Vicinity Centres Trust

Financial Report for the year ended
30 June 2020

Vicinity Centres Trust
ARSN 104 931 928 comprising
Vicinity Centres Trust and its Controlled Entities

Responsible Entity of Vicinity Centres Trust
Vicinity Centres RE Ltd
ABN 88 149 781 322

Contents

Directors' Report

The Directors of Vicinity Centres RE Ltd, the responsible entity (RE) of Vicinity Centres Trust (the Trust or VCT), present the financial report of Vicinity Centres Trust and its controlled entities (VCT Group or the Trust Group) for the year ended 30 June 2020.

The Trust is stapled to Vicinity Limited to form the stapled Group, Vicinity Centres (the Vicinity Centres Group), which is traded collectively on the Australian Securities Exchange (ASX) under the code 'VCX'. Accordingly, the financial report for Vicinity Centres Trust should be read in conjunction with the financial report of Vicinity Centres Group available at vicinity.com.au.

Directors

The following persons were members of the Vicinity Centres RE Ltd Board from 1 July 2019 and up to the date of this report unless otherwise stated:

(i) Chairman

Trevor Gerber (Independent) (appointed as Chairman on 14 November 2019)[1]

Peter Hay (Independent) (resigned 14 November 2019)[2]

(ii) Non-executive Directors

Clive Appleton

David Thurin AM

Janette Kendall (Independent)

Karen Penrose (Independent)

Peter Kahan (Independent)[3]

Tim Hammon (Independent)

Wai Tang (Independent) (resigned 14 February 2020)

(iii) Executive Director

Grant Kelley (CEO and Managing Director)

Refer to Vicinity Centres 30 June 2020 Group financial statements available at vicinity.com.au for further information on the background and experience of the Directors.

Company Secretaries

Carolyn Reynolds

Rohan Abeyewardene

Jacqueline Jovanovski (resigned 2 August 2019)

[1] Mr Trevor Gerber has been a Director of the Vicinity Centres RE Ltd Board since June 2015.

[2] Mr Peter Hay was Chairman of the Vicinity Centres RE Ltd Board until 14 August 2019, from which date he was Acting Chairman until his retirement from the Board on 14 November 2019.

[3] As announced on 24 April 2019, Mr Peter Kahan had been appointed as Chairman effective from 14 August 2019. Subsequently in July 2019, Mr Kahan went on a leave of absence due to a health condition. Upon his return from his leave of absence on 1 October 2019 Mr Kahan did not resume the Chairmanship.

Principal activities

The principal place of business of the Trust and the RE of the Trust is Level 4, Chadstone Tower One, 1341 Dandenong Road, Chadstone, Victoria 3148. The principal activity of the Trust Group during the year continued to be investment in a portfolio of retail investment properties.

Significant changes in state of affairs

COVID-19 pandemic

The Trust Group's operations were significantly impacted in the second half of the financial year by the COVID-19 pandemic. In January, customer traffic numbers began to slow at centres in key locations and with a higher proportion of international visitors. In March, government initiatives to contain COVID-19 included 'stay-at-home' directives and mandatory closure of some stores. This saw customer traffic continue to slow, prompting significant voluntary store closures. In April, with restrictions starting to ease, closed retailers started to re-open and traffic growth started to pick up. By the end of the financial year, the majority of retailers across the Trust Group's portfolio were open. This was impacted after 30 June by the reintroduction of Stage 3 then Stage lockdown restrictions in Melbourne, which is discussed further in the 'Events occurring after the end of the reporting period' section below.

COVID-19 is expected to continue to impact the Trust Group's operations for some time however the duration and extent of the pandemic and its impacts on the economy, consumers and investment markets are unknown. As a result:

- There is the significant uncertainty as to how the pandemic will impact on the Trust Group's financial position and performance in future periods.
- A number of significant judgements, estimates and assumptions have been made in determining the carrying value of certain assets and liabilities at 30 June 2020. These are further discussed in the 'About this Report' section of the financial statements.

Further information on the impact of the pandemic and the Vicinity Centres Group's response can be found in the Operating and Financial Review in the Vicinity Centres Group 30 June 2020 Annual Report available at vicinity.com.au.

Security Placement

As part of the response to the uncertainty caused by COVID-19 and to provide the Trust Group with future balance sheet flexibility, on 1 June 2020 the Vicinity Centres Group announced a $1.2 billion fully underwritten security placement (Placement) to institutional securityholders. Subsequently, on 2 June 2020 the Placement was completed and on 4 June 2020 810.8 million new Vicinity Centres Group stapled securities were issued at a price of $1.48. The Trust Group received $1.1 billion of the Placement proceeds, net of transaction costs. In conjunction with the Placement the Vicinity Group also announced a Security Purchase Plan. This closed on 6 July 2020 as discussed in the 'Events occurring after the end of the reporting period' section below.

Review of results and operations

The review of the results and operations for the Vicinity Centres Group is contained in the Directors' Report in the Vicinity Centres Group annual financial report which is available at vicinity.com.au. The following sections relate to the results and operations of the Trust Group only and therefore do not include items and amounts relating to Vicinity Limited.

(a) Financial performance

The statutory net loss after tax of the Trust Group for the year ended 30 June 2020 was $1,413.9 million, a decrease of $1,733.3 million on the prior year (30 June 2019: net profit after tax of $319.4 million). This result mainly comprised:

- a revaluation decrement on directly owned properties of $1,715.3 million (30 June 2019: decrement of $239.3 million);
- net profits[1] contributed from investment properties of $604.7 million (30 June 2019: $797.0 million);
- losses from equity accounted investments of $124.7 million, driven by revaluation decrements recorded on investment properties within Joint Ventures (30 June 2019: profit of $17.6 million); and
- borrowing costs of $187.6 million (30 June 2019: 187.8 million).

Cash flows from operating activities for the year were $479.7 million (30 June 2019: $592.2 million).

[1] Property ownership revenue and income less direct property expenses and allowances for expected credit losses

Review of results and operations (continued)

(b) Financial position

At 30 June 2020 the Trust Group's net assets were $10,695.3 million, down $706.6 million from $11,401.9 million at 30 June 2019. This decrease was largely due to the aforementioned property revaluation decrements on directly owned investment properties and equity accounted investments. This was partly offset by funds of $1.1 billion received upon the issuance of 810.8 million new units issued as part of the Vicinity Centres Group institutional placement in June 2020.

(c) Capital management

During the year, the following financing activities have occurred:

- €500.0 million (equivalent to approximately AUD $812.0 million) 10-year fixed rate bonds were settled on 7 November 2019 under the European Medium Term Note (EMTN) programme. The proceeds of this issue were used to repay existing bank debt;
- $400.0 million of AUD Medium Term Notes (AMTN) matured in December 2019;
- maturities for a number of bank debt facilities totalling $2.4 billion were extended by one to two years, $315.0 million of new bank facilities were executed while $925.0 million of bank facilities were cancelled; and
- net repayments of $512.6 million were made throughout the year with $1.1 billion of Placement proceeds and net asset divestments being offset by capital expenditure, the on-market units buy-back, settlement of derivative financial instruments and distributions paid.

Distributions

Total distributions declared by the Trust Group during the year were as follows:

	Total $m	Cents per unit
Interim – 31 December 2019	289.3	7.70
Final – 30 June 2020	nil	nil
Total – year ended 30 June 2020	**289.3**	**7.70**

The Trust Group will not declare a final distribution for 30 June 2020 in line with previous announcements.

Director-related information

Meetings of Directors of the RE held during the year

	Board		Special Purpose Board[1]		Audit Committee		Remuneration and Human Resources Committee		Risk and Compliance Committee		Nominations Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Trevor Gerber	6	6	15	15	4	4	6	6	-	-	1	1
Peter Hay	2	2	1	1	-	-	-	-	-	-	-	-
Clive Appleton	6	6	15	14	-	-	-	-	-	-	-	-
David Thurin AM[2]	6	6	15	15	-	-	-	-	2	2	-	-
Grant Kelley	6	6	15	15	-	-	-	-	-	-	-	-
Janette Kendall[3]	6	6	15	15	-	-	6	6	2	2	-	-
Karen Penrose	6	6	15	15	4	4	-	-	4	4	-	-
Peter Kahan[4]	6	5	15	15	4	3	6	5	-	-	1	1
Tim Hammon	6	6	15	15	-	-	6	6	4	4	1	1
Wai Tang	3	2	2	2	3	2	-	-	2	2	-	-

1. Special purpose Board meetings were scheduled and convened to consider a range of special purpose matters, including the Trust Group's response to COVID-19.
2. Dr Thurin AM retired from the Risk and Compliance and Nominations Committees effective 3 December 2019.
3. Ms Kendall joined the Risk and Compliance Committee and retired from the Nominations Committee each effective 3 December 2019.
4. Mr Kahan joined the Nominations Committee effective 3 December 2019.

Director-related information (continued)

Remuneration and unitholdings of Directors

The Directors of the RE receive remuneration in their capacity as Directors of the RE. These amounts are paid directly by Vicinity Limited, the parent entity of the Vicinity Centres Group. The Trust pays the RE a fee to cover the management of the Trust Group, as disclosed in Note 13 to these financial statements. Amounts paid to and details of stapled securities held by Directors (and Key Management Personnel), can be found in the Remuneration Report within the Vicinity Centres Group 30 June 2020 Annual Report available at vicinity.com.au.

Indemnification and insurance of Directors and Officers

The RE must indemnify the Directors, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities incurred by the Directors as officers of the RE or of a related body corporate provided that the loss or liability does not arise out of misconduct, including lack of good faith.

During the financial year, the RE insured its Directors, Secretaries and Officers against liability to third parties and for costs incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors, Secretaries, or Officers of Vicinity Centres RE Ltd. This excludes a liability that arises out of wilful breach of duty or improper use of inside information. The policy also insures the RE for any indemnity payments it may make to its Officers in respect of costs and liabilities incurred. Disclosure of the premium payable is prohibited under the conditions of the policy.

Directors' information

Information on the qualifications, experience and responsibilities of Directors are presented in the Directors' report in the Vicinity Centres Group 30 June 2020 Annual Report available at vicinity.com.au.

Auditor-related information

Ernst & Young (EY) is the auditor of the Trust Group and is located at 8 Exhibition Street, Melbourne, Victoria 3000.

Indemnification of the auditor

To the extent permitted by law, the RE has agreed to indemnify EY, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). The indemnity does not apply to any loss arising out of any breach of the audit engagement agreement or from EY's negligent, wrongful or wilful acts or omissions. No payment has been made under this indemnity to EY during or since the end of the financial year.

Non-audit services

The Vicinity Centres Group may decide to employ the auditor on assignments additional to statutory audit duties where the auditor's expertise and experience with the Vicinity Centres Group is essential and will not compromise auditor independence.

Details of the amounts paid or payable to EY for audit and assurance and non-audit services provided to the Vicinity Centres Group during the year are set out in Note 15 to the financial statements.

The Board of the RE has considered the non-audit services provided during the year and is satisfied these services are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth) for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* (Cth) is included immediately following the Directors' Report.

Environmental regulation

The Trust Group is subject to the reporting obligations under the *National Greenhouse and Energy Reporting (NGER) Act 2007* (Cth). This requires the Trust Group to report annual greenhouse gas emissions, energy use and production for all assets under management for years ending 30 June. The Trust Group met this obligation by submitting its NGER report to the Department of the Environment and Energy for the year ended 30 June 2019 by 31 October 2019. The 2020 NGER report will be submitted by the 31 October 2020 submission date.

Options over unissued securities

As at 30 June 2020 and at the date of this report, there were 8,169,800 unissued ordinary securities of the Vicinity Centres Group under option in the form of performance rights. Refer to Remuneration Report on the Vicinity Centres Group 30 June 2020 financial statements available at vicinity.com.au for further details.

Option holders do not have any rights, by virtue of the option, to participate in any security issue of the Vicinity Centres Group.

Events occurring after the end of the reporting period

Completion of Security Purchase Plan (SPP)

The Vicinity Centres Group announced the SPP on 1 June 2020. This provided retail securityholders the opportunity to acquire up to $30,000 of new Vicinity stapled securities. The SPP offer closed on 6 July 2020 with subscriptions totalling $32.6 million. Subsequently, on 13 July 2020 22.6 million new Vicinity stapled securities were issued at a price of $1.44. These securities began trading alongside existing Vicinity securities on 14 July 2020.

Melbourne Stage 3 and Stage 4 lockdowns

Stage 3 lockdown restrictions were announced by the Victorian Premier for Melbourne and Mitchell Shire on 7 July 2020 (effective from 9 July 2020) and Stage 4 announced on 2 August 2020. Approximately 52% of the Trust Group's retail investment property portfolio (by value) is located within Victoria. These announcements and any future further restrictions will unfavourably impact the Trust Group's rental collections and financial performance in FY21.

Additionally, as disclosed in Note 4(c), the Trust Group considered the impact of an additional Stage 3 type lockdown of up to eight weeks in determining investment property fair values at 30 June 2020. An escalation to Stage 4 restrictions was not envisaged and therefore the announcement on 2 August 2020 would unfavourably impact the 30 June 2020 fair value of investment properties had it been considered at that time.

Rental assistance negotiations

As disclosed in Note 10 to the financial statements, due to the impacts of COVID-19 on retail trade, the Trust Group is in the process of negotiating rental assistance and/or changes to lease terms with a significant number of tenants across the portfolio. The Trust Group estimates that rental assistance will be provided for approximately 84% of lease agreements. As at 10 August 2020, the terms of rental assistance had been agreed in-principle with approximately 43% of tenants.

COVID-19 pandemic

The duration and extent of the pandemic and related financial, social and public health impacts of the COVID-19 pandemic are uncertain. Disclosures have been included in Note 2, Note 4 and Note 10 to the financial report on the impact that this uncertainty has had on the reported amounts of relevant revenues, expenses, assets and liabilities for the year ended 30 June 2020 and the potential impacts that this uncertainty may have on revenues, expenses, assets and liabilities in future periods.

Other than the matters described above, no matters have arisen since the end of the year which have significantly affected or may significantly affect, the operations of the Trust Group, the results of those operations or the state of affairs of the Trust Group in future financial periods.

Rounding of amounts

The Trust Group is an entity of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission (ASIC), 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 Sydney on 19 August 2020 in accordance with a resolution of Directors.

Trevor Gerber
Chairman

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Auditor's Independence Declaration to the Directors of Vicinity Centres RE Ltd

As lead auditor for the audit of the financial report of Vicinity Centres Trust for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Vicinity Centres Trust and the entities it controlled during the financial year.

Ernst + Young

Ernst & Young

Alison Parker

Alison Parker
Partner
19 August 2020

Statement of Comprehensive Income

for the year ended 30 June 2020

	Note	30-Jun-20 $m	30-Jun-19 $m
Revenue and income			
Property ownership revenue and income		1,129.8	1,203.8
Interest and other income		24.1	28.9
Total revenue and income	2(b)	**1,153.9**	**1,232.7**
Share of net (loss)/profit of equity accounted investments	5(b)	(124.7)	17.6
Property revaluation decrement for directly owned properties	4(b)	(1,715.3)	(239.3)
Direct property expenses		(356.6)	(401.9)
Allowance for expected credit losses	10	(168.5)	(4.9)
Borrowing costs	7(c)	(187.6)	(187.8)
Responsible entity fees	13	(54.0)	(56.8)
Other expenses from ordinary activities		(4.1)	(1.1)
Net foreign exchange movement on interest bearing liabilities		(13.1)	(57.9)
Net mark-to-market movement on derivatives		59.8	15.8
Stamp duty written off on acquisition of investment property	4(b)	(3.7)	3.0
(Loss)/profit before tax for the year		**(1,413.9)**	**319.4**
Income tax expense	3	-	-
Net (loss)/profit for the year		**(1,413.9)**	**319.4**
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		**(1,413.9)**	**319.4**
Earnings per unit attributable to unitholders of the Trust Group:			
Basic earnings per unit (cents)	6	(37.13)	8.34
Diluted earnings per unit (cents)	6	(37.13)	8.32

The above consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes. AASB 16 *Leases* has been applied prospectively from 1 July 2019. Refer to Note 19 for further information.

Balance Sheet

as at 30 June 2020

	Note	30-Jun-20 $m	30-Jun-19 $m
Current assets			
Cash and cash equivalents		218.1	27.2
Trade receivables and other assets	10	121.4	96.9
Derivative financial instruments	7(e)	-	4.7
Total current assets		**339.5**	**128.8**
Non-current assets			
Investment properties	4(a)	13,710.1	15,309.6
Investments accounted for using the equity method	5(a)	527.0	668.7
Derivative financial instruments	7(e)	268.7	138.6
Other assets	10	462.9	484.6
Total non-current assets		**14,968.7**	**16,601.5**
Total assets		**15,308.2**	**16,730.3**
Current liabilities			
Interest bearing liabilities	7(a)	151.8	401.5
Distribution payable		-	299.9
Payables	11	140.5	119.8
Lease liabilities	19(c)	17.5	15.9
Provisions	12	25.7	20.2
Derivative financial instruments	7(e)	-	5.6
Total current liabilities		**335.5**	**862.9**
Non-current liabilities			
Interest bearing liabilities	7(a)	3,778.0	4,034.6
Lease liabilities	19(c)	247.2	207.3
Derivative financial instruments	7(e)	252.2	223.6
Total non-current liabilities		**4,277.4**	**4,465.5**
Total liabilities		**4,612.9**	**5,328.4**
Net assets		**10,695.3**	**11,401.9**
Equity			
Contributed equity	9	8,530.4	7,533.8
Retained profits		2,164.9	3,868.1
Total equity		**10,695.3**	**11,401.9**

The above consolidated Balance Sheet should be read in conjunction with the accompanying notes. AASB 16 *Leases* has been applied prospectively from 1 July 2019. Refer to Note 19 for further information.

Statement of Changes in Equity

for the year ended 30 June 2020

		Attributable to unitholders of the Trust		
	Note	**Contributed equity $m**	**Retained profits $m**	**Total $m**
As at 1 July 2018		**7,784.8**	**4,153.2**	**11,938.0**
Net profit for the year		-	319.4	319.4
Total comprehensive income for the year		**-**	**319.4**	**319.4**
Transactions with unitholders in their capacity as unitholders:				
On-market unit buy-back	9	(251.0)	-	(251.0)
Distributions declared		-	(604.5)	(604.5)
Total equity as at 30 June 2019		**7,533.8**	**3,868.1**	**11,401.9**
Net loss for the year		-	(1,413.9)	(1,413.9)
Total comprehensive loss for the year		**-**	**(1,413.9)**	**(1,413.9)**
Transactions with unitholders in their capacity as unitholders:				
Units issued	9	1,130.4	-	1,130.4
Units issue costs (net of tax)		(20.1)	-	(20.1)
On-market unit buy-back	9	(113.7)	-	(113.7)
Distributions declared		-	(289.3)	(289.3)
Total equity as at 30 June 2020		**8,530.4**	**2,164.9**	**10,695.3**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes. AASB 16 *Leases* has been applied prospectively from 1 July 2019. Refer to Note 19 for further information.

Cash Flow Statement

for the year ended 30 June 2020

	Note	30-Jun-20 $m	30-Jun-19 $m
Cash flows from operating activities			
Receipts in the course of operations		1,122.8	1,354.5
Payments in the course of operations		(485.2)	(615.5)
Distributions and dividends received from equity accounted and managed investments		7.4	19.4
Net operating cash flows retained by equity accounted entities		13.9	17.4
Interest and other revenue received		23.0	20.9
Interest paid		(188.3)	(187.1)
Net cash inflows from operating activities – proportionate[1]		493.6	609.6
Less: net operating cash flows retained by equity accounted entities		(13.9)	(17.4)
Net cash inflows from operating activities	14	**479.7**	**592.2**
Cash flows from investing activities			
Payments for capital expenditure on investment properties		(315.2)	(393.5)
Proceeds from disposal of investment properties	4(b)	228.2	683.1
Deposit received for conditional disposal of investment property	4(b)	6.4	-
Payments for acquisition of investment property	4(b)	(68.3)	-
Stamp duty paid upon acquisition of investment property	4(b)	(3.7)	-
Net cash (outflows)/inflows from investing activities		**(152.6)**	**289.6**
Cash flows from financing activities			
Proceeds from issue of units	9	1,130.4	-
Transaction costs on issue of units		(20.1)	-
Proceeds from borrowings		2,729.9	1,327.4
Repayment of borrowings		(3,092.5)	(1,376.0)
Repayment of related party loan		(150.0)	-
Proceeds received from Vicinity Limited		144.1	89.8
Funds advanced to Vicinity Limited		(122.5)	(53.5)
On-market security buy-back		(113.7)	(251.0)
Distributions paid to external unitholders		(589.2)	(622.1)
Settlement of derivative financial liabilities		(42.6)	-
Debt establishment costs paid		(10.0)	(4.4)
Net cash outflows from financing activities		**(136.2)**	**(889.8)**
Net increase/(decrease) in cash and cash equivalents held		**190.9**	**(8.0)**
Cash and cash equivalents at the beginning of the year		**27.2**	**35.2**
Cash and cash equivalents at the end of the year		**218.1**	**27.2**

1. Proportionate cash flows from operating activities includes total operating cash flows from consolidated and equity accounted entities.

The above Cash Flow Statement should be read in conjunction with the accompanying notes. AASB 16 *Leases* has been applied prospectively from 1 July 2019. Refer to Note 19 for further information.

Notes to the Financial Statements

The index of notes to the financial statements is shown below. Similar notes have been grouped into sections with relevant accounting policies and judgements and estimates disclosures incorporated within the notes to which they relate. The 'About This Report' section, which precedes the notes to the financial statements, contains information on the basis of preparation of the Financial Report, adoption of new accounting standards and significant accounting judgements, estimates and assumptions.

About This Report

Reporting entity

The financial statements are those of the consolidated entity consisting of Vicinity Centres Trust (the Trust) and its controlled entities (collectively the Trust Group). The Trust is a for-profit entity that is domiciled and operates wholly in Australia.

The Trust is stapled to Vicinity Limited (the Company) to form the stapled group Vicinity Centres (the Vicinity Centres Group). Accordingly the financial report for Vicinity Centres Trust should be read in conjunction with the Vicinity Centres 30 June 2020 Annual Report available at vicinity.com.au.

Basis of preparation

This general purpose Financial Report:

- has been prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards (AASBs) issued by the Australian Accounting Standards Board. Compliance with AASBs ensures compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- 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 of Vicinity Centres RE on 19 August 2020. The Directors of the Vicinity Centres RE have the power to amend and reissue the Financial Report.

The presentation of certain items has also been adjusted as necessary to provide more meaningful information in the context of the Trust Group. Where the presentation or classification of items in the Financial Report is amended, comparative amounts are also reclassified unless it is impractical. The adjustments made to the presentation of items had no impact on the net assets or net profit/loss of the Trust Group.

Impact of new and amended accounting standards

The new accounting standard AASB 16 *Leases* became effective for the Trust Group on 1 July 2019. The impact of the adoption of AASB 16 and changes in the Trust Group's accounting policies are disclosed in Note 19.

The Trust Group has also adopted Australian Interpretation 23 *Uncertainty Over Income Tax Treatments* and other new and/or amended standards as of 1 July 2019. These did not have a material impact on the financial statements of the Trust Group as they are either not relevant to the Trust Group's activities or require accounting which is consistent with the Trust Group's current accounting policies.

COVID-19 pandemic

The Trust Group's retail property portfolio operations were significantly impacted in the second half of the financial year by the COVID-19 pandemic. This impacted the financial results of the Trust Group for the year ended 30 June 2020 and several significant judgements and estimates made in the preparation of the financial statements. These are summarised in the 'Significant accounting judgements, estimates and assumptions' section below.

Going concern

The Trust Group has considered the following factors at 30 June 2020 in determining that the Financial Report of the Trust Group should be prepared on a going concern basis:

- At 30 June 2020 the Trust Group had substantial available liquidity including undrawn facilities of $1,977.0 million and cash and cash equivalents of $218.1 million.
- The Trust Group has prepared scenarios which consider varying levels of unfavourable impacts of the COVID-19 pandemic on items such as cash flows and compliance with key debt covenants, including gearing and interest cover ratios. Based on these scenarios, the Trust Group is expected to be able to pay its debts as and when they fall due for a period of 12 months from the date of these financial statements.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the Trust Group to make judgements in the application of accounting policies and estimates when developing assumptions that affect the reported amounts of certain revenues, expenses, assets and liabilities. These judgements and estimates are made considering historical experience and other reasonable and relevant factors but are inherently uncertain. Due to this inherent uncertainty, actual results may differ from these judgements and estimates.

The ongoing COVID-19 pandemic ('COVID-19' or the 'pandemic') has increased the level of judgement and estimation applied in the preparation of the financial report at 30 June 2020 as the duration and extent of the pandemic and related financial, social and public health impacts remain unknown. Additional disclosures have been included within the relevant notes to the financial statements on the impact of this increased uncertainty. Sensitivity analysis on significant estimates and assumptions has been included where future changes may significantly impact reported revenues, expenses, assets or liabilities.

The table below summarises the areas of the Financial Report subject to significant judgement and estimation and those which are impacted by the increased uncertainty due to the impacts of COVID-19:

Item	Area of judgement or estimation	Note
Valuation of investment properties	Key inputs into valuations such as capitalisation rates, discount rates, terminal yields and market rental growth rates are subject to a significant level of estimation and not based on observable market data. Property transaction activity has slowed considerably as a result of the pandemic, as such there has been limited transactional evidence to provide visibility on current market pricing. Additionally, the longer-term impact of the pandemic on the economy, consumer shopping habits and physical retail sales, which are key indicators of future market rental growth, is unknown. These factors mean there is increased uncertainty in determining key inputs into investment property valuations at 30 June 2020.	4
Revenue and income and recoverability of tenant debtors	The Trust Group's revenue and income largely consists of fixed rental obligations due under lease agreements which are paid monthly in advance. Therefore, rental income and the assessment of the recoverability of tenant debtors have not been subject to a significant level of judgement or estimation in prior financial periods and prior to the impacts of the pandemic. Retail trade has been unfavourably impacted by COVID-19, particularly as a result of 'stay at home orders', mandatory store closures and voluntary store closures. In addition, the Federal Government introduced the Small to Medium Enterprise (SME) Commercial Code of Conduct (the SME Code) which contains principles for landlords and certain SME tenants affected by COVID-19 to negotiate rental waivers and deferrals. As a result of these multiple factors there has been an increase in rental income receivable at 30 June 2020. Significant judgement has been required in determining allowances for expected credit losses on these receivables as future retail trading conditions for the Group's tenants remain uncertain.	2 10
Valuation of derivative financial instruments	The fair value of derivative financial instruments is 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.	7

Operations

1. Segment information

As described in the 'About This Report' section, the units in the Trust Group are stapled together with the shares of the Company and are traded jointly on the Australian Securities Exchange (ASX) under the ASX code VCX.

As a result of this stapled structure, management does not report the individual results of the Trust Group to the Chief Operating Decision Makers (which for the Vicinity Centres Group were the CEO and Managing Director (CEO), Chief Operating Officer (COO) and the Chief Financial Officer (CFO)). Rather management reports segment results for the stapled Vicinity Centres Group. Consequently, the Trust Group is considered to have only one operating segment as represented in the Statement of Comprehensive Income and Balance Sheet.

2. Revenue and income

(a) Accounting policies

Impact of the COVID-19 pandemic

As a result of the impact of the COVID-19 pandemic on retail trade and the introduction of the SME Code, which contains principles for landlords and SME tenants impacted by COVID-19 to negotiate rental waivers and deferrals, the Trust Group expects to provide rental assistance to many of its tenants. This assistance may take the form of rental waivers, payment deferrals or other changes to existing lease payment structures or lease terms.

At 30 June 2020 the majority of these rental assistance negotiations were ongoing. Accordingly, lease rental income for the majority of leases continued to be recognised in accordance with the terms of the lease contracts in place during the year. Once any rental assistance is agreed with a tenant, the Trust Group anticipates these will be treated as a lease modification with the following effects on the financial statements:

- Existing lease receivables waived will be written off through profit and loss, except to the extent of a pre-existing provision for expected credit losses relating to outstanding lease receivables.
- Lease rental income due over the remaining lease term, which will incorporate any future reductions in fixed lease payments, will be recognised on a straight-line basis.
- Payment deferrals granted will continue to be recognised as lease receivables until they are collected.

The assessment of the revised terms of lease contracts to determine whether a lease modification has occurred will be an area of significant judgement in future periods. Further information on the significant estimates and assumptions applied in determining expected credit losses on outstanding lease receivables at 30 June 2020 can be found in Note 10.

Property ownership revenue and income

The Trust Group derives revenue and income in connection with the leasing and operation of its portfolio of investment properties. This comprises:

Lease rental income

The Trust Group derives lease rental income as lessor from the leasing of the retail space within these investment properties. Lease income is recognised on a straight-line basis over the lease term. Items included in the straight-lining calculation are fixed rental payments, in-substance fixed payments, lease incentives given to tenants and fixed rental increases that form part of lease agreements.

Revenue from recovery of property outgoings

Under certain tenant lease agreements, the Trust Group recovers from tenants a portion of costs incurred by the Trust Group in the operation and maintenance of its shopping centres. The Trust Group, acting as principal, incurs these costs with third party suppliers and includes them within direct property expenses in the Statement of Comprehensive Income. Recovery amounts are invoiced to tenants each month (over time) at the start of the month for the provision of that month's services based on an annual estimate. Accordingly, where recovery amounts are received in advance, no adjustment is made for the effects of a financing component. Adjustments to reflect recoveries based on actual costs incurred are recorded within revenue in the Statement of Comprehensive Income and billed annually.

2. Revenue and income (continued)

(a) Accounting policies (continued)

Property ownership revenue and income (continued)

Other property-related revenue

Other property-related revenue largely includes amounts earned from the leasing of advertising and car parking space and the on selling of other services at the Trust Group's shopping centres. The material components of this revenue are recognised over time as the relevant services are provided and relevant performance obligations satisfied.

(b) Summary of revenue and income

A summary of the Trust Group's revenue and income included within the Statement of Comprehensive Income is shown below.

For the 12 months to:	30-Jun-20 $m	30-Jun-19 $m
Lease rental income[1]	878.2	912.4
Recovery of property outgoings[1]	184.7	209.2
Other property-related revenue[1]	66.9	82.2
Total property ownership revenue and income	**1,129.8**	**1,203.8**
Interest income	22.0	27.0
Other income	2.1	1.9
Interest and other income	**24.1**	**28.9**
Total revenue and income	**1,153.9**	**1,232.7**

1. Included within 'Property ownership revenue and income' in the Statement of Comprehensive Income.

3. Taxes

The Trust and its controlled trusts are not liable to pay income tax (including capital gains tax) on the basis that the taxable income from the Trust's property investments is taxed on a flow through basis in the hands of the Trust's unitholders in accordance with the Attribution Managed Investment Trust Regime. The Trust's unitholders pay tax at their marginal tax rates, in the case of Australian resident unitholders, or through the Managed Investment Trust withholding rules for non-resident unitholders. As a result, the Trust has zero income tax expense recognised in respect of the Trust's profit.

Refer to Note 3 of the Vicinity Centres 30 June 2020 Group financial statements available at vicinity.com.au for further details of taxes paid by the Vicinity Centres Group.

4. Investment properties

The Trust Group's investment properties represent freehold and leasehold interests in land and buildings held either to derive rental income or for capital appreciation, or both. 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, being the price that would be received to sell an investment property in an orderly, arms length transaction between market participants at the reporting date. Fair values for investment properties are determined by independent (external) valuers or internal valuations. These valuations include the cost of capital works in progress on development projects.

Note 4(c) contains details of the Trust Group's valuation process and valuation methods, including how the process was adjusted during the current period to consider the material valuation uncertainty which has arisen as a result of the COVID-19 pandemic's uncertain impacts on retail investment property values at 30 June 2020.

(a) Portfolio summary

Shopping centre type	**30-Jun-20**			**30-Jun-19**		
	Number of properties	**Value $m**	**Weighted average cap rate %**	**Number of properties**	**Value $m**	**Weighted average cap rate %**
Super Regional	1	3,119.2	3.88	1	3,250.0	3.75
Major Regional	7	2,126.6	5.92	7	2,564.2	5.66
City Centre	7	2,218.0	4.81	7	2,466.0	4.65
Regional	8	1,484.7	6.70	9	1,865.6	6.28
Outlet Centre	7	1,760.2	5.94	6	1,737.7	5.82
Sub Regional	24	2,588.7	6.55	25	2,961.4	6.33
Neighbourhood	4	195.2	6.52	5	251.5	6.31
Planning and holding costs[1]	-	29.3	-	-	32.2	-
Less: Property holdings by Vicinity Limited[2]		(76.5)			(42.2)	
Total	**58**	**13,445.4**	**5.48**	**60**	**15,086.4**	**5.32**
Add: Investment property leaseholds[3]		264.7			223.2	
Total investment properties		**13,710.1**			**15,309.6**	

1. Planning and holding costs relating to planned major development projects are capitalised and carried within the overall investment property balance. The status of each project is reviewed each period to determine if continued capitalisation of these costs remains appropriate.
2. Certain equipment which forms part of the individual fair values of the Trust Group's investment properties is held by Vicinity Limited.
3. During the year, the Trust Group adopted AASB 16 *Leases* and reassessed the assumed lease term relating to several of the Trust Group's long-term investment property leasehold arrangements. This resulted in an increase in the value of investment property leaseholds (and related liabilities) of $36.9 million. A further $4.6 million of adjustments relating to market rent reassessments, recognition of new agreements and revaluations. Refer to Note 19(c) for further details of investment property leasehold balance.

4. Investment properties (continued)

(b) Movements for the year

As part of the Trust Group's continuing focus on portfolio enhancement, the sale of the following investment properties occurred during the year:

- Corio Central (December 2019) for $101.0 million[1];
- Lennox Village (December 2019) for $31.5 million[1];
- Mt Ommaney Centre (November 2019) for $94.5 million[1]; and
- other ancillary land disposals totalling $5.2 million[1].

The Trust Group also acquired a 50% interest in Uni Hill Factory Outlets on 6 April 2020 for $67.8 million[1] and received a $6.4 million deposit for the conditional sale of Box Hill North to a subsidiary of Vicinity Limited.

A reconciliation of the movements in investment properties is shown in the table below.

	30-Jun-20 $m	30-Jun-19 $m
Opening balance at 1 July	**15,086.4**	**15,661.5**
Acquisitions including associated stamp duty and transaction costs	72.0	-
Capital expenditure[2]	296.5	383.1
Capitalised borrowing costs[3]	2.3	6.3
Disposals	(228.2)	(683.1)
Property revaluation decrement for directly owned properties[5]	(1,716.8)	(239.3)
Stamp duty written off on acquisition of investment property	(3.7)	-
Amortisation of incentives and leasing costs[4]	(71.9)	(57.2)
Straight-lining of rent adjustment	8.8	15.1
Closing balance at 30 June	**13,445.4**	**15,086.4**

1. Amounts exclude transaction costs and stamp duty incurred on acquisitions.
2. Includes development costs, maintenance capital expenditure, lease incentives, fit-out and other capital costs.
3. Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 4.1% (30 June 2019: 4.6%).
4. For leases where Vicinity is the lessor in the lease arrangement.
5. The property revaluation decrement of $1,716.8 million is before the addition of investment property leaseholds. The $1,715.3 million revaluation decrement presented within the Statement of Comprehensive Income includes a $1.5 million revaluation increment of investment property leaseholds held at fair value.

4. Investment properties (continued)

(c) Portfolio valuation

Impact of the COVID-19 pandemic – valuation uncertainty

At 30 June 2020 retail trade had been significantly impacted by the pandemic and the duration and extent of these impacts on retail property valuations were highly uncertain. Additionally since the outbreak of COVID-19, there has been a lack of transactional evidence to provide visibility of its impacts on current market pricing. These factors have meant that there was significant estimation uncertainty in determining key inputs into the fair value of the Trust Group's investment properties at 30 June 2020, causing material valuation uncertainty. The table below further discusses the key factors causing material valuation uncertainty and how they may influence investment property fair values in the future. The existence of material valuation uncertainty at 30 June 2020 was also noted by the Trust Group's independent valuers as discussed in the valuation process section below.

Uncertainty factor	Description
Property transaction market	COVID-19 has considerably slowed the property transaction market, impacting the availability of current comparable transaction evidence on which to determine market-based capitalisation and discount rates applied to property income to determine fair value. Transactions that occur in the future may evidence market pricing which varies from the estimated 30 June 2020 investment property fair values.
Impact of shutdowns and restrictions on short to medium term retail property performance	Social distancing, domestic and international travel restrictions, voluntary shutdowns and mandatory business shutdowns (including certain retailers within the Trust Group's investment properties) have resulted in increased unemployment and a significant reduction in economic activity. These factors (amongst others) are unfavourably impacting on consumer spending, shopping habits and physical retail sales. If these unfavourable trends continue in the future, further rental waivers or deferrals may be required to assist tenants through the impacted period. There could also be further reductions in market rentals, longer tenant vacancy and downtime periods, or more tenant administrations, all of which will impact investment property fair values. The longer the pandemic continues and restrictions remain in place, the greater the potential risk to investment property fair values.
Government policy	Government policies such as the SME Code require the Trust Group to provide financial support in the form of rental waivers and deferrals to eligible retailers. If these policies are changed or expanded it may result in the Trust Group having to provide additional financial support to retailers. In addition, the Group may need to provide further financial support to affected non-SME retailers. This could negatively impact property fair values. Additionally, the extent of stimulus measures such as JobKeeper and JobSeeker will impact consumer spending and retail sales, which may influence market rentals and tenant vacancy and downtime periods.

Valuation process

In response to the material valuation uncertainty outlined above, the Trust Group revised its valuation processes at 30 June 2020, including:

- Obtaining independent (external) valuations for all investment properties. In normal market conditions the Trust Group obtains independent valuations only once in each financial year (at either half year or year end), with an internal valuation being undertaken at the alternate reporting period.
- Providing information to independent valuers on the observed and estimated future impacts of COVID-19 on each investment property. This included regular reporting on tenants who had involuntarily or voluntarily closed, the status of any rental relief discussions and the outcomes of any changes to lease arrangements as a result of COVID-19. This was in addition to the provision of customary valuation information which commonly comprises tenancy schedules, capital and expense budgets, foot traffic and tenant sales performance.
- Assessing the reasonableness of COVID-19 related adjustments such as rental waivers and capital requirements incorporated by independent valuers into the investment property valuations. These were assessed against the observed impacts of the pandemic on each property and expected future impacts based on the facts and circumstances existing at 30 June 2020.
- Reviewing the 'material valuation uncertainty' clause, which was included by independent valuers within each valuation. The inclusion of this clause is consistent with the guidelines issued by the Australian Property Institute and highlights that while valuations can still be relied upon at 30 June 2020, due to the uncertain impacts of COVID-19 there is potential for significant and unexpected movements in value over a relatively short period of time post the valuation being completed. Valuations should therefore be reviewed on a more frequent basis than usual.
- Continually monitoring the evolving COVID-19 situation to identify whether there was any additional information available on its impacts that was relevant to measuring the fair value of investment properties at the end of the reporting period. The increase in COVID-19 cases observed in Victoria in late June 2020 and announcement of specific postcode lockdowns on 30 June 2020 was identified as relevant information and the Trust Group's consideration of its impact on investment property fair values is discussed below.

4. Investment properties (continued)

(c) Portfolio valuation (continued)

Valuation process (continued)

There were no changes to the Trust Group's process in relation to the selection and rotation of independent valuers. Independent valuers appointed by the Trust Group are selected from a pre-approved panel and must be:

- authorised by law to carry out such valuations and have at least five years' valuation experience (including at least two years in Australia); and
- rotated across all properties at a minimum every three years (the last full portfolio rotation was undertaken during the financial year ended 30 June 2019).

Additional considerations for Victorian investment properties

In late June 2020, Victoria experienced a significant increase in COVID-19 cases with specific postcode lockdowns being announced on 30 June 2020. The Trust Group considered that the occurrence of these events provided enough evidence at 30 June 2020 that further lockdown restrictions in Victoria were likely to be implemented after the end of the period.

The independent valuers had not specifically considered a further lockdown in Victoria as likely prior to providing valuations to the Trust Group due to the close proximity of the increase in cases and postcode lockdowns to 30 June 2020. Rather, as disclosed in the 'Key inputs and assumptions' section below, independent valuations incorporated specific unobservable adjustments for the estimated impact of future uncertain trading and economic conditions caused by COVID-19.

Accordingly, the Trust Group made an internal estimate of the impact of possible further lockdown restrictions on independently determined 30 June 2020 fair values. This identified an additional revaluation decrement of $24.5 million based on a most likely scenario of 'Stage 3' type restrictions implemented for up to an eight week period. This most likely scenario was similar to the lockdowns which occurred in March and April 2020.

As the additional $24.5m revaluation decrement was determined internally by the Trust Group and not by the independent valuers, the list of investment properties shown within Note 4(d) identifies both the independent valuation amount and the carrying value at 30 June 2020, after adjusting for the estimated impacts of the renewed restrictions in Victoria.

As disclosed in Note 21, subsequent to 30 June 2020 the Victorian Government announced Stage 3 lockdowns on 7 July 2020 and extended Stage 4 lockdowns on 2 August 2020. An escalation to Stage 4 restrictions was not envisaged by the Trust Group and therefore the announcement on 2 August 2020 would unfavourably impact the 30 June 2020 fair value of investment properties had it been considered at that time.

4. Investment properties (continued)

(c) Portfolio valuation (continued)

Valuation methodology

Retail investment property valuations commonly adopt a fair value within the range calculated with reference to the 'capitalisation of net income' and 'discounted cash flow' (DCF) methods. The table below details each valuation methodology. The expected impact of the COVID-19 pandemic on short to medium term sales and rental growth has resulted in a number of the independent valuations obtained at 30 June 2020 placing greater emphasis on the DCF method.

Valuation method	Description
Discounted cash flow (DCF)	Projected cash flows for a selected investment period (usually 10 years) are derived from contracted or future estimates of market rents, operating costs, lease incentives and capital expenditure. The cash flows assume the property is sold at the end of the investment period (10 years) for a terminal value. This terminal value is calculated by capitalising in perpetuity assumed market rent income at the end of the investment period by an appropriate terminal yield, except for leasehold properties where the terminal value may be calculated by other methodology to account for the finite term remaining on the ground lease at that time. Fair value is determined to be the present value of these projected cash flows, which is calculated by applying a market-derived discount rate to the cash flows.
Capitalisation of net income	The fully leased annual net income of the property is capitalised in perpetuity from the valuation date, except for leasehold properties where in most instances, depending on the term remaining on the ground lease, the fully leased annual net income of the property is capitalised for the remaining ground lease term. Various adjustments are then made to the calculated result, including estimated future incentives, capital expenditure, vacancy allowances and reversions to market rent. The capitalisation rate reflects the nature, location and tenancy profile of the property together with current market investment criteria, as evidenced by current market transactions.
Residual value (for properties under development)	The value of the asset on completion is calculated using the capitalisation of net income and DCF methods as described above, based on the forecast income profile at development completion. The estimated cost to complete the development, including construction costs and associated expenditures, finance costs, and an allowance for developer's risk and profit and post development stabilisation is deducted from the value of the asset on completion to derive the current value.

Key assumptions and inputs

As the capitalisation of income and discounted cash flow valuation methods include key inputs that are not based on observable market data (namely market derived capitalisation and discount rates), investment property valuations are considered 'Level 3' of the fair value hierarchy (refer Note 20(a) for further details on the fair value hierarchy).

As described in the 'Impact of the COVID-19 pandemic' section above, due to the uncertainty caused by the pandemic, there was significant estimation uncertainty in determining key valuation inputs for 30 June 2020 reporting. Key unobservable inputs used by the Trust Group in determining fair value of its investment properties are summarised in the table below. These are consistent with key inputs assessed in prior reporting periods and have softened across the portfolio (weighted average basis), partly due to the estimated impacts of COVID-19 and partly due to other market movements.

Valuations at 30 June 2020 also incorporated specific unobservable adjustments relating to COVID-19. These adjustments reduced investment property fair values and comprised (where appropriate):

- Allowances for short-term rental waivers and deferrals ranging from 0-12 months to be provided to tenants impacted by the COVID-19 outbreak.
- Lower short to medium-term growth rates within the DCF valuations due to anticipated softer economic conditions (the change in market rental growth rate is shown in the table below).
- Higher tenant turnover, increased downtime to re-lease tenancies and higher overall property vacancy rates (the change in market rental growth rate is shown in the table below).
- Increased tenant incentives to lease space at assets.

4. Investment properties (continued)

(c) Portfolio valuation (continued)

Key assumptions and inputs (continued)

	30-Jun-20		30-Jun-19		
Unobservable inputs	**Range of inputs**	**Weighted average inputs**	**Range of inputs**	**Weighted average inputs**	**Sensitivity**
Capitalisation rate[1]	3.88% - 8.00%	5.48%	3.75% - 7.75%	5.32%	The higher the capitalisation rate, discount rate, terminal yield, and expected downtime due to tenants vacating, the lower the fair value.
Discount rate[2]	6.00% - 9.00%	6.83%	6.00% - 8.75%	6.88%	
Terminal yield[3]	4.13% - 8.00%	5.68%	4.00% - 8.00%	5.53%	
Expected downtime (for tenants vacating)	3 months to 15 months	7 months	3 months to 12 months	6 months	
Market rents and rental growth rate	2.00% - 3.17%	2.76%	2.43% - 4.07%	3.33%	The higher the assumed market rent and 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 the forecast cash flow of an asset into present value terms. 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 inherent in the cash flows at the end of the cash flow period. Leasehold properties with tenure less than 20 years (at the end of the 10-year investment horizon) have been excluded from this sensitivity for comparative reasons given the terminal value calculation can differ to take into account the finite term remaining on the leasehold at that time.

All the above key assumptions have been taken from the latest external valuation reports and internal valuation assessments (where applicable in the prior year). For all investment properties, the current use equates to the highest and best use.

Sensitivity analysis

The following sensitivities illustrate the impact of changes in key unobservable inputs (in isolation) on the fair value of the Trust Group's investment properties at 30 June 2020. Specific key unobservable inputs may impact only the capitalisation method, the DCF method or both methods.

DCF method

30 June 2020 ($m)	**Carrying value**	**Discount rate -0.25%**	**Discount rate +0.25%**	**10-year rental growth rate -0.25%**	**10-year rental growth rate +0.25%**
Actual valuation[1] ($m)	13,492.6	-	-	-	-
Impact on actual valuation ($m)	-	+257.5	(249.2)	(167.1)	167.3
Resulting valuation ($m)	-	13,750.1	13,243.4	13,325.5	13,659.9

Capitalisation of net income method

30 June 2020 ($m)	**Carrying value**	**Capitalisation rate -0.25%**	**Capitalisation rate +0.25%**
Actual valuation[1] ($m)	13,492.6	-	-
Impact on actual valuation ($m)	-	+703.0	(645.1)
Resulting valuation ($m)	-	14,195.6	12,847.5

1. Excludes planning and holding costs and investment property leaseholds and includes property holdings by Vicinity Limited.

4. Investment properties (continued)

(d) List of investment properties held

The tables below summarise the independent (external) valuation and carrying value for each investment property.

As discussed in the 'Additional considerations for Victorian investment properties' section of Note 4(c), for investment properties located in Victoria, the carrying value reflects the independent valuation amount and an adjustment for the estimated impacts of the increase in COVID-19 cases observed in Victoria in late June 2020.

i. Super Regional

	Ownership interest %	Independent valuation 30-Jun-20 $m	Carrying value 30-Jun-20 $m	Carrying value 30-Jun-19 $m
Chadstone	50	3,130.0	3,119.2	3,250.0
Total Super Regional		**3,130.0**	**3,119.2**	**3,250.0**

ii. Major Regional

	Ownership interest %	Independent valuation 30-Jun-20 $m	Carrying value 30-Jun-20 $m	Carrying value 30-Jun-19 $m
Bankstown Central	50	275.0	275.0	337.5
Bayside	100	460.3	459.8	591.4
Galleria	50	250.0	250.0	337.5
Mandurah Forum	50	227.5	227.5	275.0
Northland	50	425.0	422.1	494.1
Roselands	50	142.2	142.2	167.7
The Glen	50	350.0	350.0	361.0
Total Major Regional		**2,130.0**	**2,126.6**	**2,564.2**

iii. City Centre

	Ownership interest %	Independent valuation 30-Jun-20 $m	Carrying value 30-Jun-20 $m	Carrying value 30-Jun-19 $m
Emporium Melbourne	50	642.5	640.0	705.0
Myer Bourke Street	33	149.3	149.0	164.0
Queen Victoria Building[1]	50	300.0	300.0	330.0
QueensPlaza	100	700.0	700.0	790.0
The Galeries	50	164.0	164.0	170.0
The Myer Centre Brisbane	25	140.0	140.0	180.0
The Strand Arcade	50	125.0	125.0	127.0
Total City Centre		**2,220.8**	**2,218.0**	**2,466.0**

Refer to footnotes at the end of Note 4(d).

4. Investment properties (continued)

(d) List of investment properties held (continued)

iv. Regional

	Ownership interest	Independent valuation	Carrying value	
		30-Jun-20	30-Jun-20	30-Jun-19
	%	$m	$m	$m
Broadmeadows Central	100	269.7	269.7	324.2
Colonnades	50	113.2	113.2	126.8
Cranbourne Park	50	130.0	130.0	152.0
Eastlands	100	156.8	156.8	173.0
Elizabeth City Centre	100	300.0	300.0	368.1
Grand Plaza	50	185.0	185.0	217.5
Rockingham Centre	50	217.5	217.5	270.0
Runaway Bay Centre	50	112.5	112.5	142.5
Mt Ommaney Centre[8]	-	-	-	91.5
Total Regional		**1,484.7**	**1,484.7**	**1,865.6**

v. Outlet Centre

	Ownership interest	Independent valuation	Carrying value	
		30-Jun-20	30-Jun-20	30-Jun-19
	%	$m	$m	$m
DFO Brisbane[2]	100	62.5	62.5	64.0
DFO Essendon[3]	100	170.0	167.3	178.0
DFO Homebush	100	590.0	590.0	540.0
DFO Moorabbin[4]	100	113.0	111.9	125.2
DFO Perth[5]	50	105.0	105.0	110.5
DFO South Wharf[6]	100	665.0	663.0	720.0
DFO Uni Hill[9]	50	61.0	60.5	-
Total Outlet Centre		**1,766.5**	**1,760.2**	**1,737.7**

Refer to footnotes at the end of Note 4(d).

4. Investment properties (continued)

(d) List of investment properties held (continued)

vi. Sub Regional

	Ownership interest %	Independent valuation 30-Jun-20 $m	Carrying value 30-Jun-20 $m	Carrying value 30-Jun-19 $m
Altona Gate Shopping Centre	100	100.0	100.0	106.5
Armidale Central	100	36.0	36.0	44.0
Box Hill Central (North Precinct)	100	128.0	127.5	126.5
Box Hill Central (South Precinct)[7]	100	220.0	219.5	234.0
Buranda Village	100	38.0	38.0	42.0
Carlingford Court	50	105.0	105.0	123.5
Castle Plaza	100	151.4	151.4	173.4
Ellenbrook Central	100	242.0	242.0	244.0
Gympie Central	100	72.5	72.5	77.5
Halls Head Central	50	40.0	40.0	47.5
Karratha City	50	40.0	40.0	47.5
Kurralta Central	100	42.0	42.0	44.6
Lake Haven Centre	100	283.9	283.9	323.4
Livingston Marketplace	100	83.0	83.0	90.0
Maddington Central	100	93.0	93.0	109.0
Mornington Central	50	36.0	36.0	36.0
Nepean Village	100	204.0	204.0	207.0
Northgate	100	85.0	85.0	100.0
Roxburgh Village	100	95.7	95.7	122.6
Sunshine Marketplace	50	60.3	60.1	62.4
Taigum Square	100	85.0	85.0	99.7
Warriewood Square	50	137.5	137.5	150.0
Warwick Grove	100	150.0	150.0	180.0
Whitsunday Plaza	100	61.6	61.6	65.3
Corio Central[8]	-	-	-	105.0
Total Sub Regional		**2,589.9**	**2,588.7**	**2,961.4**

Refer to footnotes at the end of Note 4(d).

4. Investment properties (continued)

(d) List of investment properties held (continued)

vii. Neighbourhood

		Independent valuation	Carrying value	
	Ownership interest	**30-Jun-20**	**30-Jun-20**	**30-Jun-19**
	%	**$m**	**$m**	**$m**
Dianella Plaza	100	63.0	63.0	80.0
Milton Village	100	34.3	34.3	31.7
Oakleigh Central	100	72.6	72.6	79.8
Victoria Park Central	100	25.3	25.3	28.5
Lennox Village[8]	-	-	-	31.5
Total Neighbourhood		**195.2**	**195.2**	**251.5**

1. The title to this property is leasehold and expires in 2083.
2. The right to operate the DFO Brisbane business expires in 2046.
3. The title to this property is leasehold and expires in 2048.
4. The title to this property is leasehold with an option to extend the ground lease to 2034 at the Trust Group's discretion.
5. The title to this property is leasehold and expires in 2047.
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 Trust Group's discretion.
8. Disposed of during the year.
9. Acquired during the year.

(e) Future undiscounted lease payments to be received from operating leases

The Trust Group's investment properties are leased to tenants under operating leases with rentals payable monthly. Future undiscounted lease payments to be received for the period of operating leases of investment properties are shown in the table below. These include amounts to be received for recovery of property outgoings for tenants on gross leases which will be accounted for as revenue from contracts with customers when earned[1]. Rentals which may be received when tenant sales exceed set thresholds and separately invoiced amounts for recovery of property outgoings are excluded[1].

The amounts shown in the table below have not been adjusted for the possible impacts that the ongoing COVID-19 pandemic may have on existing lease agreements. As disclosed in Note 2 and Note 10, the Trust Group is expecting to provide further rental waivers and deferrals to tenants as a result of the pandemic which, once agreed, may reduce the future lease payments to be received disclosed below.

	30-Jun-20	**30-Jun-19**
	$m	**$m**
Not later than one year	850.0	879.1
Two years	728.7	763.7
Three years	608.8	643.7
Four years	479.6	526.6
Five years	332.0	396.7
Later than five years	896.8	1,025.1
Total undiscounted lease payments to be received from operating leases	**3,895.9**	**4,234.9**

1. Refer to Note 2 for the proportion of revenue earned relating to the recovery of property outgoings.

5. Equity accounted investments

Equity accounted investments are predominantly investment property joint ventures with strategic partners where the property ownership interest is held through a jointly owned trust rather than direct ownership into the property title. The Trust Group has contractual arrangements that establish joint control over the economic activities of these trusts, based on standard market terms. These are accounted for in the Trust Group's financial statements using the equity method.

The assets of investment property joint ventures substantially consist of investment properties held at fair value. As such the value of equity accounted investments recognised by the Trust Group is subject to the same significant estimation and valuation uncertainties as discussed in Note 4(c).

(a) Summary of equity accounted investments

	Ownership		Carrying value	
	30-Jun-20 %	30-Jun-19 %	30-Jun-20 $m	30-Jun-19 $m
Chatswood Chase Sydney (Joint Venture)[1]	51.0	51.0	454.5	579.5
Victoria Gardens Retail Trust (Joint Venture)	50.0	50.0	72.5	89.2
Closing balance			**527.0**	**668.7**

1. Investment in joint venture held through CC Commercial Trust. The Trust Group and its joint venture partner each have equal voting rights over the relevant activities of the joint venture.

(b) Movements for the year

	30-Jun-20 $m	30-Jun-19 $m
Opening balance	668.7	678.8
Additional investments made during the year	3.1	1.6
Share of net (loss)/profit of equity accounted investments	(124.7)	17.6
Distributions of net income declared by equity accounted investments	(20.1)	(29.3)
Closing balance	**527.0**	**668.7**

(c) Summarised financial information of joint ventures

Chatswood Chase Sydney

Summarised financial information represents 51% of the underlying financial statement information of the Chatswood Chase Sydney joint venture.

	30-Jun-20 $m	30-Jun-19 $m
Investment properties (non-current)	478.0	591.5
Other net working capital	(23.5)	(12.0)
Net assets	**454.5**	**579.5**
Total income	25.1	31.9
Aggregate net (loss)/profit after income tax	(111.4)	10.7

5. Equity accounted investments (continued)

(c) Summarised financial information of joint ventures (continued)

Victoria Gardens Retail Trust

Summarised financial information represents 50% of the underlying financial statement information of the Victoria Gardens Retail Trust joint venture.

	30-Jun-20 $m	30-Jun-19 $m
Investment properties (non-current)	147.7	142.9
Interest bearing liabilities (non-current)	(67.3)	(46.7)
Other net working capital	(7.9)	(7.0)
Net assets	**72.5**	**89.2**
Total income	9.9	11.2
Aggregate net (loss)/profit after income tax	(13.3)	6.9
Interest expense	(2.2)	(1.9)

(d) Related party transactions with equity accounted investments during the year

Chatswood Chase Sydney (joint venture, 51% ownership interest)

At 30 June 2020, no amounts remain payable to the Trust Group (30 June 2019: $nil). Distribution income from the Trust Group's investment in Chatswood Chase Sydney was $16,770,706 (30 June 2019: $24,002,946) with $25,105,057 remaining receivable at 30 June 2020 (30 June 2019: $11,808,356).

Victoria Gardens Retail Trust (joint venture, 50% ownership interest)

At 30 June 2020, no amounts remain payable to the Trust Group (30 June 2019: $nil). Distribution income from the Trust Group's investment in Victoria Gardens Retail Trust was $3,352,367 (30 June 2019: $5,317,152) with $7,664,772 remaining receivable at 30 June 2020 (30 June 2019: $7,762,405).

6. Earnings per unit

The basic and diluted earnings per unit for the Trust Group are calculated below in accordance with the requirements of AASB 133 *Earnings per Share*.

Basic earnings per unit is determined by dividing the net profit or loss after income tax by the weighted average number of units outstanding during the year.

Diluted earnings per unit adjusts the weighted average number of units for the weighted average number of performance rights on issue.

Basic and diluted earnings per unit are as follows:

For the 12 months to:	30-Jun-20	30-Jun-19
Earnings per unit attributable to unitholders of the Trust Group:		
Basic earnings per unit (cents)	(37.13)	8.34
Diluted earnings per unit (cents)[1]	(37.13)	8.32

1. Calculated using the weighted average number of units used as the denominator in calculating basic earnings per units as the Trust Group made a loss for the year ended 30 June 2020.

The following net (loss)/profit after income tax amounts are used as the numerator in calculating earnings per unit:

For the 12 months to:	30-Jun-20 $m	30-Jun-19 $m
Earnings used in calculating basic and diluted earnings per unit of the Trust Group	(1,413.9)	319.4

The following weighted average number of units are used in the denominator in calculating earnings per unit:

For the 12 months to:	30-Jun-20 Number (m)	30-Jun-19 Number (m)
Weighted average number of units used as the denominator in calculating basic earnings per unit	3,807.8	3,829.5
Adjustment for potential dilution from performance rights on issue	-	7.7
Weighted average number of units and potential units used as the denominator in calculating diluted earnings per unit	**3,807.8**	**3,837.2**

Capital structure and financial risk management

7. Interest bearing liabilities and derivatives

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Foreign currency denominated notes are translated to AUD at the applicable exchange rate at year end with the gain or loss attributable to exchange rate movements recognised in profit or loss in the Statement of Comprehensive Income.

During the year, the following financing activities have occurred:

- €500.0 million (equivalent to approximately AUD $812.0 million) 10-year fixed rate bonds were settled on 7 November 2019 under the European Medium Term Note (EMTN) programme. The proceeds of this issue were used to repay existing bank debt;
- $400.0 million of AUD Medium Term Notes (AMTN) matured in December 2019;
- maturities for a number of bank debt facilities totalling $2.4 billion were extended by one to two years, $315.0 million of new bank facilities were executed while $925.0 million of bank facilities were cancelled; and
- net repayments of $512.6 million were made throughout the year with $1.1 billion of proceeds from an institutional security placement (refer Note 8(e)) and net asset divestments being offset by capital expenditure, the on-market units buy-back, settlement of derivative financial liabilities and distributions paid.

(a) Summary of facilities

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

	30-Jun-20 $m	30-Jun-19 $m
Current liabilities		
Secured		
Related party borrowings[1]	151.9	151.8
Unsecured		
AUD Medium Term Notes (AMTNs)	-	250.0
Deferred debt costs[2]	(0.1)	(0.3)
Total current liabilities	**151.8**	**401.5**
Non-current liabilities		
Secured		
Related party borrowings[1]	-	153.6
Unsecured		
Bank debt	498.0	1,418.5
AMTNs[3]	856.8	856.1
GBP European Medium Term Notes (GBMTNs)	625.6	629.2
HKD European Medium Term Notes (HKMTNs)	119.6	116.7
US Private Placement notes (USPPs)	885.2	873.5
EUR European Medium Term Notes (EUMTNs)	809.5	-
Deferred debt costs[2]	(16.7)	(13.0)
Total non-current liabilities	**3,778.0**	**4,034.6**
Total interest bearing liabilities	**3,929.8**	**4,436.1**

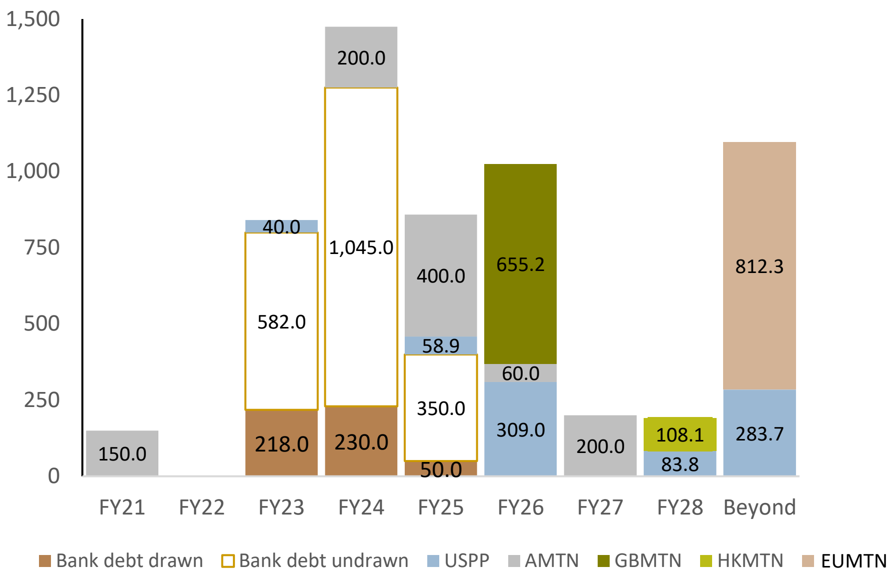
1. The Trust Group has entered into a 'back-to-back' related party loan agreement with Vicinity Centres Finance Pty Ltd (VCFPL), a subsidiary of Vicinity Limited. The related party loan agreement between the Trust Group and VCFPL was secured and on the same terms and conditions as VCFPL's AMTNs over certain of the Trust Group's investment properties with a carrying value of $3,148.2 million (30 June 2019: $3,639.4 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.
3. Non-current unsecured AMTNs include AUD $60.0 million issued under the Trust Group's EMTN programme.

7. Interest bearing liabilities and derivatives (continued)

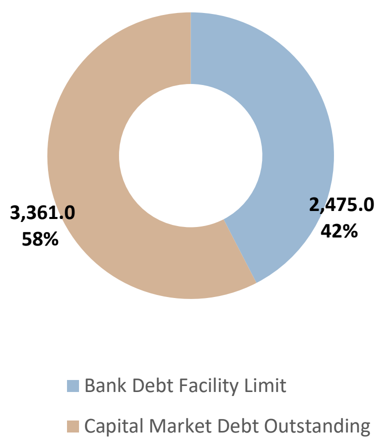
(b) Facility maturity and availability

The charts below outline the maturity of the Trust Group's total available facilities at 30 June 2020 by type and the bank to capital markets debt ratio. Of the $5,836.0 million total available facilities (30 June 2019: $6,033.6 million), $1,977.0 million remains undrawn at 30 June 2020 (30 June 2019: $1,666.5 million).

Available facilities expiry profile ($m)[1]



Bank to capital market debt ratio ($m, %)



1. The carrying amount of the USPPs, GBMTNs, HKMTNs, EUMTNs and AMTNs in the Balance Sheet is net of adjustments for fair value items and foreign exchange translation of $87.6 million (30 June 2019: $82.3 million). These adjustments are excluded from the calculation of total facilities available and amounts drawn as shown in the charts. Additionally, deferred debt costs of $16.8 million (30 June 2019: $13.3 million) are not reflected in the amount drawn. Secured related party borrowings are included within the total value of the AMTNs in this chart.

(c) Borrowing costs

Borrowing costs consist of interest and other costs incurred 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 properties which are capitalised to the cost of the investment property during the period of development.

For the 12 months to:	30-Jun-20 $m	30-Jun-19 $m
Interest and other costs on interest bearing liabilities and derivatives	170.0	194.8
Amortisation of deferred debt costs	6.5	3.9
Amortisation of face value discounts	1.7	1.1
Amortisation of fair value adjustments relating to discontinuation of hedge accounting	(1.3)	(2.2)
Amortisation of AMTN, GBMTN and EUMTN fair value adjustment	(3.7)	(5.0)
Interest charge on lease liabilities	18.3	3.1
Capitalised borrowing costs	(3.9)	(7.9)
Total borrowing costs	**187.6**	**187.8**

(d) Defaults and covenants

At 30 June 2020, the Trust Group had no defaults on debt obligations or breaches of lending covenants (30 June 2019: nil).

7. Interest bearing liabilities and derivatives (continued)

(e) Derivatives

As detailed further in Note 8, derivative instruments are held to hedge against the interest rate risk and foreign currency risk of the Trust Group's borrowings. Derivatives are initially recognised at fair value and subsequently remeasured to their fair value at each reporting period. The fair value of these derivatives is 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.

In respect of derivative financial instruments within the Statement of Comprehensive Income:
- movements in fair value are recognised within net mark-to-market movement on derivatives; and
- the net interest received or paid is included within borrowing costs.

The carrying amount and notional principal amounts of these instruments are shown in the table below:

	Carrying amount		Notional principal value (AUD $)	
	30-Jun-20 $m	30-Jun-19 $m	30-Jun-20 $m	30-Jun-19 $m
Interest rate swaps (pay floating/receive fixed)	-	4.7	-	400.0
Total current assets	**-**	**4.7**	**n/a**	**n/a**
Cross currency swaps (pay AUD floating receive USD fixed)	206.4	116.6	660.3	660.3
Cross currency swaps (pay AUD floating receive GBP fixed)	3.1	-	655.2	-
Cross currency swaps (pay AUD floating receive HKD fixed)	27.6	16.4	108.2	108.2
Cross currency swaps (pay AUD floating receive EUR fixed)	25.9	-	812.3	-
Interest rate swaps (pay floating/receive fixed)	5.7	5.6	100.0	100.0
Total non-current assets	**268.7**	**138.6**	**n/a**	**n/a**
Interest rate swaps (pay fixed/receive floating)	-	(5.6)	-	550.0
Total current liabilities	**-**	**(5.6)**	**n/a**	**n/a**
Cross currency swaps (pay AUD floating receive GBP fixed)	-	(16.4)	-	655.2
Interest rate swaps (pay fixed/receive floating)	(252.2)	(207.2)	2,525.0	2,525.0
Total non-current liabilities	**(252.2)**	**(223.6)**	**n/a**	**n/a**
Total net carrying amount of derivative financial instruments[1]	**16.5**	**(85.9)**	**n/a**	**n/a**

1. The movement in the net carrying amount of derivative financial instruments of $102.4 million was due to mark-to-market fair value adjustments of $59.8 million and the cash settlement of interest rate swap derivative financial liabilities of $42.6 million in April 2020.

7. Interest bearing liabilities and derivatives (continued)

(f) Changes in interest bearing liabilities arising from financing activities

The table below details changes in the Trust Group's interest bearing liabilities arising from financing activities, including both cash and non-cash changes.

	30-Jun-20 $m	30-Jun-19 $m
Opening balance	**4,436.1**	**4,437.6**
Net cash (repayments)/drawdowns of borrowings	(512.6)	(48.6)
Foreign exchange rate adjustments recognised in profit and loss	13.1	57.9
Payment of deferred debt costs	(10.0)	(4.4)
Amortisation of face value discount	1.7	1.1
Amortisation of deferred debt costs	6.5	3.9
Maturity of cross currency swap	-	(4.2)
Fair value movements, non-cash	(5.0)	(7.2)
Closing balance	**3,929.8**	**4,436.1**

(g) Fair value of interest bearing liabilities

As at 30 June 2020, the Trust Group's interest bearing liabilities had a fair value of $3,993.1 million (30 June 2019: $4,565.1 million).

The carrying amount of these interest bearing liabilities was $3,929.8 million (30 June 2019: $4,436.1 million). The difference between the carrying amount and the fair value of interest bearing liabilities is due to:

- deferred debt costs included in the carrying value which are not included in the fair value; and
- movements in market discount rates on fixed rate interest bearing liabilities since initial recognition. As fair value is calculated by discounting the contractual cash flows using prevailing market discount rates (with similar terms, maturity and credit quality) any movements in these discount rates since initial recognition will give rise to differences between fair value and the carrying value (which is at amortised cost).

Had the fixed rate interest bearing liabilities 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.

8. Capital and financial risk management

In the course of its operations the Trust Group is exposed to certain financial risks that could affect the Trust Group's financial position and performance. This note explains the sources of the following risks, how they are managed and exposure at the reporting date:

- Interest rate risk, Note 8(a);
- Foreign exchange risk, Note 8(b);
- Liquidity risk, Note 8(c); and
- Credit risk, Note 8(d).

Information about the Trust Group's objectives for managing capital is contained in Note 8(e).

Risk management approach

The Vicinity Centres Group's treasury team is responsible for the day-to-day management of the Trust Group's capital requirements and the financial risks identified above. These activities are overseen by the internal management Capital Management Committee (CMC), operating under the CMC Charter and the treasury policy. This policy is endorsed by the Audit Committee and approved by the Board of Directors of Vicinity Centres RE. The overall objectives of the CMC are to:

- ensure that the Trust Group has funds available to meet all financial obligations, working capital and committed capital expenditure requirements;
- monitor and ensure compliance with all relevant financial covenants under the Trust Group's debt facilities;
- reduce the impact of adverse interest rate or foreign exchange movements on the Trust Group using approved financial risk management instruments;
- diversify banking counterparties to mitigate counterparty credit risk; and
- ensure the treasury team operates in an appropriate control environment, with effective systems and procedures.

(a) Interest rate risk

Nature and sources of risk

Interest rate risk represents the potential for changes in market interest rates to impact the total interest expense on floating rate borrowings (cash flow interest rate risk) or the fair value of derivatives (fair value interest rate risk) held by the Trust Group.

Risk management

Interest rate swaps are used to manage cash flows interest rate risk by targeting a hedge ratio[1] on the Trust Group's interest bearing liabilities. Under the terms of the interest rate swaps, the Trust Group agrees to exchange, at specified intervals, amounts based on the difference between fixed interest rates and the floating market interest rate calculated by reference to an agreed notional principal amount. None of these derivatives are currently in designated hedge relationships. They are also not permitted to be entered into for speculative purposes and therefore the Trust Group is not significantly exposed to fair value interest rate risk.

Exposure

As at the balance date, the Trust Group had the following exposure to cash flow interest rate risk:

	30-Jun-20 $m	30-Jun-19 $m
Total interest bearing liabilities (Note 7(a))	3,929.8	4,436.1
Reconciliation to drawn debt		
Deferred debt costs	16.8	13.3
Fair value and foreign exchange adjustments to GBMTNs	29.6	26.0
Fair value and foreign exchange adjustments to USPPs	(109.9)	(98.3)
Fair value adjustments to AMTNs and secured related party borrowings	1.3	(1.5)
Foreign exchange adjustments to HKMTNs	(11.4)	(8.5)
Fair value and foreign exchange adjustments to EUMTNs	2.8	-
Total drawn debt	**3,859.0**	**4,367.1**
Less: Cash on term deposit[2]	(150.0)	-
Less: Fixed rate borrowings	(890.0)	(1,290.0)
Variable rate borrowings exposed to cash flow interest rate risk	**2,819.0**	**3,077.1**
Less: Notional principal of outstanding interest rate swap contracts	(2,425.0)	(2,575.0)
Net variable rate borrowings exposed to cash flow interest rate risk	**394.0**	**502.1**
Hedge ratio[1]	**89.4%**	**88.5%**

1. Calculated as total drawn debt less cash on term deposit less net variable rate borrowings exposed to cash flow interest rate risk divided by total drawn debt less cash on term deposit.
2. Term deposit matured in July 2020.

8. Capital and financial risk management (continued)

(a) Interest rate risk (continued)

Sensitivity

A shift in the floating interest rate of +/- 25 bps, assuming the net exposure to cash flow interest rate risk as at 30 June 2020 remains unchanged for the next 12 months, would impact the Trust Group's cash interest cost for the next 12 months by $1.0 million (30 June 2019 +/-25 bps: $1.2 million).

A shift in the forward interest rate curve of +/- 25 bps, assuming the net exposure to fair value interest rate risk as at 30 June 2020 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $10.9 million (30 June 2019 +/-25 bps: $7.8 million).

This sensitivity analysis should not be considered a projection.

(b) Foreign exchange rate risk

Nature and sources of risk

Foreign exchange risk represents the potential for changes in market foreign exchange rates to impact the cash flows arising from the Trust Group's foreign denominated interest bearing liabilities (cash flow foreign exchange rate risk) or the fair value of derivatives and interest bearing liabilities (fair value foreign exchange rate risk) held by the Trust Group.

Risk management

Cash flow foreign exchange rate risk is managed through the use of cross currency swaps, which swap the foreign currency interest payments on foreign denominated interest bearing liabilities into Australian dollars and fix the exchange rate for the conversion of the principal repayment. None of these derivatives are currently in designated hedge relationships. They are also not permitted to be entered into for speculative purposes and therefore the Trust Group is not significantly exposed to fair value interest rate risk.

Exposure

As at the balance date, the Trust Group had entered into cross currency swaps with terms offsetting those of all foreign denominated interest bearing liabilities and therefore had no net exposure to cash flow foreign exchange rate risk (30 June 2019: nil net exposure). The table below summarises the foreign denominated interest bearing liabilities held by the Trust Group. Details of cross currency swaps held are shown in Note 7(e).

Foreign denominated interest bearing liabilities	Foreign currency	30-Jun-20 m	30-Jun-19 m
GBMTNs	GBP £	350.0	350.0
HKMTNs	HKD $	640.0	640.0
USPPs	USD $	523.0	523.0
EUMTNs	EUR €	500.0	-

Sensitivity

A shift in the forward GBP, HKD and USD exchange rate curves of +/- 5.0 cents, assuming the net exposure to fair value foreign exchange rate risk as at 30 June 2020 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $36.5 million (30 June 2019 +/- 5.0 cents: $8.7 million)

This sensitivity analysis should not be considered a projection.

(c) Liquidity risk

Nature and sources of risk

Liquidity risk represents the risk that the Trust Group will be unable to meet financial obligations as they fall due.

Risk management

To manage this risk, sufficient capacity under the Trust Group's financing facilities is maintained to meet the needs identified in the Trust Group's latest forecasts. This is achieved through obtaining and maintaining funding from a range of sources (e.g. banks and Australian and foreign debt capital markets), maintaining sufficient undrawn debt capacity and cash balances, and managing the amount of borrowings that mature, or facilities that expire, in any one year.

The COVID-19 pandemic has significantly impacted the Trust Group's cash flows and increased uncertainty within the Trust Group's forecasting process upon which future liquidity requirements are assessed. As a result of these impacts, the Trust Group undertook a number of initiatives to provide further capital and liquidity. These are discussed in Note 8(e).

8. Capital and financial risk management (continued)

(c) Liquidity risk (continued)

Exposure

The contractual maturity of cash on term deposit, interest bearing liabilities and the interest payment profile on interest bearing liabilities and derivatives is shown below. Estimated interest and principal payments are calculated based on the forward interest and foreign exchange rates prevailing at year end and are undiscounted. Timing of payments is based on current contractual obligations. Refer to Note 11 for details on trade payables that are not included in the table below.

30-Jun-20	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m
Bank debt	-	218.0	280.0	498.0
AMTNs[1]	150.0	-	860.0	1,010.0
GBMTNs	-	-	647.0	647.0
HKMTNs	-	-	945.2	945.2
USPPs	-	-	122.2	122.2
EUMTNs	-	40.0	858.2	898.2
Cash and interest on term deposit (inflows)	(150.3)	-	-	(150.3)
Estimated interest payments and line fees on borrowings	120.6	224.8	378.1	723.5
Estimated net interest rate swap cash outflow	33.3	114.4	105.6	253.3
Estimated gross cross currency swap cash outflows	46.8	98.6	2,523.8	2,669.2
Estimated gross cross currency swap cash (inflows)	(64.1)	(128.8)	(2,778.1)	(2,971.0)
Total contractual outflows	**136.3**	**567.0**	**3,942.0**	**4,645.3**

30-Jun-19	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m
Bank debt	-	1,063.0	355.5	1,418.5
AMTNs[1]	400.0	150.0	860.0	1,410.0
GBMTNs	-	-	659.2	659.2
HKMTNs	-	-	118.1	118.1
USPPs	-	-	847.7	847.7
Estimated interest payments and line fees on borrowings	144.2	215.4	397.1	756.7
Estimated net interest rate swap cash outflow	43.4	88.7	80.9	213.0
Estimated gross cross currency swap cash outflows	46.8	88.2	1,660.7	1,795.7
Estimated gross cross currency swap cash (inflows)	(54.2)	(108.1)	(1,767.4)	(1,929.7)
Total contractual outflows	**580.2**	**1,497.2**	**3,211.8**	**5,289.2**

[1] Secured related party borrowings are included within the total value of the AMTNs.

8. Capital and financial risk management (continued)

(d) Credit risk

Nature and sources of risk

Credit risk is the risk that a tenant or counterparty to a financial asset held by the Trust Group fails to meet their financial obligations. The Trust Group's financial assets that are subject to credit risk are bank deposits, tenant receivables and derivative financial assets.

Risk management

To mitigate credit risk in relation to derivative counterparties and bank deposits the Trust Group has policies to limit exposure to any one financial institution and only deal with those that have high-quality credit. To mitigate tenant credit risk, an assessment is performed taking into consideration the financial background of the tenant and the amount of any security or guarantee provided as collateral under the lease. The COVID-19 pandemic has increased credit risk on tenant receivables as many of the Trust Group's tenants have been unable to trade, have chosen not to trade, or have had their trade significantly impacted. Note 10 further discusses the assessment of credit risk on receivables at 30 June 2020.

Exposure

The maximum exposure to credit risk at the balance date is the carrying amount of the Trust Group's financial assets which are recognised within the Balance Sheet net of any provision for losses.

(e) Capital risk management

Approach and response to COVID-19

The Vicinity Centres Group seeks to maintain a strong and conservative capital structure with appropriate liquidity, low gearing and a diversified debt profile (by source and tenor). The Vicinity Centres Group has long-term credit ratings of 'A2/negative' from Moody's Investors Service and 'A/stable' from Standard & Poor's.

In response to the uncertainties arising from the COVID-19 pandemic and to assist with maintaining a strong and conservative capital structure, the Vicinity Centres Group undertook a number of capital and liquidity management activities during the six-month period ended 30 June 2020. These included:

- entering into agreements for net new or extended bank facilities of $450.0 million;
- completing a $1.2 billion fully underwritten security placement (Placement). The Placement was successfully completed on 2 June 2020 and the 810.8 million new securities issued under the Placement commenced trading alongside existing securities on 5 June 2020. The Trust Group received $1.1 billion of the Placement proceeds, net of transaction costs. The proceeds of the Placement were used to repay outstanding debt facilities;
- launching a Security Purchase Plan (SPP) which provided retail security holders to acquire up to $30,000 in new securities. The SPP offer closed on 6 July 2020 with $32.6 million of subscriptions. Accordingly, 22.6 million securities were subsequently allocated and commenced trading alongside existing securities on 14 July 2020. The Trust Group received $30.6 million of the SPP proceeds net of transaction costs;
- determining that no distribution would be paid for the second half of the financial year;
- finalising the on-market units buy-back program; and
- as detailed in Note 1, undertaking a range of operational and capital cost saving initiatives.

As at 30 June 2020, the Trust Group had $218.1 million of cash on hand and $1,977.0 million of available undrawn facilities, with $150.0 million of debt maturities in the 2021 financial year and no maturities in the 2022 financial year.

Key capital metrics

Key metrics monitored are gearing ratio and interest cover ratio. These metrics are shown below:

Gearing

The gearing ratio is calculated in the table below as:

- drawn debt, net of cash; divided by
- total tangible assets excluding cash, investment property leaseholds and derivative financial assets.

	30-Jun-20 $m	30-Jun-19 $m
Total drawn debt (Note 8(a))	**3,859.0**	**4,367.1**
Drawn debt net of cash	3,640.9	4,339.9
Total tangible assets excluding cash, investment property leaseholds and derivative financial assets	14,556.7	16,336.6
Gearing ratio (target range of 25.0% to 35.0%)	**25.0%**	**26.6%**

8. Capital and financial risk management (continued)

(e) Capital risk management (continued)

Interest cover ratio

The interest cover ratio (ICR) is calculated in accordance with the definitions within the Vicinity Centres Group's bank debt facility agreements as follows:

- EBITDA, which generally means the Vicinity Centres Group's earnings before interest, tax, depreciation, amortisation, fair value adjustments and other items; divided by
- total interest expense.

At 30 June 2020, the interest cover ratio was 3.9 times (30 June 2019: 4.4 times).

9. Contributed equity

An ordinary stapled security of the Vicinity Centres Group comprises one share in the Company and one unit in the Trust. Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Vicinity Centres Group (if enacted) in proportion to the number of securities held. Ordinary stapled securities are classified as equity.

Incremental costs directly attributable to the issue of new stapled securities are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new stapled securities for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

The number of units of the Trust Group is shown in the table below. All units are fully paid. During the year movements in units comprised:

- A reduction of 53.0 million units purchased as part of the on-market units buy-back program. These were purchased for a total of $113.7 million. The on-market units buy-back program is now completed.
- 810.8 million new units issued under the $1.1 billion Placement (refer to Note 8(e) for further details on the Placement).

	30-Jun-20 Number (m)	30-Jun-19 Number (m)	30-Jun-20 $m	30-Jun-19 $m
Total units on issue at the beginning of the year	3,771.8	3,871.6	7,533.8	7,784.8
Unit issued (net of equity raising costs)	810.8	-	1,110.3	-
On-market security buy-back	(53.0)	(99.8)	(113.7)	(251.0)
Total units on issue at the end of the year	**4,529.6**	**3,771.8**	**8,530.4**	**7,533.8**

Working capital

10. Trade receivables and other assets

(a) Summary

Trade receivables largely comprise amounts due from tenants of the Trust Group's investment properties under lease agreements and amounts receivable from strategic partners under property management agreements. Trade receivables are initially recognised at the transaction price or fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for expected credit losses. At 30 June 2020, the carrying value of trade receivables and other financial assets approximated their fair value.

	30-Jun-20 $m	30-Jun-19 $m
Current		
Trade debtors	199.5	17.3
Accrued income	13.9	18.0
Less: allowance for expected credit losses	(169.6)	(7.3)
Total trade receivables[1]	**43.8**	**28.0**
Distributions receivable from joint ventures and associates	32.7	19.5
Prepayments	7.8	11.8
Land tax levies	19.7	14.2
Tenant security deposits held	0.6	0.6
Related party interest receivable	4.8	6.1
Other	12.0	16.7
Total other assets	**77.6**	**68.9**
Total trade receivables and other assets	**121.4**	**96.9**
Non-current		
Loan to Vicinity Limited	456.5	478.1
Investment in unlisted fund at fair value	5.7	5.6
Investment in related party (Vicinity Enhanced Retail Fund) at fair value	0.7	0.9
Total non-current receivables and other assets	**462.9**	**484.6**

1. Includes receivables relating to lease rental income, property outgoings recovery revenue and other property-related revenue. Refer to Note 2 for an analysis of the Trust Group's revenue and income by type.

Management of tenant credit risk

Prior to entering into lease contracts with tenants, the Trust Group considers the financial background of the tenant and the amount of any proposed security or guarantee provided as collateral under the lease. On an ongoing basis, trade receivable balances from tenants are monitored with the Trust Group considering receivables that have not been paid for 30 days after the invoice date as past due. The Trust Group does not hold any collateral in relation to trade or other receivables, other than security deposits or bank guarantees as is usual in leasing agreements. The maximum exposure to receivables credit risk at the balance date is the carrying amount of each class of receivables outlined above. Individual debts are considered to be in default when contractual payments have not been made and written off when management decides to no longer pursue the amount.

10. Receivables and other assets (continued)

(a) Summary (continued)

Impact of the COVID-19 pandemic

The COVID-19 pandemic has unfavourably impacted consumer spending, shopping habits and physical retail sales of the Trust Group's tenants. This has been in large part driven by a decline in consumer confidence, due to the uncertain economic and health impacts of the pandemic, and preventative measures implemented by State and Federal Governments, such as 'stay at home orders', mandatory store closures and social distancing and travel restrictions. These factors have meant that at 30 June 2020, many tenants have not paid amounts due under lease contracts to the Trust Group. This has contributed to a significant increase in trade receivables as compared to previous periods.

Additionally, the Federal Government has introduced the SME Code, which contains principles for landlords and certain SME tenants affected by COVID-19 to negotiate rental waivers and deferrals. Application of the SME Code considers whether a SME tenant has suffered financial hardship due to the COVID-19 pandemic, including the SME tenant's inability to generate sufficient revenue as a direct result of the COVID-19 pandemic that causes the SME tenant to be unable to meet its financial and/or contractual commitments. Accordingly, the Trust Group is in the process of negotiating rental assistance and/or changes to lease terms with a significant number of SME and affected non-SME tenants across the portfolio. The Trust Group expects that these negotiations will result in a proportion of trade receivables recognised at 30 June 2020 being waived, although final outcomes are uncertain.

The rapidly changing and uncertain trading and economic environment and the uncertain outcome of rental assistance negotiations with tenants have all contributed to significant estimation uncertainty in determining the allowance for expected credit losses at 30 June 2020.

(b) Allowance for expected credit losses

The allowance for expected credit losses (ECLs) represents the difference between cash flows contractually receivable by the Trust Group and the cash flows the Trust Group expects to receive. For trade receivables, contract assets and lease receivables, the Trust Group applies the simplified approach in calculating ECLs. Therefore, the Trust Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Approach

In response to the impacts that COVID-19 has had on the Trust Group's tenants, retail trade and the economic environment (as outlined in Note 10(a)), the Trust Group adjusted its approach to determining ECLs on trade receivables at 30 June 2020. The provision matrix applied by the Trust Group in prior periods was primarily based on historical observed loss rates at an individual investment property level, which were applied based on the age of a debt. This approach was adjusted as follows:

Debtor ageing

Trade receivables were not solely segregated based on ageing. While a significant quantum of trade receivables relating to outstanding rentals were greater than 30 days past due (based on the date of the invoice), the Trust Group assessed that determining an allowance for ECLs on total debt for each tenant or tenant retail category (examples of retail categories include footwear, supermarkets, apparel, luxury and homewares), based on the inputs, estimates and assumptions outlined below, allowed for a better reflection of the credit risk at 30 June 2020.

Inputs, estimates and assumptions

The inputs and information considered, and estimates and assumptions made, when determining the rate of ECLs applied to each tenant or tenant category are outlined below. These were based on reasonable, supportable and relevant information available to the Group which incorporated forecasts of the impacts of COVID-19 on the retail sector and the Trust Group's tenants:

- Estimates of the likely rental waivers arising from rental relief negotiations. This estimate was based on preliminary discussions held with tenants, or offers made to tenants, or where no such discussions had yet occurred, internal assumptions developed with reference to the observed impacts of COVID-19 on sales and foot traffic trends and the likely outcome of negotiations with similar tenants.
- Forecasts of the impact of COVID-19 on the retail sales of different retail categories over the next 12 months. This forecast was developed based on a combination of third party and internal data sources and incorporated assumptions on key macro-economic indicators for retail sales such as unemployment and economic growth rates. This information was applied to tenants' pre-COVID sales to rent ratio to ascertain a forecast ratio of sales to rent and sales per square metre compared to market benchmarks. The ratios of sales to rent and sales per square metre are considered a key indicator of a tenant's ability to repay outstanding receivables.
- Information on the financial position of the tenant, where available. Limited financial information is available about the financial position of many of the Trust Group's tenants as they are a diverse range of small to large business that are often privately owned and this information is not required to be provided under lease contracts.
- The Trust Group's prior dealings with tenants and observed payment issues or unfavourable trends in sales performance observed prior to the outbreak of COVID-19.

10. Receivables and other assets (continued)

(b) Allowance for expected credit losses (continued)

The probability weighted expected credit loss allowance of $169.6 million determined by this approach comprised:

- Likely waivers arising from rental relief negotiations of $100.4 million.
- Additional allowances for the difference between cash flows contractually receivable by the Group (after deducting likely waivers) and the cash flows the Group expects to receive of $69.2 million. On average this represented 70% of the remaining trade receivables after deducting likely waivers.

While the information used in development of the allowance for ECLs is considered reasonable and supportable, the calculation of these amounts in the current environment is subject to significant uncertainty. Factors causing this uncertainty include the unknown economic impacts of the pandemic, the possibility of future lockdowns or Government mandated closures and the uncertain outcome of rental assistance negotiations with tenants. In the event that the impacts of COVID-19 are longer lasting or more severe than anticipated, this may result in a further increase in the allowance for ECLs or amount of debt written off in future periods.

Movements in the allowance for ECLs

The movement in the allowance for ECLs in respect of trade receivables during the year was as follows:

	30-Jun-20 $m	30-Jun-19 $m
Opening balance at 1 July	**(7.3)**	**(6.7)**
Amounts written off	6.2	4.3
Remeasurement of allowance	(168.5)	(4.9)
Closing balance at 30 June	**(169.6)**	**(7.3)**

Sensitivities

As outlined above, a key input into the determination of the allowance for ECLs was the likely outcome of rental waivers arising from rental relief negotiations. The weighted average percentage estimated for rent relief across outstanding trade receivables at 30 June 2020 was 56% of rent receivable at 30 June 2020. Changing this assumption by +/- 100bps would result in an $0.7 million increase/decrease in the allowance for ECLs.

11. Payables

Payables represent liabilities for goods and services provided to the Trust Group prior to the end of the financial year and that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are carried at amortised cost and are not discounted due to their short-term nature. At 30 June 2020, the carrying value of payables approximated their fair value.

	30-Jun-20 $m	30-Jun-19 $m
Current		
Trade payables and accrued expenses	61.6	53.0
Lease rental income and property outgoings recovery revenue received in advance[1]	12.2	16.8
Accrued interest expense	13.0	18.3
Accrued capital expenditure	12.8	24.0
Security deposits	0.3	0.3
Related party payables	29.5	4.6
Other	11.1	2.8
Total payables	**140.5**	**119.8**

1. Largely represents amounts received in advance relating to the following month's lease rental income and property outgoings recovery revenue.

12. Provisions

Provisions comprise liabilities for stamp duty obligations, levies and other items for which the amount or timing of the settlement is uncertain as it is outside the control of the Trust Group.

Where the provisions are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the obligation arises, the liability is discounted to present value based on management's best estimate of the timing of settlement and the expenditure required to settle the liability at the reporting date.

The movements for the year in other current provisions are as follows:

	30-Jun-19 $m	Arising during the year $m	Paid during the year $m	Other movements $m	30-Jun-20 $m
Stamp duty	6.0	-	-	-	6.0
Land tax levies	14.2	19.7	(14.2)	-	19.7
Total current provisions	**20.2**	**19.7**	**(14.2)**	**-**	**25.7**

Other disclosures

13. Remuneration of the Responsible Entity and Employees

The Trust Group is required to have an incorporated responsible entity (RE) to manage its activities. The RE provides Key Management Personnel for the Trust Group. The total RE fee recognised by the Trust Group for the year was $53,974,690 (30 June 2019: $56,787,000). At 30 June 2020 no RE fees remained payable to the RE (30 June 2019: nil).

The Trust Group is not required to prepare a Remuneration Report as the Directors and other Key Management Personnel are employed by the RE or its related entities. The Remuneration Report for the Vicinity Centres Group can be found in the 30 June 2020 Vicinity Centres Annual Report at vicinity.com.au.

14. Notes to the Cash Flow Statement

The reconciliation of net (loss)/profit after tax for the financial year to net cash provided by operating activities is provided below.

For the 12 months to:	30-Jun-20 $m	30-Jun-19 $m
Net (loss)/profit after tax for the financial year	**(1,413.9)**	**319.4**
Exclude non-cash items and cash flows under investing and financing activities:		
Amortisation of incentives and leasing costs	71.9	57.2
Straight-lining of rent adjustment	(8.8)	(15.1)
Property revaluation decrement for directly owned properties	1,715.3	239.3
Revaluation decrement of leasehold assets	1.5	-
Stamp duty paid	3.7	(3.0)
Share of net loss/(profit) of equity accounted investments	124.7	(17.6)
Distributions of net income from equity accounted investments	20.1	29.3
Amortisation of non-cash items included in interest expense	3.2	0.9
Net foreign exchange movement on interest bearing liabilities	13.1	57.9
Net mark-to-market movement on derivatives	(59.8)	(15.8)
Other non-cash items	0.5	(0.5)
Movements in working capital:		
Increase/(decrease) in payables, provisions and other liabilities	32.5	(39.9)
(Increase) in receivables and other assets	(24.3)	(19.9)
Net cash inflow from operating activities	**479.7**	**592.2**

15. Auditor's remuneration

During the year, the following fees were paid or payable for services provided to the Vicinity Centres Group by the auditor, EY, or its related practices.

For the 12 months to:	30-Jun-20 $'000	30-Jun-19 $'000
Audit and review of statutory financial statements of Vicinity Centres Group and its controlled entities	**1,121**	**1,169**
Assurance services required by legislation to be provided by the auditor	**18**	**18**
Other assurance services and agreed-upon procedures services under other legislation or contractual arrangements		
Property-related audits[1]	200	204
Other assurance services and agreed-upon procedures required under contract	116	135
Total other assurance services under other legislation or contractual arrangements	**316**	**339**
Other services		
Taxation compliance services	322	336
Other assurance services	45	294
Total other services	**367**	**630**
Total auditor's remuneration	**1,822**	**2,156**

1. Comprises audits of outgoing statements, promotional funds, real estate trust account audits and joint venture audits required under legislation or contract.

16. Parent entity financial information

The financial information presented below represents that of the legal parent entity, Vicinity Centres Trust. Vicinity Centres Trust recognises investments in subsidiary entities at cost, less any impairment since acquisition. Other accounting policies are consistent with those used for the preparation of the consolidated Financial Report.

	30-Jun-20 $m	30-Jun-19 $m
Balance Sheet		
Current assets	1,456.3	1,190.0
Total assets	**14,979.2**	**15,045.3**
Current liabilities	(942.1)	(1,376.2)
Total liabilities	**(4,523.3)**	**(5,185.2)**
Net assets	**10,455.9**	**9,860.1**
Equity		
Contributed equity	13,966.3	12,969.7
Accumulated losses	(3,510.4)	(3,109.6)
Total equity	**10,455.9**	**9,860.1**
Net (loss)/profit for the financial year of Vicinity Centres Trust as parent entity	**(111.5)**	**407.4**
Total comprehensive profit for the financial year of Vicinity Centres Trust	**(111.5)**	**407.4**

The parent entity has no capital expenditure commitments which have been contracted but not provided for contingencies as at reporting date. Guarantees provided to subsidiary entities are disclosed at Note 18(c) and predominantly relate to fulfilling capital requirements under Australian Financial Services Licences held by these subsidiaries.

17. Related parties

(a) Background

The parent entity of the Trust Group is Vicinity Centres Trust which is domiciled and incorporated in Australia. The deemed parent entity of the Vicinity Centres Group under AASB 3 *Business Combinations* is Vicinity Limited.

(b) Information on related party transactions and balances

The transactions with related parties, on normal commercial terms, and the balances outstanding at 30 June 2020 are outlined in the tables below. Transactions and balances relating to equity accounted investments are disclosed in Note 5(d).

For the 12 months to:	30-Jun-20 $'000	30-Jun-19 $'000
Ultimate parent		
Interest income on loan to Vicinity Limited	20,778	25,377
Other related parties		
Revenue and income		
Distribution revenue	40	90
Rent and outgoings revenue and income	17,363	18,748
Expenses and reimbursements		
Borrowing costs on secured related party borrowings	(11,729)	(16,769)
Asset management fees	(74,068)	(88,394)
Reimbursement of expenses	(52,445)	(55,945)

Outstanding related party trade receivables balances at year end are unsecured and settlement occurs in cash. The Trust Group does not hold any collateral in relation to related party receivables.

	30-Jun-20 $'000	30-Jun-19 $'000
Ultimate parent		
Interest receivable on loan to Vicinity Limited	4,811	6,124
Other related parties		
Interest payable on secured related party borrowings	(719)	(1,145)
Capital expenditure payable[1]	-	(94)
Other payables	(4,221)	(4,488)
Borrowing costs receivable on secured related party borrowings	92	649
Other receivables	2,096	2,619

1. Represents value of capital expenditure paid by a subsidiary of the ultimate parent on behalf of the Trust and recoverable from the Trust.

18. Commitments and contingencies

(a) Operating lease commitments

The Trust Group adopted AASB 16 *Leases* in the current year which required lessees to account for leases previously accounted for as operating leases under a single on-balance sheet model. The Trust Group does not hold any non-cancellable operating leases that is impacted by the adoption of AASB 16 (2019: nil). As disclosed in Note 19, the Trust Group's leases only relate to investment property leaseholds.

(b) Capital commitments

Estimated capital expenditure contracted for at reporting date, but not provided for:

	30-Jun-20 $m	30-Jun-19 $m
Not later than one year	39.9	87.7
Later than one year and not later than five years	-	-
Total capital commitments	**39.9**	**87.7**

(c) Contingent assets and liabilities

Bank guarantees totalling $44.6 million have been arranged by the Vicinity Centres Group, primarily to guarantee obligations for two of the Vicinity Centres Group's Responsible Entities to meet their financial obligations under their Australian Financial Services Licences and other capital requirements (30 June 2019: $47.5 million).

As at reporting date, there were no material contingent assets or liabilities.

19. Adoption of AASB 16 *Leases*

The new accounting standard AASB 16 *Leases* became effective for the Trust Group on 1 July 2019. AASB 16 replaces AASB 117 *Leases* and other lease-related interpretations. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model (with limited exceptions). Lessor accounting under AASB 16 is substantially unchanged, other than in respect of sub-leases for which lease classification is performed by reference to the right of use asset, rather than the underlying asset, so lessors will continue to classify leases as either operating or finance leases (applying similar principles as those within AASB 117).

This note explains the impact of the adoption of AASB 16 on the Trust Group's financial statements upon transition and for the year ended 30 June 2020.

(a) Transition

Transition approach

The Trust Group adopted AASB 16 using the modified retrospective approach with no cumulative adjustment recognised in retained earnings. The Trust Group's leases continue to only relate to investment property leaseholds (refer further discussion below). Lease liabilities were measured at the present value of the remaining lease payments at 1 July 2019, discounted using the lessee's incremental borrowing rate. AASB 16 did not change the requirement to recognise assets and liabilities in respect of these arrangements.

Investment property leaseholds

As disclosed in the footnotes to Note 4(d), a number of the Trust Group's investment properties are held under long-term leasehold arrangements. As per market practice, external and internal valuations performed to determine the fair value of these properties at reporting date have deducted the estimated lease payments from the valuation cash flows.

AASB 16 did not change the requirement to recognise assets and liabilities in respect of the Trust Group's leasehold arrangements. Investment property leaseholds meet the definition of investment property and are presented within investment property.

However, as a result of applying AASB 16, the Trust Group has reviewed its investment property leaseholds and included leases not previously included during transition and also reassessed the lease terms for certain investment property leaseholds. This resulted in the Trust Group recognising additional liabilities (and assets) amounting to $36.9 million.

19. Adoption of AASB 16 *Leases* (continued)

(b) Updated accounting policies

The following revised accounting policies relating to leases have been applied by the Trust Group since adoption of AASB 16 on 1 July 2019.

All leases are accounted for by recognising a right of use asset and a lease liability except for:

- leases of low value assets; and
- short-term leases.

Lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term (which includes any extension option periods assessed as reasonably certain to be exercised). The discount rate applied is determined by reference to the interest rate implicit in the lease unless (as is typically the case) this is not readily determinable, in which case the lessee's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate, initially measured using the index or rate as at the commencement date. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Trust Group if it is reasonably certain to exercise that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from modification, a change in an index or rate, when there is a change in the assessment of the term of any lease or a change in the assessment of purchasing the underlying asset.

Right of use assets

Right of use assets are initially measured at the amount of the lease liability recognised, adjusted for any prepaid or accrued lease payments, initial direct costs incurred and an estimate of costs to be incurred by the lease in restoring the site on which it is located.

Right of use assets relating to investment properties are included within the investment property balance. Lease liabilities are presented separately in the balance sheet.

(c) Movements for the year

The table below show the movements in the Trust Group's lease-related balances for the year:

	Leases liabilities
	Investment property leaseholds
For the 12 months to 30 June 2020	**$m**
Opening balance - 1 July 2019	**(260.1)**[1]
Interest charge on lease liabilities	(18.3)
Lease payments	16.8
Market rent reassessment	(3.1)
Closing balance[2]	**(264.7)**[3]

1. Includes amounts recognised upon reassessment of the lease term for certain investment property leasehold arrangements.
2. Total lease liabilities of $264.7 million represents $17.5 million of current lease liabilities and $247.2 million of non-current lease liabilities.
3. As disclosed in Note 4(d), a number of the Trust Group's investment properties are held under long-term leasehold arrangements. The lease liabilities in relation to these investment property leaseholds meet the definition of investment property and are presented within investment property in Note 4(d).

19. Adoption of AASB 16 *Leases* (continued)

(d) Lease liabilities maturity profile

The table below show the undiscounted maturity profile of the Trust Group's lease liabilities due as follows:

	30-Jun-20 $m	30-Jun-19[1] $m
Lease liabilities		
Not later than one year	13.3	15.9
Later than one but not more than five years	57.7	68.6
More than five years	468.9	547.3
Closing balance	**539.9**	**631.8**

1. Represents undiscounted payments on investment property leaseholds recognised as finance lease liabilities at 30 June 2019.

Adopting AASB 16 has had no significant impact on statutory net profit and earnings per unit for the year.

The Trust Group also recognised variable lease payments of $12.5 million during the year. These related primarily to investment property leaseholds where a component of lease payments is based on profitability achieved by the relevant property. As these lease payments are variable in nature, they are not included within the investment property leaseholds lease liability balance.

20. Other accounting matters

(a) Other accounting policies

This section contains other accounting policies that relate to the financial statements as a whole, detail of any changes in accounting policies and the impact of new or amended accounting standards.

Principles of consolidation

These consolidated financial statements comprise the assets and liabilities of all controlled entities at 30 June 2020 and the results of all controlled entities for the financial year unless otherwise stated. Controlled entities are:

- all entities over which the Trust Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity; and
- fully consolidated from the date on which control is transferred to the Trust Group, and, where applicable, deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities, and the balances and effects of transactions between all controlled entities are eliminated in full.

Investments in joint operations

Included in investment properties are shopping centres that are accounted for as joint operations – in the form of direct ownership of a partial freehold or leasehold interest in a shopping centre with a strategic partner, based on standard market joint operation agreements. The Trust Group accounts for joint operations by recognising its share of the shopping centre, classified as investment property, and its share of other assets, liabilities, income and expenses from the use and output of the joint operation.

Fair value measurement

The Trust Group has classified fair value measurements 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).

Future impact of Accounting Standards and Interpretations issued but not yet effective

There are no accounting standards or interpretation issued but not yet effective that are expected to have a material impact on the Group.

21. Events occurring after the reporting date

Completion of Security Purchase Plan (SPP)

The Vicinity Centres Group announced the SPP on 1 June 2020. This provided retail securityholders the opportunity to acquire up to $30,000 of new Vicinity stapled securities. The SPP offer closed on 6 July 2020 with subscriptions totalling $32.6 million. Subsequently, on 13 July 2020 22.6 million new Vicinity stapled securities were issued at a price of $1.44. These securities began trading alongside existing Vicinity securities on 14 July 2020.

Melbourne Stage 3 and Stage 4 lockdowns

Stage 3 lockdown restrictions were announced by the Victorian Premier for Melbourne and Mitchell Shire on 7 July 2020 (effective from 9 July 2020) and Stage 4 announced on 2 August 2020. Approximately 52% of the Trust Group's retail investment property portfolio (by value) is located within Victoria. These announcements and any future further restrictions will unfavourably impact the Trust Group's rental collections and financial performance in FY21.

Additionally, as disclosed in Note 4(c), the Trust Group considered the impact of an additional Stage 3 type lockdown of up to eight weeks in determining investment property fair values at 30 June 2020. An escalation to Stage 4 restrictions was not envisaged and therefore the announcement on 2 August 2020 would unfavourably impact the 30 June 2020 fair value of investment properties had it been considered at that time.

Rental assistance negotiations

As disclosed in Note 10 to the financial statements, due to the impacts of COVID-19 on retail trade, the Trust Group is in the process of negotiating rental assistance and/or changes to lease terms with a significant number of tenants across the portfolio. The Trust Group estimates that rental assistance will be provided for approximately 84% of lease agreements. As at 10 August 2020, the terms of rental assistance had been agreed in-principle with approximately 43% of tenants.

COVID-19 pandemic

The duration and extent of the pandemic and related financial, social and public health impacts of the COVID-19 pandemic are uncertain. Disclosures have been included in Note 2, Note 4 and Note 10 to the financial report on the impact that this uncertainty has had on the reported amounts of relevant revenues, expenses, assets and liabilities for the year ended 30 June 2020 and the potential impacts that this uncertainty may have on revenues, expenses, assets and liabilities in future periods.

Other than the matters described above, no matters have arisen since the end of the year which have significantly affected or may significantly affect, the operations of the Trust Group, the results of those operations or the state of affairs of the Trust Group in future financial periods.

Directors' Declaration

In accordance with a resolution of the Directors of Vicinity Centres RE Ltd as Responsible Entity for Vicinity Centres Trust (the Trust), we declare that:

(a) in the opinion of the Directors, the financial statements and notes set out on pages 9 to 50 are in accordance with the *Corporations Act 2001* (Cth), including:

   i. giving a true and fair view of the Trust and its controlled entities' financial position as at 30 June 2020 and of the performance for the financial year ended on that date; and

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

   iii. complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in the About this Report section of the financial statements; and

(b) in the opinion of the Directors, there are reasonable grounds to believe that the Trust and its controlled entities will be able to pay their debts as and when they become due and payable; and

(c) the Directors have been given the Declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* (Cth) for the financial year ended 30 June 2020.

Signed in accordance with a resolution of the Directors of Vicinity Centres RE Ltd.

Trevor Gerber
Chairman

Sydney
19 August 2020

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Independent Auditor's Report to the Unitholders of Vicinity Centres Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vicinity Centres Trust (the "Trust") and its subsidiaries (collectively the "Group"), which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion:

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

a) giving a true and fair view of the consolidated balance sheet of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

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

Building a better working world

1. Shopping Centre Investment Property Portfolio – Carrying Values and Revaluations

Why significant	How the matter was addressed in the audit
The Group directly owns a portfolio of retail property assets valued at $13,710.1 million at 30 June 2020, which represents 89.6% of total assets of the Group. In addition, there are retail property assets valued at $625.7 million held through interests in Joint Ventures. The Group's total assets include investment properties either held directly or through interests in Joint Ventures. These assets are carried at fair value, which is assessed by the Group with reference to external independent property valuations. Fair values are determined based on market conditions existing at the reporting date. The valuation of investment properties is inherently subjective. A small difference in any one of the key market input assumptions, when aggregated across all the properties, could result in a material change to the valuation of investment properties. We consider this a key audit matter due to the number of judgments required in determining fair value. ***Impact of COVID-19 on investment property values*** Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. The disclosures in the financial statements provide particularly important information about the assumptions made in the property valuations and the market conditions at 30 June 2020. We draw attention to Note 4 of the financial report which describes the material valuation uncertainty and the impact of the COVID-19 pandemic on the determination of fair value of investment properties and how this has been considered by the directors in the preparation of the financial report at 30 June 2020. Due to the material valuation uncertainty arising from the COVID-19 pandemic the property values may change significantly and unexpectedly over a relatively short period of time.	Our audit procedures included the following for both properties held directly and through interests in Joint Ventures: ▶ We discussed the following matters with management: ▸ movements in the Group's investment property portfolio; ▸ changes in the condition of each property, including an understanding of key developments and changes to development activities; ▸ controls in place relevant to the valuation and development processes; and ▸ the impact that COVID-19 has had on the Group's investment property portfolio including rental waivers and deferrals offered to tenants and tenant occupancy risk arising from changes in the estimated lease renewals. ▶ On a sample basis, we performed the following procedures: ▸ Evaluated the key assumptions and agreed key inputs to tenancy schedules. We tested the effectiveness of relevant controls over the leasing process and associated tenancy reports which are used as source data in the property valuations. ▸ Assessed whether changes to lease arrangements as a result of COVID-19 had been factored into the valuations and that changes in tenant occupancy risk were also considered. ▸ Tested the mathematical accuracy of valuations. ▸ Involved our real estate valuation specialists to assist with the assessment of the valuation assumptions and methodologies, in particular changes made as a result of COVID-19. ▸ Where relevant we compared the valuation against comparable transactions utilised in the valuation process. ▸ Evaluated the suitability of the valuation methodology across the portfolio based on the type of asset. We considered the reports of the independent valuers and held discussions with them, where appropriate, to gain an understanding of the assumptions and estimates used and the valuation methodology applied. This included the impact that COVID-19 has had on key assumptions such as the capitalisation, discount or growth rate and future forecast rentals. We have also considered the 'material valuation uncertainty' disclosure included in the valuation reports and any other restrictions imposed on the valuation process (if any) and the market conditions at balance date. ▸ Assessed the qualifications, competence and objectivity of the valuers.

Building a better working world

1. Shopping Centre Investment Property Portfolio – Carrying Values and Revaluations (continued)

Why significant	How the matter was addressed in the audit
	► Considered the additional valuation adjustments made as a result of the increase in COVID-19 cases and postcode lockdowns observed in Victoria in late June 2020. ► We have considered whether there have been any indicators of material changes in property valuations from 30 June 2020 up to the date of our opinion or any matters emerging since 30 June 2020 which provide evidence of a material change in valuation at that date. We involved our real estate valuation specialists to assist us in making this assessment. ► We have considered whether the financial report disclosures, in particular those relating to the material valuation uncertainty of the Investment Property portfolio, are appropriate.

2. Carrying value of trade receivables

Why significant	How the matter was addressed in the audit
As at 30 June 2020, the Group held $43.8 million in trade receivables, net of $169.6 million allowance for expected credit losses. Trade receivables primarily comprise amounts due from tenants of the Group's investment properties under lease agreements, less an allowance for expected credit losses. The Group applies Australian Accounting Standard - AASB 9 *Financial Instruments* in calculating the allowance for expected credit losses, applying a forward-looking expected loss impairment model. This involves significant judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions. The recoverability of trade receivables is considered a key audit matter due to the value of uncollected rental income at 30 June 2020 and the significant judgement required in determining the allowance for expected credit losses. The rapidly changing and uncertain trading and economic environment and the uncertain outcome of rental assistance negotiations with tenants have all contributed to significant estimation uncertainty in determining the allowance for expected credit losses at 30 June 2020. We draw attention to Note 10 of the financial report which describes the impact of the COVID-19 pandemic on the trade receivables and the related allowance for expected credit losses and how this has been considered by the directors in the preparation of the financial report at 30 June 2020. We note in the event the impact of COVID-19 varies from conditions anticipated at balance date, this may result in a change in the expected credit loss provision in future periods.	In assessing the carrying value of trade receivables, we: ► Assessed the effectiveness of relevant controls in relation to tenant lease arrangements. ► Tested the existence of trade receivables for a sample of tenant balances. ► Assessed receipts after year-end to determine any material change to exposure at the date of the financial report. ► Assessed whether the inputs into the determination of expected credit losses were consistent with the principles of AASB 9 and tested the mathematical accuracy of the calculations. ► Considered the Group's assessment of risk rating and associated allowance rate, for a sample of tenants. ► Evaluated the key assumptions applied in calculating expected credit losses, for a sample of tenants. ► Assessed whether forward-looking information was considered in the expected credit losses model. ► Assessed the adequacy of the Group's disclosures in relation to the valuation uncertainty of trade receivables included in the financial report, including the assumptions, estimations and judgements made in calculating the allowance for expected credit losses.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors of Vicinity Centres RE Ltd, the Responsible Entity of the Trust (the "RE") are responsible for the other information. The other information comprises the information included in the Vicinity Centres Trust Financial Report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the RE.
- Conclude on the appropriateness of the Directors of the RE's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors of the RE with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Ernst + Young

Ernst & Young

Alison Parker	Michael Collins
Partner	Partner
Melbourne	Melbourne
19 August 2020	19 August 2020