Vicinity Centres[1]

Appendix 4D - Results for announcement to the market

For the six months ended 31 December 2016

	Six months to 31-Dec-16	Six months to 31-Dec-15	Increase/ (Decrease)	
	$m	$m	$m	%
Revenue from ordinary activities	637.9	659.9	(22.0)	(3.3)
Net Profit from ordinary activities after tax attributable to securityholders	908.8	424.6	484.2	114.0
Underlying Earnings[2]	376.0	377.6	(1.6)	(0.4)

	31-Dec-16	30-Jun-16	Increase/ (Decrease)	
Net tangible assets per security	$ per security	$ per security	$ per security	%
Total	2.73	2.59	0.14	5.4
Net assets per security	$ per security	$ per security	$ per security	%
Total	2.88	2.74	0.14	5.1

Distribution per stapled security	Cents[3]	Record date	Payment date
Half Year	8.70	30-Dec-16	2-Mar-17

Review of results

For discussion on the half year results refer to the following documents released on the ASX today: ASX announcement, half year financial report and the investor presentation.

Details of associates and joint venture entities (equity accounted investments)

Refer to Note 2(e) of the Half Year Financial Report.

The information presented above is based upon the reviewed half year financial report for the six months ended 31 December 2016. Refer to page 28 - Independent auditor's review report.

MBrady

Michelle Brady
Company Secretary

Date: 15 February 2017

Notes

1. Vicinity Centres (VCX) comprises Vicinity Limited ABN 90 114 757 783 and Vicinity Centres Trust ARSN 104 931 928.

2. A reconciliation between underlying earnings and net profit from ordinary activities attributable to securityholders is provided in Note 1(b) of the half year financial report.

3. Details of the full year tax components of distributions will be provided in the Annual Tax Statements which will be sent to securityholders after the end of the financial year.

Vicinity Centres

Financial report for the half year ended
31 December 2016

Vicinity Centres comprising:
Vicinity Limited – ABN 90 114 757 783
Vicinity Centres Trust – ARSN 104 931 928
and their controlled entities

VICINITY
CENTRES

Contents

Directors' Report

The Directors of Vicinity Limited present the financial report of Vicinity Centres for the half year ended 31 December 2016. Vicinity Centres (Vicinity or the Group) is a stapled group comprising Vicinity Limited (the Company) and Vicinity Centres Trust (the Trust). Although separate entities, the Stapling Deed entered into by the Company and the Trust ensures that shares in the Company and units in the Trust are 'stapled' together and are traded collectively on the Australian Securities Exchange, under the code 'VCX'.

Directors

The Board of Directors of the Company and Vicinity Centres RE Ltd, as Responsible Entity (RE) of the Trust (together, the Vicinity Board) consist of the same Directors. The following persons were members of the Vicinity Board from 1 July 2016 and up to the date of this report:

(i) Chairman

Peter Hay (Independent)

(ii) Non-executive Directors

Charles Macek (Independent)

David Thurin

Debra Stirling (Independent)

Karen Penrose (Independent)

Peter Kahan

Richard Haddock AM (Independent)

Tim Hammon (Independent)

Trevor Gerber (Independent)

Wai Tang (Independent)

(iii) Executive Director

Angus McNaughton (CEO and Managing Director)

Company Secretaries

Michelle Brady

Carolyn Reynolds

Principal activities

The Group has its principal place of business at Level 4, Chadstone Tower One, 1341 Dandenong Road, Chadstone, Victoria 3148.

The principal activities of the Group during the period were property investment, property management, property development, leasing and funds management.

Distributions

On 14 December 2016, the Directors declared a distribution for the half year ended 31 December 2016 of 8.7 cents per VCX stapled security, which equates to total half year distributions payable to securityholders of $344.4 million.

The payment date of the half year distribution will be 2 March 2017.

Review of operations

The following provides an overview of operations and financial results for the half year ended 31 December 2016.

(a) Financials

Financial performance

Vicinity generated a statutory net profit of $908.8 million for the half year ended 31 December 2016 (31 December 2015: $424.6 million). To reflect the Group's underlying earnings from operations, the net profit after tax has been adjusted for certain unrealised and non-cash items, and other items that are not in the ordinary course of business or capital in nature. Some of the below information has been extracted and summarised from Note 1 to the financial statements:

For the 6 months to:	31-Dec-16 $m	31-Dec-15 $m
Property Investment segment		
Net property income	461.7	472.9
Strategic Partnership segment		
Property management, development, leasing and funds management fees	34.1	32.6
Total income	**495.8**	**505.5**
Corporate overheads (net of internal property management fees)	(37.1)	(42.3)
Net interest expense	(82.7)	(85.6)
Underlying earnings	**376.0**	**377.6**
Property revaluation increments for directly owned properties	546.8	428.3
Impairment and amortisation of intangible assets	(1.6)	(296.6)
Net movement on mark-to-market of derivatives and foreign exchange	37.2	(19.6)
Integration costs	(20.5)	(26.9)
Other non-distributable items	(29.1)	(38.2)
Net profit after tax	**908.8**	**424.6**
Key ratios		
Earnings per share (EPS) (cents)	23.0	10.7
Underlying EPS (cents)	9.5	9.5
Distribution per security (DPS) (cents)	8.7	8.8
Payout ratio (DPS as a % of underlying EPS)	91.6	92.3
Adjusted funds from operations (AFFO)	**339.7**	**341.5**
Distribution as a percentage of AFFO (%)	**101.4**	**102.0**

Commentary on the Group's financial performance for the six month period to 31 December 2016 is provided below:

Net property income (NPI)	Down $11.2m, 2.4% (Comparable portfolio up 3.0%)	Asset sales made under the Group's $1.5 billion asset divestment program reduced NPI by approximately 9% or $42 million. The impact of disposals was softened by growth delivered through acquisitions and developments. Major developments completed included the key retail stage of Chadstone (October 2016), Warriewood Square (June 2016) and Halls Head Central (March 2016). The acquisitions of DFO Brisbane (June 2016), Ellenbrook Central (December 2015) and Livingstone (December 2015) provided NPI growth of 2.6%. Comparable[1] portfolio NPI was up 3.0% reflecting fixed rental increases and continued focus on cost control.
Corporate overheads	Down $5.2m, 12.3%	The continued realisation of synergies (cost savings from the merger) and timing benefits has reduced corporate overheads with savings derived across the business. The largest contributions to savings were salaries and the benefits associated with consolidating onto one IT platform. Vicinity continues to focus on other corporate cost saving initiatives.
Net interest expense	Down $2.9m, 3.4%	Debt repayments from the proceeds of asset divestments drove an overall reduction in net interest expense. This was partially offset by acquisitions, development activity and an increase in the weighted average cost of debt from 4.0% to 4.2% over the period.
Property revaluation increments for directly owned properties	$546.8m	The portfolio saw a $546.8 million property revaluation increment during the period. This was underpinned by a $295.9 million net increase on Chadstone following the successful completion of the key retail stage of the latest $666.0 million development. The broader portfolio recorded NPI growth and capitalisation rate tightening which contributed to the remainder of the revaluation growth. The portfolio weighted average capitalisation rate at 31 December 2016 is 5.75% (30 June 2016: 5.94%).
Integration costs	$20.5m	Integration costs incurred over the period related primarily to technology integration and premises costs and are in line with expectations as outlined in the Merger Scheme Booklet released to the Australian Securities Exchange on 15 April 2015.

1. Comparable portfolio excludes acquisitions, divestments and development impacted centres.

Key portfolio metrics are outlined below:

Retail sales	Portfolio MAT growth of 1.3%, with specialty MAT growth of 2.2%	Moving Annual Turnover (MAT) growth of 1.3% was recorded through to 31 December 2016. Specialty retailers, which contribute 56% of total portfolio gross rent, recorded MAT growth of 2.2%. Categories reporting the highest rates of growth included retail services, general retail and food retail. MAT growth rates for majors were 0.2%, easing from 1.0% at 30 June 2016. Supermarkets, which represent 9% of total portfolio gross rent, recorded MAT growth of 0.5%.
Leasing Occupancy	99.4% (stable)	Portfolio leasing activity during the half year period resulted in occupancy being maintained at 99.4%.
Leasing spreads[2]	1.7% (up 1.2%)	At 31 December 2016 there were approximately 7,900 tenants across the directly owned portfolio. During the half year period 667 maintenance lease transactions were completed with average rents on these transactions increasing by 1.7%.

2. Variance to rental under the previous lease for deals completed during the period.

Financial position

The following table outlines a summarised balance sheet for Vicinity based on the financial report.

As at:	31-Dec-16 $m	30-Jun-16 $m
Cash and cash equivalents	79.6	52.8
Investment properties	15,037.0	14,658.7
Intangible assets	600.8	602.4
Other assets	401.0	535.6
Total assets	**16,118.4**	**15,849.5**
Borrowings	3,743.8	3,942.2
Other liabilities	962.8	1,058.3
Total liabilities	**4,706.6**	**5,000.5**
Net assets	**11,411.8**	**10,849.0**
Key ratios		
Net Tangible Assets per security (NTA) ($)	2.73	2.59
Net Asset Value per security (NAV) ($)	2.88	2.74
Gearing[1]	24.0%	25.9%

1. Calculated as drawn debt at Note 3(c) net of cash divided by total tangible assets excluding cash, finance lease assets and derivative financial assets.

The highlights of the Group's financial position based on the summarised balance sheet at 31 December 2016 include:

Investment properties	Up $378.3m, 2.6% to $15.0b	Driven by the $546.8 million revaluation increase and capital expenditure of $229.5 million, most notably at Chadstone and Mandurah Forum. This increase was partially offset by the disposal of eight retail and one small commercial asset during the period for net consideration of $513.7 million. Refer to Note 2(b) for further details on investment properties.
Borrowings	Down $198.4m to $3.7b	Drawn debt (refer Note 3(c)) decreased as a result of asset divestments, partially offset by capital expenditure. At 31 December 2016 the Group had $1.4 billion of liquidity available through undrawn debt facilities.
Gearing	Down 1.9% to 24.0%	Group gearing is marginally below the Group's target range of 25% to 35% due to asset sales.

(b) Operations

Portfolio strategy

The following asset sales were completed during the half year in line with the Group's portfolio enhancement program. Following these disposals, and the $926.1 million of disposals completed under the program in the previous financial year, the Group's $1.5 billion asset divestment program is now largely complete.

Date	Properties	Interest disposed	Price[2] $m
2-Aug-16	Bowes Street	100%	7.3
19-Aug-16	Hilton Plaza	100%	19.0
06-Sep-16	Monier Village	100%	23.5
28-Sep-16	Maitland Hunter Mall	100%	21.9
07-Oct-16	The Myer Centre Brisbane[1]	25%	191.7
04-Nov-16	Mornington Central[1]	50%	32.3
10-Nov-16	Tweed Mall	100%	77.9
23-Dec-16	Albany Brooks Garden	100%	19.8
	Total investment properties disposed		**393.4**
30-Nov-16	Tuggeranong Hyperdome (Joint Venture)	50%	120.3
	Total disposals		**513.7**

1. Vicinity has retained management of The Myer Centre Brisbane and Mornington Central and an ownership interest of 25% and 50% respectively.
2. Price shown net of transaction costs and other settlement adjustments.

Developments

The Group continues to have an extensive development pipeline of $3.0 billion ($1.4 billion Vicinity share).

During the period, the key retail stage of the $666 million redevelopment of Chadstone in Melbourne's east was completed and is trading well. LEGOLAND® Discovery Centre is expected to open in Autumn 2017. The overall development is expected to be completed by June 2017.

The $350 million expansion of Mandurah Forum ($175 million Vicinity share) has commenced with an expected completion in FY18. The redevelopment of The Glen ($245 million Vicinity share) is on schedule to commence by mid-2017. Earthworks have commenced at DFO Perth, with construction expected to start by mid-2017 ($75 million Vicinity share).

The Group continues to advance the planning of a number of other developments across the portfolio.

Capital management

No significant financing activities have taken place during the period. A summary of key debt statistics is shown in the table below:

As at:	31-Dec-16	30-Jun-16
Weighted average interest rate[1] (%)	4.2	4.0
Gearing[2] (%)	24.0	25.9
Proportion of debt hedged (%)	92	91
Debt duration[3] (years)	4.8	5.3
Interest coverage ratio (ICR) (times)	5.2	5.2
Credit ratings		
- Moody's	A2/stable	A2/stable
- Standard & Poor's	A-/positive[4]	A-/positive

1. Represents average for the reporting period and is inclusive of margins, drawn line fees and establishment fees.
2. Calculated as drawn debt at Note 3(c), net of cash divided by total tangible assets excluding cash, finance lease assets and derivative financial assets.
3. Based on facility limits.
4. Standard & Poor's upgraded the Group's credit rating to A with a stable outlook on 24 January 2017.

(c) Outlook

Underlying Earnings guidance for the year ending 30 June 2017 remains unchanged at 18.6 to 18.8 cents per stapled security[1].

[1] Subject to no unforeseen deterioration in economic conditions and no material asset sales in the second half of the financial year.

Events occurring after the end of the reporting period

Acquisition of remaining interest in DFO South Wharf

As announced to the Australian Securities Exchange in February 2017, the Group has entered into an agreement to purchase the remaining 25% of DFO South Wharf for $141.3 million.

Credit rating upgrade

On 24 January 2017 Standard & Poor's upgraded the Group's credit rating to 'A' with a stable outlook.

No matters other than those identified above have arisen since the end of the period which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

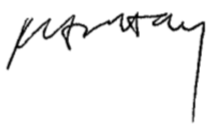
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Rounding of amounts

The Company is an entity of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Accordingly, amounts in the Directors' Report have been rounded off to the nearest tenth of a million dollars ($m) in accordance with that Legislative Instrument, unless stated otherwise.

Signed in Melbourne on 15 February 2017 in accordance with a resolution of Directors.



Peter Hay
Chairman

Building a better
working world

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Auditor's Independence Declaration to the Directors of Vicinity Limited

As lead auditor for the review of Vicinity Centres for the half year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Vicinity Limited and the entities it controlled during the financial period.

Ernst & Young

David Shewring
Partner
Melbourne
15 February 2017

Statement of Comprehensive Income

for the half year ended 31 December 2016

	Note	31-Dec-16 $m	31-Dec-15 $m
Revenue			
Property ownership revenue		603.4	627.2
Management fee revenue from strategic partnerships		34.5	32.7
Interest and other income		4.9	7.4
Total revenue and income		**642.8**	**667.3**
Share of net profits of associates and joint venture partnerships accounted for using the equity method		7.5	7.7
Property revaluation increment for directly owned properties	2	546.8	428.3
Foreign exchange gain		3.1	-
Net movement on mark-to-market of derivatives		34.1	(19.6)
Direct property expenses		(156.2)	(158.3)
Borrowing costs	3(b)	(75.4)	(83.8)
Employee benefits expenses		(49.1)	(56.9)
Other expenses from ordinary activities		(20.6)	(19.6)
Impairment and amortisation of intangible assets		(1.6)	(296.6)
Integration costs		(20.5)	(26.9)
Stamp duty and other costs written off on acquisition of investment properties		(2.1)	(17.0)
Profit before tax for the half year		**908.8**	**424.6**
Income tax expense		-	-
Net profit for the half year		**908.8**	**424.6**
Other comprehensive income		-	-
Total comprehensive income for the half year		**908.8**	**424.6**
Total profit/(loss) and total comprehensive income/(loss) for the half year attributable to stapled securityholders as:			
Securityholders of Vicinity Limited	4	(9.6)	(309.3)
Securityholders of other stapled entities of the Group	4	918.4	733.9
Net profit and total comprehensive income for the half year		**908.8**	**424.6**
Earnings per security attributable to securityholders of the Group:			
Basic earnings per security (cents)		22.96	10.73
Diluted earnings per security (cents)		22.93	10.71

The above consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Balance Sheet

as at 31 December 2016

	Note	31-Dec-16 $m	30-Jun-16 $m
Current assets			
Cash and cash equivalents		79.6	52.8
Receivables and other assets		109.0	105.5
Investment properties held for sale	2(a)	-	232.1
Financial assets carried at fair value through profit or loss		3.6	3.6
Derivative financial instruments	3(f)	16.7	15.6
Total current assets		**208.9**	**409.6**
Non-current assets			
Investment properties	2(a)	15,037.0	14,426.6
Investments accounted for using the equity method	2(e)	82.0	80.5
Intangible assets		600.8	602.4
Plant and equipment		11.9	13.8
Derivative financial instruments	3(f)	90.9	112.2
Deferred tax assets		84.3	84.3
Receivables and other assets		2.6	120.1
Total non-current assets		**15,909.5**	**15,439.9**
Total assets		**16,118.4**	**15,849.5**
Current liabilities			
Interest bearing liabilities	3	194.4	193.1
Distribution payable		344.4	352.3
Payables and other financial liabilities		212.4	237.8
Provisions		73.6	85.8
Derivative financial instruments	3(f)	2.4	-
Total current liabilities		**827.2**	**869.0**
Non-current liabilities			
Interest bearing liabilities	3	3,549.4	3,749.1
Other financial liabilities		201.6	200.4
Provisions		5.5	2.3
Derivative financial instruments	3(f)	122.9	179.7
Total non-current liabilities		**3,879.4**	**4,131.5**
Total liabilities		**4,706.6**	**5,000.5**
Net assets		**11,411.8**	**10,849.0**
Equity			
Contributed equity		8,493.2	8,493.2
Share-based payment reserve		3.1	4.7
Retained profits		2,915.5	2,351.1
Total equity		**11,411.8**	**10,849.0**

The above consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

for the half year ended 31 December 2016

	Attributable to securityholders of Vicinity Limited				Attributable to securityholders of other stapled entities of the Group				
	Contributed equity $m	Reserves $m	Retained profits/ (Accumulated losses) $m	Total $m	Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Total equity $m
As at 1 July 2015	**481.1**	**11.5**	**8.5**	**501.1**	**8,012.1**	**-**	**2,082.4**	**10,094.5**	**10,595.6**
Net (loss)/profit for the half year	-	-	(309.3)	(309.3)	-	-	733.9	733.9	424.6
Total comprehensive income for the half year	**-**	**-**	**(309.3)**	**(309.3)**	**-**	**-**	**733.9**	**733.9**	**424.6**
Transactions with securityholders in their capacity as securityholders:									
Net movements in share based payment reserve	-	(7.6)	-	(7.6)	-	-	-	-	(7.6)
Distributions payable	-	-	-	-	-	-	(348.4)	(348.4)	(348.4)
Total equity as at 31 December 2015	**481.1**	**3.9**	**(300.8)**	**184.2**	**8,012.1**	**-**	**2,467.9**	**10,480.0**	**10,664.2**
As at 1 July 2016	**481.1**	**4.7**	**(297.1)**	**188.7**	**8,012.1**	**-**	**2,648.2**	**10,660.3**	**10,849.0**
Net (loss)/profit for the half year	-	-	(9.6)	(9.6)	-	-	918.4	918.4	908.8
Total comprehensive income for the half year	**-**	**-**	**(9.6)**	**(9.6)**	**-**	**-**	**918.4**	**918.4**	**908.8**
Transactions with securityholders in their capacity as securityholders:									
Net movements in share based payment reserve	-	(1.6)	-	(1.6)	-	-	-	-	(1.6)
Distributions payable	-	-	-	-	-	-	(344.4)	(344.4)	(344.4)
Total equity as at 31 December 2016	**481.1**	**3.1**	**(306.7)**	**177.5**	**8,012.1**	**-**	**3,222.2**	**11,234.3**	**11,411.8**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

for the half year ended 31 December 2016

	31-Dec-16 $m	31-Dec-15 $m
Cash flows from operating activities		
Receipts in the course of operations	721.3	751.3
Payments in the course of operations	(303.9)	(317.6)
Distributions and dividends received from associates, joint venture partnerships and managed investments	5.6	9.3
Interest and other revenue received	3.9	5.1
Interest paid	(79.6)	(81.0)
Net cash inflows from operating activities	**347.3**	**367.1**
Cash flows from investing activities		
Payments for capital expenditure on investment properties	(225.9)	(222.0)
Payments for acquisition of investment properties	-	(303.0)
Proceeds from disposal of investment properties	393.4	218.1
Payments for plant and equipment and other investments	(2.1)	(1.1)
Proceeds from other investments	-	1.8
Integration costs	(13.2)	(28.9)
Payment to settle other financial liability – Bentons Square acquisition	(38.3)	-
Stamp duty paid	(2.1)	(80.0)
Net cash inflows/(outflows) from investing activities	**111.8**	**(415.1)**
Cash flows from financing activities		
Proceeds from borrowings	510.0	2,797.5
Repayment of borrowings	(699.0)	(2,382.5)
Proceeds from repayment of loan to Tuggeranong Town Centre Trust	117.4	-
Distributions paid to external securityholders	(352.3)	(336.5)
Debt establishment costs paid	(0.8)	(5.9)
Acquisition of shares on market for settlement of share based payments	(7.6)	(12.1)
Net cash (outflows)/inflows from financing activities	**(432.3)**	**60.5**
Net increase in cash and cash equivalents held	**26.8**	**12.5**
Cash and cash equivalents at the beginning of the half year	**52.8**	**107.4**
Cash and cash equivalents at the end of the half year	**79.6**	**119.9**

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

About this report

Vicinity Centres (the Group) is listed on the Australian Securities Exchange (ASX) under the code VCX. It comprises Vicinity Limited (the Company) and Vicinity Centres Trust (the Trust). The Stapling Deed entered into by the Company and the Trust ensures that shares in the Company and units in the Trust are 'stapled' together and are traded collectively.

Basis of preparation

The condensed consolidated financial report for the half year ended 31 December 2016 (the financial report):

- Has been prepared in accordance with the Constitutions of entities within the Group, Accounting Standard AASB 134 *Interim Financial Reporting*, other applicable accounting standards, other mandatory professional reporting requirements and the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous financial year unless otherwise stated;
- Does not include all the notes of the type normally included in an annual financial report unless otherwise stated. Accordingly, this report is to be read in conjunction with the 30 June 2016 Annual Report and any public announcements issued during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Listing Rules of the Australian Securities Exchange;
- Is presented in Australian dollars ($) and rounded to the nearest tenth of a million dollars ($m) in accordance with ASIC Legislative Instrument 2016/191 (unless otherwise stated);
- Has been prepared in accordance with the historical cost convention, except for certain financial assets and liabilities and investment properties which have been recognised at fair value; and
- Was authorised for issue by the Board of Directors on 15 February 2017. The Directors have the power to amend and reissue the financial report.

Although the Group has a net current deficiency of $618.3 million (current liabilities exceed current assets) at reporting date, the Group has sufficient current undrawn borrowing facilities (of $1,385.0 million, refer to Note 3(a)) and generates sufficient operating cashflows to meet its current obligations as they fall due. Accordingly, this financial report has been prepared on a going concern basis.

The impact of new and amended standards

There are no new and amended standards that became effective for the Group on 1 July 2016 that had a material impact for the Group.

Critical accounting estimates and judgements

The preparation of financial statements requires the Group to make judgements, estimates and assumptions. These are based on historical experience and other factors considered to be reasonable under the circumstances, but which are inherently uncertain, the result of which form the basis of the carrying value of those assets and liabilities. Consequently, future actual results could differ from these estimates. There are no new key judgements, estimates and assumptions significant to the financial report for the half year ended 31 December 2016 not already noted in the 30 June 2016 Annual Report.

1. Segment information

The Group's operating segments identified for internal reporting purposes are Property Investment and Strategic Partnerships:

- *Property Investment*: comprises net property income derived from investment in retail property; and
- *Strategic Partnerships*: represents fee income from property management, development, leasing and management of wholesale property funds.

The internal reporting on these segments is provided to the Chief Operating Decision Makers to make strategic decisions. During the period the Chief Operating Decision Makers were the CEO and Managing Director (CEO) and the Chief Financial Officer (CFO).

Segment performance is assessed based on Underlying Earnings which is calculated as statutory net profit, adjusted for fair value movements, certain unrealised and non-cash items, and other items that are not in the ordinary course of business or capital in nature. In addition to Underlying Earnings, the CEO and CFO also review Adjusted Funds From Operations (AFFO) in assessing the performance of the Group. AFFO is determined by adjusting Underlying Earnings for certain items in accordance with the guidelines published by the Property Council of Australia.

(a) Segment results

	31-Dec-16 $m	31-Dec-15 $m
Property Investment segment		
Net property income	461.7	472.9
Strategic Partnership segment		
Property management, development and leasing fees	29.3	27.8
Funds management fees	4.8	4.8
Total income	**495.8**	**505.5**
Corporate overheads (net of internal property management fees)	(37.1)	(42.3)
Net interest expense	(82.7)	(85.6)
Underlying earnings	**376.0**	**377.6**
Adjusted for:		
Rent lost from undertaking developments	(15.3)	(9.1)
Maintenance capital expenditure and tenant incentives given for the period	(21.0)	(27.0)
Adjusted Funds From Operations	**339.7**	**341.5**
Distribution declared	**344.4**	**348.4**
Distribution as a percentage of AFFO	**101.4%**	**102.0%**
Distribution as a percentage of Underlying Earnings	**91.6%**	**92.3%**

Group performance is also monitored on Underlying Earnings per security (underlying EPS). The calculation of underlying EPS for each period uses the basic weighted average number of shares on issue which has not changed since 30 June 2016.

	31-Dec-16 cents	31-Dec-15 cents
Underlying EPS	9.49	9.54
Distribution per security	8.70	8.80

1. Segment information (continued)

(b) Reconciliation of underlying earnings to net profit after tax

	31-Dec-16 $m	31-Dec-15 $m
Underlying earnings	**376.0**	**377.6**
Property revaluation increments for directly owned properties[1]	546.8	428.3
Non-distributable gain relating to equity accounted investments[1]	1.5	2.6
Amortisation of static lease incentives[2]	(5.2)	(4.5)
Amortisation of other project items[2]	(7.8)	(11.3)
Straight-lining of rent adjustment[3]	1.6	4.6
Rent lost from undertaking developments[4]	(15.3)	(9.1)
Stamp duty and transaction costs written off on acquisition of investment properties	(2.1)	(17.0)
Net gain/(loss) on mark-to-market of derivatives[5]	34.1	(19.6)
Net unrealised foreign exchange gain	3.1	-
Integration costs[6]	(20.5)	(26.9)
Impairment and amortisation of intangible assets[7]	(1.6)	(296.6)
Other non-distributable items	(1.8)	(3.5)
Net profit after tax	**908.8**	**424.6**

The material adjustments to net profit to arrive at underlying earnings and reasons for their exclusion are described below:

1. Net profit includes non-distributable fair value movements relating to directly owned investment properties and equity accounted investments.
2. Certain payments such as lease incentives relating to investment properties are capitalised in investment properties. Amortisation of these items is then recognised as an expense in accordance with Australian Accounting Standards. Tenant incentives paid during the period are reflected in the AFFO calculation at Note 1(a). Accordingly, amortisation of these amounts is excluded from underlying earnings.
3. Straight-lining of rental revenue, which is required by Australian Accounting Standards, is an unrealised non-cash amount.
4. The Group recognises rent lost from undertaking developments in net property income. This income does not meet the definition of revenue under Australian Accounting Standards and is therefore not recognised in statutory net profit.
5. Fair value movements in derivatives comprise mark-to-market movements required by Australian Accounting Standards for valuation purposes, including realised and unrealised amounts.
6. The Group has incurred costs in the current period in relation to integration activities.
7. Net profit includes non-cash charges relating to intangible assets.

(c) Segment assets and liabilities

The property investment segment reported to the CEO and CFO includes investment properties held directly and those that are included in equity accounted investments. The property investment values are measured in a manner consistent with the Balance Sheet. A breakdown of the total investment properties in the property investment segment is shown below:

	31-Dec-16 $m	30-Jun-16 $m
Investment properties Note 2(a)[1]	14,793.5	14,418.7
Investment properties included in equity accounted investments	129.0	267.1
Total interests in directly owned investment properties	**14,922.5**	**14,685.8**
Assets under management on behalf of strategic partners[2]	9,607.1	8,920.6
Total assets under management	**24,529.6**	**23,606.4**

1. Excludes planning and holding costs and finance lease assets relating to investment properties as disclosed in Note 2(a).
2. Represents the value of property interests managed, but not owned, consolidated or otherwise accounted for by the Group.

All other assets and liabilities are not allocated by segment for reporting to the CEO and CFO.

2. Investment properties

The Group's investment properties represent freehold and leasehold interests in land and buildings held to derive rental income. They are initially measured at cost, including related transaction costs. Subsequently, at each reporting period, they are carried at their fair values based on the market value determined by independent (external) valuers or internal valuations. These valuations include the cost of capital works in progress on development projects. Further detail on the Group's valuation process and valuation methods is provided in the 30 June 2016 Annual Report.

(a) Portfolio summary

Shopping centre type	31-Dec-16			30-Jun-16		
	Number of properties	Value $m	Weighted average cap rate %	Number of properties	Value $m	Weighted average cap rate %
Super Regional	1	2,625.0	4.25	1	2,215.0	4.75
Major Regional	7	3,178.7	5.79	7	3,144.2	5.79
City Centre	4	1,692.5	4.98	4	1,849.5	5.06
Regional	10	2,178.1	6.30	10	2,105.4	6.33
Outlet Centre	5	1,160.4	6.35	5	1,084.8	6.49
Sub Regional	32	3,253.9	6.54	34	3,272.5	6.75
Neighbourhood	15	704.9	6.60	19	747.3	6.86
Planning and holding costs[1]	-	27.3	-	-	25.8	-
Total	**74**	**14,820.8**	**5.75**	**80**	**14,444.5**	**5.94**
Add: Finance lease assets[2]		216.2			214.2	
Less: Properties held for sale (current asset)[3]		-			(232.1)	
Total investment properties		**15,037.0**			**14,426.6**	

1. Planning and holding costs relating to potential major development projects are capitalised and carried within the overall investment property balance. These costs are reviewed each period and the status of the project assessed to determine if continued capitalisation of these costs remains appropriate.
2. Disclosures relating to finance leases can be found in Note 21(c) of the 30 June 2016 Annual Report.
3. At 30 June 2016, the value represented a 25% freehold interest in The Myer Centre Brisbane, a 50% freehold interest in Mornington Central and a 100% freehold interest in Bowes Street. These sales settled prior to 31 December 2016.

(b) Movements for the period

	31-Dec-16 $m	31-Dec-15 $m
Opening balance at 30 June	14,444.5	14,109.7
Acquisitions including associated stamp duty and transaction costs[1]	2.1	320.0
Capital expenditure[2]	229.5	199.5
Capitalised interest[3]	4.8	5.0
Disposals	(393.4)	(218.1)
Property revaluation increment	546.8	428.3
Stamp duty and transaction costs written off on acquisitions	(2.1)	(17.0)
Amortisation of incentives	(13.0)	(15.8)
Straight-lining of rent adjustment	1.6	4.6
Closing balance at 31 December	**14,820.8**	**14,816.2**

1. Excludes $38.3 million deferred consideration paid for the acquisition of the remaining 50% of Bentons Square in July 2016, as this asset was previously accounted for in investment properties on a 100% ownership basis based on the terms of the agreement.
2. Includes development costs, maintenance capital expenditure, lease incentives and fit out costs.
3. Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 4.3% (December 2015: 3.9%).

2. Investment properties (continued)

(c) Portfolio valuation

Key inputs and sensitivities

The Group has classified fair value measurements (such as those performed on investment properties) into the following hierarchy as required by AASB 13 *Fair Value Measurement*:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Inputs to investment property valuations are considered Level 3 of the fair value hierarchy as the capitalisation of income and discounted cash flow methods require assumptions to be made to determine certain inputs that are not based on observable market data.

At reporting date, the key unobservable inputs used by the Group in determining fair value of its investment properties are summarised below:

	31-Dec-16		30-Jun-16		
Unobservable inputs	**Range of inputs**	**Weighted average inputs**	**Range of inputs**	**Weighted average inputs**	**Sensitivity**
Capitalisation rate[1]	4.25% - 8.50%	5.75%	4.75% - 8.50%	5.94%	The higher the discount rate, terminal yield, capitalisation rate and downtime for tenants vacating, the lower the fair value.
Discount rate[2]	6.75% - 8.75%	7.74%	7.00% - 9.25%	7.95%	
Terminal yield[3]	4.50% - 8.75%	5.99%	5.00% - 8.75%	6.18%	
Expected downtime (for tenants vacating)	2 months to 9 months	5 months	2 months to 12 months	4 months	
Rental growth rate	2.30% - 4.40%	3.58%	2.70% - 4.50%	3.70%	The higher the rental growth rate, the higher the fair value.

1. The capitalisation rate is the required annual yield of net market income used to determine the value of the property. The rate is determined with regards to comparable market transactions.
2. The discount rate is a required annual total rate of return used to convert a forecast cashflow of an asset into a present value. It should reflect the required rate of return of the property given its risk profile relative to competing uses of capital. The rate is determined with regards to comparable market transactions.
3. The terminal yield is the capitalisation rate used to convert forecast annual income into a forecast asset value at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to comparable market transactions and the expected risk of the asset at the end of the cashflow period.

All of the above key assumptions have been taken from the latest external valuation reports and internal valuation assessments.

For all investment properties the current use equates to the highest and best use.

2. Investment properties (continued)

(d) List of investment properties held

i. Super Regional

	Ownership interest %	Valuation type	Carrying value 31-Dec-16 $m	30-Jun-16 $m
Chadstone	50	External	2,625.0	2,215.0
Total Super Regional			**2,625.0**	**2,215.0**

ii. Major Regional

	Ownership interest %	Valuation type	Carrying value 31-Dec-16 $m	30-Jun-16 $m
Bankstown Central	50	Internal	347.5	343.0
Bayside	100	Internal	575.0	570.0
Chatswood Chase Sydney	100	Internal	1,026.2	1,011.2
Galleria	50	External	392.5	382.5
Northland	50	Internal	482.5	482.5
Roselands	50	Internal	185.0	185.0
The Glen	50	External	170.0	170.0
Total Major Regional			**3,178.7**	**3,144.2**

iii. City Centre

	Ownership interest %	Valuation type	Carrying value 31-Dec-16 $m	30-Jun-16 $m
Emporium Melbourne[1]	50	Internal	582.5	570.0
Myer Bourke Street[1]	33	External	156.2	151.3
The Myer Centre Brisbane[2]	25	External	193.8	384.2
QueensPlaza	100	Internal	760.0	744.0
Total City Centre			**1,692.5**	**1,849.5**

Refer to footnotes at the end of Note 2(d).

2. Investment properties (continued)

(d) List of investment properties held (continued)

iv. Regional

	Ownership interest %	Valuation type	Carrying value 31-Dec-16 $m	Carrying value 30-Jun-16 $m
Broadmeadows Shopping Centre	100	Internal	325.0	322.8
Colonnades	50	Internal	155.6	155.5
Cranbourne Park	50	External	151.3	147.5
Eastlands	100	External	168.0	163.0
Elizabeth City Centre	100	Internal	382.1	374.1
Grand Plaza	50	External	208.5	205.0
Mandurah Forum	50	Internal	216.4	172.5
Mt Ommaney Centre	25	External	105.2	105.0
Rockingham Centre	50	External	306.0	300.0
Runaway Bay Centre	50	Internal	160.0	160.0
Total Regional			**2,178.1**	**2,105.4**

v. Outlet Centre

	Ownership interest %	Valuation type	Carrying value 31-Dec-16 $m	Carrying value 30-Jun-16 $m
DFO Brisbane[3]	100	Internal	55.0	55.0
DFO Essendon[4]	100	External	167.5	163.0
DFO Homebush	100	External	408.8	390.0
DFO Moorabbin[5]	100	Internal	112.5	110.5
DFO South Wharf[6]	75	External	416.6	366.3
Total Outlet Centre			**1,160.4**	**1,084.8**

Refer to footnotes at the end of Note 2(d).

2. Investment properties (continued)

(d) List of investment properties held (continued)

vi. Sub Regional

	Ownership interest	Valuation type	Carrying value 31-Dec-16	30-Jun-16
	%		$m	$m
Altona Gate Shopping Centre	100	External	100.0	94.0
Armidale Central	100	Internal	46.0	45.5
Belmont Village	100	External	48.5	46.3
Box Hill Central (North Precinct)	100	Internal	94.0	86.6
Box Hill Central (South Precinct)[7]	100	External	177.0	161.0
Brandon Park	50	Internal	62.5	57.5
Buranda Village	100	External	41.8	41.5
Carlingford Court	50	External	109.5	108.5
Castle Plaza	100	External	172.9	168.9
Corio Central	100	External	131.0	126.0
Gympie Central	100	Internal	78.0	78.0
Halls Head Central	50	Internal	51.3	47.4
Karratha City	50	Internal	56.0	56.6
Kurralta Central	100	External	40.1	37.0
Lake Haven Centre	100	External	284.2	273.5
Lavington Square	100	External	61.0	58.0
Livingston Marketplace	100	External	85.0	84.0
Maddington Central	100	External	119.0	119.0
Mornington Central[2]	50	External	34.0	65.0
Nepean Village	100	External	176.5	164.0
Northgate	100	Internal	110.0	103.5
Roxburgh Village	100	Internal	113.1	111.9
Sunshine Marketplace	50	Internal	58.5	57.5
Taigum Square	100	Internal	93.0	91.0
Ellenbrook Central	100	External	236.0	233.0
Toormina Gardens	50	External	40.5	40.0
Warnbro Centre	100	External	125.0	123.5
Warriewood Square	50	Internal	137.5	132.5
Warwick Grove	100	External	198.5	197.5
West End Plaza	100	Internal	67.0	64.4
Whitsunday Plaza	100	External	65.0	63.0
Wodonga Plaza	100	External	41.5	46.4
Maitland Hunter Mall[8]	-	-	-	20.0
Tweed Mall[8]	-	-	-	70.0
Total Sub Regional			**3,253.9**	**3,272.5**

Refer to footnotes at the end of Note 2(d).

2. Investment properties (continued)

(d) List of investment properties held (continued)

vii. Neighbourhood

	Ownership interest %	Valuation type	Carrying value 31-Dec-16 $m	30-Jun-16 $m
Bentons Square	100	External	81.5	77.3
Currambine Central	100	External	103.5	98.0
Dianella Plaza	100	External	83.5	81.5
Flinders Square	100	External	31.8	31.0
Goldfields Plaza	100	Internal	27.0	27.0
Kalamunda Central	100	External	38.5	37.5
Lennox Village	50	External	35.0	32.5
Milton Village	100	External	26.5	25.5
North Shore Village	100	External	25.0	23.5
Oakleigh Central	100	Internal	65.5	62.0
Oxenford Village	100	Internal	30.8	28.4
Stirlings Central	100	External	50.0	50.0
Terrace Central	100	External	30.0	32.5
The Gateway	100	External	45.0	42.5
Victoria Park Central	100	Internal	31.3	29.5
Albany Brooks Garden[8]	-	-	-	23.8
Bowes Street[8]	-	-	-	7.5
Hilton Plaza[8]	-	-	-	17.8
Monier Village[8]	-	-	-	19.5
Total Neighbourhood			**704.9**	**747.3**

1. The titles to these properties are leasehold and expire in 2306.
2. A 25% interest in The Myer Centre Brisbane and a 50% interest in Mornington Central were disposed during the period.
3. The right to operate the DFO Brisbane business expires in 2046.
4. The title to this property is leasehold and expires in 2048.
5. The title to this property is leasehold with an option to extend the ground lease to 2034 at the Group's discretion.
6. The title to this property is leasehold and expires in 2108.
7. The title to this property is leasehold with options to extend the ground lease to 2134 at the Group's discretion.
8. Disposed during the period.

(e) Investments accounted for using the equity method

The Group holds the following investments that are equity accounted.

	Ownership 31-Dec-16 %	Ownership 30-Jun-16 %	Carrying value 31-Dec-16 $m	Carrying value 30-Jun-16 $m
Victoria Gardens Retail Trust (Joint Venture)	50.0	50.0	81.0	76.3
Other associates and joint ventures	-	-	1.0	4.2
Closing Balance			**82.0**	**80.5**

3. Interest bearing liabilities and derivatives

During the period no new financing arrangements have been entered into by the Group. Net repayments to existing facilities have been made with the proceeds from asset sales, partially offset by funds drawn for capital expenditure. The current US$ Private Placement Notes (USPPs) expired on 7 February 2017 (represented as current liabilities below) and were repaid through the use of existing available bank debt facilities, as detailed at Note 3(a).

The following table outlines the Group's interest bearing liabilities at balance date:

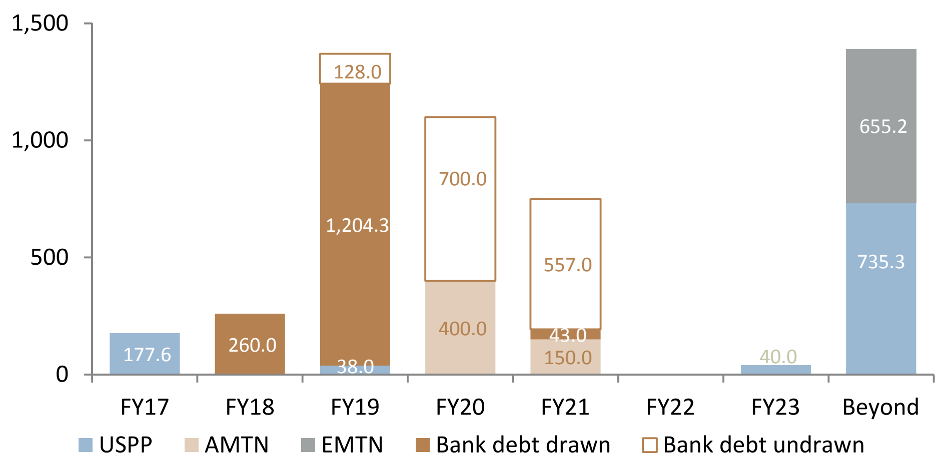
	31-Dec-16 $m	30-Jun-16 $m
Current liabilities		
Unsecured		
USPPs[1]	194.4	193.1
Total current liabilities	**194.4**	**193.1**
Non-current liabilities		
Secured		
A$ Medium Term Notes (AMTNs)	320.3	323.2
Unsecured		
Bank debt	1,507.3	1,696.3
AMTNs	250.0	250.0
GBP European Medium Term Notes (EMTNs)	589.1	619.9
USPPs	898.7	877.6
Deferred debt costs[2]	(16.0)	(17.9)
Total non-current liabilities	**3,549.4**	**3,749.1**
Total interest bearing liabilities	**3,743.8**	**3,942.2**

1. The carrying amount of the current USPPs includes $16.8 million of fair value and foreign exchange adjustments (30 June 2016: $15.5 million).
2. Deferred debt costs comprise the unamortised value of borrowing costs on establishment or refinance of debt facilities. These costs are deferred on the Balance Sheet and amortised to borrowing costs in the Statement of Comprehensive Income.

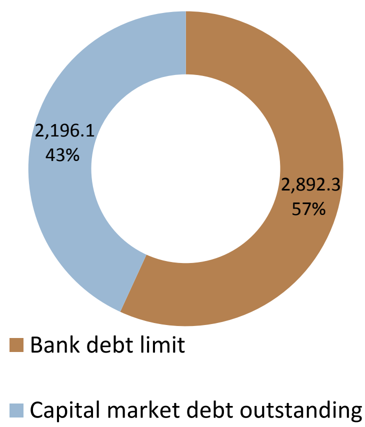
(a) Financing facilities

The chart below outlines the maturity of the Group's total available facilities at 31 December 2016 by type, excluding fair value adjustments[1], and the bank to capital markets debt ratio. Of the $5,088.4 million total available facilities (30 June 2016: $5,088.4 million), $1,385.0 million remains undrawn at 31 December 2016 (30 June 2016: $1,196.0 million).

Available facilities expiry profile ($m)[2]



Bank to capital market debt ratio (%)



1. The carrying amount of the USPPs, EMTNs and secured AMTNs in the Balance Sheet includes net adjustments for fair value items and foreign exchange translation of $56.4 million (30 June 2016: $67.7 million). These adjustments are excluded from the calculation of total facilities available and amounts drawn. Additionally, deferred debt costs of $16.0 million (30 June 2016: $17.9 million) are not reflected in the amount drawn.
2. Total bank debt facilities are reduced by bank guarantees of $17.7 million drawn against bank debt facilities (30 June 2016: $17.7 million).

3. Interest bearing liabilities and derivatives (continued)

(b) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with borrowing funds such as establishment fees, legal and other fees. Borrowing costs are expensed to the Statement of Comprehensive Income using the effective interest rate method, except for borrowing costs incurred for the development of investment property which are capitalised to the cost of the investment property during the period of development.

	31-Dec-16 $m	31-Dec-15 $m
Interest expense	**84.6**	**88.5**
Amortisation of borrowing costs	2.3	3.2
Amortisation of fair value adjustments relating to discontinuation of hedge accounting[1]	(5.7)	-
Amortisation of fair value adjustment on secured AMTNs acquired on Merger	(2.9)	(2.9)
Finance lease interest	1.9	-
Less: Capitalised borrowing costs	(4.8)	(5.0)
Total borrowing costs	**75.4**	**83.8**

1. On 1 May 2016 the Group elected to discontinue hedge accounting for its existing USPPs and Cross Currency Swap derivatives. AASB 139 Financial Instruments Recognition and Measurement required that upon discontinuation, the historical hedge accounting adjustment applied to the carrying value of the USPPs relating to movements in interest rates since the USPPs were entered into be recognised as part of the carrying value of the USPP. This adjustment is then amortised to zero over the remaining life of the USPPs using the effective interest rate method. This amortisation is included in borrowing costs in the Statement of Comprehensive Income.

(c) Capital risk management

The Group maintains a strong and conservative capital structure with appropriate liquidity, a strong balance sheet and a diversified debt profile (by source and tenor). The Group has long term credit ratings of 'A2' from Moody's Investors Service and 'A' from Standard & Poor's. Key metrics monitored are bank facilities to debt capital markets debt ratio (refer Note 3(a)) and gearing ratios (refer table below).

Gearing

	31-Dec-16	30-Jun-16
Total interest bearing liabilities (Note 3)	**3,743.8**	**3,942.2**
Add: Deferred debt costs	16.0	17.9
Add: fair value and foreign exchange adjustments to EMTNs	66.1	35.3
Less: fair value and foreign exchange adjustments to USPPs	(102.2)	(79.9)
Less: fair value adjustment on secured AMTNs acquired on Merger	(20.3)	(23.1)
Total drawn debt	**3,703.4**	**3,892.4**
Drawn debt net of cash ($m)	3,623.8	3,839.6
Total tangible assets excluding cash, finance lease assets and derivative financial assets ($m)	15,114.2	14,852.3
Gearing ratio (target range of 25.0% to 35.0%)	**24.0%**	**25.9%**

(d) Fair value of borrowings

As at 31 December 2016, the Group's debt has a fair value of $3,820.6 million (June 2016: $4,081.6 million).

The difference between the carrying amount and fair value is due to fixed rate borrowings held. The fair value of fixed rate borrowings is calculated by discounting the contractual cashflows using the yield to maturity or prevailing market discount rates for market fixed interest debt instruments, with similar terms, maturity and credit quality. Had the fixed debt been recognised at fair value, these would have been classified as Level 2 under the fair value hierarchy as the market discount rates used are indirectly observable.

3. Interest bearing liabilities and derivatives (continued)

(e) Defaults and covenants

At 31 December 2016, the Group had no defaults on debt obligations or breaches of lending covenants (June 2016: None).

(f) Derivative financial instruments

The Group holds interest rate swaps and cross currency swaps to hedge against the interest rate risk and foreign currency risk of the Group's borrowings. The fair value of these derivatives are estimated using valuation techniques, including referencing to the current fair value of other instruments that are substantially the same or calculation of discounted cash flows. These valuation techniques use observable Level 2 inputs, mainly interest rates and interest rate curves as well as foreign currency rates and foreign currency curves.

As at 31 December 2016 the carrying value and notional principal amounts of these derivative financial instruments are:

	Carrying amount		Notional principal value	
	31-Dec-16 $m	30-Jun-16 $m	31-Dec-16 $m	30-Jun-16 $m
Cross currency swaps (pay A$ floating receive US$ fixed) - Assets	16.7	15.6	177.6	177.6
Total current assets	**16.7**	**15.6**	**n/a**	**n/a**
Cross currency swaps (pay A$ floating receive US$ fixed) - Assets	90.9	112.2	340.6	435.0
Total non-current assets	**90.9**	**112.2**	**n/a**	**n/a**
Interest rate swaps (floating to fixed) - Liabilities	2.4	-	887.0	-
Total current liabilities	**2.4**	**-**	**n/a**	**n/a**
Cross currency swaps (pay A$ floating receive US$ fixed) - Liabilities	17.0	1.0	357.7	263.3
Cross currency swaps (pay A$ floating receive GBP fixed) - Liabilities	56.0	14.8	655.2	655.2
Interest rate swaps (floating to fixed) - Liabilities	49.9	163.9	1850.0	2,870.1
Total non-current liabilities	**122.9**	**179.7**	**n/a**	**n/a**

4. Stapled entity allocation of net profit

In accordance with AASB 3 *Business Combinations*, Vicinity Limited (the Company) is the deemed parent of the Vicinity Centres stapled group (comprising Vicinity Limited and Vicinity Centres Trust). As the Company has no legal ownership over Vicinity Centres Trust and its controlled entities (the Trusts), the allocation of net profit and net assets is shown separately for the Company and the Trust in the Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity.

The following illustrates the contribution of the Company to the Group's net profit after tax:

Vicinity Limited and controlled entities (the Companies)	**31-Dec-16 $m**	**31-Dec-15 $m**
Operating result of the Companies	12.5	8.2
Less: integration costs incurred by the Companies	(20.5)	(20.9)
Less: impairment and amortisation of intangibles	(1.6)	(296.6)
Net (loss)/profit before tax attributable to securityholders of Vicinity Limited (as the Companies)	**(9.6)**	**(309.3)**
Income tax expense[1]	-	-
Net (loss)/profit after tax attributable to securityholders of Vicinity Limited	**(9.6)**	**(309.3)**
Net profit after tax attributable to securityholders of Vicinity Centres Trust (as other stapled entities of the Group)	**918.4**	**733.9**
Net profit after tax of the Group	**908.8**	**424.6**

1. Under current Australian income tax legislation the Trusts are not liable to pay Australian income tax, including capital gains tax, provided that unitholders are presently entitled to the income of the Trusts as determined under the Trust Constitutions. Accordingly, income tax expense is only brought to account in relation to the profit or loss incurred by the Companies. For the period to 31 December 2016, as illustrated in the table above, the Companies made an accounting loss. A tax loss was also recorded, primarily due to the transaction costs incurred during the period. These additional tax losses have not been brought to account as deferred tax assets in the Group financial statements at 31 December 2016, as their future utilisation is not considered probable based on taxable income forecasts. Unrecognised deferred tax assets will continue to be reviewed at each reporting period and may be recognised at a later date if considered likely to be recovered.

5. Events occurring after the reporting date

Acquisition of remaining interest in DFO South Wharf

As announced to the Australian Securities Exchange in February 2017, the Group has entered into an agreement to purchase the remaining 25% of DFO South Wharf for $141.3 million.

Credit rating upgrade

On 24 January 2017 Standard & Poor's upgraded the Group's credit rating to 'A' with a stable outlook.

No matters other than those identified above have arisen since the end of the period which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Directors' Declaration

In the Directors' opinion:

(a) the half year financial statements and notes of Vicinity Centres (the Group) set out on pages 10 to 26 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001*, the Constitutions of the entities within the Group and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half year ended on that date; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of Vicinity Limited.

Peter Hay
Chairman

Melbourne
15 February 2017

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To the members of Vicinity Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Vicinity Centres, which comprises the balance sheet as at 31 December 2016, the statement of comprehensive income, statements of changes in equity and cash flow statement for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Vicinity Limited (the 'Company') and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls that the directors determine are necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vicinity Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Vicinity Centres is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

David Shewring
Partner
Melbourne
15 February 2017