

Vicinity Centres¹

Appendix 4D - Results for announcement to the market



For the six months ended 31 December 2015

| | Six months to 31-Dec-15 \$m | 31-Dec-14 ² \$m | Increase/(Decrease) \$m | % |
|---|-----------------------------------|-------------------------------|----------------------------|------|
| Revenue from ordinary activities | 659.9 | 402.6 | 257.3 | 63.9 |
| Net Profit from ordinary activities after tax attributable to securityholders | 424.6 | 412.7 | 11.9 | 2.9 |
| Underlying Earnings | 377.6 | 342.9 | 34.7 | 10.1 |

| Net tangible assets per security | 31-Dec-15 \$ per security | 30-Jun-15 \$ per security | Increase/(Decrease) \$ per security | % |
|-----------------------------------|------------------------------|------------------------------|--|-----|
| Total | 2.54 | 2.45 | 0.09 | 3.7 |
| Distribution per stapled security | Cents ³ | Record date | Payment date | |
| Half Year | 8.80 | 31-Dec-15 | 2-Mar-16 | |

Review of results

For discussion on the half year results refer to the following documents released on the ASX today: ASX announcement, Half Year Financial Report and the investor presentation.

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

Refer to Note 3(e) of the Half Year Financial Report.

The information presented above is based upon the reviewed Half Year Financial Report for 31 December 2015. Refer to page 31 - Independent Auditor's Report.

Michelle Brady
Company Secretary

Date: 17 February 2016

Notes

- Vicinity Centres (VCX) comprises Vicinity Limited ABN 90 114 757 783 and Vicinity Centres Trust ARSN 104 931 928.
- As a result of the reverse acquisition as described in Note 1(a) of the Half Year Financial Report the comparative information presented above for the period ended 31 December 2014 is that of Novion Property Group other than Underlying Earnings for the comparative period which has been aggregated (refer to Note 2 of the Half Year Financial Report for further information). The presentation and classification of certain items has also been adjusted as necessary to provide more meaningful information in the context of the Merged Group.
- Details of the full year tax components of distributions will be provided in the Annual Tax Statements which will be sent to securityholders in August 2016.



Vicinity Centres

Financial report for the half year ended
31 December 2015

Vicinity Centres (formerly Federation Centres) comprising:
Vicinity Limited (formerly Federation Limited) – ABN 90 114 757 783
Vicinity Centres Trust (formerly Federation Centres Trust No. 1) – ARSN 104 931 928
and their controlled entities



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Directors' Report

The Directors of Vicinity Limited present the financial report of Vicinity Centres for the half year ended 31 December 2015. Vicinity Centres (Vicinity or the Group) is a stapled group comprising Vicinity Limited (the Company) and Vicinity Centres Trust (the Trust). Although separate entities, the Stapling Deed entered into by the Company and the Trust ensures that shares in the Company and units in the Trust are 'stapled' together and are traded collectively on the Australian Securities Exchange, under the ASX code 'VCX'.

Directors

The Board of Directors of Vicinity Limited and Vicinity Centres RE Ltd, as Responsible Entity (RE) of Vicinity Centres Trust (together, the Vicinity Board) consist of the same Directors. The following persons were members of the Vicinity Limited Board from 1 July 2015 and up to the date of this report unless otherwise stated:

(i) Chairman

Peter Hay (Independent)

(ii) Non-executive Directors

Trevor Gerber (Independent) (appointed 28 October 2015)⁽¹⁾

Richard Haddock AM (Independent)

Tim Hammon (Independent)

Peter Kahan

Charles Macek (Independent)

Karen Penrose (Independent)

Debra Stirling (Independent) (appointed 28 October 2015)⁽¹⁾

Wai Tang (Independent)

David Thurin

(iii) Executive Director

Angus McNaughton (appointed as Chief Executive Officer on 3 August 2015 and Managing Director on 28 October 2015)⁽¹⁾

Company Secretaries

Michelle Brady

Carolyn Reynolds (appointed 20 November 2015)

Principal activities

The Group has its principal place of business at Chadstone Shopping Centre, 1341 Dandenong Road, Chadstone, Victoria 3148.

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

¹ The Vicinity Limited constitution contained a limit on the maximum number of Directors being eight. Following securityholder approval of amendments to the Vicinity Limited constitution at the 2015 Annual General Meeting, this limit was removed and Mr Trevor Gerber, Ms Debra Stirling and Mr Angus McNaughton were appointed as Directors of Vicinity Limited. Prior to their appointment as Directors, Mr Gerber and Ms Stirling were alternate Directors of Vicinity Limited.

Merger of Federation Centres and Novion Property Group

On 11 June 2015, Federation Centres (Federation) and Novion Property Group (Novion) merged (the Merger) to create one of Australia's leading Real Estate Investment Trusts. Under the terms of the Merger, each Novion Security was exchanged for 0.8225 Federation Securities (the Merger ratio), resulting in Federation as the legal acquirer and Novion as the legal acquiree. However, under accounting standards (AASB3 *Business Combinations*), the transaction was accounted for as a reverse acquisition and Novion was identified as the accounting acquirer and Federation as the accounting acquiree. Refer to Note 1(a) for further details. The impact of the reverse acquisition accounting on the half year financial statements is explained in the table below:

| | 6 months to 31-Dec-15 | 6 months to 31-Dec-14 |
|-----------------------------------|--------------------------|---|
| Statement of Comprehensive Income | | |
| Statement of Changes in Equity | Vicinity Centres | 6 months Novion only |
| Cash Flow Statement | | |
| Underlying Earnings | Vicinity Centres | 6 months Federation + 6 months Novion |
| | As at 31-Dec-15 | As at 30-Jun-15 |
| Balance sheet | Vicinity Centres | Vicinity Centres |

Change of corporate name

On 28 October 2015 the securityholders of the Group approved the change of the Company's name from Federation Limited to Vicinity Limited. Consequently, on 2 November 2015, the Group was rebranded as Vicinity Centres, Federation Centres Trust No.1 was renamed Vicinity Centres Trust and Federation Centres Limited was renamed Vicinity Centres RE Ltd.

Distributions

On 16 December 2015, the Directors declared a distribution for the half year ended 31 December 2015 of 8.8 cents per VCX stapled security, which equates to total half year distributions payable to securityholders of \$348.4 million. The payment date of the half year distribution will be 2 March 2016.

Review of operations

The following provides an overview of operations and financial results for the half year ended 31 December 2015.

(a) Financials

Financial performance

Vicinity generated a statutory net profit of \$424.6 million for the half year ended 31 December 2015. To reflect the Group's underlying and recurring earnings from operations, the net profit after tax has been adjusted for certain unrealised and non-cash items, and other items that are non-recurring or capital in nature. The below information has been extracted and summarised from Note 2 to the financial statements:

| | 6 months to 31-Dec-15 \$m | 6 months to 31-Dec-14 ⁽¹⁾ \$m |
|--|---------------------------------|--|
| Net property income (Property Investment segment) | 472.9 | 465.5 |
| Strategic partnership income (Strategic Partnership segment) | 32.6 | 33.7 |
| Total income | 505.5 | 499.2 |
| Corporate overheads (net of internal property management fees) | (42.3) | (52.0) |
| Net interest expense | (85.6) | (104.3) |
| Underlying earnings⁽²⁾ | 377.6 | 342.9 |
| Subtract Federation underlying earnings prior to the Merger ⁽³⁾ | - | (129.9) |
| Other unrealised and non-recurring items: | | |
| Asset revaluations | 428.3 | 250.3 |
| Impairment and amortisation of intangible assets | (296.6) | (1.4) |
| Net movement on mark-to-market of derivatives | (19.6) | (28.4) |
| Transaction costs | (26.9) | (0.5) |
| Other non-distributable items | (38.2) | (20.3) |
| Net profit after tax | 424.6 | 412.7 |

- (1) Although the Merged Group was created on 11 June 2015, for comparison purposes management assesses Group performance against aggregated Federation and Novion results for the six months to 31 December 2014. Changes in the definition of underlying earnings adopted by Federation and the distributable income definition adopted by Novion have resulted in a net increase in underlying earnings of \$3.4 million from the previously reported underlying earnings and distributable income of Federation and Novion respectively for the six months ended 31 December 2014.
- (2) A reconciliation to Adjusted Funds from Operations (AFFO), as determined by reference to guidelines published by the Property Council of Australia, has been provided in Note 2 to the financial statements.
- (3) Represents Federation's contribution to underlying earnings in the comparative period which does not form part of the comparative net profit after tax. Refer Note 1(a) to the financial statements.

Commentary on the Group's financial performance for the period to 31 December 2015 is provided below:

| | | |
|----------------------------------|---|---|
| Net property income (NPI) | Up \$7.4m, 1.6% (Comparable portfolio up 3.7%) | Comparable ⁽¹⁾ portfolio NPI was up 3.7% reflecting fixed increases in place for specialty leases, growth in percentage rent through improving sales, particularly at the DFOs, and a focus on expense control. Statutory NPI growth of 1.6% has been impacted by the timing of asset purchases and sales which reduced NPI on a net basis by 2.9%. Completion of developments delivered solid growth, with the Emporium (August 2014) and Cranbourne (March 2015) developments growing NPI by 1.6%. The remainder of the NPI growth was primarily derived from the comparable portfolio. |
| Corporate overheads | Down \$9.7m, 18.7% | The realisation of Merger synergies has reduced corporate overheads with savings derived across the business. The largest contributions were from salaries, statutory expenses and insurance. |
| Net interest expense | Down \$18.7m, 17.9% | Savings in net interest expense reflects a reduction in the weighted average cost of debt over the period to 4.0%. This reduction was achieved through the post Merger refinancing activities and favourable market conditions. Asset sales also contributed to an overall reduction in debt levels, partially offset by acquisitions and development activity funding. |

| | | |
|---|-----------------|---|
| Asset revaluations | \$428.3 million | Asset revaluation gains of \$428.3 million (31 December 2014 \$250.3 million) reflects continuing investor demand for quality retail assets. Over the period, the Group's weighted average capitalisation rate tightened to 6.09% (30 June 2015: 6.30%). Organic and development income growth also contributed to the revaluation increase. |
| Impairment & amortisation of intangible assets | \$296.6 million | Following the increase in investment property values and consideration of market based valuation cross checks, a review of the goodwill that arose from the Merger was undertaken. This review indicated that a portion of the goodwill, primarily represented by the value attributable to the diversified portfolio, has now been priced into the value of the Group's underlying investment properties. Further information in relation to this review and the recurring amortisation charge is contained in Note 4 of the half year financial report. |
| Transaction costs | \$26.9 million | Transaction costs incurred over the period primarily related to redundancy and advisor costs and are in line with expectations as outlined in the Scheme Booklet for the Merger. |

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

Key portfolio metrics are outlined below:

| | | |
|-----------------------------|-----------------------------|--|
| Retail sales | Up 1.6% | The portfolio observed average Moving Annual Turnover (MAT) growth of 1.6% through to 31 December 2015, reflecting a 0.3% improvement from 30 June 2015. Specialties, which contribute 54% of total portfolio gross rent, recorded MAT growth of 3.4%. Categories reporting the highest rates of growth include retail services, mobile phones and general retail. MAT growth rates for majors were 0.2% up from -0.3% at 30 June 2015. This improvement is attributed to new strategic directions for department and discount department store brands. Supermarkets, which represent 9% of total portfolio gross rent, recorded a decline in sales of 0.3%. Price deflation is considered to have contributed to this result. |
| Leasing Occupancy | 99.2% (up 0.3%) | There are nearly 8,800 leases in place across the directly owned portfolio (9,600 across the managed portfolio) and during the half year period, 771 lease transactions were completed. The rent related to these transactions represents 5.9% of total portfolio gross rent and the leasing spread on these transactions averaged -1.8%. Leasing activity during the half year period resulted in an improvement in occupancy from 98.9% at June 2015 to 99.2% at 31 December 2015 and an extension in the weighted average lease expiry from 5.6 years at 30 June 2015 to 5.8 years at 31 December 2015. |
| WALE⁽²⁾ | 5.8 years (up by 0.2 years) | |
| Spread⁽³⁾ | -1.8% (up 0.4%) | |

(2) Weighted average lease expiry by Gross Lettable Area (GLA).

(3) Variance to rental under the previous lease for deals completed during the period.

Financial position

| | 31-Dec-15 \$m | 30-Jun-15 \$m |
|--|------------------|------------------|
| Cash | 119.9 | 107.4 |
| Investment property | 14,816.2 | 14,109.7 |
| Intangible assets | 594.8 | 891.4 |
| Other assets | 538.5 | 529.4 |
| Total Assets | 16,069.4 | 15,637.9 |
| Borrowings | 4,716.7 | 4,303.1 |
| Other liabilities | 688.5 | 739.2 |
| Total liabilities | 5,405.2 | 5,042.3 |
| Net assets | 10,664.2 | 10,595.6 |
| Net Tangible Asset per security (NTA) (\$) | 2.54 | 2.45 |
| Net Asset Value per security (NAV) (\$) | 2.69 | 2.68 |
| Gearing ⁽¹⁾ | 29.5% | 28.0% |

(1) Calculated as drawn debt at Note 5, net of cash divided by total tangible assets excluding cash and derivative financial assets.

The highlights of the Group's financial position based on the summarised balance sheet at 31 December 2015 include:

- Investment properties increased by \$706.5 million to \$14.8 billion from 30 June 2015, largely due to the \$428.3 million revaluation increase. Further increases to investment properties were seen through development spend, most notably at Chadstone, Warriewood Square and Halls Head Central and strategic acquisitions offset by the sale of several non-core assets. Refer Note 3(b) for further details on investment properties.
- A reduction in intangible assets due to the \$295.0 million impairment of goodwill and \$1.6 million amortisation of intangible management contracts as previously outlined. Refer to Note 4 of the half year financial report for further information.
- An increase in borrowings of \$413.6 million due to acquisitions and development activity net of assets sold.
- Group gearing at 31 December 2015 of 29.5% was within the Group's target range of 25.0% to 35.0%.

(b) Operations

Merger integration update

The Merger integration is on track and ahead of target on synergies with 90% of operational cost synergies achieved on a run-rate or annualised basis compared to the Scheme Booklet target of 75% at June 2016. A number of important culture integration milestones were achieved in the period with teams now co-located and the new Vicinity Centres brand launched. Following a comprehensive review, JD Edwards was selected as the preferred IT platform for the Group and the consolidation of a number of IT systems has now begun with integration expected to be substantially completed by December 2016.

Portfolio strategy

The following asset transactions were completed during the half year:

| Date | Properties | Interest acquired/sold | Price \$m | Capitalisation rate |
|------------------------|-------------------------------------|------------------------|----------------|---------------------|
| Assets acquired | | | | |
| 18-Dec-15 | The Shops at Ellenbrook (WA) | 100% | 220.0 | 5.75% |
| 18-Dec-15 | Livingstone Marketplace (WA) | 100% | 83.0 | 6.00% |
| | Total acquired⁽¹⁾ | | 303.0 | |
| Assets sold | | | | |
| 24-Aug-15 | Goulburn Plaza (NSW) | 100% | (67.0) | 6.78% |
| 24-Aug-15 | Katherine Oasis (NT) | 100% | (27.9) | 8.80% |
| 27-Aug-15 | Westside Plaza (NSW) | 100% | (33.7) | 10.00% |
| 29-Oct-15 | Lutwyche City (QLD) | 100% | (65.0) | 7.28% |
| 04-Nov-15 | Mt Gambier (SA) | 100% | (24.5) | 10.00% |
| | Total disposed | | (218.1) | |
| | Net increase | | 84.9 | |

(1) Exclusive of stamp duty and other acquisition costs of \$17.0 million.

Additionally, the Group announced that following a comprehensive portfolio evaluation, approximately \$750 million to \$1 billion of further asset disposal opportunities have been identified.

Developments

The Group's development pipeline remains at \$3.1 billion (\$1.5 billion Vicinity share).

During the half year the redevelopment of Cranbourne in Melbourne's south-east was completed and is trading well. Leasing on the retail and office development at Chadstone Shopping Centre is nearing completion and the project is on track for completion in various stages during FY17. Halls Head in WA, Warriewood in NSW and Colonnades in SA are also on track and are due to complete by June 2016.

Planning for the \$350 million (\$175 million Vicinity share) redevelopment of Mandurah in WA is progressing well and the development is expected to commence in the first half of 2016¹.

Capital management

The following refinancing activities were undertaken by the Group during the period. Post the completion of these transactions the Group's weighted average debt expiry increased to 4.0 years (30 June 2015: 3.0 years).

Undrawn facilities available at 31 December 2015 are \$1.4 billion and are detailed in Note 5(a) to the half year financial statements.

i. US private placement notes (USPPs)

In December 2015, the Group issued US\$250.0 million and A\$75.0 million of USPPs with expiries ranging from December 2025 to December 2030. The proceeds were applied towards repayment of the existing bridge facility. Foreign exchange movements on the US\$ notes have been hedged under the Group's hedging strategy.

ii. Bank loans and bridge facility

\$750 million of new 3 and 5 year unsecured bank debt facilities were established with a small group of international banks in December 2015. \$350 million of these facilities were drawn to repay the remainder of the \$1.8 billion bridge facility. The bridge facility was cancelled on 24 December 2015.

iii. Convertible notes

The remaining \$270.4 million of convertible notes outstanding at 30 June 2015 were repaid following the receipt of sufficient redemption notices allowing the Group to exercise its right to acquire all remaining notes. This redemption was financed through available unsecured bank loans.

¹ Subject to the satisfaction of conditions precedent.

(c) Outlook

Underlying Earnings guidance for the year ending 30 June 2016 has firmed to 19.1 cents per security, the top end of the previously announced guidance range of 18.8 to 19.1 cents⁽¹⁾.

Events occurring after the end of the reporting period

No matters have arisen since the end of the half year which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

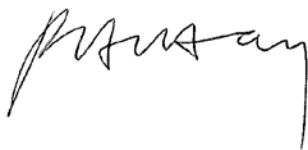
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Rounding of amounts

The Company is an entity of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Accordingly, amounts in the Directors' report have been rounded off to the nearest tenth of a million dollars (\$m) in accordance with that Class Order, unless stated otherwise.

Signed in Melbourne on 17 February 2016 in accordance with a resolution of Directors.



P A F Hay
Chairman


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

Auditor's Independence Declaration to the Directors of Vicinity Limited

As lead auditor for the review of Vicinity Centres for the half year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



David Shewring
Partner
17 February 2016

Statement of Comprehensive Income

for the half year ended 31 December 2015

| | | 31-Dec-15 | 31-Dec-14 ⁽¹⁾ |
|---|------|--------------|--------------------------|
| | Note | \$m | \$m |
| Revenue | | | |
| Property ownership revenue | | 627.2 | 378.1 |
| Management fee revenue from strategic partnerships | | 32.7 | 24.5 |
| Interest and other income | | 7.4 | 1.2 |
| Total revenue and income | | 667.3 | 403.8 |
| Share of net profits of associates and joint venture partnerships accounted for using the equity method | | 7.7 | 6.1 |
| Property revaluation increment for directly owned properties | 3(b) | 428.3 | 250.3 |
| Net movement on mark-to-market of derivatives | | (19.6) | (28.4) |
| Direct property expenses | | (158.3) | (92.1) |
| Borrowing costs | 5(d) | (83.8) | (74.4) |
| Employee benefits expenses | | (56.9) | (35.6) |
| Other expenses from ordinary activities | | (19.6) | (11.9) |
| Impairment and amortisation of intangible assets | 4 | (296.6) | (1.4) |
| Transaction costs | | (26.9) | (0.5) |
| Stamp duty and other costs written off on acquisition of investment properties | 3(b) | (17.0) | - |
| Profit before tax for the half year | | 424.6 | 415.9 |
| Income tax expense | 6 | - | (3.2) |
| Net profit for the half year | | 424.6 | 412.7 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the half year | | 424.6 | 412.7 |
| Net profit for the half year attributable to stapled securityholders as: | | | |
| Securityholders of Vicinity Limited | 6 | (309.3) | 3.4 |
| Securityholders of other stapled entities of the Group | 6 | 733.9 | 409.3 |
| Net profit for the half year | | 424.6 | 412.7 |
| Total comprehensive income for the half year attributable to stapled securityholders as: | | | |
| Securityholders of Vicinity Limited | 6 | (309.3) | 3.4 |
| Securityholders of other stapled entities of the Group | 6 | 733.9 | 409.3 |
| Total comprehensive income for the half year | | 424.6 | 412.7 |
| Earnings per security attributable to securityholders of Vicinity Limited: | | | |
| Basic (loss)/earnings per security (cents) | | (7.81) | 0.15 |
| Diluted (loss)/earnings per security (cents) | | (7.81) | 0.13 |
| Earnings per security attributable to securityholders of the Group: | | | |
| Basic earnings per security (cents) | | 10.73 | 16.51 |
| Diluted earnings per security (cents) | | 10.71 | 16.15 |

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

- (1) As a result of the reverse acquisition as described in Note 1(a), the comparative information for the period ended 31 December 2014 is that of Novion Property Group (Novion). The aggregate result on a segment basis for the Federation and Novion's performance for the comparative period to 31 December 2014 is presented in Note 2(a).

Balance Sheet

as at 31 December 2015

| | Note | 31-Dec-15 \$m | 30-Jun-15 \$m |
|---|------|------------------|------------------|
| Current assets | | | |
| Cash and cash equivalents | | 119.9 | 107.4 |
| Receivables and other assets | | 110.4 | 123.5 |
| Financial assets carried at fair value through profit or loss | | 4.5 | 6.3 |
| Investments accounted for using the equity method | 3(e) | 0.5 | 0.5 |
| Total current assets | | 235.3 | 237.7 |
| Non-current assets | | | |
| Investment properties | 3(a) | 14,816.2 | 14,109.7 |
| Investments accounted for using the equity method | 3(e) | 101.0 | 93.4 |
| Intangible assets | 4 | 594.8 | 891.4 |
| Plant and equipment | | 13.2 | 14.3 |
| Derivative financial instruments | 5(f) | 104.6 | 87.1 |
| Deferred tax assets | | 84.3 | 84.3 |
| Receivables and other assets | | 120.0 | 120.0 |
| Total non-current assets | | 15,834.1 | 15,400.2 |
| Total assets | | 16,069.4 | 15,637.9 |
| Current liabilities | | | |
| Interest bearing liabilities | 5 | 439.9 | 1,357.4 |
| Distribution payable | | 348.4 | 336.5 |
| Payables and other liabilities | | 225.4 | 199.5 |
| Provisions | | 73.6 | 157.9 |
| Derivative financial instruments | 5(f) | - | 0.3 |
| Total current liabilities | | 1,087.3 | 2,051.6 |
| Non-current liabilities | | | |
| Interest bearing liabilities | 5 | 4,276.8 | 2,945.7 |
| Payables and other financial liabilities | | - | 38.9 |
| Provisions | | 5.3 | 5.4 |
| Derivative financial instruments | 5(f) | 35.8 | 0.7 |
| Total non-current liabilities | | 4,317.9 | 2,990.7 |
| Total liabilities | | 5,405.2 | 5,042.3 |
| Net assets | | 10,664.2 | 10,595.6 |

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

Balance Sheet (continued)

as at 31 December 2015

| | Note | 31-Dec-15 \$m | 30-Jun-15 \$m |
|--|------|------------------|------------------|
| Equity | | | |
| <i>Securityholders of Vicinity Limited</i> | | | |
| Contributed equity | | 481.1 | 481.1 |
| Share-based payment reserve | | 3.9 | 11.5 |
| Retained (losses)/profits | | (300.8) | 8.5 |
| Total equity attributable to securityholders of Vicinity Limited | | 184.2 | 501.1 |
| <i>Securityholders of other stapled entities of the Group</i> | | | |
| Contributed equity | | 8,012.1 | 8,012.1 |
| Retained profits | | 2,467.9 | 2,082.4 |
| Total equity attributable to securityholders of other stapled entities of the Group | | 10,480.0 | 10,094.5 |
| Total equity | | 10,664.2 | 10,595.6 |

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 2015

| Attributable to securityholders of Vicinity Limited | | | | | Attributable to securityholders of other stapled entities of the Group | | | | |
|--|---------------------------|-----------------|--|----------------|--|---------------------------|-----------------|-------------------------|-----------------|
| | Contributed equity \$m | Reserves \$m | Retained profits/ (Accumulated losses) \$m | Total \$m | | Contributed equity \$m | Reserves \$m | Retained profits \$m | Total \$m |
| As at 1 July 2014⁽¹⁾ | 224.1 | - | (2.3) | 221.8 | | 3,914.9 | - | 1,965.0 | 5,879.9 |
| Net profit for the half year | - | - | 3.4 | 3.4 | | - | - | 409.3 | 409.3 |
| Total comprehensive income for the half year | - | - | 3.4 | 3.4 | | - | - | 409.3 | 409.3 |
| Transactions with securityholders in their capacity as securityholders: | | | | | | | | | |
| Issue of securities, net of transaction costs | 2.4 | - | - | 2.4 | | 63.1 | - | - | 63.1 |
| Share based payments | - | - | - | - | | - | 0.7 | - | 0.7 |
| Distributions payable | - | - | - | - | | - | - | (210.5) | (210.5) |
| Total equity as at 31 December 2014 | 226.5 | - | 1.1 | 227.6 | | 3,978.0 | 0.7 | 2,163.8 | 6,142.5 |
| As at 1 July 2015 | 481.1 | 11.5 | 8.5 | 501.1 | | 8,012.1 | - | 2,082.4 | 10,094.5 |
| Net (loss)/profit for the half year | - | - | (309.3) | (309.3) | | - | - | 733.9 | 733.9 |
| Total comprehensive income for the half year | - | - | (309.3) | (309.3) | | - | - | 733.9 | 733.9 |
| Transactions with securityholders in their capacity as securityholders: | | | | | | | | | |
| Issue of securities, net of transaction costs | - | - | - | - | | - | - | - | - |
| Share based payments | - | (7.6) | - | (7.6) | | - | - | - | (7.6) |
| Distributions payable | - | - | - | - | | - | - | (348.4) | (348.4) |
| Total equity as at 31 December 2015 | 481.1 | 3.9 | (300.8) | 184.2 | | 8,012.1 | - | 2,467.9 | 10,480.0 |

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

(1) As a result of the reverse acquisition as described in Note 1(a), the comparative information for the period ended 31 December 2014 is that of Novion.

Cash Flow Statement

for the half year ended 31 December 2015

| | 31-Dec-15 \$m | 31-Dec-14 ⁽¹⁾ \$m |
|--|------------------|---------------------------------|
| Cash flows from operating activities | | |
| Receipts in the course of operations | 751.3 | 487.8 |
| Payments in the course of operations | (317.6) | (205.9) |
| Distributions and dividends received from associates, joint venture partnerships and managed investments | 9.3 | 2.2 |
| Interest and other revenue received | 5.1 | 0.8 |
| Interest paid | (81.0) | (83.6) |
| Net cash inflows from operating activities | 367.1 | 201.3 |
| Cash flows from investing activities | | |
| Payments for capital expenditure on investment properties | (222.0) | (100.5) |
| Payments for acquisition of investment properties | (303.0) | - |
| Proceeds from disposal of investment properties | 218.1 | 67.0 |
| Payments for plant and equipment and other investments | (1.1) | (3.9) |
| Proceeds from other investments | 1.8 | 7.7 |
| Proceeds from capital distribution from equity accounted investments | - | 38.0 |
| Transaction costs paid | (28.9) | (4.5) |
| Stamp duty paid | (80.0) | - |
| Net cash (outflows)/inflows from investing activities | (415.1) | 3.8 |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 2,797.5 | 1,137.2 |
| Repayment of borrowings | (2,382.5) | (1,220.9) |
| Distributions paid to external securityholders | (336.5) | (140.5) |
| Termination payments for derivatives | - | (8.9) |
| Debt establishment costs paid | (5.9) | - |
| Acquisition of shares on market for settlement of share based payments | (12.1) | - |
| Net cash inflows/(outflows) from financing activities | 60.5 | (233.1) |
| Net increase/(decrease) in cash and cash equivalents held | 12.5 | (28.0) |
| Cash and cash equivalents at the beginning of the half year | 107.4 | 91.1 |
| Cash and cash equivalents at the end of the half year | 119.9 | 63.1 |

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

- (1) As a result of the reverse acquisition as described in Note 1(a) the comparative information for the period ended 31 December 2014 is that of Novion.

Notes to the Financial Statements

1. Summary of significant accounting policies

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

(a) Basis of preparation

The condensed consolidated financial report for the half year ended 31 December 2015 (the financial report) has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*, other applicable accounting standards, other mandatory professional reporting requirements and the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous financial year unless otherwise stated. The financial report 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 2015 Annual Report and any public announcements issued during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Listing Rules of the Australian Securities Exchange.

The financial report has also 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.

The financial report is presented in Australian dollars (\$) and was approved by the Board of Directors on 17 February 2016. The Directors have the power to amend and reissue the financial report.

The Company is an entity of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission. Accordingly, amounts in this financial report have been rounded to the nearest tenth of a million dollars, unless stated otherwise.

Although the Group has a net current deficiency of \$852.0 million (current liabilities exceed current assets) at reporting date, the Group has sufficient current undrawn borrowing facilities (of \$1,406.8 million, refer to Note 5) and generates sufficient operating cashflows to meet its current obligations as they fall due. Accordingly, this financial report has been prepared on a going concern basis.

Merger of Federation Centres and Novion Property Group

On 11 June 2015, Federation Centres (Federation) and Novion Property Group (Novion) merged (the Merger) to create one of Australia's leading Real Estate Investment Trusts. Under the terms of the Merger, each Novion Security was exchanged for 0.8225 Federation Securities (the Merger ratio), resulting in Federation as the legal acquirer and Novion as the legal acquiree. However, under accounting standards (AASB3 *Business Combinations*), the transaction was accounted for as a reverse acquisition and Novion was identified as the accounting acquirer and Federation as the accounting acquiree. The impact of the reverse acquisition accounting on the half year financial statements is explained in the table below:

| | 6 months to 31-Dec-15 | 6 months to 31-Dec-14 |
|-----------------------------------|--------------------------|---|
| Statement of Comprehensive Income | | |
| Statement of Changes in Equity | Vicinity Centres | 6 months Novion only |
| Cash Flow Statement | | |
| Underlying Earnings | Vicinity Centres | 6 months Federation + 6 months Novion |
| | As at 31-Dec-15 | As at 30-Jun-15 |
| Balance sheet | Vicinity Centres | Vicinity Centres |

The presentation of certain items has also been adjusted as necessary to provide more meaningful information in the context of the Merged 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 of the Group.

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The impact of new and amended standards

There are no new and amended standards that became effective for the Group on 1 July 2015.

(b) Critical accounting estimates and judgements

Certain judgements, estimates and assumptions that affect the amounts reported in the financial statements are required in preparation of the financial statements. These judgements and estimates are based on historical experience and other various factors considered to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which form the basis of the carrying values of assets and liabilities. As a result, actual results could differ from those estimates. There are no key estimates and assumptions significant to Vicinity Centres' financial statements not already noted in the 30 June 2015 Annual Report.

2. Segment information

AASB 8 *Operating Segments* requires a 'management approach' in identifying and presenting segment information. That is, segment information is presented on the same basis as that used for internal reporting purposes. The Group has identified its operating segments as the Property Investment segment and the Strategic Partnerships segment. This is based on the internal reports that are reviewed and used by the Chief Operating Decision Makers (CODMs) (which for the Group are the Chief Executive Officer (CEO) and Chief Financial Officer (CFO)) in assessing performance and in determining the allocation of resources.

Segment performance is assessed based on underlying earnings which is calculated as statutory net profit, adjusted for fair value adjustments, certain unrealised and non-cash items, and other items that are non-recurring or capital in nature. In addition to underlying earnings, from 1 July 2015, the CODMs also review Adjusted Funds from Operations (AFFO) in assessing the performance of the Group. AFFO is determined by adjusting Underlying Earnings for other items in accordance with the guidelines published by the Property Council of Australia.

(a) Segment results

| | 6 months to 31-Dec-15 \$m | 6 months to 31-Dec-14 ⁽¹⁾ \$m |
|---|---------------------------------|--|
| <i>Property Investment segment</i> | | |
| Net property income | 472.9 | 465.5 |
| <i>Strategic Partnership segment</i> | | |
| Property management, development and leasing fees | 27.8 | 26.0 |
| Funds management fees | 4.8 | 7.7 |
| Total income | 505.5 | 499.2 |
| Corporate overheads (net of internal property management fees) | (42.3) | (52.0) |
| Net interest expense | (85.6) | (104.3) |
| Underlying earnings | 377.6 | 342.9 |
| Adjusted for: | | |
| Rent lost from undertaking developments | (9.1) | |
| Derivative and debt break costs arising from early repayment of borrowings pursuant to capital transactions | - | |
| Maintenance capital expenditure and tenant incentives given for the period | (27.0) | |
| Adjusted Funds From Operations⁽²⁾ | 341.5 | |
| Distribution declared | 348.4 | |
| Distribution as a percentage of AFFO | 102.0% | |
| Distribution as a percentage of Underlying Earnings | 92.3% | |

(1) Although the Merged Group was created on 11 June 2015, for comparison purposes management assesses Group performance against aggregated Federation and Novion results for the six months to 31 December 2014. Changes in the definition of underlying earnings adopted by Federation and the distributable income definition adopted by Novion have resulted in a net increase in underlying earnings of \$3.4 million from the previously reported underlying earnings and distributable income of Federation and Novion respectively at 31 December 2014.

(2) AFFO was not previously used by Novion as a measure of segment performance. As such information for the comparative period ending 31 December 2014 is not reported.

2. Segment information (continued)

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

| | 31-Dec-15 \$m | 31-Dec-14 \$m |
|--|------------------|------------------|
| Underlying earnings | 377.6 | 342.9 |
| Subtract Federation underlying earnings prior to the Merger ⁽¹⁾ | - | (129.9) |
| Non-distributable items: | | |
| Property revaluation increments for directly owned properties ⁽²⁾ | 428.3 | 250.3 |
| Property revaluation increments within equity accounted investments | 2.6 | 3.4 |
| Amortisation of static lease incentives ⁽³⁾ | (4.5) | (3.4) |
| Amortisation of other project items ⁽³⁾ | (11.3) | (9.0) |
| Straight-lining revenue ⁽⁴⁾ | 4.6 | (0.1) |
| Rent lost from undertaking developments ⁽⁵⁾ | (9.1) | (5.4) |
| Stamp duty on acquisition of investment properties | (17.0) | - |
| Net movement on mark-to-market of derivatives ⁽⁶⁾ | (19.6) | (28.4) |
| Transaction costs ⁽⁷⁾ | (26.9) | (0.5) |
| Impairment and amortisation of intangible assets ⁽⁸⁾ | (296.6) | (1.4) |
| Income tax expense | - | (3.2) |
| Other non-distributable items | (3.5) | (2.6) |
| Net profit after tax | 424.6 | 412.7 |

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

- (1) Represents Federation's contribution to underlying earnings in the comparative period which does not form part of the comparative net profit after tax. Refer Note 1(a).
- (2) Net profit includes movements in the fair value of investment properties in accordance with Australian Accounting Standards.
- (3) Certain payments such as lease incentives and legal fees relating to investment properties are capitalised. Amortisation of these items is then recognised as an expense in accordance with Australian Accounting Standards. Tenant incentives paid during the period are reflected in the AFFO calculation at Note 2(a). Accordingly, amortisation of these incentives is excluded from underlying earnings.
- (4) Straight-lining of rental revenue, which is required by Australian Accounting Standards, is an unrealised non-cash amount.
- (5) The Group recognises rent lost from undertaking developments in net property income. This income does not meet the definition of revenue under Australian Accounting Standards and is therefore not recognised in statutory net profit.
- (6) Fair value movements in derivatives comprise mark-to-market movements required by Australian Accounting Standards for valuation purposes, including realised and unrealised amounts.
- (7) The Group has incurred costs in the current period in relation to the Merger.
- (8) Net profit includes the impairment and amortisation of intangible assets as outlined in Note 4. These are non-cash expenses.

(c) Segment assets and liabilities

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

| | 31-Dec-15 \$m | 30-Jun-15 \$m |
|--|------------------|------------------|
| Investment properties per Balance Sheet | 14,816.2 | 14,109.7 |
| Investment properties included in equity accounted investments | 262.8 | 245.4 |
| Total investment property segment | 15,079.0 | 14,355.1 |

All other assets and liabilities are unallocated for CODM reporting.

3. Investment properties

The Group's investment properties are valued independently (externally) or internally at each reporting period unless otherwise stated. Carrying value is equal to the valuation which includes the cost of capital works in progress on development projects.

Independent (external) valuations are performed at intervals of not more than one year by appropriately qualified valuers from a pre-approved panel of major property consultancy firms. Internal valuations are undertaken by management. Where the variance

between the last independent valuation and the internal valuation is greater than 10% an external valuation is undertaken.

Independent valuations usually adopt the midpoint of the 'capitalisation of net income' and 'discounted cash flow' (DCF) methods to valuing retail property, whereas internal valuations use the 'capitalisation of net income' method to value properties with a cross check using the DCF method. Both independent and internal valuations employ the 'residual value' method when valuing development properties. The value of the asset on completion is calculated using the methodologies above, and then the estimated cost to complete the development, including construction costs and associated expenditures, finance costs, and an allowance for developer's risk and profit is deducted from the value of the asset on completion to derive the current value.

Planning and holding costs relating to potential major development projects are capitalised and carried within the overall investment property balance. These costs are reviewed each period and the status of the project assessed to determine if continued capitalisation of these costs remains appropriate.

Sundry properties are recently acquired property holdings adjacent to existing investment properties and are carried at purchase price plus acquisition costs.

(a) Summary of portfolio

| Shopping centre type | 31-Dec-15 | | | 30-Jun-15 | | |
|------------------------------------|----------------------|-----------------|-----------------------------|----------------------|-----------------|-----------------------------|
| | Number of properties | Value \$m | Weighted average cap rate % | Number of properties | Value \$m | Weighted average cap rate % |
| Super Regional | 1 | 2,100.0 | 4.75 | 1 | 1,871.8 | 5.00 |
| Major Regional | 7 | 3,060.0 | 5.82 | 7 | 3,068.7 | 5.84 |
| Regional | 12 | 2,535.6 | 6.57 | 12 | 2,520.1 | 6.67 |
| City Centre | 4 | 1,752.0 | 5.31 | 4 | 1,665.0 | 5.56 |
| Outlet Centre/Other | 5 | 1,027.8 | 6.58 | 5 | 952.2 | 6.82 |
| Sub Regional | 35 | 3,503.6 | 6.86 | 36 | 3,197.2 | 7.19 |
| Neighbourhood and other | 20 | 771.6 | 6.89 | 22 | 820.3 | 7.17 |
| Total | 84 | 14,750.6 | 6.09 | 87 | 14,095.3 | 6.30 |
| Planning and holding costs | | 22.8 | | | 14.4 | |
| Sundry properties | | 42.8 | | | - | |
| Total investment properties | | 14,816.2 | | | 14,109.7 | |

3. Investment properties (continued)

(b) Movements for the period

| | 31-Dec-15 \$m | 31-Dec-14 ⁽¹⁾ \$m |
|--|----------------------|---------------------------------|
| Opening balance at 30 June | 14,109.7 | 8,830.4 |
| Acquisitions including associated stamp duty and transaction costs | 320.0 ⁽²⁾ | - |
| Capital expenditure ⁽³⁾ | 199.5 | 90.4 |
| Capitalised interest ⁽⁴⁾ | 5.0 | 7.4 |
| Disposals | (218.1) | (67.0) |
| Property revaluation increment | 428.3 | 250.3 |
| Stamp duty and transaction costs written off on acquisitions | (17.0) | - |
| Amortisation of incentives | (15.8) | (12.3) |
| Straight-lining of rent adjustment | 4.6 | (0.1) |
| Closing balance at 31 December | 14,816.2 | 9,099.1 |

(1) As a result of the reverse acquisition as described in Note 1(a), the comparative information is that of Novion.

(2) Comprises purchase price of \$303.0 million plus stamp duty and transaction costs of \$17.0 million.

(3) Capital expenditure includes redevelopment costs, additions and lease incentives.

(4) Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 3.92% (December 2014: 5.3%).

(c) Fair value measurement

Investment properties are categorised as Level 3 in the fair value hierarchy as the capitalisation of net income and DCF methods require assumptions for inputs that are not based on observable market data. At reporting date, the key unobservable inputs used by the Group in determining fair value of its investment properties are summarised below:

| | 31-Dec-15 | | 30-Jun-15 | | |
|--|-----------------------|-------------------------|-----------------------|-------------------------|---|
| Unobservable inputs | Range of inputs | Weighted average inputs | Range of inputs | Weighted average inputs | Sensitivity |
| Capitalisation rate ⁽¹⁾ | 4.75% - 8.50% | 6.09% | 5.00% - 10.00% | 6.30% | The higher the discount rate, terminal yield, capitalisation rate and downtime for tenants vacating, the lower the fair value |
| Discount rate ⁽²⁾ | 7.50% - 9.25% | 8.15% | 8.00% - 10.25% | 8.50% | |
| Terminal yield ⁽³⁾ | 5.00% - 9.00% | 6.34% | 5.25% - 10.25% | 6.54% | |
| Expected downtime for tenants vacating | 2 months to 12 months | 5 months | 2 months to 12 months | 4 months | |
| Rental growth rate | 2.70% - 4.60% | 3.72% | 2.50% - 4.60% | 3.70% | The higher the rental growth rate, the higher the fair value |

(1) The capitalisation rate is the required annual yield of net market income used to determine the value of the property. The rate is determined with regards to comparable market transactions.

(2) The discount rate is a required annual rate of return used to convert a forecast cashflow of an asset into a present value. Theoretically it should reflect the required rate of return of the property given its risk profile relative to competing uses of capital. The rate is determined with regards to comparable market transactions.

(3) The terminal yield is the capitalisation rate used to convert forecast annual income into a forecast asset value at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to comparable market transactions and the expected risk of the asset at the end of the cashflow period.

All of the above key assumptions have been taken from the latest independent (external) valuation reports and internal valuation assessments. Bowes St is excluded as it is a commercial property.

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

3. Investment properties (continued)

(d) List of investment properties held

i. Super Regional

| | Ownership interest % | Valuation type | Carrying value | |
|-----------------------------|-------------------------|----------------|------------------|------------------|
| | | | 31-Dec-15 \$m | 30-Jun-15 \$m |
| Chadstone Shopping Centre | 50 | External | 2,100.0 | 1,871.8 |
| Total Super Regional | | | 2,100.0 | 1,871.8 |

ii. Major Regional

| | Ownership interest % | Valuation type | Carrying value | |
|-----------------------------|-------------------------|----------------|------------------|------------------|
| | | | 31-Dec-15 \$m | 30-Jun-15 \$m |
| Bankstown Central | 50 | Internal | 325.0 | 320.0 |
| Bayside Shopping Centre | 100 | Internal | 560.0 | 556.2 |
| Chatswood Chase Sydney | 100 | Internal | 960.0 | 952.1 |
| Galleria | 50 | External | 377.5 | 360.0 |
| Northland Shopping Centre | 50 | Internal | 482.5 | 482.5 |
| Roselands | 50 | Internal | 185.0 | 179.8 |
| The Glen | 50 | External | 170.0 | 218.1 |
| Total Major Regional | | | 3,060.0 | 3,068.7 |

iii. Regional

| | Ownership interest % | Valuation type | Carrying value | |
|------------------------------|-------------------------|----------------|------------------|------------------|
| | | | 31-Dec-15 \$m | 30-Jun-15 \$m |
| Broadmeadows Shopping Centre | 100 | Internal | 333.3 | 333.7 |
| Colonnades | 50 | External | 147.7 | 150.8 |
| Cranbourne Park | 50 | External | 140.0 | 130.5 |
| Eastlands Shopping Centre | 100 | External | 162.7 | 162.7 |
| Elizabeth Shopping Centre | 100 | Internal | 370.0 | 368.2 |
| Forest Hill Chase | 100 | External | 269.8 | 281.7 |
| Grand Plaza Shopping Centre | 50 | External | 197.5 | 191.0 |
| Mandurah Forum | 50 | Internal | 156.3 | 156.3 |
| Mount Ommaney | 25 | External | 105.0 | 104.1 |
| Rockingham Shopping Centre | 50 | External | 290.0 | 280.3 |
| Runaway Bay Shopping Village | 50 | External | 135.0 | 127.5 |
| Toombul | 100 | External | 228.3 | 233.3 |
| Total Regional | | | 2,535.6 | 2,520.1 |

3. Investment properties (continued)

(d) List of investment properties held (continued)

iv. City Centre

| | Ownership interest % | Valuation type | Carrying value | |
|-----------------------------------|-------------------------|----------------|------------------|------------------|
| | | | 31-Dec-15 \$m | 30-Jun-15 \$m |
| Emporium Melbourne ⁽¹⁾ | 50 | Internal | 520.0 | 489.6 |
| Myer Bourke Street ⁽¹⁾ | 33 | External | 132.0 | 122.8 |
| The Myer Centre Brisbane | 50 | External | 395.0 | 382.7 |
| QueensPlaza | 100 | Internal | 705.0 | 669.9 |
| Total City Centre | | | 1,752.0 | 1,665.0 |

v. Outlet Centre/Other

| | Ownership interest % | Valuation type | Carrying value | |
|----------------------------------|-------------------------|----------------|------------------|------------------|
| | | | 31-Dec-15 \$m | 30-Jun-15 \$m |
| DFO Essendon ⁽²⁾ | 100 | External | 161.5 | 152.9 |
| DFO Homebush | 100 | External | 365.8 | 320.0 |
| DFO Moorabbin ⁽³⁾ | 100 | Internal | 110.5 | 108.6 |
| DFO South Wharf ⁽⁴⁾ | 75 | External | 325.0 | 311.6 |
| Indooroopilly Central | 100 | External | 65.0 | 59.1 |
| Total Outlet Centre/Other | | | 1,027.8 | 952.2 |

Refer to footnotes at the end of Note 3(d).

3. Investment properties (continued)

(d) List of investment properties held (continued)

vi. Sub Regional

| | Ownership interest % | Valuation type | Carrying value | |
|--|-------------------------|----------------|------------------|------------------|
| | | | 31-Dec-15 \$m | 30-Jun-15 \$m |
| Altona Gate Shopping Centre | 100 | External | 91.0 | 86.9 |
| Armidale Central | 100 | Internal | 45.5 | 44.5 |
| Belmont Village | 100 | External | 46.3 | 44.5 |
| Box Hill North | 100 | Internal | 76.0 | 70.0 |
| Box Hill South ⁽⁵⁾ | 100 | External | 155.0 | 144.4 |
| Brandon Park | 50 | External | 58.2 | 58.2 |
| Brimbank Shopping Centre | 100 | External | 165.2 | 165.5 |
| Buranda Village | 100 | External | 41.5 | 38.1 |
| Carlingford Court | 50 | External | 104.3 | 101.5 |
| Castle Plaza Shopping Centre | 100 | External | 168.9 | 152.7 |
| Clifford Gardens Shopping Centre | 100 | External | 188.0 | 188.5 |
| Corio Shopping Centre | 100 | External | 126.0 | 123.8 |
| Gympie Central | 100 | Internal | 78.0 | 75.0 |
| Karratha City | 50 | Internal | 58.4 | 57.5 |
| Kurralta Central | 100 | External | 36.8 | 35.7 |
| Lake Haven Shopping Centre | 100 | External | 272.1 | 268.3 |
| Lavington Square | 100 | External | 58.0 | 56.0 |
| Livingstone Marketplace ⁽⁸⁾ | 100 | External | 83.0 | - |
| Maddington Central | 100 | External | 117.5 | 114.4 |
| Maitland Hunter Mall | 100 | External | 20.0 | 16.8 |
| Mornington Central | 100 | External | 65.0 | 61.8 |
| Nepean Village | 100 | External | 160.0 | 142.1 |
| Northgate Shopping Centre | 100 | Internal | 99.0 | 96.2 |
| Roxburgh Park Shopping Centre | 100 | Internal | 110.0 | 105.2 |
| Sunshine Marketplace | 50 | Internal | 56.7 | 56.0 |
| Taigum Square | 100 | Internal | 89.2 | 89.3 |
| The Shops at Ellenbrook ⁽⁸⁾ | 100 | External | 220.0 | - |
| Toormina Gardens | 50 | External | 40.0 | 40.0 |
| Tweed Mall | 100 | External | 74.5 | 79.0 |
| Warnbro Centre | 100 | External | 122.5 | 122.0 |
| Warriewood Square | 50 | External | 110.0 | 87.7 |
| Warwick Grove | 100 | External | 196.5 | 184.1 |
| West End Plaza | 100 | Internal | 62.0 | 59.0 |
| Whitsunday Central | 100 | External | 62.5 | 59.6 |
| Wodonga Plaza | 100 | External | 46.0 | 47.3 |
| Goulburn Plaza ⁽⁷⁾ | 100 | - | - | 67.2 |
| Mount Gambier Central ⁽⁷⁾ | 100 | - | - | 24.8 |
| Westside Plaza ⁽⁷⁾ | 100 | - | - | 33.6 |
| Total Sub Regional | | | 3,503.6 | 3,197.2 |

Refer to footnotes at the end of Note 3(d).

3. Investment properties (continued)

(d) List of investment properties held (continued)

vii. Neighbourhood and Other

| | Ownership interest % | Valuation type | Carrying value | |
|--------------------------------------|-------------------------|----------------|------------------|------------------|
| | | | 31-Dec-15 \$m | 30-Jun-15 \$m |
| Albany Brooks Garden | 100 | External | 25.0 | 25.1 |
| Bentons Square ⁽⁶⁾ | 100 | External | 77.3 | 76.8 |
| Bowes Street | 100 | External | 8.9 | 10.0 |
| Currambine Central | 100 | External | 96.0 | 87.3 |
| Dianella Plaza | 100 | External | 78.7 | 72.2 |
| Flinders Square | 100 | External | 30.3 | 30.3 |
| Goldfields Plaza | 100 | Internal | 27.0 | 25.0 |
| Halls Head Central | 50 | External | 35.5 | 22.1 |
| Hilton Plaza | 100 | External | 17.7 | 19.0 |
| Kalamunda Central | 100 | External | 37.1 | 36.8 |
| Lennox Village | 50 | External | 31.8 | 30.3 |
| Milton Village | 100 | External | 25.0 | 22.0 |
| Monier Village | 100 | External | 20.3 | 19.9 |
| North Shore Village | 100 | External | 23.0 | 20.8 |
| Oakleigh Central | 100 | Internal | 59.0 | 58.0 |
| Oxenford Village | 100 | Internal | 28.0 | 26.5 |
| Stirlings Central | 100 | External | 50.0 | 48.0 |
| Terrace Central | 100 | Internal | 32.5 | 31.5 |
| The Gateway | 100 | External | 41.0 | 38.8 |
| Victoria Park Central | 100 | Internal | 27.5 | 27.0 |
| Katherine Oasis ⁽⁷⁾ | 100 | - | - | 27.9 |
| Lutwyche City ⁽⁷⁾ | 100 | - | - | 65.0 |
| Total Neighbourhood and Other | | | 771.6 | 820.3 |

- (1) The titles to these properties are leasehold with 291 years remaining on the ground leases.
- (2) The title to this property is leasehold with 32 years remaining on the ground lease.
- (3) The title to this property is leasehold with 18 years remaining on the ground lease.
- (4) The title to this property is leasehold with 93 years remaining on the ground lease.
- (5) The title to this property is leasehold with options to extend the ground lease to 2135 at the Group's option.
- (6) The Group has an option to acquire the remaining 50% of Bentons Square in July 2016. Based on the terms of the agreements, the acquisition is accounted for as a 100% acquisition of the property, with a deferred settlement on the remaining 50%. The deferred settlement is recognised as an other current financial liability.
- (7) Disposed during the period.
- (8) Acquired during the period.

(e) Investments accounted for using the equity method

The Group holds the following investments that are equity accounted:

| | Ownership | | Carrying value | |
|--|----------------|----------------|------------------|------------------|
| | 31-Dec-15 % | 30-Jun-15 % | 31-Dec-15 \$m | 30-Jun-15 \$m |
| Tuggeranong Hyperdome (Joint Venture) | 50.0 | 50.0 | 23.7 | 21.7 |
| Victoria Gardens Shopping Centre (Joint Venture) | 50.0 | 50.0 | 76.0 | 70.8 |
| Vicinity Asset Operations Pty Ltd (Associate) | 33.3 | 33.3 | 1.3 | 0.9 |
| Bent St Trust (current asset) (Joint Venture) | 50.0 | 50.0 | 0.5 | 0.5 |
| Closing Balance | | | 101.5 | 93.9 |

4. Intangible assets

| 31-Dec-15 | Goodwill \$m | Indefinite life management contracts \$m | Finite life management contracts \$m | Total \$m |
|--|-----------------|--|--|--------------|
| Opening carrying value 1 July 2015 | 712.7 | 164.2 | 14.5 | 891.4 |
| Impairment charge | (295.0) | - | - | (295.0) |
| Amortisation charge | - | - | (1.6) | (1.6) |
| Carrying value 31 December 2015 | 417.7 | 164.2 | 12.9 | 594.8 |

| 30-Jun-15 | Goodwill \$m | Indefinite life management contracts \$m | Finite life management contracts \$m | Total \$m |
|------------------------------------|-----------------|--|--|--------------|
| Opening carrying value 1 July 2014 | 254.5 | 97.1 | 12.3 | 363.9 |
| Arising from business combinations | 458.2 | 72.6 | - | 530.8 |
| Transfer between categories | - | (5.5) | 5.5 | - |
| Amortisation charge | - | - | (3.3) | (3.3) |
| Carrying value 30 June 2015 | 712.7 | 164.2 | 14.5 | 891.4 |

(a) Background

i. External Management Contracts

The management contracts reflect the right to provide asset and fund management services to external parties in accordance with management agreements. They were recognised at their fair value at both the date of Novion's internalisation of management from the Commonwealth Bank of Australia (CBA) and the Merger. The value of these contracts is allocated to the strategic partnerships cash-generating unit (CGU) which is also an operating and reportable segment. No indicators of impairment have been identified in relation to the valuation of finite and indefinite life management contracts at 31 December 2015.

Finite Life

Certain external management rights that are considered to have a finite life are subsequently amortised on a straight-line basis depending on the timing of the projected cash flows under the management agreements. The amortisation period is based on termination dates reflected in the management agreements (with consideration given to renewals). The Group amortises intangible assets with a finite life using the straight-line method over periods ranging from 2.5 to 10 years.

Indefinite Life

Certain external management rights, primarily those associated with strategic partners who co-own assets with the Group and that have management agreements without termination dates, are considered to have indefinite useful lives. Indefinite life intangibles are tested for impairment annually with the last annual test being performed at 30 June 2015.

ii. Goodwill

Goodwill relates to the internalised management of the owned properties and the portfolio premium associated with being a large listed REIT as described below. This balance is allocated to the Property Investment CGU which is also an operating and reportable segment.

Portfolio Premium

The 'portfolio premium' that was considered to exist upon the Merger relates to value elements not captured in the underlying fair value of the individual properties. This portfolio premium represents, amongst other items, development potential, liquidity, diversified portfolio benefits and the Group's ability to obtain and attract debt funding.

Internal Management Contracts

Internal management contracts relate to the incremental value created in relation to the Group's investment properties by replacing property management fees with an internalised cost structure (asset management business) i.e. the value of management rights relating to internally owned assets.

4. Intangible assets (continued)

(b) Impairment of goodwill

The Group evaluated each CGU at 31 December 2015, to determine whether there were any indications of impairment. A number of factors were reviewed, with the increase in the investment portfolio as disclosed in Note 3 and market based valuation cross checks, considered to represent the primary indicators of impairment for goodwill. As a result, the Group assessed the recoverable amount of the Property Investment CGU.

The review indicated that a portion of the goodwill, primarily represented by the value attributable to the diversified portfolio, has now been priced into the value of the Group's underlying investment properties. As a result, an impairment of goodwill related to the portfolio premium of \$295.0 million was recorded at 31 December 2015.

i. Recoverable amount assessment methodology

Recoverable amount is determined using a fair value less cost of disposal (fair value) approach. In order to determine the fair value of the Property Investment CGU as a whole an Enterprise Value (EV) approach has been adopted. This approach estimates fair value based on a discounted cash flow analysis using underlying earnings adjusted for interest expenses, cash flows from the Strategic Partnerships CGU and capital expenditure requirements. The recoverable amount, which is equal to the carrying value, of the Property Investment CGU has been determined as the Group's NAV less the value of the finite and indefinite life management contracts.

The fair value calculated under this approach is considered as Level 3 in the fair value hierarchy as it is determined using unobservable inputs, being forecast underlying earnings, discount rates and growth rates.

ii. Enterprise value model key assumptions and estimation approach

The table below summarises key assumptions used in the 31 December 2015 EV model and for comparison also provides the equivalent assumptions used at 30 June 2015. The process applied in the determination the key assumptions is detailed below.

| Key assumption | 31-Dec-15 | 30-Jun-15 |
|---|---------------|---------------|
| Cash flows for forecast underlying earnings & operational capital expenditure | 3 years | 3 years |
| Terminal growth rates | 2.3% - 2.5% | 2.5% |
| Post tax discount rate range | 7.92% - 8.42% | 7.75% - 8.25% |
| Cost of equity | 8.85% - 9.35% | 8.75% - 9.25% |

Post tax discount rate and cost of equity

Relevant discount rates are calculated based on the Capital Asset Pricing Model with reference to the Group's cost of debt, cost of equity and target gearing ratios.

Terminal Growth Rates

Estimated with reference to macro-economic conditions and the Group's expected earnings growth through fixed rental contract increases and the realisation of Merger synergies.

Forecast Underlying Earnings & operational capital expenditure

Based on the values determined by the Group's budgeting and planning process.

iii. Future value considerations

The carrying amount of the Property Investment CGU includes the value of the Group's investment properties which are held at fair value. These fair values are determined based on a number of assumptions, as outlined in Note 3. As the carrying amount of the Property Investment CGU is equal to its recoverable amount, any reasonably possible change in the assumptions that impact the property valuations and EV model may have a corresponding impact on the carrying amount of the Property Investment CGU, including goodwill.

Additionally, the future disposal of interests in directly owned or equity accounted investment property assets, where the Group also gives up any future rights under existing finite life, indefinite life or internal management contracts, may lead to the derecognition of the associated carrying values of these management contracts, as the Group may no longer be entitled to the management fees under disposal arrangements.

5. Interest bearing liabilities

The following financing activities were undertaken by the Group during the period:

i. US private placement notes (USPPs)

In December 2015, the Group issued the following USPPs:

- US\$184 million expiring in December 2025, which were converted into A\$263.4 million;
- US\$66 million expiring in December 2030, which were converted into A\$94.4 million; and
- A\$75 million expiring in December 2030.

The proceeds were applied towards the repayment of the \$1,800 million bridge facility.

ii. Bank loans and bridge facility

\$750 million of new 3 and 5 year unsecured bank debt facilities were established with a small group of international banks in December 2015. Proceeds of \$350 million were used to repay the remainder of the \$1,800.0 million bridge facility. The bridge facility was cancelled on 24 December 2015.

iii. Convertible notes

The remaining \$270.4 million of convertible notes outstanding at 30 June 2015 were repaid following the receipt of sufficient redemption notices allowing the Group to exercise its right to acquire all remaining notes. This redemption was financed through available unsecured bank loans.

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

| | 31-Dec-15 \$m | 30-Jun-15 \$m |
|---|------------------|------------------|
| Current liabilities | | |
| Unsecured | | |
| A\$ Medium term notes (A\$ MTNs) | 440.0 | 440.0 |
| US private placement notes | - | 648.9 |
| Convertible notes | - | 270.4 |
| Deferred debt costs ⁽¹⁾ | (0.1) | (1.9) |
| Total current liabilities | 439.9 | 1,357.4 |
| Non-current liabilities | | |
| Unsecured | | |
| Bank loans | 2,639.5 | 2,380.9 |
| A\$ Medium term notes | 250.0 | 250.0 |
| US private placement notes | 1,077.9 | - |
| Secured | | |
| A\$ Medium term notes | 325.9 | 328.7 |
| Deferred debt costs ⁽¹⁾ | (16.5) | (13.9) |
| Total non-current liabilities | 4,276.8 | 2,945.7 |
| Total interest bearing liabilities | 4,716.7 | 4,303.1 |

- (1) 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 released to the Statement of Comprehensive Income using the effective interest rate method. The amortisation is included in borrowing costs.

5. Interest bearing liabilities (continued)

(a) Financing facilities

The Group's total available facilities by type excluding fair value adjustments⁽¹⁾ at 31 December 2015 are detailed in the table below:

| Facility Type | Less than 1 year | 1 to 3 years | 3 to 5 years | 5 to 10 years | Greater than 10 years | Total |
|-----------------------------------|----------------------|----------------|----------------|---------------|-----------------------|----------------|
| Bank debt ⁽²⁾ | - | 2,146.3 | 1,900.0 | - | - | 4,046.3 |
| USPP notes | - | 177.6 | 38.0 | 407.9 | 367.4 | 990.9 |
| A\$ MTNs | 440.0 ⁽³⁾ | - | 400.0 | 150.0 | - | 990.0 |
| Total facilities available | 440.0 | 2,323.9 | 2,338.0 | 557.9 | 367.4 | 6,027.2 |
| Amount drawn | | | | | | 4,620.4 |
| Total undrawn facilities | | | | | | 1,406.8 |

(1) The carrying amount of the USPPs and secured A\$ MTNs in the Balance Sheet includes adjustments for fair value items of \$112.9 million (June 2015: \$130.4 million). These fair value adjustments are excluded from the calculation of total facilities available and amounts drawn. Additionally, deferred debt costs of \$16.6 million are not reflected in the amount drawn.

(2) Total debt facilities is reduced by bank guarantees of \$2.7 million drawn against bank debt facilities.

(3) A\$ MTNs expiring in May 2016 are planned to be refinanced under existing available facilities.

The Group has a long term credit rating of 'A-' from Standard & Poor's, with a stable outlook.

(b) Defaults on debt obligations

At 31 December 2015, the Group had no defaults on debt obligations (June 2015: None).

(c) Breaches of lending covenants

At 31 December 2015, the Group had no breaches of lending covenants (June 2015: None).

(d) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with borrowing funds such as establishment fees, legal fees and other fees.

Borrowing costs are expensed to the Statement of Comprehensive Income using the effective interest rate method, except for borrowing costs incurred for the development of investment property which are capitalised to the cost of the investment property during the period of development.

| | 31-Dec-15 \$m | 31-Dec-14 ⁽¹⁾ \$m |
|-----------------------------------|------------------|---------------------------------|
| Interest expense | 85.6 | 74.3 |
| Amortisation of borrowing costs | 3.2 | 7.5 |
| Less: capitalised borrowing costs | (5.0) | (7.4) |
| Total borrowing costs | 83.8 | 74.4 |

(1) As a result of the reverse acquisition as described in Note 1(a), comparative information for the period ended 31 December 2014 is that of Novion.

(e) Fair value of borrowings

As at 31 December 2015, the Group's debt has a fair value of \$4,766.8 million (June 2015: \$4,355.7 million).

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

5. Interest bearing liabilities (continued)

(f) Derivative financial instruments

The Group holds derivative financial instruments relating to interest rate swaps and cross currency swaps to hedge against the interest rate risk and foreign currency risk of the Group's borrowings. The fair value of these derivatives are estimated using valuation techniques, including use of reference to current fair value of other instruments that are substantially the same or discounted cash flow techniques. Valuation methodologies are observable inputs, mainly interest rates and interest rate curves as well as foreign currency rates. As such, the derivative instruments held by the Group are classified as Level 2 in the fair value hierarchy.

As at 31 December 2015 the carrying value and notional principal amounts of these derivative financial instruments are:

| | Carrying Amount | | Notional Principal Value | |
|---|------------------|------------------|--------------------------|------------------|
| | 31-Dec-15 \$m | 30-Jun-15 \$m | 31-Dec-15 \$m | 30-Jun-15 \$m |
| Cross currency swaps (pay A\$ receive US\$) – Assets | 104.2 | 84.7 | 518.1 | 524.2 |
| Interest rate swaps (floating to fixed) – Assets | 0.4 | 2.4 | 75.0 | 1,056.7 |
| Total Assets | 104.6 | 87.1 | n/a | n/a |
| Cross currency swaps (pay A\$ receive US\$) - Liabilities | (17.2) | - | 357.8 | - |
| Interest rate swaps (floating to fixed) – Liabilities | (18.6) | (1.0) | 2,495.1 | 747.5 |
| Total Liabilities | (35.8) | (1.0) | n/a | n/a |

6. Stapled entity allocation of net profit

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

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

| | 31-Dec-15 \$m | 31-Dec-14 ⁽¹⁾ \$m |
|--|------------------|---------------------------------|
| Vicinity Limited and controlled entities | | |
| Operating result of the Companies | 8.2 | 8.5 |
| Less: transaction costs incurred by the Companies ⁽²⁾ | (20.9) | (0.5) |
| Less: impairment and amortisation of intangibles | (296.6) | (1.4) |
| Net (loss)/profit before tax attributable to securityholders of Vicinity Limited (as the Companies) | (309.3) | 6.6 |
| Income tax expense ⁽³⁾ | - | (3.2) |
| Net (loss)/profit after tax attributable to securityholders of Vicinity Limited | (309.3) | 3.4 |
| Net profit after tax attributable to securityholders of Vicinity Centres Trust (as other stapled entities of the Group) | 733.9 | 409.3 |
| Net profit after tax of the Stapled Group | 424.6 | 412.7 |

(1) As a result of the reverse acquisition as described in Note 1(a), the comparative information for the period ended 31 December 2014 is that of Novion.

(2) Transaction costs of \$26.9 million on the Statement of Comprehensive Income include transaction costs of \$6.0 million incurred by the Trust.

(3) Under current Australian income tax legislation the Trusts are not liable to pay Australian income tax, including capital gains tax, provided that unitholders are presently entitled to the income of the Trusts as determined under the Trust Constitutions. Accordingly, income tax expense is only brought to account in relation to the profit or loss incurred by the Companies. For the period to 31 December 2015, as illustrated in the table above, the Companies made an accounting loss. A tax loss was also recorded, primarily due to the transaction costs incurred during the period. These additional tax losses have not been brought to account as deferred tax assets in the Group financial statements at 31 December 2015, as their future utilisation is not considered probable based on taxable income forecasts. Unrecognised deferred tax assets will continue to be reviewed at each reporting period and may be recognised at a later date if considered likely to be recovered.

7. Events occurring after the reporting date

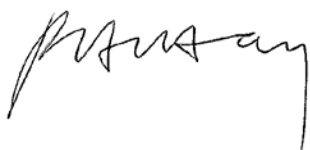
No matters have arisen since the end of the half year which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Directors' Declaration

In the Directors' opinion:

- (a) the half year financial statements and notes of Vicinity Centres (the Group) set out on pages 11 to 29 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001*, the Constitutions of the Trusts and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



PAF Hay
Chairman

Melbourne
17 February 2016

To the members of Vicinity Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Vicinity Centres (the 'Group'), which comprises the balance sheet as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Vicinity Limited (the 'Company'), Vicinity Centres Trust and the entities they controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vicinity Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

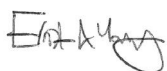
Independence

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

Conclusion

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

- a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



David Shewring

Partner

Melbourne

17 February 2016