Vicinity Centres Trust

Financial Report for the half year ended
31 December 2021

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 half year ended 31 December 2021.

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 2021 and up to the date of this report unless otherwise stated:

(i) Chairman

Trevor Gerber (Independent)

(ii) Non-executive Directors

Clive Appleton

David Thurin AM

Janette Kendall (Independent)

Karen Penrose (Independent)

Peter Kahan (Independent)

Tim Hammon (Independent)

(iii) Executive Director

Grant Kelley (CEO and Managing Director)

Company Secretaries

Carolyn Reynolds

Rohan Abeyewardene

Principal activities

The principal activity of the Trust Group during the period continued to be investment in a portfolio of retail investment properties. 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.

Distributions

On 16 February 2022, the Directors declared a distribution for the half year ended 31 December 2021 of 4.7 cents per VCX stapled security, payable wholly by the Trust. This equates to total interim distributions of $214.0 million.

The interim distribution will be paid on 8 March 2022. The record date for determining entitlement to the interim distribution is 5pm, 22 February 2022.

Significant changes in state of affairs

COVID-19 pandemic

The Trust Group's performance continued to be adversely impacted by the COVID-19 pandemic ('COVID-19' or 'the pandemic') related disruptions during the six-month period. Key factors impacting VCT's financial and operational performance included:

- The extended lockdowns with mandated closure of non-essential retail in New South Wales (NSW) and Victoria (VIC) from July up to late October 2021. These locations account for approximately 68% of the Group's portfolio by value.
- Central business district (CBD) assets continued to experience reduced foot traffic as many CBD-based office workers continued to work from home, day-trippers continued to shop locally, and Australia's state and international borders remained closed for the majority of the period.
- The Trust Group continued to provide rental assistance in the form of rental waivers, payment deferrals and other temporary modifications to the underlying leases agreements to eligible SME tenants and other tenants in categories and locations that continue to experience financial hardship and distress. These negotiations were undertaken in accordance with the general principles of the Australian Government's *SME Commercial Code of Conduct and Leasing Principles During COVID-19* or with the applicable regulations in Victoria and NSW (collectively referred to as the 'SME Codes').
- Ongoing uncertainty in communities within which the Trust Group operate in due to the rapid increase and high number of Omicron cases since December 2021.
- The Trust Group was eligible for land tax relief for calendar years 2020 and 2021 in accordance to the respective state government land tax relief measures.

The duration and full extent of the pandemic and its impacts on the economy, consumers and investment markets remain uncertain. As a result, certain significant judgements, estimates and assumptions have been made in determining the carrying value of certain assets and liabilities at 31 December 2021. These are further discussed in the 'About this Report' section of the financial report.

Further information on the impact of the pandemic and the Vicinity Centres Group's response can be found in the 'Review of results and operations' in the Vicinity Centres Group 31 December 2021 half year financial report available at vicinity.com.au.

Review of results and operations

The review of the results and operations for the Vicinity Centres Group including further information on strategy, operations, and risks is contained in the Directors' Report in the Vicinity Centres Group 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 profit after tax of the Trust Group for the half year ended 31 December 2021 was $639.3 million, an increase of $1,023.4 million on the prior period (31 December 2020: net loss after tax of $384.1 million). This result mainly comprised:

- Higher non-cash property revaluation increment on directly owned properties of $359.5 million (31 December 2020: decrement of $508.6 million);
- Net profits[1] contributed from investment properties of $333.3 million (31 December 2020: $311.0 million);
- Share of profits from equity accounted investments of $15.5 million, driven by net profits and property revaluation increment (31 December 2020: loss of $31.6 million); and
- Net mark to market gains on derivatives $81.2 million (31 December 2020: loss of $187.7 million); partly offset by
- Net foreign exchange losses of $25.6 million (31 December 2020: gain of $118.2 million); and
- Borrowing costs of $92.2 million (31 December 2020: $67.7 million).

Cash flows from operating activities for the half year were $237.3 million (31 December 2020: $293.3 million).

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

Review of results and operations (continued)

(b) Financial position

At 31 December 2021 the Trust Group's net assets were $10,653.0 million, up $639.3 million from $10,013.7 million at 30 June 2021. This increase was due to the aforementioned net profits contributed from investment properties and property revaluation increments recorded on directly owned investment properties and equity accounted investments.

(c) Capital management

During the half year, net drawdowns of $573.0 million of bank debt were made throughout the period to fund the acquisition of Harbour Town and capital expenditure requirements.

Apart from the activities noted above, no other significant financing activities occurred during the six months to 31 December 2021.

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.

Events occurring after the end of the reporting period

COVID-19 pandemic

The duration, frequency and extent of restrictions and the financial, social, and public health impacts of the COVID-19 pandemic remain uncertain and therefore the Trust Group cannot quantify the impact that COVID-19 may have on future periods. The financial report includes disclosures on the potential impact of the prevailing uncertainty on the reported amounts of relevant revenues, expenses, assets, and liabilities for the half year ended 31 December 2021 and future periods where relevant.

Extension of SME Codes

The New South Wales and Victorian state governments announced the extension of the SME Codes on 14 and 15 January 2022 respectively. The extensions are for a period of two months and will expire by 15 March 2022. The Trust Group will continue to provide rental assistance in the form of rental waivers, payment deferrals and other temporary modifications to the underlying lease agreements to eligible SME tenants and other tenants that operate in categories and locations that continue to experience financial hardship and distress.

Other than the matters described above, no other matters have arisen since the end of the period 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 accordance with a resolution of Directors.

Trevor Gerber
Chairman
16 February 2022

Building a better working world

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

As lead auditor for the review of the half-year financial report of Vicinity Centres Trust for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst + Young

Ernst & Young

Alison Parker
Partner
16 February 2022

Statement of Comprehensive Income

for the half year ended 31 December 2021

	Note	31-Dec-21 $m	31-Dec-20 $m
Revenue and income			
Property ownership revenue and income		535.7	549.1
Interest and other income		9.6	7.8
Total revenue and income	2(b)	**545.3**	**556.9**
Share of net profit/(loss) of equity accounted investments		15.5	(31.6)
Property revaluation increment/(decrement) for directly owned properties	3(b)	359.5	(508.6)
Direct property expenses		(165.1)	(161.8)
Allowance for expected credit losses	8(b)	(37.3)	(76.3)
Borrowing costs	5(c)	(92.2)	(67.7)
Responsible entity fees		(24.9)	(24.2)
Other expenses		4.8	(1.3)
Net foreign exchange movement on interest bearing liabilities		(25.6)	118.2
Net mark-to-market movement on derivatives		81.2	(187.7)
Stamp duty written off on acquisition of investment property		(21.9)	-
Net profit/(loss) before tax for the half year		**639.3**	**(384.1)**
Income tax expense		-	-
Net profit/(loss) for the half year		**639.3**	**(384.1)**
Other comprehensive income		-	-
Total comprehensive income/(loss) for the half year		**639.3**	**(384.1)**
Earnings per unit attributable to unitholders of the Trust Group:			
Basic earnings per unit (cents)		14.04	(8.44)
Diluted earnings per unit (cents)		14.02	(8.44)

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

Balance Sheet

as at 31 December 2021

	Note	31-Dec-21 $m	30-Jun-21 $m
Current assets			
Cash and cash equivalents		51.6	36.2
Trade receivables and other assets	8(a)	125.3	103.1
Investment property classified as held for sale	3(a)	130.9	128.0
Derivative financial instruments		1.7	-
Total current assets		**309.5**	**267.3**
Non-current assets			
Investment properties	3(a)	13,728.6	13,070.2
Equity accounted investments	4	494.7	479.3
Derivative financial instruments		120.9	110.4
Other assets	8(a)	547.1	414.8
Total non-current assets		**14,891.3**	**14,074.7**
Total assets		**15,200.8**	**14,342.0**
Current liabilities			
Interest bearing liabilities	5(a)	40.0	-
Distribution payable		-	300.4
Payables and other financial liabilities		153.4	162.5
Lease liabilities		23.5	23.1
Provisions		21.9	26.5
Derivative financial instruments		1.7	-
Total current liabilities		**240.5**	**512.5**
Non-current liabilities			
Interest bearing liabilities	5(a)	3,842.6	3,281.9
Lease liabilities		321.6	320.1
Derivative financial instruments		143.1	213.8
Total non-current liabilities		**4,307.3**	**3,815.8**
Total liabilities		**4,547.8**	**4,328.3**
Net assets		**10,653.0**	**10,013.7**
Equity			
Contributed equity	6	8,560.8	8,560.8
Retained profits		2,092.2	1,452.9
Total equity		**10,653.0**	**10,013.7**

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

Statement of Changes in Equity

for the half year ended 31 December 2021

	Attributable to unitholders of the Trust		
	Contributed equity $m	Retained profits $m	Total $m
As at 1 July 2020	**8,530.4**	**2,164.9**	**10,695.3**
Net loss for the half year	-	(384.1)	(384.1)
Total comprehensive loss for the half year	**-**	**(384.1)**	**(384.1)**
Transactions with unitholders in their capacity as unitholders:			
Units issued	30.7	-	30.7
Units issue costs (net of tax)	(0.3)	-	(0.3)
Distributions declared	-	(154.8)	(154.8)
Total equity as at 31 December 2020	**8,560.8**	**1,626.0**	**10,186.8**
As at 1 July 2021	**8,560.8**	**1,452.9**	**10,013.7**
Net profit for the half year	-	639.3	639.3
Total comprehensive profit for the half year	**-**	**639.3**	**639.3**
Transactions with unitholders in their capacity as unitholders:			
Units issued	-	-	-
Units issue costs (net of tax)	-	-	-
Distributions declared	-	-	-
Total equity as at 31 December 2021	**8,560.8**	**2,092.2**	**10,653.0**

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

Cash Flow Statement

for the half year ended 31 December 2021

	Note	31-Dec-21 $m	31-Dec-20 $m
Cash flows from operating activities			
Receipts in the course of operations		559.8	568.5
Payments in the course of operations		(250.3)	(235.9)
Distributions and dividends received from equity accounted and managed investments		4.0	10.7
Net operating cash flows retained by equity accounted entities		5.2	-
Interest and other revenue received		10.9	12.2
Interest paid		(87.1)	(62.2)
Net cash inflows from operating activities – proportionate[1]		242.5	293.3
Less: net operating cash flows retained by equity accounted entities		(5.2)	-
Net cash inflows from operating activities	9	**237.3**	**293.3**
Cash flows from investing activities			
Payments for capital expenditure on investment properties		(111.8)	(69.3)
Payments for acquisition of investment property	3(b)	(358.4)	(1.1)
Payment for acquisition of other investments		(2.0)	-
Stamp duty paid upon acquisition of investment property		(21.9)	-
Proceeds from disposal of investment properties	3(b)	121.8	2.8
Proceeds from disposal of financial asset		7.0	-
Net cash outflows from investing activities		**(365.3)**	**(67.6)**
Cash flows from financing activities			
Proceeds from issue of units		-	30.7
Transaction costs on issue of units		-	(0.3)
Proceeds from borrowings		716.0	150.0
Repayment of borrowings		(143.0)	(578.0)
Proceeds received from Vicinity Limited		67.3	72.9
Funds advanced to Vicinity Limited		(196.2)	(58.7)
Distributions paid to external unitholders		(300.4)	-
Debt establishment costs paid		(0.3)	(0.3)
Net cash inflows/(outflows) from financing activities		**143.4**	**(383.7)**
Net increase/(decrease) in cash and cash equivalents held		**15.4**	**(158.0)**
Cash and cash equivalents at the beginning of the half year		**36.2**	**218.1**
Cash and cash equivalents at the end of the half year		**51.6**	**60.1**

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.

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 financial report available at vicinity.com.au.

Basis of preparation

The condensed consolidated financial report for the half year ended 31 December 2021 (the Financial Report):

- Has been prepared in accordance with the *Corporations Act 2001 (Cth)*, Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements. The accounting policies adopted are consistent with those of the previous financial year except for the impact of the new and amended accounting standards described below;
- Does not include all the notes of the type normally included in an annual financial report unless otherwise stated. Accordingly, this report is to be read in conjunction with the 30 June 2021 Financial Report and any public announcements issued by VCX during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001 (Cth)* and the Listing Rules of the ASX;
- Is presented in Australian dollars ($) and rounded to the nearest one tenth of a million dollars ($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 Ltd as the responsible entity (RE) of the Vicinity Centres Trust on 16 February 2022.

COVID-19 pandemic

The COVID-19 pandemic ('COVID-19' or the 'pandemic') continued to adversely impact the Trust Group's operations and financial results during the half year due to the extended lockdowns and closure of non-essential retail in New South Wales (NSW) and Victoria (VIC) up to late October 2021.

Further information on the impacts of COVID-19 on the Trust Group's operations and results for the half year ended 31 December 2021 can be found in the Directors' Report.

Further information on these impacts on the Trust Group's significant judgements and estimates has been included within the relevant notes to the half-year financial statements.

Going concern

The Financial Report has been prepared on a going concern basis based on the following factors at 31 December 2021:

- The Trust Group has sufficient liquidity including undrawn facilities of $1,826.0 million (refer to Note 5(b)), cash and cash equivalents of $51.6 million and generates sufficient operating cash flows to meet its current obligations as they fall due; and
- The Trust Group has assessed scenarios which consider varying levels of unfavourable impacts of the 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.

Impact of new and amended accounting standards

New and amended standards that became effective as of 1 July 2021 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 accounting policies. The Trust Group has not adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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.

As the full extent of the impacts of the pandemic remain uncertain, the level of judgement and estimation applied in the preparation of the 31 December 2021 financial report remained elevated. This elevated level of judgement and estimation was particularly relevant in the areas of recoverability of tenant debtors, revenue and income and valuation of investment properties. The updates to the following significant judgements and estimates are included in the relevant notes to this half-year financial report:

Area of judgement or estimation	Note
Revenue and income, including the impact of COVID-19 rental assistance	2
Valuation of investment properties	3
Recoverability of tenant debtors	8

There was no significant change in judgements and estimates applied in the valuation of derivative financial instruments as compared to those disclosed within the 30 June 2021 financial report.

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) COVID-19 rental assistance

The Trust Group continued to provide rental assistance in the form of rental waivers, payment deferrals and other temporary modifications to the underlying leases agreements to eligible SME tenants and other tenants in categories and locations that continue to experience financial hardship and distress. These negotiations were undertaken in accordance with the general principles of the Australian Government's *SME Commercial Code of Conduct and Leasing Principles During COVID-19* or with the applicable regulations in Victoria and NSW (collectively referred to as the 'SME Codes').

The impact of rental assistance agreements on the financial statements are discussed below.

Rental assistance agreed

Rental assistance is agreed once both the Trust Group and the tenant have executed the legal agreement outlining the terms of the assistance. Given that the provision of rental assistance during the pandemic was not contemplated within the Trust Group's pre-existing lease arrangements, these are treated as modifications of the pre-existing leases (lease modifications). Lease modifications have the following effects on the financial statements in the half year ended 31 December 2021:

- Waivers of lease receivables recognised as lease rental income prior to the date of an amended lease agreement being executed are written off through the Statement of Comprehensive Income, except to the extent of a pre-existing allowance for expected credit losses relating to outstanding lease receivables. For the half year ended 31 December 2021, $24.4 million of lease receivables were waived (six months to 31 December 2020: $65.1 million).
- Lease rental income due over the remaining lease term, which incorporates any future reductions including waivers to fixed lease payments as compared to the original lease agreement, is recognised on a straight-line basis. During the half year, approximately $3.4 million of rental waivers (31 December 2020: $13.0 million) were processed, with a further $2.7 million to be recognised in future periods (31 December 2020: $5.7 million). Accounting adjustments required to straight-line the impact of these reductions has reduced lease rental income by $3.0 million for the half year ended 31 December 2021 (six months to 31 December 2020: $10.4 million increase in lease rental income).
- Rent for which payment is deferred to a later date (rent is normally payable monthly in advance) continues to be recognised as lease rental income with a corresponding lease receivable in the period to which the occupancy relates. For the half year ended 31 December 2021, rental payments of approximately $7.6 million were deferred to future reporting periods (31 December 2020: $7.1 million) and $5.8 million of deferred rent receivables was re-billed. As at 31 December 2021, rental payments of approximately $12.1 million were deferred to future reporting periods.

As at 31 December 2021, 7,121 agreements for rental assistance had been executed since the commencement of COVID-19.

2. Revenue and income (continued)

(a) COVID-19 rental assistance (continued)

Rental assistance under negotiation

Until rental assistance is agreed, lease rental income and lease receivables continue to be recognised in accordance with the terms of the original lease agreement. At the end of the reporting period, an estimate of the lease receivables expected to be waived once an agreement is reached is included within the allowance for expected credit losses. The Trust Group has identified approximately 3,150 leases for rent relief that are yet to be completed, of which the majority relates to eligible tenants impacted by the extended lockdowns in NSW and VIC during the period. Some tenants may require more than one rental assistance agreement depending on the timing of the impacts of COVID-19 on their operations.

Further information on the lease receivables waived and expected credit losses recognised during the half year (relating to both rental assistances agreed and under negotiation) and as at 31 December 2021 is included in Note 8.

(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.

	31-Dec-21 $m	31-Dec-20 $m
Recovery of property outgoings[1]	85.2	83.8
Other property-related revenue[1]	29.9	33.6
Total revenue from contracts with customers	**115.1**	**117.4**
Lease rental income[1]	420.6	431.7
Interest and other income	9.6	7.8
Total income	**430.2**	**439.5**
Total revenue and income	**545.3**	**556.9**

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

3. 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, arm's 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.

(a) Portfolio summary

	31-Dec-21			30-Jun-21		
Shopping centre type	**Number of properties**	**Value $m**	**Weighted average cap rate, %**	**Number of properties**	**Value $m**	**Weighted average cap rate, %**
Super Regional	1	3,062.5	3.88	1	3,016.0	3.88
Major Regional	7	2,022.5	5.85	7	2,012.0	5.92
Central Business Districts	7	1,986.8	4.95	7	1,965.0	4.97
Regional	8	1,550.8	6.38	8	1,452.6	6.68
Outlet Centre	8	2,197.1	5.57	7	1,744.9	5.93
Sub Regional	24	2,675.2	6.20	24	2,539.3	6.51
Neighbourhood	3	181.0	5.76	3	167.5	6.23
Planning and holding costs[1]	-	48.7	n/a	-	40.6	n/a
Less: Property holdings by Vicinity Limited[2]	(1)	(210.2)	n/a	-	(82.9)	n/a
Total	**57**	**13,514.4**	**5.36**	**57**	**12,855.0**	**5.50**
Add: Investment property leaseholds	n/a	345.1		n/a	343.2	
Less: Property held for sale (current asset)[3]	(1)	(130.9)		(1)	(128.0)	
Total investment properties	**56**	**13,728.6**		**56**	**13,070.2**	

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. Represents certain equipment which forms part of the individual fair values of the Trust Group's investment properties and Box Hill North Shopping Centre with carrying value of $114.0 million, which are held by Vicinity Limited.
3. 31 December 2021: Represents the carrying amount of Runaway Bay Centre investment property which is classified as asset held for sale at 31 December 2021.
   30 June 2021: Related to the value of Box Hill North investment property which the Trust Group disposed to a subsidiary of Vicinity Limited on 30 September 2021.

3. Investment properties (continued)

(b) Movements for the period

The following investment property transactions occurred during the period:

- Disposal of Box Hill North from the Trust Group to Vicinity Box Hill North Pty Ltd for $128.0 million[1] on 30 September 2021;
- Acquired a 50% interest in Harbour Town Premium Outlet Centre on the Gold Coast for $358.0 million[1] on 30 November 2021; and
- Entered into a Put and Call Option Deed to sell its 50% interest in Runaway Bay Centre, which is expected to settle by 30 June 2022.

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

	31-Dec-21 $m	31-Dec-20 $m
Opening balance at 1 July	**12,855.0**	**13,445.4**
Acquisitions including associated stamp duty and transaction costs	380.3	13.0
Capital expenditure[2]	111.8	60.5
Capitalised borrowing costs[3]	0.7	0.1
Disposals	(127.8)	(14.7)
Property revaluation increment/(decrement) for directly owned properties[4]	357.6	(510.0)
Stamp duty written off on acquisition of investment property	(21.9)	-
Amortisation of incentives and leasing costs[5]	(38.2)	(36.6)
Straight-lining of rent adjustment[5]	(3.1)	8.8
Closing balance at 31 December	**13,514.4**	**12,966.5**

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 4.2% (31 December 2020: 2.9%).
4. The property revaluation increment of $357.6 million (31 December-2020: revaluation decrement of $510.0 million) includes the revaluation of property held for sale but is before the addition of investment property leaseholds. The $359.5 million revaluation increment (31 December 2020: revaluation decrement of $508.6 million) presented within the Statement of Comprehensive Income includes a $1.9 million revaluation increment (31 December 2020: revaluation increment of $1.4 million) of investment property leaseholds held at fair value.
5. For leases where Vicinity is the lessor in the lease arrangement.

(c) Portfolio valuation

Changes to valuation process

Details of the Trust Group's valuation process are provided within Note 4(c) of the 30 June 2021 Financial Report. In the current period, the Trust Group's valuation methodology has not changed significantly other than as disclosed below.

The Trust Group's policy requires that the pre-approved panel of independent valuers be updated every three years. Accordingly, the panel has been updated in the current period, in accordance with the selection criteria outlined in the 30 June 2021 Financial Report. Independent valuations undertaken at 31 December 2021 have been completed under the new appointments.

Judgements and Estimates including the impact of the COVID-19 pandemic on valuation uncertainty

There continues to be some estimation uncertainty in determining key inputs into the fair value of the Trust Group's investment properties at 31 December 2021.

The key factors causing estimation uncertainty and how they may influence investment property fair values in the future include those identified below. Notwithstanding that there remains some uncertainty due to the impacts of COVID-19, all of the Group's independent valuers have removed 'material uncertainty' clauses from their valuation reports as part of the 31 December 2021 valuation process (30 June 2021: majority of Group's independent valuers noted the existence of material valuation uncertainty). This is primarily due to the availability of comparable property transaction market evidence used to determine market-based capitalisation and discount rates, and less likelihood that state governments will enforce extended lockdowns in the future.

3. Investment properties (continued)

(c) Portfolio valuation (continued)

Judgements and Estimates including the impact of the COVID-19 pandemic on valuation uncertainty (continued)

Further discussion on the remaining factors can be found within Note 4(c) to the 30 June 2021 Financial Report:

- Impact of actual and potential lockdowns, restrictions, and other indirect impacts on retail property performance; and
- Uncertain government policy settings.

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 derived capitalisation and discount rates), investment property valuations are considered "Level 3" of the fair value hierarchy (refer Note 20 to the 30 June 2021 Financial Report for further details on the fair value hierarchy). Key unobservable inputs used by the Trust Group in determining the fair value of its investment properties are summarised below. These are consistent with key inputs assessed at 30 June 2021, but there have been positive movements such as the tightening in the capitalisation rate across the portfolio (weighted average basis), driven by the stronger demand for retail property observed in the 6 months to 31 December 2021.

The valuations at 31 December 2021 continued to incorporate specific unobservable adjustments relating to COVID-19. In many instances these adjustments were equal to or less than those made at 30 June 2021 across the portfolio. These adjustments included (where appropriate):

- Allowances for rental waivers and tenant support ranging from nil-7 months on average at each property to be provided to tenants impacted by past lockdowns instigated by state governments as a response to the COVID-19 outbreaks (30 June 2021: range from 0-7 months across the portfolio);
- Capital and stabilisation allowances for the replacement of existing tenants that do not renew lease agreements or are expected to take longer to recover;
- Market rent growth rates have softened slightly due in part to a slightly longer recovery period anticipated from COVID-19 such as for CBD properties; and
- Higher than historical average allowance for tenant incentives to lease space at assets over the short to medium term.

	31-Dec-21		30-Jun-21		
Unobservable inputs	**Range of inputs**	**Weighted average inputs**	**Range of inputs**	**Weighted average inputs**	**Sensitivity**
Capitalisation rate[1]	3.88% – 8.00%	5.36%	3.88% – 8.00%	5.50%	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%	6.55%	6.00% – 9.00%	6.74%	
Terminal yield[3]	4.13% – 7.75%	5.56%	4.13% – 8.00%	5.70%	
Expected downtime (for tenants vacating)	3 to 15 months	7 months	3 to 15 months	7 months	
Market rents and rental growth rate	1.94% – 3.25%	2.76%	2.13% – 3.22%	2.81%	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). For all investment properties, the current use equates to the highest and best use.

3. Investment properties (continued)

(c) Portfolio valuation (continued)

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 as at 31 December 2021. Specific key unobservable inputs may impact only the capitalisation of net income method, the DCF method or both methods.

DCF method

31-Dec-21 $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]	13,334.8				
Impact on actual valuation		+302.6	(284.0)	(178.5)	+181.4
Resulting valuation		13,637.4	13,050.8	13,156.3	13,516.2

Capitalisation of net income method

31-Dec-21 $m	Carrying value	Capitalisation rate -0.25%	Capitalisation rate +0.25%
Actual valuation[1]	13,334.8		
Impact on actual valuation		+669.0	(604.6)
Resulting valuation		14,003.8	12,730.2

1. Excludes planning and holding costs, property held for sale and investment property leaseholds.

(d) List of investment properties held

The tables below summarise the carrying value for each investment property.

i. Super Regional

	Ownership interest %	Valuation type 31-Dec-21	Carrying value 31-Dec-21 $m	Carrying value 30-Jun-21 $m
Chadstone	50	Independent	3,062.5	3,016.0
Total Super Regional			**3,062.5**	**3,016.0**

ii. Major Regional

	Ownership interest %	Valuation type 31-Dec-21	Carrying value 31-Dec-21 $m	Carrying value 30-Jun-21 $m
Bankstown Central	50	Independent	255.0	260.5
Bayside	100	Independent	435.0	430.0
Galleria	50	Independent	227.5	235.0
Mandurah Forum	50	Independent	217.5	217.5
Northland	50	Internal	400.0	402.5
Roselands	50	Independent	167.5	139.0
The Glen	50	Internal	320.0	327.5
Total Major Regional			**2,022.5**	**2,012.0**

3. Investment properties (continued)

(d) List of investment properties held (continued)

iii. Central Business Districts (CBDs)

	Ownership interest %	Valuation type 31-Dec-21	Carrying value 31-Dec-21 $m	Carrying value 30-Jun-21 $m
Emporium Melbourne	50	Independent	520.0	520.0
Myer Bourke Street	33	Independent	135.0	135.0
Queen Victoria Building[1]	50	Independent	277.0	270.3
QueensPlaza	100	Independent	680.0	665.0
The Galeries	50	Independent	149.9	146.5
The Myer Centre Brisbane	25	Internal	113.7	118.8
The Strand Arcade	50	Independent	111.2	109.4
Total Central Business Districts			**1,986.8**	**1,965.0**

1. The title to this property is leasehold and expires in 2083.

iv. Regional

	Ownership interest %	Valuation type 31-Dec-21	Carrying value 31-Dec-21 $m	Carrying value 30-Jun-21 $m
Broadmeadows Central	100	Internal	272.7	260.4
Colonnades	50	Independent	126.2	113.2
Cranbourne Park	50	Internal	137.5	127.0
Eastlands	100	Independent	170.0	163.0
Elizabeth City Centre	100	Independent	307.0	290.0
Grand Plaza	50	Independent	187.5	182.0
Rockingham Centre	50	Internal	219.0	210.0
Runaway Bay Centre[1]	50	Internal	130.9	107.0
Total Regional			**1,550.8**	**1,452.6**

1. Investment property held for sale. Refer to Note 3(a).

v. Outlet Centre

	Ownership interest %	Valuation type 31-Dec-21	Carrying value 31-Dec-21 $m	Carrying value 30-Jun-21 $m
DFO Brisbane[1]	100	Internal	68.0	67.0
DFO Essendon[2]	100	Independent	173.0	165.0
DFO Homebush	100	Independent	656.0	626.9
DFO Moorabbin[3]	100	Internal	103.0	104.0
DFO Perth[4]	50	Independent	116.8	110.0
DFO South Wharf[5]	100	Internal	640.0	610.0
DFO Uni Hill	50	Independent	70.3	62.0
Harbour Town	50	Independent	370.0	-
Total Outlet Centre			**2,197.1**	**1,744.9**

1. The right to operate the DFO Brisbane business expires in 2046.
2. The title to this property is leasehold and expires in 2048.
3. The title to this property is leasehold with an option to extend the ground lease to 2034 at the Trust Group's discretion.
4. The title to this property is leasehold and expires in 2047.
5. The title to this property is leasehold and expires in 2108.

3. Investment properties (continued)

(d) List of investment properties held (continued)

vi. Sub Regional

	Ownership interest %	Valuation type 31-Dec-21	Carrying value 31-Dec-21 $m	Carrying value 30-Jun-21 $m
Altona Gate Shopping Centre	100	Independent	110.0	107.0
Armidale Central	100	Internal	36.0	34.5
Box Hill Central (North Precinct)[1]	100	Independent	114.0	118.0
Box Hill Central (South Precinct)[2]	100	Independent	220.3	203.0
Buranda Village	100	Internal	39.0	38.0
Carlingford Court	50	Independent	102.2	98.6
Castle Plaza	100	Independent	149.2	142.0
Ellenbrook Central	100	Independent	258.0	250.0
Gympie Central	100	Independent	76.0	72.5
Halls Head Central	50	Internal	41.4	38.3
Karratha City	50	Internal	51.1	49.3
Kurralta Central	100	Internal	50.0	45.5
Lake Haven Centre	100	Independent	293.0	270.0
Livingston Marketplace	100	Internal	83.2	79.5
Maddington Central	100	Independent	97.0	90.0
Mornington Central	50	Independent	39.4	35.0
Nepean Village	100	Independent	205.0	201.3
Northgate	100	Internal	88.7	83.0
Roxburgh Village	100	Independent	102.3	93.0
Sunshine Marketplace	50	Internal	64.4	61.5
Taigum Square	100	Independent	93.5	89.0
Warriewood Square	50	Internal	132.5	127.8
Warwick Grove	100	Independent	165.0	152.0
Whitsunday Plaza	100	Independent	64.0	60.5
Total Sub Regional			**2,675.2**	**2,539.3**

1. Investment property held by Vicinity Limited. Refer to Note 3(a).
2. The title to this property is leasehold with options to extend the ground lease to 2134 at the Trust Group's discretion.

vii. Neighbourhood

	Ownership interest %	Valuation type 31-Dec-21	Carrying value 31-Dec-21 $m	Carrying value 30-Jun-21 $m
Dianella Plaza	100	Internal	69.0	63.0
Oakleigh Central	100	Internal	85.0	80.0
Victoria Park Central	100	Internal	27.0	24.5
Total Neighbourhood			**181.0**	**167.5**

4. Equity accounted investments

Equity accounted investments primarily consists of 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 investments are accounted for in the Trust Group's financial statements using the equity method.

The Trust Group holds the following investments that are equity accounted:

	Ownership		Carrying value	
	31-Dec-21 %	30-Jun-21 %	31-Dec-21 $m	30-Jun-21 $m
Chatswood Chase Sydney (Joint Venture)[1]	51.0	51.0	409.4	404.7
Victoria Gardens Retail Trust (Joint Venture)	50.0	50.0	85.3	74.6
Closing balance			**494.7**	**479.3**

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.

The increase in the carrying value of the Trust Group's equity accounted investments during the period was driven by net profits and property revaluation increments recorded on the underlying investment properties held.

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 3(c).

Capital structure and financial risk management

5. 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 period end with the gain or loss attributable to exchange rate movements recognised in the Statement of Comprehensive Income.

During the half year, net drawdowns of $573.0 million of bank debt were made throughout the period to fund the acquisition of Harbour Town and capital expenditure requirements.

Apart from the activities noted above, no other significant financing activities occurred during the six months to 31 December 2021.

(a) Summary of facilities

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

	31-Dec-21 $m	30-Jun-21 $m
Current liabilities		
Unsecured		
US Private Placement Notes (USPPs)	40.0	-
Total current liabilities	**40.0**	**-**
Non-current liabilities		
Unsecured		
Bank debt	649.0	76.0
AUD Medium Term Notes (AMTNs)[2]	857.8	857.4
GBP European Medium Term Notes (GBMTNs)	650.0	642.9
HKD European Medium Term Notes (HKMTNs)	113.1	109.9
USPPs	805.3	822.8
EUR European Medium Term Notes (EUMTNs)	779.3	786.7
Deferred debt costs[1]	(11.9)	(13.8)
Total non-current liabilities	**3,842.6**	**3,281.9**
Total interest bearing liabilities	**3,882.6**	**3,281.9**

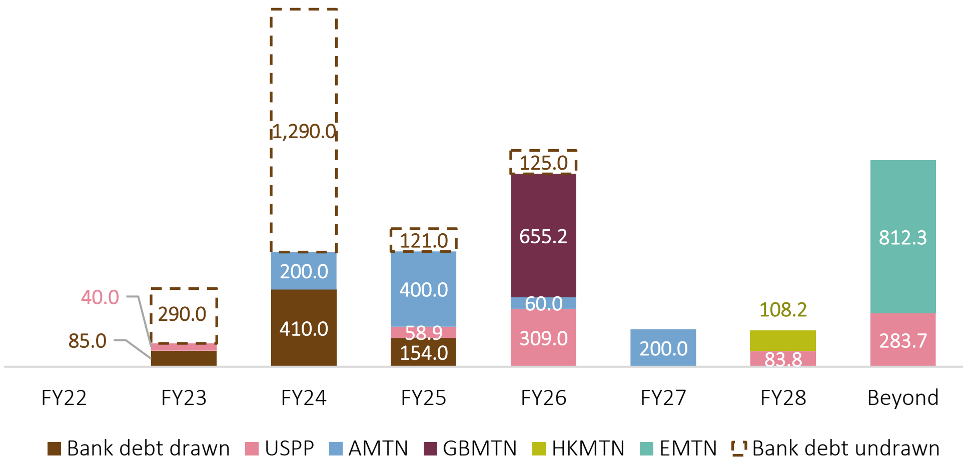
1. Deferred debt costs comprise the unamortised value of borrowing costs paid on establishment or refinance of debt facilities. These costs are deferred on the Balance Sheet and amortised at the effective interest rate to borrowing costs in the Statement of Comprehensive Income.
2. Includes non-current unsecured AMTNs include AUD60.0 million issued under the Vicinity Centres Group's EUMTN programme.

5. Interest bearing liabilities and derivatives (continued)

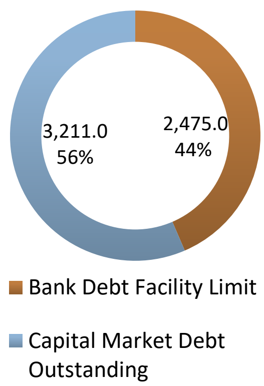
(b) Facility maturity and availability

The charts below outline the maturity of the Trust Group's total available facilities at 31 December 2021 by type and the bank to capital markets debt ratio. Of the $5,686.0million total available facilities (30 June 2021: $5,686.0 million), $1,826.0 million remains undrawn at 31 December 2021 (30 June 2021: $2,399.0 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 -$34.5 million (30 June 2021: -$8.7 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 $11.9 million (30 June 2021: $13.8 million) are not reflected in the amount drawn.

(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. Borrowing costs also include finance charges on lease liabilities.

	31-Dec-21 $m	31-Dec-20 $m
Interest and other costs on interest bearing liabilities and derivatives	77.3	56.3
Amortisation of deferred debt costs	2.2	2.2
Amortisation of face value discounts	0.8	0.9
Amortisation of fair value adjustments relating to discontinuation of hedge accounting	(0.6)	(0.6)
Amortisation of AMTN fair value adjustment	-	(1.1)
Interest charge on lease liabilities	13.2	10.1
Capitalised borrowing costs	(0.7)	(0.1)
Total borrowing costs	**92.2**	**67.7**

5. Interest bearing liabilities and derivatives (continued)

(d) Capital management

Approach and response to COVID-19

The Vicinity Centres Group seeks to maintain a 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/stable' from Moody's Investors Service and 'A/stable' from Standard & Poor's.

In response to the uncertainties arising from the COVID-19 pandemic, the Vicinity Centres Group continued to maintain a conservative capital structure. As at 31 December 2021 the Trust Group had $51.6 million of cash on hand and $1,826.0 million of available undrawn facilities, with only $40.0 million maturing in the 2022 calendar year.

Key capital metrics

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

Gearing ratio

The gearing ratio is calculated in the table below as:

- Drawn debt, net of cash; divided by
- Total tangible assets excluding cash, right of use assets, net investments in lease, investment property leaseholds and derivative financial assets.

	31-Dec-21 $m	30-Jun-21 $m
Total interest bearing liabilities (Note 5(a))	3,882.6	3,281.9
Reconciliation to drawn debt		
Deferred debt costs	11.9	13.8
Fair value and foreign exchange adjustments to GBMTNs	5.2	12.3
Fair value and foreign exchange adjustments to USPPs	(70.0)	(47.5)
Fair value adjustments to AMTNs	2.2	2.6
Foreign exchange adjustments to HKMTNs	(4.9)	(1.7)
Fair value and foreign exchange adjustments to EUMTNs	33.0	25.6
Total drawn debt	**3,860.0**	**3,287.0**
Drawn debt net of cash	3,808.4	3,250.8
Total tangible assets excluding cash, investment property leaseholds and derivative financial assets	14,681.5	13,852.2
Gearing ratio (target range of 25.0% to 35.0%)	**25.9%**	**23.5%**

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 31 December 2021 the interest cover ratio was 4.6 times (30 June 2021: 5.1 times).

5. Interest bearing liabilities and derivatives (continued)

(e) Fair value of interest bearing liabilities

As at 31 December 2021, the Trust Group's interest bearing liabilities had a fair value of $4,028.3 million (30 June 2021: $3,497.5 million).

The carrying amount of these interest bearing liabilities were $3,882.6 million (30 June 2021: $3,281.9 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.

(f) Defaults and covenants

At 31 December 2021, the Trust Group had no defaults on debt obligations or breaches of lending covenants (30 June 2021: nil).

6. 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.

	31-Dec-21 Number (m)	30-Jun-21 Number (m)	31-Dec-21 $m	30-Jun-21 $m
Total units on issue at the beginning of the period	**4,552.2**	4,529.6	**8,560.8**	8,530.4
Units issued (net of equity raising costs)	**-**	22.6	**-**	30.4
Total units on issue at the end of the period	**4,552.2**	4,552.2	**8,560.8**	8,560.8

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

	31-Dec-21 Number (m)	31-Dec-20 Number (m)
Weighted average number of units used as the denominator in calculating basic earnings per unit	4,552.2	4,550.8
Adjustment for potential dilution from performance rights on issue	7.9	8.5
Weighted average number of units and potential units used as the denominator in calculating diluted earnings per unit	**4,560.1**	4,559.3

7. Distributions

(a) Interim distributions for the period

	31-Dec-21 $m	31-Dec-20 $m
Distributions in respect of the earnings for six months to 31 December 2021:		
4.7 cents per VCX stapled security (31 December 2020: 3.4 cents)	214.0	154.8
Total interim distributions	**214.0**	154.8

On 16 February 2022, the Directors declared a distribution in respect of the Vicinity Centres Group's earnings for the half year ended 31 December 2021 of 4.7 cents per VCX stapled security, which equates to total interim distributions of $214.0 million.

The interim distribution will be paid on 8 March 2022. The record date for determining entitlement to the interim distribution is 5pm, 22 February 2022.

(b) Distributions paid during the period

	31-Dec-21 $m	31-Dec-20 $m
Distributions in respect of the earnings for six months to 30 June 2021:		
6.6 cents per VCX stapled security (30 June 2020: nil)	300.4	-
Total distribution paid during the period	**300.4**	-

Working capital

8. 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 including deferred debt under COVID-19 rent assistance 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 (ECLs). At 31 December 2021, the carrying value of trade receivables and other financial assets approximated their fair value.

	Note	31-Dec-21 $m	30-Jun-21 $m
Current			
Trade debtors		183.9	141.6
Accrued income		10.2	13.2
Less: estimated rent waivers	8(b)	(90.1)	(51.0)
Less: allowance for expected credit losses	8(b)	(48.4)	(77.3)
Total current trade receivables[1]		**55.6**	**26.5**
Current other assets			
Distributions receivable from joint ventures and associates		24.6	28.4
Prepayments		11.9	5.5
Land tax levies		22.4	20.5
Tenant security deposits held		0.3	0.4
Related party interest receivable		0.2	4.5
Other		10.3	17.3
Total current other assets		**69.7**	**76.6**
Total current trade receivables and other assets		**125.3**	**103.1**
Non-current			
Trade debtors		4.5	3.6
Less: allowance for expected credit losses	8(b)	(2.2)	(2.6)
Loan to Vicinity Limited		542.8	413.7
Investment in related party (Vicinity Enhanced Retail Fund) at fair value		-	0.1
Other		2.0	-
Total non-current other assets		**547.1**	**414.8**

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.

Significant Judgement and Estimate including the impact of the COVID-19 pandemic

The Trust Group continued to negotiate with its impacted tenants as mandated by the SME Codes during the financial period, and with other impacted tenants in accordance with the general principles of the SME Codes where applicable. Rental assistance provided to tenants has been in the form of rent waivers, deferrals and/or other lease changes. As at 31 December 2021, negotiations for rental assistance remain in progress with certain SME and non-SME tenants across the portfolio, in particular those based in VIC, NSW or CBD centres. Due to extended lockdowns and the inability of tenants to trade in VIC and NSW during the half year, the trade debtors balance remains high as certain tenants continued to withhold contractual lease payments until these negotiations are finalised. Accordingly, the Trust Group has included an estimate of the rental waivers for agreements not yet completed (estimated rent waivers) within the allowance for ECLs.

8. Trade receivables and other assets (continued)

(a) Summary (continued)

Significant Judgement and Estimate including the impact of the COVID-19 pandemic (continued)

There continues to be significant estimation uncertainty in determining the allowance for ECLs at reporting date. Whilst the approach in determining the allowance for ECLs is considered reasonable and supportable as discussed in Note 8(b), the key inputs and assumptions used in the calculations of these amounts in the current environment is subject to significant uncertainty. This is driven by the uncertain outcome of rental assistance negotiations, particularly those that may be based on tenants' sales performance over the rent assistance period, and the uncertain impact of actual and potential future restrictions on retail property performance. If these factors vary from management's estimate, this may result in a different outcome to the Trust Group's allowance for ECLs in future periods.

(b) Allowance for expected credit losses

The allowance for 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 the changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The recognition of an ECL, however, does not mean that the Trust Group has ceased collection activities in relation to the amounts owed.

Approach

The overall approach continues to rely on two key inputs and assumptions, being the long-term average collection rates of the relevant segments and estimated rent waivers. The overall approach to determine the Trust Group's allowance for ECLs at 31 December 2021 has not changed significantly to that disclosed at 30 June 2021. However, the key inputs used have been refined to reflect historical outcomes and the dynamic nature of the underlying inputs as disclosed below.

The Trust Group's total allowance for ECL as at 31 December 2021 contained the following components:

- **Estimated rent waivers**

  $90.1 million (30 June 2021: $51.0 million) for estimated rent waivers from ongoing rental assistance negotiations across the portfolio, or expected rent waivers based on the Trust Group's historical experience if rental assistance negotiations have not commenced, in particular with tenants impacted by the extended lockdowns in NSW and VIC during the period; and

- **Allowance for estimated credit losses**

  $50.6 million (30 June 2021: $79.9 million) of allowances for estimated credit losses on trade debtors net of estimated rent waivers, grouped according to the billing periods or deferrals. These comprise of:

  – Post 30 June 2020 trade debtors

    $31.7 million (30 June 2021: $49.1 million) of allowances for the difference between cash flows contractually receivable by the Trust Group (after deducting estimated rent waivers and deferrals) and the cash flows the Trust Group expects to receive, relating to billings originating after 1 July 2020. The estimate of cash flows remaining to be collected by the Trust Group was determined by:

    – Calculating the long-term average cash collection rates for certain segments of tenants (e.g., SMEs, Major Chain, National Chain) and centre types (e.g., CBD and non-CBD) observed across the portfolio for tenants where rental assistance negotiations had been completed and processed or where rental assistance was not required, adjusted for factors such as current and planned collection activities, tenants' financial position (if known) and other relevant information, if necessary. The long-term average collection rates were determined across billings from the start of the pandemic to 30 June 2021 (i.e., billings relating to the period 1 April 2020 to 30 June 2021);

    – Calculating the actual average cash collection rates for each centre or tenant; and

    – Applying these observed cash collection rates to the relevant outstanding debt balance, after deducting estimated rent waivers, for tenants where rental assistance negotiations have not commenced or finalised, to ascertain an estimate of the residual credit risk.

8. Trade receivables and other assets (continued)

(b) Allowance for expected credit losses (continued)

Approach (continued)

- **Allowance for estimated credit losses (continued)**
  - Pre 30 June 2020 trade debtors

    An ECL of $9.8 million (30 June 2021: $14.2 million) has been recognised at 90% on average, of the debt outstanding relating to billings originating from 30 June 2020 and prior (30 June 2021: 89%). Collection is viewed as highly unlikely given the outstanding debt is well overdue.
  - Deferred rent

    $9.1 million allowance was recognised for ECLs on rentals deferred and expected to be deferred (30 June 2021: $16.6 million). On average this represents 50% of the total rentals for which payment is expected to be deferred (30 June 2021: 74%).

Movements in the allowance for ECLs

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

	31-Dec-21 $m	31-Dec-20 $m
Opening balance at 1 July	**(130.9)**	**(169.6)**
Amounts written off as uncollectible	3.1	1.5
Rental waivers granted	24.4	65.1
Net remeasurement of prior period allowances[1]	49.9	54.2
Loss allowance on receivables originated during the current period	(87.2)	(130.5)
Closing balance at 31 December	**(140.7)**	**(179.3)**

1. The opening allowance for expected credit losses at 1 July was remeasured due to better outcome than anticipated in the Trust Group's rent waiver negotiations and long-term average cash collection rates relative to assumptions adopted previously. These outcomes have been incorporated into the key inputs used to determine the allowance for expected credit losses at 31 December 2021.

Sensitivities

The key inputs and assumptions in determining the allowance for ECLs were the likely outcome of rental waivers arising from rental assistance negotiations to-date and the long-term average cash collection rates observed. The allowance for ECLs has the following sensitivity to changes in these inputs:

- **Estimated rent waivers**: An increase or decrease of 5% of the average estimated rent waivers would result in a $4.6 million (30 June 2021: $2.6 million) increase/decrease in the estimated rent waivers at 31 December 2021.
- **Long-term average cash collection rates**: An increase or decrease of 1% of the long-term average cash collection rates used as an input to the calculation of ECLs for each tenant and centre type in the SME and National Chain segments would result in $6.7 million decrease or $5.1 million increase in the allowance for ECLs (30 June 2021: $2.4 million decrease, $2.8 million increase).

Other disclosures

9. Operating cash flow reconciliation

The reconciliation of net profit after tax for the half year to net cash provided by operating activities is provided below.

	31-Dec-21 $m	31-Dec-20 $m
Net Profit/(loss) after tax for the half year	**639.3**	**(384.1)**
Exclude non-cash items and cash flows under investing and financing activities:		
Amortisation of incentives and leasing costs	38.2	36.6
Straight-lining of rent adjustment	3.1	(8.8)
Property revaluation (increment)/decrement for directly owned properties	(359.5)	508.6
Share of net (profit)/loss of equity accounted investments	(15.5)	31.6
Amortisation of non-cash items included in interest expense	2.4	2.7
Net foreign exchange movement on interest bearing liabilities	25.6	(118.2)
Net mark-to-market movement on derivatives	(81.2)	187.7
Stamp duty paid	21.9	-
Other non-cash items	(5.4)	(0.2)
Movements in working capital:		
(Decrease)/Increase in payables, provisions and other liabilities	(2.6)	28.4
(Increase)/Decrease in receivables and other assets	(29.0)	9.0
Net cash inflow from operating activities	**237.3**	**293.3**

10. Other accounting matters

The Trust Group was eligible for land tax relief for calendar years 2020 and 2021 in accordance to the respective state government land tax relief measures. Gross payments received for the half year ended 31 December 2021 were $8.4 million (31 December 2020: $2.9 million).

11. Events occurring after the end of the reporting period

COVID-19 pandemic

The duration, frequency and extent of restrictions and the financial, social, and public health impacts of the COVID-19 pandemic remain uncertain and therefore the Trust Group cannot quantify the impact that COVID-19 may have on future periods. The financial report included disclosures on the potential impact of the prevailing uncertainty on the reported amounts of relevant revenues, expenses, assets, and liabilities for the half year ended 31 December 2021 and future periods where relevant.

Extension of SME Codes

The New South Wales and Victorian state governments announced the extension of the SME Codes on 14 and 15 January 2022 respectively. The extensions are for a period of two months and will expire by 15 March 2022. The Trust Group will continue to provide rental assistance in the form of rental waivers, payment deferrals and other temporary modifications to the underlying lease agreements to eligible SME tenants and other tenants in categories and locations that continue to experience financial hardship and distress.

Other than the matters described above, no other matters have arisen since the end of the period 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 the Directors' opinion:

(a) the half year financial statements and notes of Vicinity Centres Trust (the Trust) and its controlled entities (the Trust Group) set out on pages 7 to 30 are in accordance with the *Corporations Act 2001* (Cth), including:

i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements; and

ii. giving a true and fair view of the Trust Group's financial position as at 31 December 2021 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half year ended on that date; and

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

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

Trevor Gerber
Chairman
16 February 2022

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Vicinity Centres Trust (the "Trust") and the entities it controlled (collectively the "Group"), which comprises the consolidated balance sheet as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and

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

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Half-Year Financial Report

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

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst + Young

Ernst & Young

Alison Parker
Partner

Ernst & Young

Ernst & Young

Michael Collins
Partner

Melbourne
16 February 2022