Trust 1.

Westfield Retail Trust 2 Unit means a fully paid ordinary unit in Westfield Retail Trust 2.

Westfield Shareholder means the holder of a Westfield Holdings Share.

Westfield Securityholder Booklet means the securityholder booklet prepared by Westfield Group in connection with the Proposal, lodged with ASIC on or about 14 April 2014 (including subsequent amendments).

Westfield Trust means Westfield Trust (ARSN 090 849 746).

Westfield Trust Unit means a fully paid ordinary unit in Westfield Trust.

WFD Trust means WFD Trust (ARSN 168 765 875).

WFD Trust Unit means a fully paid ordinary unit in WFD Trust.

1.2 Reference to certain general terms

Unless the contrary intention appears, a reference in this Scheme to:

(a) **(variations or replacements)** a document, agreement (including this agreement) or instrument is a reference to that document, agreement or instrument as amended, consolidated, supplemented, novated or replaced;

(b) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this Scheme;

(c) **(reference to statutes)** a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

(d) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);

(e) **(singular includes plural)** the singular includes the plural and vice versa;

(f) **(party)** a party means a party to this Scheme;

(g) **(person)** the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any Regulatory Authority;

(h) **(executors, administrators, successors)** a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;

(i) **(dollars)** Australian dollars, dollars, A$ or $ is a reference to the lawful currency of Australia;

(j) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;

(k) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(l) **(meaning not limited)** the words "include", "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;

(m) **(holders)** a reference to a holder includes a joint holder; and

(n) **(time of day)** time is a reference to Sydney time.

1.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this Scheme.

2 Preliminary

2.1 Westfield Holdings

Westfield Holdings is:

(a) a public company limited by shares;

(b) incorporated in Australia and has its registered office at Level 30, 85 Castlereagh Street Sydney NSW 2000; and

(c) admitted to the official list of the ASX and Westfield Holdings Shares are officially quoted on the stock market conducted by ASX (as one of the securities comprising Westfield Group Securities).

2.2 Westfield Corporation Limited

Westfield Corporation Limited is:

(a) a public company limited by shares; and

(b) incorporated in Australia had has its registered office at Level 30, 85 Castlereagh Street Sydney NSW 2000.

2.3 Share capital

— As at 11 April 2014, there are 2,078,089,686 Westfield Holdings Shares on issue.

— As at 11 April 2014, there are 2,078,089,686 Westfield Corporation Limited Shares on issue.

APPENDIX 3

SCHEME OF ARRANGEMENT

3 Conditions precedent

3.1 Conditions precedent

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(a) as at 8.00 am on the Second Court Date, the Implementation Deed and Implementation Deeds Poll not having been terminated in accordance with their respective terms;

(b) all of the conditions precedent set out in Schedule 1 of the Implementation Deed (other than the condition precedent set out in paragraph 1(d) of Schedule 1 of the Implementation Deed) having been satisfied or waived in accordance with the terms of the Implementation Deed;

(c) the Court having approved this Scheme, with or without modification, pursuant to section 411(4)(b) of the Corporations Act, and if applicable, Westfield Holdings and the other parties to the Implementation Deed having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act; and

(d) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

3.2 Certificate in relation to conditions precedent

Westfield Holdings will provide to the Court at the Court hearing on the Second Court Date a certificate confirming (in respect of matters within Westfield Holdings' knowledge) whether or not all of the conditions precedent set out in clause 3.1 of this Scheme (other than the conditions precedent in clauses 3.1(c) and 3.1(d) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

The certificate referred to in this clause 3.2 will constitute conclusive evidence of whether the conditions precedent referred to in clause 3.1 of this Scheme (other than the conditions precedent in clauses 3.1(c) and 3.1(d) of this Scheme) have been satisfied or waived.

4 Scheme

4.1 Effective Date

Subject to clause 4.2, this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

4.2 End Date

This Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

5 Implementation of Scheme

5.1 Lodgement of Court orders with ASIC

If the conditions precedent set out in clause 3.1 of this Scheme are satisfied (other than the condition precedent in clause 3.1(d) of this Scheme), Westfield Holdings must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving this Scheme as soon as practical after the making of the Court order.

5.2 Transfer of Westfield Corporation Limited Shares

On the Implementation Date, Westfield Holdings must:

(a) transfer to each Relevant Westfield Shareholder one Westfield Corporation Limited Share for each Westfield Holdings Share held by that Relevant Westfield Shareholder on the Record Date, including by executing any required transfer form as agent and attorney for each Relevant Westfield Shareholder; and

(b) procure that all Westfield Corporation Limited Shares so transferred are registered in the name of the Relevant Westfield Shareholder with the result that the Relevant Westfield Shareholder is bound by the Westfield Corporation Limited Constitution.

5.3 Agreement to be bound and acknowledgement of stapling

As a result of the Scheme taking effect in accordance with clause 4.1, each Relevant Westfield Shareholder agrees that on and from the Implementation Date, it will be a holder of Westfield Corporation Limited Shares and bound by the provisions of the Westfield Corporation Limited Constitution.

6 Sale Facility

6.1 Appointment

Westfield Holdings must, prior to the Implementation Date, appoint the Sale Nominee and must procure the Sale Nominee does all things necessary to give effect to the Sale Facility.

6.2 Determination of Ineligible Foreign Securityholders

After the Record Date, and prior to the Implementation Date, Westfield Holdings must in agreement with Westfield America Management and Westfield Management, determine whether a Foreign Securityholder, or a class of Foreign Securityholders, is eligible to have transferred to it, Westfield Holdings Shares and WFD Trust Units and be issued Westfield Retail Trust Securities, such determination to be made having regard to whether such issue would be lawful and not unduly onerous or unduly impracticable (each Foreign Securityholder who is not deemed to be so eligible being an **Ineligible Foreign Securityholder**).

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6.3 Transfer of Ineligible Shares

After the Record Date and prior to the Implementation Date, Westfield Holdings (as attorney for each Ineligible Foreign Securityholder) must transfer all Ineligible Shares from the Ineligible Foreign Securityholders to the Sale Nominee. Each Ineligible Foreign Securityholder irrevocably appoints Westfield Holdings as its agent and attorney to transfer the Ineligible Shares of that Ineligible Foreign Securityholder to the Sale Nominee.

6.4 Sale of Ineligible Shares by Sale Nominee

Westfield Holdings must procure that the Sale Nominee:

(a) as soon as is reasonably practicable after the Implementation Date, sells the Sale Securities in such manner, at such prices and at such times as it sees fit, with the objectives of:

  (i) achieving the best price for the Sale Securities that is reasonably obtainable at the time of the relevant sale;

  (ii) ensuring all sales of the Sale Securities are effected in the ordinary course of trading on ASX during the Sale Period;

(b) on each date on which a sale of Sale Securities is settled, deposits all funds received into the Sale Facility Account;

(c) once all the Sale Securities are sold, advises the Westfield Registry of the completion of the sale of the Sale Securities, the total gross sale proceeds and the average price of each Sale Security; and

(d) once settlement of the sale of all the Sale Securities has occurred, and in no case later than 5 Business Days thereafter, transfers the funds in the Sale Facility Account to the Westfield Registry.

6.5 Update by the Westfield Registry

Westfield Holdings must procure that the Westfield Registry:

(a) following receipt of information from the Sale Nominee in accordance with paragraph 6.4(c), calculates the Sale Facility Consideration for each Ineligible Foreign Securityholder; and

(b) no later than 5 Business Days after the Sale Nominee has transferred the funds in the Sale Facility Account in accordance with paragraph 6.4(d), arranges in respect of each Ineligible Foreign Securityholder for payment of the Sale Facility Consideration by either:

  (i) dispatching by mail to the registered address of that Ineligible Foreign Securityholders a cheque or bank draft of the Sale Facility Consideration for that Ineligible Foreign Securityholder payable in Australian dollars (provided that, in the case of Ineligible Foreign Securityholders who are joint holders of Westfield Shares, the cheque will be made payable to the joint holders and sent to the holder whose name appears first in the Westfield Holdings Register as at the Record Date); or

  (ii) making an electronic funds transfer in Australian dollars to an account nominated by that Ineligible Foreign Securityholders for the purposes of the Sale Facility or the payment of distributions by Westfield Group.

6.6 Warranty

Each Ineligible Foreign Securityholder is deemed to have represented and warranted to Westfield Holdings that all its Ineligible Shares which are transferred to the Sale Nominee under paragraph 6.3 will, at the time they are transferred to the Sale Nominee, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind (other than that they must be transferred together with a Westfield Trust Unit and a Westfield America Trust Unit, as applicable that is stapled to them), whether legal or otherwise and restrictions on transfer of any kind not referred to in this Scheme, and that it has full power and capacity to sell or otherwise transfer its Ineligible Shares (including any rights and entitlements attaching to those shares) in accordance with the Proposal.

7 Entitlement to participate in dealings in Westfield Holdings Shares

7.1 Entitlement to participate

Each Relevant Westfield Shareholder will be entitled to participate in the Scheme.

7.2 Last day for dealings

For the purpose of establishing who is a Westfield Shareholder on the Record Date dealings in Westfield Holdings Shares on or before the close of business on the Effective Date will be recognised provided that:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Westfield Holdings Register as holder of the relevant Westfield Holdings Shares by the Record Date; and

(b) in all other cases, if registrable transmission applications or transfers in respect of those dealings are received on or before 5.00pm (Sydney time) on the day of the Record Date, at the place where the Westfield Holdings Register is kept.

7.3 Obligation to register

Westfield Holdings must register transmission applications or transfers of the kind referred to in paragraph 7.2(b) by the Record Date.

7.4 Transfer requests received after Record Date

Westfield Holdings must not accept for registration or recognise for any purpose any transmission application or transfer in respect of Westfield Holdings Shares received after 5.00pm (Sydney time) on the day of the Record Date nor any transfer or transmission in respect of dealings in Westfield Holdings Shares that have occurred after the close of business on the Effective Date.

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7.5 Maintaining the Westfield Holdings Register

For the purpose of determining entitlements under this Scheme, Westfield Holdings must maintain the Westfield Holdings Register in accordance with the provisions of paragraph 7.4 and entitlements to be issued Westfield Corporation Limited Shares will be determined solely on the basis of the Westfield Holdings Register.

8 General Scheme provisions

8.1 Power of attorney

Each Westfield Shareholder, without the need for any further act by any Westfield Shareholder, irrevocably appoints Westfield Holdings and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of giving effect to this Scheme and Westfield Holdings accepts such appointment.

8.2 Variations, alterations and conditions

If the Court proposes to approve the Scheme subject to any alterations or conditions, Westfield Holdings may, by its counsel or solicitor, consent on behalf of all persons concerned to those alterations or conditions provided that in no circumstances will Westfield Holdings be obliged to do so.

8.3 Further action by Westfield Holdings

Westfield Holdings must execute all documents and do all things (on its own behalf and on behalf of each Westfield Shareholder) necessary or expedient to implement, and perform its obligations under, this Scheme.

8.4 Authority and acknowledgement

Each Westfield Shareholder:

(a) irrevocably consents to Westfield Holdings doing all things necessary or expedient for or incidental to the implementation of this Scheme; and

(b) acknowledges that this Scheme binds Westfield Holdings and each Westfield Shareholder (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against the Scheme at that Meeting).

8.5 No liability when acting in good faith

Neither Westfield Holdings nor any of its officers will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

8.6 Enforcement of Implementation Deeds Poll

Westfield Holdings undertakes in favour of each Westfield Shareholder to enforce the Implementation Deeds Poll entered into by Westfield Management, Westfield America Management, RE1 and RE2 on behalf of and as agent and attorney for the Westfield Shareholders.

8.7 Stamp duty

Westfield Holdings must pay all stamp duty (including any fines, penalties and interest) payable in connection with this Scheme.

8.8 Scheme overrides Westfield Holdings' constitution

To the extent of any inconsistency and to the extent permitted by law, this Scheme overrides Westfield Holdings' constitution and binds Westfield Holdings and Westfield Shareholders.

8.9 Notices

(a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Westfield Holdings, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Westfield Holdings' registered office or at the office of the Westfield Registry.

(b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Westfield Shareholder shall not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9 Governing law

9.1 Governing law

This Scheme is governed by the law in force in New South Wales.

9.2 Jurisdiction

Each party irrevocably and unconditionally:

(a) submits to the non-exclusive jurisdiction of the courts of that place.

(b) waives, without limitation, any claim or objection based on absence of jurisdiction or inconvenient forum.

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APPENDIX 4
FINANCIAL INFORMATION FOR WESTFIELD GROUP

Appendix 4.1: Basis of Preparation

The Westfield Group financial information has been included to illustrate the financial position if the Proposal does not proceed. Whilst it is not expected to be relevant if the Proposal proceeds, it gives a basis for a Westfield Group Securityholder to assess the financial outcomes as a result of the Proposal.

The financial information included in this section has been prepared in a manner consistent with the recognition and measurement principles prescribed in Australian Accounting Standards issued by the Australian Accounting Standards Board (which are consistent with IFRS and Interpretations issued by the IASB).

Significant accounting policies and significant judgement areas relevant to the financial information have been disclosed at Appendix 5 (as applicable to Westfield Group) and in Note 2 to the financial statements in the Westfield Group's 2013 Annual Report which has been lodged with ASIC and is available at www.westfieldgroup.com.

The historical and forecast financial information for Westfield Group has been reviewed by Ernst & Young Transaction Advisory Services Limited, whose Independent Limited Assurance Report is set out in Section 10. The user should note the scope and limitations of the Independent Limited Assurance Report.

(a) Preparation of historical income statements

The historical statutory income statements for FY11, FY12 and FY13 as set out in Table Appendix 4.2.1 have been extracted from the statutory financial statements of Westfield Group and its subsidiaries which have been audited by Ernst & Young and on which unqualified audit opinions were issued (Westfield Group Historical Income Statements).

(b) Preparation of forecast income statement

The forecast income statement for FY14 as set out in Table Appendix 4.2.1 has been prepared by the Westfield Group Directors based on an assessment of current economic and operating conditions and has been based on the best estimate assumptions of the Westfield Group Directors (Westfield Group Forecast Income Statement).

The Westfield Group Directors believe that they have prepared the Westfield Group Forecast Income Statement with due care and attention, and consider the best estimate assumptions to be reasonable at the time of preparing this booklet.

The Westfield Group Forecast Income Statement has been prepared on the basis that the Proposal will not be implemented and the current structure will remain the same.

APPENDIX 4

FINANCIAL INFORMATION FOR WESTFIELD GROUP

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(c) Preparation of historical FFO and forecast FFO

(i) Background

FFO is a non-IFRS performance measure which is considered to be a useful supplemental measure of operating performance.

FFO is a measure that is widely accepted in offshore and domestic real estate markets, gaining further importance in the Australian market as more property trusts adopt FFO reporting.

The National Association of Real Estate Investment Trusts (NAREIT), a US based representative body for publicly traded real estate companies with an interest in US real estate and capital markets, defines FFO as net income (computed in accordance with United States Generally Accepted Accounting Principles), including interest capitalised on property developments and excluding gains (or losses) from sales of property, plus depreciation and amortisation, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis.

Westfield Group's measure of FFO is based upon the NAREIT definition, adjusted to reflect that Westfield Group's profit after tax and non controlling interests are reported in accordance with the Australian Accounting Standards and IFRS.

Westfield Group's FFO excludes property revaluations of consolidated and equity accounted property investments, unrealised currency gains/losses, net fair value gains or losses on interest rate hedges and other financial liabilities, deferred tax, gains/losses from capital transactions and amortisation of tenant allowances from the reported profit after tax and non controlling interests.

(ii) Basis of Westfield Group's FFO

The Westfield Group's FFO has been calculated in Appendix 4.3 from the EBIT. This has then been adjusted to add back unrealised currency gain / loss, gain / loss in respect of capital transactions, property revaluations, equity accounted – property revaluations, equity accounted – net interest expense, realised income hedging currency gain / loss and the amortisation of tenant allowances to derive FFO before interest and tax. Net interest expense, current tax expense and FFO attributable to external non controlling interests have then been deducted to determine FFO.

(iii) Proportionate Format

Westfield Group's historical and forecast FFO as set out in Table Appendix 4.3.1 are presented on a Proportionate Format. This format consolidates Westfield Group's ownership share of revenues and expenses from its equity accounted investments. The Proportionate Format is used by management in assessing and understanding the performance and results of operations of Westfield Group as it allows management to observe and analyse revenue and expense results and trends on a portfolio-wide basis. Management considers that, given that the assets underlying both the consolidated and the equity accounted components of the statutory income statement are similar (that is, Australia, New Zealand, UK and US shopping centres), most of the centres are under common management, and therefore the drivers of their results are similar, the Proportionate Format funds from operations provides a more useful way to understand the performance of the portfolio as a whole than the statutory format. This is because the Proportionate Format aggregates both revenue and expense items across the whole portfolio, rather than netting the revenue and expense items for equity accounted centres and only reflecting their performance as a single item of profit or loss, as the statutory format requires.

(iv) Proposed UK Asset Divestments

Westfield Group announced on 20 March 2014 that it had entered into a conditional agreement with Intu Properties plc to divest its interests in three UK shopping centres for £597 million, in line with book value as at 31 December 2013. The assets involved in this transaction are Merry Hill, Derby and Sprucefield. The agreement remains conditional at this time, including in relation to the funding of the transactions and other customary conditions.

The transaction would have an annualised dilutionary impact to Westfield Group's FY14 Pro Forma Forecast FFO of 2.0 cents per security prior to the redeployment of capital.

The transaction is not expected to impact the FY14 distribution forecast for Westfield Group of 52.5 cents per security absent the Proposal.

The Pro Forma Forecast FFO has not been adjusted for the transaction, as the transaction remains subject to the purchaser obtaining funding, and is not viewed as material to the FY14 Pro Forma Forecast FFO and FY14 pro forma forecast distribution included in the financial information presented in this Appendix 4.

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Appendix 4.2: Condensed Westfield Group Historical Income Statements and Westfield Group Forecast Income Statement

Table Appendix 4.2.1: Condensed Historical and Forecast Income Statements

	Historical			Forecast
	FY11[1] $million	FY12[2] $million	FY13[2] $million	FY14 $million
Revenue	3,950.1	2,220.2	2,385.1	3,098.4
Share of after tax profits of equity accounted entities	824.5	1,326.1	1,336.4	826.4
Expenses	(2,630.9)	(1,018.7)	(1,234.9)	(1,981.0)
Currency gain/(loss)[3]	(50.9)	3.7	(30.8)	13.0
Gain/(loss) in respect of capital transactions	46.5	(45.2)	(146.1)	
Property revaluations[4]	234.6	249.1	365.7	
Earnings before interest and tax (EBIT)	**2,373.9**	**2,735.2**	**2,675.4**	**1,956.8**
Net interest expense[5]	(379.0)	(484.2)	(540.0)	(505.0)
Mark to market of interest rate derivatives and other financial liabilities[6]	(420.3)	(288.4)	(228.9)	(104.2)
Profit before tax	**1,574.6**	**1,962.6**	**1,906.5**	**1,347.6**
Current tax expense[7]	(94.3)	(78.0)	(86.1)	(102.3)
Deferred tax expense[7]	(22.9)	(125.7)	(199.1)	(53.9)
Profit after tax	**1,457.4**	**1,758.9**	**1,621.3**	**1,191.4**
External non controlling interest	(4.5)	(40.8)	(18.6)	(11.5)
Profit after tax attributable to members of the Westfield Group[8]	**1,452.9**	**1,718.1**	**1,602.7**	**1,179.9**

(1) Restated for the adoption of AASB 10 "Consolidated Financial Statements" resulting in Westfield Group's interest in Derby being treated as a joint venture and accounted for using the equity method of accounting.

(2) Extracted from the statutory financial statements of the Westfield Group which have been audited by Ernst & Young and on which unqualified opinion were issued.

(3) The mark to market gain or loss of currency derivatives has not been forecast as the calculation is dependent on the closing exchange rate at 31 December 2014. Mark to market gain or loss on currency derivatives has no impact on the forecast FFO of Westfield Group. Realised currency gains/losses from income hedging have been included in the Westfield Group Forecast Income Statement.

(4) Revaluation gains or losses from the revaluation of property investments have not been forecast due to their unpredictability. Revaluation gains and losses have no impact on the forecast FFO of Westfield Group.

(5) Forecast net interest expense excludes any mark to market of interest rate derivative financial instruments and mark to market of other financial liabilities. These calculations are dependent on the interest rate and other factors only available at balance date and as a result are unable to be reliably forecast. Mark to market of interest rate derivative financial instruments and mark to market of other financial liabilities have no impact on the forecast FFO of Westfield Group.

(6) Forecast mark to market of interest rate derivative financial instruments represents the reversal of brought forward mark to market balances relating to interest cashflows that are included in net interest expense in the Westfield Group Forecast Income Statement. This has no impact on Westfield Group's forecast FFO.

(7) Pro forma forecast current tax expense represents the tax expense on underlying operations and excludes any taxation on capital gains/losses, property revaluations and mark to market of interest rate and currency derivatives. Forecast deferred tax expense represents the potential deferred tax impact of estimated property depreciation in New Zealand, the UK and the US.

(8) The forecast profit after tax excludes any transaction costs that would be incurred in the event the Proposal does not go ahead.

APPENDIX 4

FINANCIAL INFORMATION FOR WESTFIELD GROUP

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Appendix 4.3: Westfield Group Historical and Forecast FFO

Table Appendix 4.3.1: Historical and Forecast FFO (Proportionate Format)

	Historical			Forecast
	FY11 $million	FY12 $million	FY13 $million	FY14 $million
Net property income	2,016.6	2,007.6	1,999.8	1,974.2
Project income and property management income	262.2	321.7	344.3	354.0
Overheads	(231.9)	(224.2)	(207.7)	(205.8)
Realised income hedging currency gain/loss	4.6	24.3	29.0	13.0
Funds from operations before interest and tax	**2,051.5**	**2,129.4**	**2,165.4**	**2,135.4**
Net interest expense	(440.2)	(551.2)	(614.7)	(580.8)
Current tax expense	(110.1)	(94.8)	(102.2)	(122.5)
FFO attributable to external non controlling interest	(8.8)	(9.7)	(10.5)	(11.5)
Funds from operations	**1,492.4**	**1,473.7**	**1,438.0**	**1,420.6**
Basic FFO per security attributable to members of the Westfield Group (cents)	**64.8**	**65.0**	**66.5**	**68.6**

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Table Appendix 4.3.2: Reconciliation of EBIT to FFO

	Historical			Forecast
	FY11 $million	FY12 $million	FY13 $million	FY14 $million
Earnings before interest and tax (EBIT)	**2,373.9**	**2,735.2**	**2,675.4**	**1,956.8**
Add back:				
– Currency gain/loss	50.9	(3.7)	30.8	(13.0)
– Gain/loss in respect of capital transactions	(46.5)	45.2	146.1	
– Property revaluations	(234.6)	(249.1)	(365.7)	
– Equity accounted – property revaluations	(243.9)	(571.2)	(498.2)	
– Equity accounted – Gain/loss in respect of capital transactions	–	(4.0)	(19.6)	
– Equity accounted – net interest expense	55.0	77.0	62.7	75.8
– Equity accounted – tax expense	20.6	0.9	22.4	26.5
– Realised income hedging currency gain/loss	4.6	24.3	29.0	13.0
	1,980.0	**2,054.6**	**2,082.9**	**2,059.1**
Add back:				
– Amortisation of tenant allowances	71.5	74.8	82.5	76.3
Funds from operations before interest and tax	**2,051.5**	**2,129.4**	**2,165.4**	**2,135.4**
Net interest expense	(440.2)	(551.2)	(614.7)	(580.8)
Current tax expense	(110.1)	(94.8)	(102.2)	(122.5)
FFO attributable to external non controlling interest	(8.8)	(9.7)	(10.5)	(11.5)
Funds from operations	**1,492.4**	**1,473.7**	**1,438.0**	**1,420.6**

Table Appendix 4.3.3: Weighted average number of stapled securities

	Historical			Forecast
	FY11 million	FY12 million	FY13 million	FY14 million
Weighted average number of stapled securities[1]	*2,303.1*	*2,267.0*	*2,162.1*	*2,072.2*

(1) Weighted average number of stapled securities used in the calculation of basic FFO per security.

APPENDIX 4

FINANCIAL INFORMATION FOR WESTFIELD GROUP

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Appendix 4.4: Best Estimate Assumptions underlying the Forecast Income Statement and Forecast FFO

The Forecast Income Statement and Forecast FFO are based on various best estimate assumptions set out below.

(a) Key assumptions

The key assumptions underlying Westfield Group Forecast Income Statement and Westfield Group Forecast FFO for the year ending 31 December 2014 include the following:

- average CPI for FY14 of 2.5% for Australia and 1.0% for New Zealand applied to specialty tenant rent escalations;
- the majority of other leases have fixed rate annual escalations;
- shopping centre interests in Australia and New Zealand continue to be in excess of 99.5% leased;
- shopping centre interests in the US continue to be approximately 94% leased and shopping centre interests in the UK continue to be in excess of 99% leased;
- development activities including Miranda, Mt Gravatt, World Trade Center, Garden State Plaza, Montgomery, Village at Topanga, Bradford (UK) and other minor projects are under way as well as design and construction projects at Macquarie Centre and Pacific Fair for AMP Capital, being third party contracts in which Westfield Group has no ownership interest. The FY14 forecast assumes capital expenditure of approximately $1.1 billion on development activities;
- the purchase of the remaining 50% interest in World Trade Center is complete;
- average A$/NZ$ exchange rate of 1.15 for FY14, approximating the average rate for the last 12 months;
- average A$/US$ exchange rate of 0.91 and average A$/£ exchange rate of 0.57 for FY14;
- average gross interest rate (including the impact of derivative financial instruments) of approximately 4.3% for FY14; and
- taxation on relevant entities at local tax rates currently prevailing at 30% for Australia, 28% for New Zealand, 41% corporate rate and 15% withholding tax on Real Estate Investment Trust distributions for the US and 21.5% weighted corporate rate and 20% non-resident landlord rate for the UK.

(b) General assumptions

In preparing the Forecast Income Statement and Forecast FFO, the following general best estimate assumptions have been adopted:

- no significant amendment to any material agreement or arrangement relating to Westfield Group's businesses. The parties to those agreements and arrangements are assumed to continue to comply with the terms of all material agreements and arrangements and maintain all relevant licenses and approvals;
- no material business or property acquisitions or disposals;
- no material changes in the competitive operating environment;
- no material changes in capital expenditure requirements;
- macroeconomic and industry conditions as described in sections 6 and 9;
- no material contract disputes or litigation;
- no change in Westfield Group's capital structure;
- no significant change in the legislative regimes and regulatory environments in the jurisdictions in which Westfield Group or its key customers operate which will materially affect the forecast financial information (including in the areas of taxation and various state retail tenancy legislation);
- no changes in accounting standards or the Corporations Act and to other relevant foreign equivalents of the Corporations Act that would have a material effect on Westfield Group's financial performance, cash flows or financial position and the way in which they are reported;
- no property revaluations or mark to market of financial instruments in relation to a movement in interest or exchange rates; and
- consistency of Westfield Group's significant accounting policies over the forecast period.

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Appendix 4.5: Sensitivity Analysis

Westfield Group Forecast Income Statement and Forecast FFO are based on certain economic and business assumptions about future events that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Westfield Group Directors and management. A summary is provided of the sensitivity of the Westfield Group Forecast FFO to variations in a number of key assumptions for FY14. The changes in the key variables set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. For the purposes of the analysis below, the effect of the changes in key assumptions on the Forecast FFO for FY14 is discussed below.

Table Appendix 4.5.1: Forecast FFO sensitivity

	Forecast	
Forecast FFO sensitivity	$million	CPU
Forecast FFO	1,420.6	68.6
Incremental impact of change from assumptions		
Change in average CPI by 0.25% p.a.	+/- 0.5	+/- 0.02
Change in average portfolio leased by 0.1% p.a.	+/- 2.0	+/- 0.10
Change in average US$/£/NZ$ exchange rate by 5 cents	+/- 47.6	+/- 2.30
Change in average interest rate by 0.25% p.a.	+/- 13.9	+/- 0.67

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables over the full year. In practice, changes in variables may offset each other or may be cumulative, and it is likely that Westfield Group's management would respond to any adverse change in one variable by taking action to minimise the net effect on Westfield Group's earnings.

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APPENDIX 5
SIGNIFICANT ACCOUNTING POLICIES

The accounting policies for Scentre Group and Westfield Corporation are set out below.

The preparation of financial information requires estimates, judgements and assumptions that affect the reported amounts of gross revenues, gross expenses, assets and liabilities. These estimates and judgements are based on historical experience and on various assumptions that management believes to be reasonable. Actual results may differ from these estimates under different assumptions or conditions. Revisions to estimates are recognised in the period in which the estimate is revised and in any future period affected. The significant accounting policies set out below apply estimates, judgements and assumptions which could materially affect the financial results or financial position reported in future periods.

Critical accounting policies

Critical accounting policies are those policies that require management to make estimates or judgements that may significantly affect the reported amounts of assets, liabilities, revenues or expenses or the disclosure of contingent assets or liabilities. Such estimates are based on judgements and assumptions and could potentially result in materially different results under different assumptions and conditions.

The following disclosure discusses the estimates and judgements that management is required to make in the application of those critical accounting policies, having regard to trends, known events or assumptions that it believes to be reasonable at the time.

Investment properties

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

(i) Shopping centre investments

Scentre Group's and Westfield Corporation's shopping centre investment properties represent completed centres comprising freehold and leasehold land, buildings and leasehold improvements.

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

Initially, shopping centre investment properties are measured at cost including transaction costs. Subsequent to initial recognition, Scentre Group's and Westfield Corporation's portfolio of shopping centre investment properties are stated at fair value. Gains and losses arising from changes in the fair values of shopping centre investment properties are included in the income statement in the year in which they arise. Any gains or losses on the sale of an investment property are recognised in the income statement in the year of sale. The carrying amount of investment properties includes components relating to lease incentives, leasing costs and receivables on rental income that have been recorded on a straight line basis.

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

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The Scentre Group directors' or Westfield Corporation directors' assessment of fair value of each shopping centre investment property takes into account latest independent valuations, generally prepared annually, with updates taking into account any changes in estimated yield, 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 judgement in relation to future rental income, property capitalisation rate or estimated yield and make reference to market evidence of transaction prices for similar properties. It is Scentre Group's and Westfield Corporation's policies to appoint a number of qualified independent valuers and that no individual valuer is appointed to appraise any individual property for greater than three consecutive years.

(ii) Development projects and construction in progress

Scentre Group's and Westfield Corporation's development projects and construction in progress include costs incurred for the current and future redevelopment and expansion of new and existing shopping centre investments, and are classified as inventories when intended for sale to third parties. Development projects and construction in progress include capitalised construction and development costs, payments and advances to contractors and where applicable, borrowing costs incurred on qualifying developments.

Development projects and construction in progress are carried at fair value based on the Scentre Group directors' or Westfield Corporation directors' assessment of fair value at each reporting date taking into account the expected cost to complete, the stage of completion, expected underlying income and yield of the developments. Any increment or decrement in the fair value of development projects and construction in progress resulting from the Scentre Group directors' or Westfield Corporation directors' assessment of fair value is included in the income statement in the year in which it arises. From time to time during a development, the Scentre Group directors or Westfield Corporation directors may commission an independent valuation of the development project and construction in progress. On completion, development projects and construction in progress are reclassified to shopping centre investments and an independent valuation is obtained.

The assessment of fair value and possible impairment in the fair value of shopping centre investment, development projects and construction in progress are significant estimates that can change based on Scentre Group's and Westfield Corporation's continuous process of assessing the factors affecting each property.

Receivables

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

Revenue recognition

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

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

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

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

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

APPENDIX 5

SIGNIFICANT ACCOUNTING POLICIES

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Deferred tax

Deferred tax is provided on all temporary differences at the balance sheet date on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is disposed of at book value, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes related to items recognised directly in equity are recognised in equity and not in the income statement.

Derivative and other financial instruments

Scentre Group and Westfield Corporation utilise derivative financial instruments, including forward exchange contracts, currency and interest rate options, currency and interest rate swaps to manage the risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are recognised at fair value.

Scentre Group and Westfield Corporation have set defined policies and a comprehensive hedging program to manage interest and exchange rate risks. Derivative instruments are transacted to achieve the economic outcomes in line with Scentre Group's and Westfield Corporation's treasury policy and hedging programs. Derivative instruments are not transacted for speculative purposes. Accounting standards however require compliance with documentation, designation and effectiveness parameters before a derivative financial instrument is deemed to qualify for hedge accounting treatment. These documentation, designation and effectiveness requirements cannot be met in all circumstances. As a result, derivative instruments, other than cross currency swaps that hedge net investments in foreign operations, and hedges of share based payments, are deemed not to qualify for hedge accounting and are recorded at fair value. Gains or losses arising from the movement in fair values are recorded in the income statement.

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, foreign exchange spot and forward rates, option volatilities and the credit quality of all counterparties.

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

Further information on significant accounting policies relevant to the financial information is disclosed in Note 2 to the financial statements in Westfield Group's 2013 Annual Reports which has been lodged with ASIC and is available from www.westfieldgroup.com.

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GLOSSARY

Term	Meaning
AFSL	Australian financial services licence.
AGM	Westfield Group's 2014 Annual General Meeting to be held at 9.30am on Thursday, 29 May 2014 at Grand Ballroom, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000.
A-IFRS	the Australian Equivalent of International Financial Reporting Standards.
AMP Group	AMP Limited and its related bodies corporate.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or the market operated by it, as the context requires.
ASX Guidelines	the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, revised in 2010.
ATO	the Australian Taxation Office.
AUD, A$	Australian dollars.
Audit and Risk Committee	the audit and risk committee of Scentre Group or Westfield Corporation (as the context requires), and as described in sections 4.8 and 7.9 respectively.
Australian Taxation Letter	the Australian taxation letter from Greenwoods & Freehills Pty Limited, as set out in section 11.
Business Day	a Business Day within the meaning given in the Listing Rules and a day that banks are open for business in New South Wales, Australia.
Capital Conversion	the conversion of each Westfield Holdings Share into 1.246 Westfield Holdings Shares.
Capital Conversion Resolution	the ordinary resolution of Westfield Holdings shareholders to effect the Capital Conversion, to be considered by Westfield Group Securityholders at the General Meetings.

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Term	Meaning
Capital Reduction Amount	an amount calculated as follows: $\text{Capital Reduction Amount} = \frac{\text{WCL Value}}{\text{WCL Value + WHL Value}} * \$1,407,871,455$ where: **WCL Value** means the WCL VWAP multiplied by the WCL NTA Percentage multiplied by the number of Westfield Corporation Limited Shares on issue on the Implementation Date. **WCL VWAP** means the volume weighted average price of Westfield Corporation Securities sold on ASX in the first 20 Business Days of trading of Westfield Corporation Securities on ASX (including on a deferred settlement basis). **WCL NTA Percentage** means the percentage of the net assets of Westfield Corporation that is attributable to Westfield Corporation Limited (as determined in the consolidated balance sheet of Westfield Corporation as at the Implementation Date). **WHL Value** means the WHL VWAP multiplied by the WHL NTA Percentage multiplied by the number of Westfield Holdings Shares on issue on the Implementation Date. **WHL VWAP** means the volume weighted average price of Scentre Group Securities sold on ASX in the first 20 Business Days of trading of Scentre Group Securities on ASX (including on a deferred settlement basis). **WHL NTA Percentage** means the percentage of the net assets of Scentre Group that is attributable to Westfield Holdings Limited (as determined in the consolidated balance sheet of Scentre Group as at the Implementation Date).
Capital Reduction Resolution	the ordinary resolution of Westfield Holdings shareholders to approve the Capital Reduction, to be considered by Westfield Group Securityholders at the General Meetings.
Capital Reduction	the reduction in the share capital of Westfield Holdings by the Capital Reduction Amount to be applied against each Westfield Holdings Share on issue at the Implementation Date, and as set out in the Capital Reduction Resolution.
CGT	capital gains tax.
CHESS	Clearing House Electronic Sub-register System, operated in accordance with the Corporations Act.
Constitution Amendment Resolutions	the special resolutions of Westfield Holdings shareholders, Westfield Trust unitholders and Westfield America Trust unitholders to amend each of the existing Westfield Group Constitutions, to be considered by Westfield Group Securityholders at the General Meetings.
Continuous Disclosure Committee	the continuous disclosure committee of Scentre Group or Westfield Corporation (as the context requires), and as described in sections 4.8 and 7.9 respectively.
CFX	CFS Retail Property Trust Group.
Co-operation Deed	the co-operation deed dated 20 December 2010 between Westfield Limited (ACN 000 317 279), Westfield Holdings, Westfield Management, RE1 and RE2.
Corporate Services Agreement	the corporate services agreement dated 20 December 2010 between Westfield Limited, RE1 and RE2.

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Term	Meaning
Corporations Act	*Corporations Act 2001* (Cth).
Corporations Regulations	*Corporations Regulations 2001* (Cth).
Court	the Supreme Court of New South Wales.
CPI	Consumer Price Index.
Demerger Stage	the demerger stage described in section 12.
DRP	distribution reinvestment plan.
EBIT	earnings before interest and tax.
EDA Plan	the Executive Deferred Award Plan of Westfield Group, and as described in sections 4.9 and 7.10.
EPR Plan	the Executive Performance Rights Plan of Westfield Group, and as described in sections 4.9 and 7.10.
Effective	the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under sections 411(4)(b) and 411(6) in relation to the Scheme.
Effective Date	the date on which the Scheme becomes Effective.
Eligible Foreign Securityholder	a Foreign Securityholder in relation to whom Westfield Group has determined that it is lawful and not unduly onerous or unduly impracticable for the relevant Foreign Securityholder to receive securities under the Proposal, as described in section 2.8.
Eligible Securityholder	– any Securityholder recorded on the Westfield Register on the Record Date who is not a Foreign Securityholder; – any Eligible Foreign Securityholder; and – the Sale Nominee (in respect of Westfield Group Securities held by Ineligible Foreign Securityholders on the Record Date).
EUR, €	Euros.
Financial Information	the pro forma historical and pro forma forecast financial information for Scentre Group or Westfield Corporation (as the context requires), and as described in sections 5.1 and 8.1 respectively.
First Court Hearing	the hearing of the application made to the Court for orders under section 411(1) of the Corporations Act to convene the Scheme Meeting.
Foreign Securityholder	a Westfield Group Securityholder on the Record Date whose address is, or who is a citizen or resident of, a place outside of Australia and New Zealand and their respective external territories, or who is a nominee or acts on behalf of such a person.
FOS	Financial Ombudsman Service Limited.
FFO	funds from operations. See sections 5.2 and 8.2 for further details about how this is determined.
FY11	financial year ended 31 December 2011.
FY12	financial year ended 31 December 2012.
FY13	financial year ended 31 December 2013.
FY14	financial year ending 31 December 2014.

GLOSSARY

Term	Meaning
General Meetings	the extraordinary general meetings of Westfield Holdings shareholders, Westfield Trust unitholders and Westfield America Trust unitholders, the notice for which is set out in Appendix 2.
General Meetings Proxy Form	the green proxy form for the General Meetings which accompany this Securityholder Booklet.
General Meetings Resolutions	each of the Capital Reduction Resolution, the Capital Conversion Resolution, the Constitution Amendment Resolutions, the Proposal Approval Resolutions, the Stapling Deed Resolution and the Westfield Holdings Name Change Resolution, to be considered by Westfield Group Securityholders at the General Meetings.
GBP, £	Great Britain Pounds.
GLA	gross lettable area.
GPT	the GPT Group.
Human Resources Committee	the human resources committee of Scentre Group or Westfield Corporation (as the context requires), and as described in sections 4.8 and 7.9 respectively.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards.
Implementation Date	30 June 2014, or such other date as is determined in accordance with the Implementation Deed.
Implementation Deed	the Implementation Deed dated 4 December 2013 between Westfield Holdings, Westfield Management as responsible entity of Westfield Trust, Westfield America Management as responsible entity of Westfield America Trust, RE1 as responsible entity of Westfield Retail Trust 1, RE2 as responsible entity of Westfield Retail Trust 2 and Westfield Corporation Limited as described in section 16.1.
Implementation Deeds Poll	the deeds poll to be entered into by each of Westfield Holdings, Westfield Management, Westfield America Management, RE1 and RE2, as described in section 16.3.
Independent Limited Assurance Reports	the reports of the Investigating Accountant, as set out in section 10.
Independent Expert	Grant Samuel & Associates Pty Limited (ABN 28 050 036 372, AFSL No. 240985).
Independent Expert's Report	the report of the Independent Expert, set out at section 11.
Independent Westfield Retail Trust Directors	the Recommending Westfield Retail Trust Directors, other than Domenic Panaccio.
Ineligible Foreign Securityholder	a Foreign Securityholder who is not an Eligible Foreign Securityholder.

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Term	Meaning
internally managed	when used in the context of a REIT, is commonly used to refer to a REIT where the responsible entity of the REIT is owned by the REIT and the REIT does not pay management fees to an external person. In the context of Westfield Group (and Scentre Group and Westfield Corporation) the REITs which are part of Westfield Group (and Scentre Group and Westfield Corporation) are also internally managed in that more commonly defined way but, internally managed is also intended to refer to having the capabilities of the broader retail property operating platform.
International Assets	the UK assets of Westfield Holdings and Westfield Trust, and interest of Westfield Holdings in the US assets, as described in section 8.2.
Investigating Accountant	Ernst & Young Transaction Advisory Services Limited (ABN 87 003 599 844, AFSL No. 240585).
ITAA 97	*Income Tax Assessment Act 1977* (Cth).
KPI	key performance indicator.
LABS Agreement	the agreement entered into between Westfield Holdings and Westfield LABS Corporation (File No. 5248727), as described in section 2.7.
Listing Rules	the official listing rules of ASX from time to time as modified by any express written confirmation, waiver or exemption given by ASX.
Long Term Equity Linked Plan or LTI Plan	the long term equity linked plan of Scentre Group or Westfield Corporation (as the context requires), and as described in sections 4.9 and 7.10 respectively.
LTI	the long term incentives of Scentre Group or Westfield Corporation (as the context requires), and as described in sections 4.9 and 7.10 respectively.
Master Guarantee	the master guarantee of Scentre Group or Westfield Corporation described in sections 5.12 and 8.11 (as applicable).
Master Negative Pledge	the master negative pledge of Scentre Group or Westfield Corporation described in sections 5.12 and 8.11 (as applicable).
Meetings	the Scheme Meeting and the General Meetings.
Merger Ratio	the ratio which determines the entitlements of existing Westfield Group Securityholders and Westfield Retail Trust Securityholders to Scentre Group Securities and Westfield Corporation Securities on the Implementation Date, as set out at section 2.5.
Merger Stage	the merger stage described in section 12.
MITs	managed investment trusts.
NAREIT	National Association of Real Estate Investment Trusts.
NOI	net operating income.
Nominations Committee	the nominations committee of Scentre Group or Westfield Corporation (as the context requires), and as described in sections 4.8 and 7.9 respectively.
Notice of General Meetings	the notice of meetings set out in Appendix 2.

GLOSSARY

Term	Meaning
NTA	net tangible assets.
Notice of Scheme Meeting	the notice of meeting set out in Appendix 1.
NZD, NZ$	New Zealand dollars.
Official List	the official list of ASX.
Operating Expenses	the operating expenses described in section 13.2 or section 14.2 (as applicable).
PDS	a product disclosure statement for the purposes of Chapter 7 of the Corporations Act.
PIP Plan	the Partnership Incentive Plan of Westfield Group and as described in sections 4.9 and 7.10.
PIR Plan	the Partnership Incentive Rights Plan of Westfield Group, and as described in sections 4.9 and 7.10.
Pro Forma Forecast Adjusted FFO	the pro forma forecast adjusted funds from operations for Scentre Group, as described in section 5.2(c)(ii).
Pro Forma Forecast FFO	the pro forma forecast funds from operations for Scentre Group or Westfield Corporation (as the context requires), as described in sections 5.1 and 8.1 respectively.
Pro Forma Forecast Financial Information	the pro forma forecast financial information for Scentre Group or Westfield Corporation (as the context requires), and as described in sections 5.1 and 8.1 respectively.
Pro Forma Forecast Income Statement	the pro forma forecast income statement for Scentre Group or Westfield Corporation (as the context requires), as described in sections 5.1 and 8.1 respectively.
Pro Forma Historical FFO	the pro forma historical funds from operations for Scentre Group or Westfield Corporation (as the context requires), as described in sections 5.1 and 8.1 respectively.
Pro Forma Historical Financial Information	the pro forma historical financial information for Scentre Group or Westfield Corporation (as the context requires), and as described in sections 5.1 and 8.1 respectively.
Pro Forma Historical Income Statements	the pro forma historical income statements for Scentre Group or Westfield Corporation (as the context requires), as described in sections 5.1 and 8.1 respectively.
Pro Forma Historical Statement of Net Assets	the pro forma historical statement of net assets for Scentre Group or Westfield Corporation (as the context requires), and as described in sections 5.1 and 8.1 respectively.
Property Linked Notes	notes issued by members of the Westfield Group which are designed to provide returns based on the economic performance of the following Westfield Australian super regional and regional shopping centres: Parramatta, Hornsby and Burwood in Sydney, Southland in Melbourne, Tea Tree Plaza in Adelaide and Belconnen in the ACT. The return under the notes is based on a proportional interest, in respect of the relevant Westfield shopping centre, as specified in the note.

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Term	Meaning
Proportionate Format	the proportionate format in which the Pro Forma Historical FFO and Pro Forma Forecast FFO are presented for Scentre Group or Westfield Corporation (as the context requires), and as described in sections 5.2 and 8.2 respectively.
Proposal	the arrangement described in this Securityholder Booklet by which Westfield Holdings and Westfield Trust will be separated from Westfield Group and merged with the Westfield Retail Trust to create two listed groups as follows: – Scentre Group, comprising Westfield Holdings, Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2; and – Westfield Corporation, comprising Westfield America Trust, Westfield Corporation Limited and WFD Trust.
Proposal Approval Resolutions	means the ordinary resolutions of Westfield Trust unitholders and Westfield America Trust unitholders to approve the Proposal for all purposes, to be considered by Westfield Group Securityholders at the General Meetings.
psf	per square foot.
psm	per square metre.
REIT	real estate investment trust.
RE1	RE1 Limited (ABN 80 145 743 862) (AFSL No. 380202) as responsible entity of Westfield Retail Trust 1.
RE2	RE2 Limited (ABN 41 145 744 065) (AFSL No. 380203) as responsible entity of Westfield Retail Trust 2.
Recommending Westfield Retail Trust Directors	the directors of RE1 and RE2 who are not directors or executives of Westfield Group, being Mr Richard Francis Egerton-Warburton AO, LVO, Mr Laurence Brindle, Mr Andrew Harmos, Mr Michael Ihlein, Ms Sandra McPhee AM and Mr Domenic Panaccio.
Record Date	7.00pm (or such other time as specified in the context) on Thursday, 19 June 2014, or such other date as is determined in accordance with the Implementation Deed.
Resolutions	the General Meetings Resolutions and the Scheme Resolution.
RG 134	ASIC Regulatory Guide 134.
ROCE	return on contributed equity.
Sale Facility	the facility under which Scentre Group Securities and Westfield Corporation Securities referrable to Ineligible Foreign Securityholders may be sold, as described in section 2.9.
Sale Nominee	J.P. Morgan Securities Australia Limited (ABN 61 003 245 234) (AFSL 238066).
Scentre Group	the group that will result from Stapling the securities of Westfield Holdings, Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2.
Scentre Group Board	the proposed board of directors of Westfield Holdings, Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2, as set out in section 4.7.

GLOSSARY

Term	Meaning
Scentre Group Responsible Entities	Westfield Management as responsible entity of Westfield Trust, RE1 as responsible entity of Westfield Retail Trust 1 and RE2 as responsible entity of Westfield Retail Trust 2.
Scentre Group Security	a Stapled Security in Scentre Group following implementation of the Proposal, comprising one Westfield Holdings Share, one Westfield Trust Unit, one Westfield Retail Trust 1 Unit and one Westfield Retail Trust 2 Unit.
Scentre Group Securityholder	a holder of a Scentre Group Security following implementation of the Proposal.
Scentre Group Stapling Deed	the existing stapling deed dated 20 December 2010 between RE1 and RE2, to which Westfield Holdings and Westfield Trust will accede if the Proposal is implemented.
Scentre Group Trusts	Westfield Trust, Westfield Retail Trust 1 and Westfield Retail Trust 2 (or any one of them as applicable).
Scheme	a scheme of arrangement under Part 5.1 of the Corporations Act between Westfield Holdings and each Westfield Holdings shareholder, as set out in Appendix 3, subject to any modification made or required by the Court.
Scheme Meeting	the meeting of the Westfield Holdings shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act to consider the Scheme Resolution, the notice for which is set out in Appendix 1.
Scheme Meeting Proxy Form	the blue proxy form for the Scheme Meeting which accompanies this Securityholder Booklet.
Scheme Resolution	the resolution to approve the Scheme, to be considered by Westfield Holdings shareholders at the Scheme Meeting.
Second Court Hearing	the hearing of the application made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Scheme.
Securityholder or Westfield Group Securityholder	means a holder of a Westfield Group Security.
Securityholder Booklet	this document dated 14 April 2014, which includes the Scheme, the Notice of Scheme Meeting and the Notice of General Meetings.
Short Term Equity Linked Plan or STEL Plan	the short term equity linked plan of Scentre Group or Westfield Corporation (as the context requires), and as described in sections 4.9 and 7.10 respectively.
STI	the short term incentives of Scentre Group or Westfield Corporation (as the context requires), and as described in sections 4.9 and 7.10 respectively.
sqf	square foot.
Stapled or Stapling	in the case of two or more securities, being on the Official List together so that one such security may not be dealt with without the other or others being dealt with in an identical manner and at the same time and with such restriction on dealing being denoted on the register of each such "**Stapled Security**".

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Term	Meaning
Stapling Deed Resolution	the ordinary resolution of Westfield Group Securityholders (in their capacity as Westfield Holdings shareholders) to approve the provision of financial benefits by Westfield Holdings to related parties under the Scentre Group Stapling Deed, to be considered by Westfield Group Securityholders at the General Meetings.
Stapling Distribution	has the meaning set out in section 15.3.
TFN	tax file number.
Trade Mark Licence Agreement	the agreement entered into between Westfield Holdings and Westfield Corporation Limited, in relation to the use of the Westfield brand by Scentre Group, as described in section 2.7.
Transitional Services Agreement	has the meaning set out in section 2.7.
UK	United Kingdom.
US	United States.
U.S. Securities Act	U.S. Securities Act of 1933.
USD, $US	United States dollars.
vertically integrated	in the context of Westfield Group, Scentre Group or Westfield Corporation, vertically integrated means having in-house capabilities including property management, leasing, design, development, construction, marketing and funds management. As a result of these in-house capabilities, the group is able to capture the economic and strategic benefits of the operating platform with control over all elements of value creation in the ownership, management and development of shopping centres. The group will benefit from efficiencies as the integrated nature of its operating platform provides for a high level of responsiveness and flexibility in achieving solutions that meet "whole of business" considerations in design, construction, leasing and management. In addition, all elements of the group's operating platform will be aligned towards maximising income and capital growth across the portfolio. This is in contrast to the passive returns from solely property investment.
Westfield America	Westfield America, Inc.
Westfield America Management	Westfield America Management Limited (ABN 66 072 780 619) (AFSL No. 230324).
Westfield America Management Services Agreement	the agreement dated 19 January 2001 between Westfield Limited and Westfield America Management regarding services provided by Westfield Limited to Westfield America Management.
Westfield America Trust	Westfield America Trust (ARSN 092 058 449).
Westfield America Trust Unit	a fully paid, ordinary unit in Westfield America Trust.
Westfield Corporation	the new group formed as a result of the Stapling of the securities of Westfield America Trust, Westfield Corporation Limited and WFD Trust.
Westfield Corporation Board	the proposed board of directors of Westfield America Trust, Westfield Corporation Limited and WFD Trust, as set out in section 7.8.

GLOSSARY

Term	Meaning
Westfield Corporation Limited	Westfield Corporation Limited (ABN 12 166 995 197).
Westfield Corporation Limited Share	a fully paid, ordinary unit in Westfield Corporation Limited.
Westfield Corporation Responsible Entity	Westfield America Management as responsible entity of Westfield America Trust and WFD Trust (as applicable).
Westfield Corporation Security	a Stapled Security in Westfield Corporation following the implementation of the Proposal, comprising one Westfield America Trust Unit, one Westfield Corporation Limited Share and one WFD Trust Unit.
Westfield Corporation Securityholder	a holder of a Westfield Corporation Security following implementation of the Proposal.
Westfield Corporation Stapling Deed	the stapling stapling and co-operation deed between Westfield America Management as responsible entity of Westfield America Trust, Westfield Corporation Limited and Westfield America Management as responsible entity of WFD Trust to be entered into on or before implementation of the Proposal, as described in section 16.9.
Westfield Corporation Trusts	Westfield America Trust and WFD Trust (or either of them as applicable).
Westfield Group	Westfield Holdings, Westfield Trust and Westfield America Trust and each of their controlled entities.
Westfield Group Board	the existing board of directors of Westfield Holdings, Westfield Management and Westfield America Management.
Westfield Group Draft Class Ruling	the Westfield Group draft class ruling described in section 12.
Westfield Group Constitutions	the constitutions of Westfield Holdings, Westfield Trust and Westfield America Trust, as amended.
Westfield Group Directors	the directors of Westfield Holdings, Westfield Management and Westfield America Management.
Westfield Group Forecast Information Statement	the forecast income statement for Westfield Group, as described in Appendix 4.1.
Westfield Group Historical Income Statement	the historical statutory income statements for Westfield Group, as described in Appendix 4.1.
Westfield Group Information	information in this Securityholder Booklet relating to the business, assets and financial information of Westfield Group as described in section 16.1.
Westfield Group Plans	the 4 equity linked incentive plans Westfield Group currently operates being the EDA Plan, the PIP Plan, the EPR Plan and the PIR Plan and as described in sections 4.9 and 7.10.
Westfield Group Security	an existing Stapled Security in Westfield Group, comprising one Westfield Holdings Share, one Westfield Trust Unit and one Westfield America Trust Unit.
Westfield Group Securityholder or Securityholder	a holder of a Westfield Group Security.
Westfield Group Stapling Deed	the existing stapling deed between Westfield Holdings, Westfield Management and Westfield America Management dated 21 May 2004.

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Term	Meaning
Westfield Holdings	Westfield Holdings Limited (ABN 66 001 671 496), to be renamed Scentre Group Limited.
Westfield Holdings Name Change Resolution	the special resolution of Westfield Group Securityholders (in their capacity as Westfield Holdings shareholders) to approve the change of Westfield Holdings' name from Westfield Holdings Limited to Scentre Group Limited, to be considered by Westfield Group Securityholders at the General Meetings (if the Proposal proceeds).
Westfield Holdings Share	a fully paid, ordinary share in Westfield Holdings.
Westfield Labs	Westfield Group's existing digital innovation arm, as described in section 2.7.
Westfield Management	Westfield Management Limited (ABN 41 001 670 579) (AFSL No. 230329).
Westfield Register	the register of Westfield Group Securityholders.
Westfield Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Westfield Retail Trust	Westfield Retail Trust 1 and Westfield Retail Trust 2 and each of their controlled entities.
Westfield Retail Trust 1	Westfield Retail Trust 1 (ARSN 146 934 536), to be renamed Scentre Group Trust 2.
Westfield Retail Trust 1 Unit	a fully paid, ordinary unit in Westfield Retail Trust 1.
Westfield Retail Trust 2	Westfield Retail Trust 2 (ARSN 146 934 652), to be renamed Scentre Group Trust 3.
Westfield Retail Trust 2 Unit	a fully paid, ordinary unit in Westfield Retail Trust 2.
Westfield Retail Trust Constitutions	the constitutions of Westfield Retail Trust 1 and Westfield Retail Trust 2.
Westfield Retail Trust Corporate Governance Deeds Poll	– the deed poll given by RE1 and RE2 dated 2 November 2010; and – the deed poll given by Westfield Holdings dated 21 November 2012.
Westfield Retail Trust Directors	the directors of RE1 and RE2 (including the Independent Westfield Retail Trust Directors).
Westfield Retail Trust Executive Deferred Award Plan or Westfield Retail Trust Plan	the Westfield Retail Trust's equity linked incentive plan, the Westfield Retail Trust Executive Deferred Award Plan – Australia and New Zealand (dated June 2011), as described in section 4.9.
Westfield Retail Trust Facilities	the existing financing arrangements of Westfield Retail Trust, as described in section 5.12.
Westfield Retail Trust General Meetings	the extraordinary general meetings of Westfield Retail Trust 1 unitholders and Westfield Retail Trust 2 unitholders to consider the Westfield Retail Trust Resolutions, the notices for which are set out in the Westfield Retail Trust Securityholder Booklet.
Westfield Retail Trust Information	information in this Securityholder Booklet relating to the business, assets and financial information of Westfield Retail Trust.

GLOSSARY

Term	Meaning
Westfield Retail Trust Resolutions	the resolutions required to be passed by Westfield Retail Trust Securityholders in order to implement the Proposal, as set out in the Westfield Retail Trust Securityholder Booklet.
Westfield Retail Trust Security	a Stapled Security comprising one Westfield Retail Trust 1 Unit and one Westfield Retail Trust 2 Unit.
Westfield Retail Trust Securityholder	a person who holds a Westfield Retail Trust Security.
Westfield Retail Trust Securityholder Booklet	the booklet prepared for Westfield Retail Trust Securityholders, comprising an explanatory statement and notices of meetings for Westfield Retail Trust Securityholders in relation to the Westfield Retail Trust Resolutions, a prospectus issued by Westfield Holdings for the issue of Westfield Holdings Shares under the Proposal, and a PDS issued by Westfield Management for the issue of Westfield Trust Units under the Proposal.
Westfield Securityholder Information Line	1800 674 015 (within Australia) or +61 3 9415 4121 (from outside Australia) at any time from 8.30am to 5.00pm (Sydney time) Monday to Friday.
Westfield Trust	Westfield Trust (ARSN 090 849 746), to be renamed Scentre Group Trust 1.
Westfield Trust Unit	a fully paid, ordinary unit in Westfield Trust.
WFD Trust	WFD Trust (ARSN 168 765 875).
WFD Trust Unit	a fully paid, ordinary unit in WFD Trust.
world class retail destination	refers to premium shopping centres with the highest quality of design and standard of services focused on integrating premium dining, fashion, leisure and entertainment, creating great consumer experiences.

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CORPORATE DIRECTORY

Westfield Group
Westfield Holdings Limited
ABN 66 001 671 496

Westfield Trust
ABN 55 191 750 378
ARSN 090 849 746

Westfield Management Limited
ABN 41 001 670 579, AFSL No. 230329
in its capacity as responsible entity and trustee
of Westfield Trust

Westfield America Trust
ABN 27 374 714 905
ARSN 092 058 449

Westfield America Management Limited
ABN 66 072 780 619, AFSL No. 230324,
in its capacity as the responsible entity and trustee
of Westfield America Trust

Level 30
85 Castlereagh Street
Sydney NSW 2000

Westfield Retail Trust
Westfield Retail Trust 1
ARSN 146 934 536

RE 1 Limited
ABN 80 145 743 862, AFSL No. 380202
in its capacity as responsible entity
of Westfield Retail Trust 1

Westfield Retail Trust 2
ARSN 146 934 652

RE 2 Limited
ABN 41 145 744 065, AFSL No. 380203
in its capacity as responsible entity
of Westfield Retail Trust 2

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Westfield Group website
www.westfieldgroup.com

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