Vicinity Centres Trust

Financial report for the year ended 30 June 2016

Vicinity Centres Trust
(formerly Federation Centres Trust No. 1)
ASRN 104 931 928 comprising
Vicinity Centres Trust and its Controlled Entities

Responsible Entity of the Trust
Vicinity Centres RE Ltd
(formerly Federation Centres Limited)
ABN 88 149 781 322

Directors' Report

The Directors of Vicinity Centres RE Ltd, the Responsible Entity of Vicinity Centres Trust (the Trust or VCT), present the financial report of Vicinity Centres Trust and its controlled entities (VCT Group or the Trust Group) for the year ended 30 June 2016. Vicinity Centres Trust is stapled to Vicinity Limited to form the stapled Group, Vicinity Centres. Accordingly the financial report for Vicinity Centres Trust should be read in conjunction with the financial report of Vicinity Centres available at www.vicinity.com.au.

Responsible Entity

The Responsible Entity (RE) of the Trust is Vicinity Centres RE Ltd. The registered office and principal place of business of Vicinity Centres RE Ltd is Chadstone Shopping Centre, 1341 Dandenong Road, Chadstone, Victoria 3148.

Directors

The following persons were members of the Vicinity Centres RE Ltd Board from 1 July 2015 and up to the date of this report unless otherwise stated:

Chairman

Peter Hay (Independent)

Non-executive Directors

Charles Macek (Independent)

David Thurin

Debra Stirling (Independent)

Karen Penrose (Independent)

Peter Kahan

Richard Haddock AM (Independent)

Trevor Gerber (Independent)

Tim Hammon (Independent)

Wai Tang (Independent)

Executive Directors

Angus McNaughton (appointed 3 August 2015)

Steven Sewell (resigned 3 August 2015)

Company Secretaries

Carolyn Reynolds (appointed 20 November 2015)

Michelle Brady

Principal activities

The Trust Group has its principal place of business at Chadstone Shopping Centre, 1341 Dandenong Road, Chadstone, Victoria 3148. The principal activity of the Trust Group during the year was property investment.

Change of corporate name

On 28 October 2015 the securityholders of Vicinity Centres (the stapled Group comprising Vicinity Centres Trust and Vicinity Limited) approved the change of the company's name to Vicinity Limited, formerly Federation Limited. Consequently:

- Federation Centres was rebranded as Vicinity Centres;
- Federation Centres Trust No.1 (FCT1) was renamed Vicinity Centres Trust;
- Federation Centres Limited was renamed Vicinity Centres RE Ltd; and
- The former Novion Property Group stapled entities, Novion Trust (NT) and Novion Limited, were renamed Vicinity NVN Trust and Vicinity Holdings Limited respectively.

Merger of Federation Centres and Novion Property Group

On 11 June 2015, the staple entities Federation Centres (Federation) and Novion Property Group (Novion) merged (the Merger) to create Vicinity Centres, one of Australia's leading real estate investment trusts. Under the terms of the Merger, Novion Trust was required to de-staple from Novion Limited and then each Novion Trust unit was exchanged for 0.8225 FCT1 unit, resulting in FCT1 as the legal acquirer and NT as the legal acquiree. Under accounting standards (AASB 3 *Business Combinations*), the transaction was accounted for as a reverse acquisition and NT was identified as the accounting acquirer and FCT1 as the accounting acquiree. Accordingly, the following amounts are represented in the financial statements:

	12 months to 30-Jun-16	12 months to 30-Jun-15
Statement of Comprehensive Income Statement of Changes in Equity Cash Flow Statement	Vicinity Centres Trust and its controlled entities	1 month Vicinity Centres Trust + 12 months Novion Trust
	As at 30-Jun-16	As at 30-Jun-15
Balance Sheet	Vicinity Centres Trust and its controlled entities	Vicinity Centres Trust and its controlled entities

Significant matters

The Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' report or the Financial Statements that has significantly or may significantly affect the operations of the Trust Group, the results of those operations, or the state of the Group's affairs in future financial years.

Distributions

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

	Total $m	Cents per stapled unit
Interim – 31 December 2015	348.4	8.8
Final – 30 June 2016	352.3	8.9
Total – year end	700.7	17.7

The final distribution of 8.9 cents per stapled unit will be paid on 30 August 2016.

Review of results and operations

a. Financial performance

The statutory net profit after tax of the Trust Group for the year was $1,266.2 million, an increase of $595.9 million on the prior period (30 June 2015: $670.3 million). This increase was primarily due to the current year including the results of Vicinity Centre Trust and Vicinity Novion Trust for the full 12 months (refer to the 'Merger of Federation Centres and Novion Property Group' section above). Statutory result highlights for the current year included:

- Total revenue and income of $1,299.8 million;
- Positive operating cash flows of $707.5 million;
- Property revaluation gains of $726.3 million;
- Basic earnings per unit of 31.99 cents; and
- Distributions per unit of 17.7 cents.

b. Financial position

At 30 June 2016 the Trust's net assets were $10,688.0 million, up $565.5 million from $10,122.5 million at 30 June 2015. This increase was primarily due to:

- An increase in the investment property balance by $549.3 million to $14,653.6 million (including held for sale properties). This movement included:
  - The acquisition of investment properties valued at $358.0 million, offset by disposals totalling $1,146.7 million;
  - Property revaluation gains for the year of $726.3 million; and
  - Development spend, most notably at Chadstone, Warriewood Square and Halls Head Central.
- A decrease in interest bearing liabilities of $360.9 million. This decrease was due to repayments from the proceeds from asset disposals offset by acquisitions and development spend.

c. Vicinity Centres Group – detailed review of results and operations

A detailed review of results and operations for the Vicinity Centres Group is contained in the Directors' Report the Vicinity Centres Group 30 June 2016 Annual Report which is available at www.vicinity.com.au.

Director related information

Indemnification and insurance of Directors and Officers

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

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

Remuneration of Directors

The Directors of the Responsible Entity receive remuneration in their capacity as Directors of the Responsible Entity. These amounts are paid directly by Vicinity Limited, the parent entity of the Vicinity Centres Group. The Trust pays the Responsible Entity a fee to cover the management of the Trust Group, as disclosed in Note 12 to the financial statements. Amounts paid to Directors (and Key Management Personnel) can be found in the Remuneration Report within the Vicinity Centres Group 30 June 2016 Annual Report available at www.vicinity.com.au.

Meetings of Directors

Details of the number of meetings of the Board of Vicinity Centres RE Limited and the number of meetings attended by each Director is shown in the table below. (A) represents number of meeting eligible to attend and (B) represents the number of meetings attended.

	Board - General Meetings		Board - Special Purpose Meetings[1]		Audit Committee		Remuneration Committee		Risk & Compliance Committee	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Peter Hay	9	9	8	8	-	-	-	-	-	-
Angus McNaughton	8	8	7	7	-	-	-	-	-	-
Charles Macek	9	9	8	8	-	-	8	8	-	-
David Thurin	9	9	8	7	-	-	-	-	5	5
Debra Stirling	9	9	8	7	-	-	8	7	5	5
Karen Penrose	9	9	8	7	8	8	-	-	5	5
Peter Kahan	9	9	8	8	8	8	8	8	-	-
Richard Haddock AM	9	9	8	7	8	8	-	-	5	5
Trevor Gerber	9	9	8	7	8	7	8	8	-	-
Tim Hammon	9	9	8	8	-	-	8	8	5	5
Wai Tang	9	8	8	8	8	7	-	-	5	4
Steven Sewell[2]	1	1	0	0	-	-	-	-	-	-

Vicinity Centres RE Ltd had a Nominations Committee, consisting of Mr Hay, Mr Hammon, Mr Macek and Mr Kahan, which did not meet during the year.

[1] Special Purpose Board meetings were scheduled and convened at short notice to consider special purpose approvals

[2] Mr Sewell resigned on 3 August 2015

Director related information (continued)

Directors' information

Information on the qualifications, experience and responsibilities of Directors are presented in the Directors' report in the Vicinity Centres Group 30 June 2016 Annual Report.

Auditor related information

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

Indemnification of Auditors

To the extent permitted by law, the Vicinity Centres Group has agreed to indemnify EY, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made under this indemnity to Ernst & Young during or since the end of the financial year.

Non-audit services

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

Details of the amounts paid or payable to the auditor EY for audit and non-audit services provided during the year are set out in Note 14 to the financial report.

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

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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is included immediately following the Directors' report.

Environmental regulation

The Trust is subject to the reporting obligations under the *National Greenhouse and Energy Reporting (NGER) Act 2007* (Cth). This requires the Trust Group to report annual greenhouse gas emissions, energy use and production for all assets under management for years ending 30 June. The Trust Group met this obligation during the 2016 financial year by submitting its NGER report to the Department of the Environment for the year ended 30 June 2015 by 31 October 2015. The Trust Group monitors its other environmental legal obligations and is compliant for the reporting period.

Options over unissued units

As at 30 June 2016 and at the date of this report, there were 4,385,154 unissued ordinary securities of the Vicinity Centres Group under option in the form of performance rights. Refer to Note 14 of the Vicinity Centres Group 30 June 2016 financial statements available at www.vicinity.com.au for further details.

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

Events after the end of the reporting period

No matters have arisen since the end of the 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.

Rounding of amounts

The Trust Group is an entity of a kind referred to in Class Order 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 Class Order, unless stated otherwise.

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

Peter Hay

Chairman

Auditor's Independence Declaration

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

As lead auditor for the audit of Vicinity Centres Trust for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

David Shewring
Partner
17 August 2016

Statement of Comprehensive Income

for the year ended 30 June 2016

	Note	30-Jun-16 $m	30-Jun-15[1] $m
Revenue			
Property ownership revenue		1,247.3	802.7
Management fee revenue from strategic partnerships		-	48.3
Interest and other income		52.5	9.3
Total revenue and income		1,299.8	860.3
Share of net (loss)/profit of equity accounted investments	5(a)	(8.7)	7.7
Property revaluation increment for directly owned properties	4(b)	726.3	429.4
Net movement on mark-to-market of derivatives		(147.5)	(23.5)
Foreign exchange gain		42.4	-
Direct property expenses		(371.5)	(199.9)
Borrowing costs	6(b)	(175.1)	(150.1)
Employee benefits expenses	12	-	(64.6)
Responsible entity fees	12	(53.6)	(7.0)
Other expenses from ordinary activities		(14.7)	(42.1)
Impairment and amortisation of intangible assets		-	(3.0)
Integration and transaction costs		(11.1)	(131.9)
Stamp duty and transaction costs written off on acquisition of investment properties	4(b)	(20.1)	-
Profit before tax for the year		1,266.2	675.3
Income tax expense	3	-	(5.0)
Net profit for the year		1,266.2	670.3
Other comprehensive income		-	-
Total comprehensive income for the year		1,266.2	670.3
Earnings per unit attributable to unitholders of the Trust:			
Basic earnings per unit (cents)	2	31.99	25.38
Diluted earnings per unit (cents)	2	31.96	25.03

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

(1) As described in the "About this Report – Merger of Federation Centres and Novion Property Group" section in the Notes to the Financial Statements, the comparative information for the year ended 30 June 2015 represents results for 12 months of Novion Trust (Novion) and 1 month of Vicinity Centres Trust and its controlled entities (VCT Group).

Balance Sheet

as at 30 June 2016

	Note	30-Jun-16 $m	30-Jun-15 $m
Current assets			
Cash and cash equivalents		37.5	63.4
Receivables and other assets	9	76.3	129.9
Non-current assets classified as held for sale	4(a)	232.1	-
Financial assets carried at fair value through profit or loss		3.6	6.3
Derivative financial instruments	6(d)	15.6	-
Investments accounted for using the equity method		-	0.5
Total current assets		365.1	200.1
Non-current assets			
Investment properties	4(a)	14,421.5	14,104.3
Investments accounted for using the equity method	5	77.8	92.5
Derivative financial instruments	6(d)	112.2	87.1
Receivables and other assets	9	631.5	654.9
Total non-current assets		15,243.0	14,938.8
Total assets		15,608.1	15,138.9
Current liabilities			
Interest bearing liabilities	6	193.1	1,357.4
Distribution payable		352.3	336.5
Payables and other financial liabilities	10	215.5	239.8
Provisions	11	30.0	97.1
Derivative financial instruments	6(d)	-	0.3
Total current liabilities		790.9	2,031.1
Non-current liabilities			
Interest bearing liabilities	6	3,749.1	2,945.7
Payables and other financial liabilities	10	200.4	38.9
Derivative financial instruments	6(d)	179.7	0.7
Total non-current liabilities		4,129.2	2,985.3
Total liabilities		4,920.1	5,016.4
Net assets		10,688.0	10,122.5
Equity			
Contributed equity	8	8,012.1	8,012.1
Retained profits		2,675.9	2,110.4
Total equity		10,688.0	10,122.5

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

Statement of Changes in Equity

for the year ended 30 June 2016

	Attributable to unit holders of the Trust		
	Contributed equity $m	Retained profits $m	Total $m
As at 1 July 2014[(1)]	3,914.9	1,961.9	5,876.8
Net profit for the year	-	662.1	662.1
Gain/loss from de-stapling	-	8.2	8.2
Total comprehensive income for the year	-	670.3	670.3
Transactions with unit holders in their capacity as securityholders:			
Issue of units, net of transaction costs	117.4	-	117.4
Consideration issued on Merger	3,982.4	-	3,982.4
Distributions paid and payable	-	(546.9)	(546.9)
De-stapling of Novion Limited	-	25.1	25.1
Equity raising costs on Merger	(2.6)	-	(2.6)
Total equity as at 30 June 2015	8,012.1	2,110.4	10,122.5
Net profit for the year	-	1,266.2	1,266.2
Total comprehensive income for the year	-	1,266.2	1,266.2
Transactions with unit holders in their capacity as securityholders:			
Distributions paid and payable	-	(700.7)	(700.7)
Total equity as at 30 June 2016	8,012.1	2,675.9	10,688.0

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

(1) As described in the "About this Report – Merger of Federation Centres and Novion Property Group" section in the Notes to the Financial Statements, the comparative information for the year ended 30 June 2015 represents results for 12 months of Novion Trust (Novion) and 1 month of Vicinity Centres Trust and its controlled entities (VCT Group).

Cash Flow Statement

for the year ended 30 June 2016

	Note	30-Jun-16 $m	30-Jun-15[(1)] $m
Cash flows from operating activities			
Receipts in the course of operations		1,413.0	969.0
Payments in the course of operations		(593.5)	(356.4)
Distributions and dividends received from associates, joint venture partnerships and managed investments		11.7	3.0
Interest and other revenue received		46.9	7.2
Interest paid/derivative settlements		(170.6)	(174.7)
Net cash inflows from operating activities	13	707.5	448.1
Cash flows from investing activities			
Payments for capital expenditure on investment properties		(445.8)	(196.5)
Payments for acquisition of investment properties		(358.0)	-
Proceeds from disposal of investment properties		1,146.7	267.0
Payments for plant and equipment and other investments		-	(7.2)
Proceeds from other assets		3.5	7.7
Proceeds from capital distribution from equity accounted investments		-	38.0
Net cash disposed from de-stapling of Novion Limited		-	(82.3)
Net cash received in business combination		-	39.8
Integration and transaction costs paid		(8.5)	(39.0)
Stamp duty paid		(83.4)	-
Net cash inflows from investing activities		254.5	27.5
Cash flows from financing activities			
Proceeds from borrowings		4,519.2	4,579.5
Proceeds from related party borrowings		110.4	23.1
Repayments of borrowings		(4,837.8)	(3,616.0)
Repayments of related party borrowings		(80.2)	(1,088.8)
Distributions paid to external securityholders		(684.9)	(294.6)
Termination payments for derivatives		-	(95.6)
Debt establishment costs paid		(14.6)	(8.4)
Stapled security issue costs paid		-	(2.5)
Net cash outflows from financing activities		(987.9)	(503.3)
Net decrease in cash and cash equivalents held		(25.9)	(27.7)
Cash and cash equivalents at the beginning of the year		63.4	91.1
Cash and cash equivalents at the end of the year		37.5	63.4

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

(1) As described in the "About this Report – Merger of Federation Centres and Novion Property Group" section in the Notes to the Financial Statements, the comparative information for the year ended 30 June 2015 represents results for 12 months of Novion Trust (Novion) and 1 month of Vicinity Centres Trust and its controlled entities (VCT Group).

Streamlined financial statements

This year, the Trust Group's financial statements have been presented in a more streamlined manner by changing the format and layout to simplify the information disclosed and make it more relevant to users. Similar notes have been grouped into sections with relevant accounting policies and judgement and estimate disclosures incorporated within the notes to which they relate.

Notes

Notes to the Financial Statements

About this report

The financial report includes financial statements of the consolidated entity consisting of Vicinity Centres Trust (the Trust) and its controlled entities (collectively the Trust Group).

Vicinity Centres Trust is stapled to Vicinity Limited (the Company) to form the stapled group Vicinity Centres (the Vicinity Centres Group) (formerly Federation Centres). Accordingly the financial report for Vicinity Centres Trust should be read in conjunction with the financial report of Vicinity Centres available at www.vicinity.com.au.

The Trust is for-profit entity that is domiciled and operates wholly within Australia.

Basis of preparation

This general purpose financial report:

- Has been prepared in accordance with the Constitution of the Trust, the *Corporations Act 2001* (Cth) and Australian Accounting Standards (AASB) issued by the Australian Accounting Standards Board. Compliance with AASBs ensures compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- Is presented in Australian dollars ($) and rounded to the nearest tenth of a million dollars ($m) in accordance with ASIC Class Order 2016/91 (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 directors of Board of Directors of the Responsible Entity on 17 August 2016. The Directors have the power to amend and reissue the financial report.

Although the Trust Group has a net current deficiency of $425.8 million (current liabilities exceed current assets) at reporting date, the Trust Group has sufficient current undrawn Australian dollar borrowing facilities (of $1,196.0 million, refer to Note 6(a)) and generates sufficient operating cashflows to meet its current obligations as they fall due. Accordingly, this financial report has been prepared on a going concern basis.

Accounting policies

Accounting policies are contained within the relevant notes to this financial report. Other accounting policies that relate to the financial statements as a whole, detail of any changes in accounting policies and the impact of new or amended accounting standards are contained in Note 18.

Critical accounting estimates and judgements

The preparation of financial statements requires the Trust Group to make judgements, estimates and assumptions. These are based on historical experience and other factors considered to be reasonable under the circumstances, but which are inherently uncertain, the result of which form the basis of the carrying value of those assets and liabilities. Consequently, future actual results could differ from these estimates. Judgements and estimates considered material to this financial report are:

Judgement or Estimate	Reference
Valuation of investment properties	Note 4
Valuation of derivatives	Note 6

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 Vicinity Centres, one of Australia's leading real estate investment trusts. Under the terms of the Merger, Novion Trust was required to de-staple from Novion Limited and then each Novion Trust unit was exchanged for 0.8225 FCT1 unit, resulting in FCT1 as the legal acquirer and NT as the legal acquiree. Under accounting standards (AASB 3 *Business Combinations*), the transaction was accounted for as a reverse acquisition and NT was identified as the accounting acquirer and FCT1 as the accounting acquiree. Accordingly, the following amounts are represented in the financial statements:

	12 months to 30-Jun-16	12 months to 30-Jun-15
Statement of Comprehensive Income Statement of Changes in Equity Cash Flow Statement	Vicinity Centres Trust and its controlled entities	1 month Vicinity Centres Trust + 12 months Novion Trust
	As at 30-Jun-16	As at 30-Jun-15
Balance Sheet	Vicinity Centres Trust and its controlled entities	Vicinity Centres Trust and its controlled entities

Further information on the consideration transferred on the Merger and the net assets acquired can be found in Note 2 to the 30 30 June 2015 Vicinity Centres Trust (then Federation Centres Trust No. 1) financial statements.

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

Operations

1. Segment reporting

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 under the ASX code VCX.

As a result of this stapled structure, management does not report the individual results of the Trust to the Chief Operating Decision Makers (which for the Vicinity Centres Group were the Managing Director & Chief Executive Officer (CEO) and the Chief Financial Officer (CFO)).

Rather it reports the 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. Earnings per unit

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

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

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit by taking into account the interest and other financing costs associated with dilutive potential ordinary units and the weighted average number of units assumed to have been issued for no consideration in relation to dilutive potential ordinary units.

Basic and diluted earnings per unit are as follows:

For the 12 months to:	30-Jun-16	30-Jun-15
Earnings per unit attributable to unitholders		
Basic earnings per unit (cents)	31.99	25.38
Diluted earnings per unit (cents)	31.96	25.03

The following net profit amounts are used in the numerator in calculating earnings per stapled unit:

For the 12 months to:	30-Jun-16 $m	30-Jun-15 $m
Earnings used in calculating basic earnings per unit	1,266.2	670.3
Adjusted for:		
Borrowing costs attributable to convertible notes	-	17.4
Less: Amount capitalised in qualifying assets	-	(1.7)
Earnings used in calculating diluted earnings per unit	1,266.2	686.0

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

For the 12 months to:	30-Jun-16 Number (m)	30-Jun-15[(1)] Number (m)
Weighted average number of units used as the denominator in calculating basic earnings per unit	3,958.6	2,641.3
Adjustment for potential dilution from performance rights granted	3.8	2.3
Adjustment for potential dilution from convertible notes	-	97.4
Weighted average number of units and potential units used as the denominator in calculating the diluted earnings per unit	3,962.4	2,741.0

(1) Due to accounting for the merger as a reverse acquisition (as described in the "About this Report – Merger of Federation Centres and Novion Property Group" section in the Notes to the Financial Statements). The number of units used in the calculation of earnings per unit for the year ended 30 June 2015 represents the weighted average number of units of Novion pre-merger, multiplied by the merger exchange ratio, plus, the weighted average number of units on issue post-merger to the end of the year. Refer to Note 8 for details of movements in units on issue during the year.

3. Taxes

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

Prior to the Merger, Novion Trust was the parent of the Novion Group. As such the tax expense of $5.0 million for the year ended 30 June 2015 represents 11 months of tax incurred by Novion Limited. As part of the implementation of the Merger, Novion Limited was de-stapled from Novion Trust and acquired by Vicinity Limited. Therefore there is no tax expense in the current period.

Refer to Note 3 of the Vicinity Centres 30 June 2016 Group Financial Statements available at www.vicinity.com.au for further details of taxes paid by the Vicinity Centres Group.

4. Investment properties

The Trust Group's investment properties represent freehold and leasehold interests in land and buildings held to derive rental income. They are initially measured at cost, including related transaction costs. Subsequently, at each reporting period, they are carried at their fair values based on the market value determined by independent (external) valuers or internal valuations. These valuations include the cost of capital works in progress on development projects. Further detail on the valuation process and valuation methods is described in Note 4(c).

(a) Portfolio summary

Shopping centre type	30-Jun-16			30-Jun-15		
	Number of properties	Value $m	Weighted average cap rate %	Number of properties	Value $m	Weighted average cap rate %
Super Regional	1	2,215.0	4.75	1	1,871.8	5.00
Major Regional	7	3,144.2	5.79	7	3,068.7	5.84
City Centre	4	1,849.5	5.06	4	1,665.0	5.56
Regional	10	2,105.4	6.33	12	2,520.1	6.67
Outlet Centre	5	1,084.8	6.49	5	952.2	6.82
Sub Regional	34	3,272.5	6.75	36	3,197.2	7.19
Neighbourhood and other	19	747.3	6.86	22	820.3	7.17
Planning and holding costs(1)	-	25.8	-	-	14.4	-
Total	80	14,444.5	5.94	87	14,109.7	6.30
Add: Finance lease assets(2)		214.2			-	
Less: Properties held for sale (current asset)(3)		(232.1)			-	
Less: Property holdings by Vicinity Limited		(5.1)			(5.4)	
Total investment properties		14,421.5			14,104.3	

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

(2) Refer to Note 18(b) for further detail.

(3) Represents the carrying amount of properties which the Trust had an agreement to sell. At 30 June 2016, the value represents a 25% freehold interest in The Myer Centre Brisbane, a 50% freehold interest in Mornington Central and a 100% freehold interest in Bowes St. There sales are expected to settle inFY17.

4. Investment properties (continued)

(b) Movements for the year

	30-Jun-16 $m	30-Jun-15[1] $m
Opening balance	14,109.7	8,830.4
Investment properties acquired through business combination[1]	-	4,734.4
Acquisitions including associated stamp duty and transaction costs[2]	378.1	-
Capital expenditure[3]	422.9	196.0
Capitalised interest[4]	11.8	10.4
Disposals	(1,146.7)	(67.0)
Property revaluation increment for directly owned properties	726.3	429.4
Stamp duty and transaction costs written off on acquisitions	(20.1)	-
Amortisation of incentives	(42.3)	(30.3)
Straight-lining of rent adjustment	4.8	6.4
Closing balance	14,444.5	14,109.7

(1) Federation's investment properties were acquired by Novion as part of the Merger described in 'About this Report – Merger of Federation Centres and Novion Property Group' section.
(2) Comprises purchase price of $358.0 million plus stamp duty and transaction costs of $20.1 million.
(3) Includes development costs, maintenance capital expenditure and lease incentives.
(4) Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 4.1% (30 June 2015: 5.3%).

(c) Portfolio valuation

Process

Each investment property is valued either independently (externally) or internally in December and June each year as part of the bi-annual valuation process. This process requires:

- Each property to be independently valued at least once per year;
- Independent valuers (who are selected from a pre-approved panel) that are appropriately qualified. This is considered to be when they are authorised by law to carry out such valuations and have at least five years valuation experience (including at least two years in Australia);
- Internal valuations to be undertaken if a property is not due for an independent valuation;
- Where an internal valuation shows a variance greater than 10% from the last independent valuation, a new independent valuation to be undertaken (even if this results in a property being independently valued twice in one year); and
- Internal valuations to be reviewed by a director of an independent valuation firm to assess the assumptions adopted and the reasonableness of the outcomes.

The valuation process is governed by the Board and the internal Property Investment Committee, with input from key executives as required. The process is reviewed periodically to take into account any regulatory changes, changes in market conditions, and any other requirements that would need to be adopted.

Methodology

To determine fair value:

- Independent valuations commonly adopt the midpoint of the 'capitalisation of net income' and 'discounted cash flow' (DCF) methods;
- Internal valuations use industry software to utilise the latest available property financial information in the 'capitalisation of net income' method with a cross check using the DCF method;
- Both independent and internal valuations employ the 'residual value' method when valuing development properties; and
- Properties that have sale agreements in place by the end of the financial year are valued at the agreed sale amount.

4. Investment properties (continued)

(c) Portfolio valuation (continued)

Methodology (continued)

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

Key inputs and sensitivities

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

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

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

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

	30-Jun-16		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%	5.94%	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)	7.00% - 9.25%	7.95%	8.00% - 10.25%	8.50%	
Terminal yield(3)	5.00% - 8.75%	6.18%	5.25% - 10.25%	6.54%	
Expected downtime (for tenants vacating)	2 months to 12 months	4 months	2 months to 12 months	4 months	
Rental growth rate	2.70% - 4.50%	3.7%	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 total rate of return used to convert a forecast cashflow of an asset into a present value. It should reflect the required rate of return of the property given its risk profile relative to competing uses of capital. The rate is determined with regards to comparable market transactions.

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

All of the above key assumptions have been taken from the latest external valuation reports and internal valuation assessments.
Bowes St is excluded from the 30 June 2016 inputs as it is a commercial property and held for sale.
For all investment properties the current use equates to the highest and best use.

4. Investment properties (continued)

(d) Operating lease receivables

The investment properties are leased to tenants under operating leases with rentals payable monthly. Future minimum rental revenue receivables under non-cancellable operating leases of investment properties are as follows:

	30-Jun-16 $m	30-Jun-15 $m
Not later than one year	833.2	906.4
Later than one year and not later than five years	2,077.3	2,286.3
Later than five years	1,091.6	1,317.4
Total operating lease receivables	4,002.1	4,510.1

5. Equity accounted investments

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

	Carrying value	
	30-Jun-16 $m	30-Jun-15 $m
Victoria Gardens Retail Trust (Joint Venture)	76.3	70.8
Other associates and joint ventures	1.5	22.2
Closing Balance	77.8	93.0

(a) Movements for the year

	30-Jun-16 $m	30-Jun-15 $m
Opening balance	93.0	36.4
Acquired through business combination	-	92.4
Additional investments made during the year	2.0	0.3
Share of net (loss)/profit of equity accounted investments	(8.7)	7.7
Distributions	(8.0)	(42.9)
Return of capital	(0.5)	-
De-recognition of investment as a result of Merger	-	(0.9)
Closing balance	77.8	93.0

(b) Summarised financial information for material equity accounted investments

	Victoria Gardens Retail Trust(1)	
	30-Jun-16 $m	30-Jun-15 $m
Investment properties - non current	127.1	105.3
Interest bearing liabilities - non-current	(46.6)	(34.0)
Other net assets/(liabilities)	(4.2)	(0.5)
Net assets	76.3	70.8
Total income	9.3	0.9
Aggregate net profits after income tax	10.1	0.5
Interest expense	(1.9)	(0.1)
Distributions receivable by the Trust	3.6	3.5

(1) Summarised financial information represents 50% of the underlying financial statement information of the joint venture with no adjustments made.

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

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

The Trust Group has distributions receivable of $3,667,754 from Victoria Gardens Retail Trust at balance date (30 June 2015: $3,451,695).

Tuggeranong Town Centre Trust (joint venture, 50% ownership interest)

As disclosed in Note 9, the Trust Group has a loan receivable from Tuggeranong Town Centre Trust (TTCT) of $117,387,000 as at 30 June 2016 (30 June 2015: $117,387,000). The interest income for the year was $7,132,051 (30 June 2015: $269,308). At 30 June 2016, $294,739 remains payable to the Trust Group (30 June 2015: $242,000). The Trust Group also has other payables to TTCT of $361,810 at balance date (30 June 2015: $310,000) and distributions receivable of $1,508,237 (30 June 2015: $2,869,593).

Capital structure and financial risk management

6. 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 A$ at the applicable exchange rate at year end with the gain or loss attributable to exchange rate movements recognised in profit or loss in the Statement of Comprehensive Income. Prior to 1 May 2016, the US private placement notes (USPPs) were designated in hedge relationships with Cross Currency Swaps. The Trust elected to discontinue these hedge relationships from 1 May 2016, refer to Note 6(b) for further details. The following table outlines the Trust Group's interest bearing liabilities at balance date:

	30-Jun-16 $m	30-Jun-15 $m
Current liabilities		
Unsecured		
A$ Medium Term Notes (A$ MTNs)	-	440.0
US$ USPPs	193.1	648.9
Convertible notes	-	270.4
Deferred debt costs(1)	-	(1.9)
Total current liabilities	193.1	1,357.4
Non-current liabilities		
Secured		
Related party borrowings(2)	323.2	328.7
Unsecured		
Bank debt	1,696.3	2,380.9
A$ MTNs	250.0	250.0
GBP European Medium Term Notes (EMTNs)	619.9	-
US$ USPPs	877.6	-
Deferred debt costs(1)	(17.9)	(13.9)
Total non-current liabilities	3,749.1	2,945.7
Total interest bearing liabilities	3,942.2	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.

(2) The Trust Group has entered into a 'back-to-back' related party loan agreement with Vicinity Centres Finance Pty Ltd (VCFPL), a subsidiary of Vicinity Limited. The related party loan agreement between the Trust Group and VCFPL was secured and on the same terms and conditional as VCFPL's A$ MTNs.

6. Interest bearing liabilities and derivatives (continued)

(a) Facilities available

The maturity of the Trust Group's total available facilities by type excluding fair value adjustments[1] 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	30-Jun-16 Total $m	30-Jun-15 Total $m
Bank debt[2]	-	1,592.3	1,300.0	-	-	2,892.3	5,097.3
US$ USPPs	177.6	38.0	-	407.9	367.4	990.9	564.2
A$ MTNs	-	-	250.0	-	-	250.0	690.0
Related party borrowings	-	-	300.0	-	-	300.0	300.0
GBP EMTNS	-	-	-	655.2	-	655.2	-
Convertible Notes	-	-	-	-	-	-	253.4
Total facilities available	177.6	1,630.3	1,850.0	1,063.1	367.4	5,088.4	6,904.9
Amount drawn (refer to note 7(a))						(3,892.4)	(4,188.5)
Total undrawn facilities						1,196.0	2,716.4

(1) The carrying amount of the US$ USPPs, GBP EMTNs and secured A$ MTNs in the Balance Sheet includes adjustments for fair value items and foreign exchange translation of $67.7 million (30 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 $17.9 million (30 June 2015: $15.8 million) are not reflected in the amount drawn.
(2) Total debt facilities is reduced by bank guarantees of $17.7 million (30 June 2015: $2.7 million) drawn against bank debt facilities

(b) Borrowing costs

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

	30-Jun-16 $m	30-Jun-15 $m
Interest expense	188.4	146.9
Amortisation of borrowing costs	5.9	13.6
Amortisation of fair value adjustment relating to discontinuation of hedge accounting[1]	(1.9)	-
Amortisation of fair value adjustment on secured related party loan acquired on Merger	(5.5)	-
Less: Capitalised borrowing costs	(11.8)	(10.4)
Total borrowing costs	175.1	150.1

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

(c) Defaults and covenants

At 30 June 2016, the Trust Group had no defaults on debt obligations or breaches of lending covenants (30 June 2015: None).

6. Interest bearing liabilities and derivatives (continued)

(d) Derivatives

As detailed further in Note 7, derivative instruments are held to hedge against interest rate risk and foreign currency risk of the Trust' borrowings. The carrying value and notional principal amounts of these instruments is shown in the table below:

	Carrying Amount		Notional Principal Value	
	30-Jun-16 $m	30-Jun-15 $m	30-Jun-16 $m	30-Jun-15 $m
Cross currency swaps (pay A$ floating receive US$ fixed) – Assets	15.6	-	177.5	-
Total current assets	15.6	-	n/a	n/a
Cross currency swaps (pay A$ floating receive US$ fixed) – Assets	112.2	84.7	435.0	524.2
Interest rate swaps (floating to fixed) – Assets	-	2.4	-	1,056.7
Total non-current assets	112.2	87.1	n/a	n/a
Interest rate swaps (floating to fixed) – Liabilities	-	(0.3)	-	500.0
Total current liabilities	-	(0.3)	n/a	n/a
Cross currency swaps (pay A$ floating receive US$ fixed) - Liabilities	(1.0)	-	263.3	-
Cross currency swaps (pay A$ floating receive GBP fixed) - Liabilities	(14.8)	-	655.2	-
Interest rate swaps (floating to fixed) – Liabilities	(163.9)	(0.7)	2,870.1	247.5
Total non-current liabilities	(179.7)	(0.7)	n/a	n/a

The fair value (carrying amount) of derivatives are estimated using valuation techniques, including referencing to the current fair value of other instruments that are substantially the same or use of discounted cash flow techniques. These valuation techniques use observable Level 2 inputs, mainly interest rates and interest rate curves as well as foreign currency rates and foreign currency curves.

7. Capital and financial risk management

The Vicinity Centres Group treasury team is responsible for the day to day management of capital requirements and financial risk management. These activities are overseen by the Capital Management Committee (CMC), which operates under the CMC and treasury policies, which are endorsed by the Audit Committee and approved by the Board of Directors. The overall objectives of the CMC are to:

- Ensure that the Vicinity Centres Group has funds available to meet all financial obligations, working capital and committed capital expenditure requirements;
- Monitor and ensure compliance with all relevant financial covenants under the Vicinity Centres Group's debt facilities;
- Reduce the impact of adverse interest rate or foreign exchange movements on the Vicinity Centres Group using approved financial risk management instruments; and
- Diversify banking counterparties to mitigate counterparty credit risk.

The key financial risks monitored by the CMC and strategies adopted by the Vicinity Centres Group to assist in achieving these objectives are set out in the sections below:

Risk	Primary source(s)	Explanation and risk management strategy	Details
Interest Rate Risk	Floating rate borrowings	Interest rate risk represents the potential for changes in market interest rates to impact the total interest expense for the Vicinity Centres Group. Floating-to-fixed interest rate swaps[(1)] are used to manage this risk. Under the terms of these swaps, the Vicinity Centres Group agrees to exchange, at specified intervals, amounts based on the difference between the fixed contract interest rate and the floating market interest rate calculated by reference to an agreed notional principal amount.	Note 7(a)
Foreign Exchange Rate Risk	Foreign denominated interest bearing liabilities (USPPs and EMTNs)	Foreign exchange risk refers to the risk that value or cash flows arising from a financial commitment, asset or liability, denominated in a foreign currency, will fluctuate due to changes in a foreign exchange rate. This risk is managed through the use of cross-currency swaps[(1)] which swap the foreign currency interest payments into Australian Dollars and fix the exchange rate for the conversion of the principal repayment.	Note 7(b)
Liquidity Risk	Interest bearing liabilities	Liquidity risk represents the risk that the Group will be unable to meet financial obligations as they fall due. To manage this risk, sufficient capacity under the Vicinity Centres Group's financing facilities is maintained to meet the needs arising from the Board approved short term and medium term business strategy. This is achieved through securing and maintaining funding from a range of sources (e.g. Banks, Australian and foreign debt capital markets), maintaining sufficient undrawn debt capacity and cash balances and managing the amount of borrowings that mature or facilities that expire in any one year.	Note 7(c)
Credit Risk	Tenant receivables, derivative counterparties and bank deposits	Credit risk is the risk that a tenant or counterparty to a financial instrument fails to meet their financial obligations to the Vicinity Centres Group. To mitigate tenant credit risk an assessment is performed taking into consideration the financial background of the tenant and the amount of any guarantee or bank guarantee provided as collateral under the lease. To mitigate credit risk in relation to derivative counterparties and bank deposits, the Vicinity Centres Group has policies to limit exposure to any one financial institution. The maximum exposure to credit risk at the balance date is the carrying amount of the Vicinity Centres Group's financial assets.	Note 9 Note 6(d)

(1) Derivative financial instruments such as interest rate swaps and cross currency swaps are not permitted to be entered into for speculative purposes under the Trust Group's hedging policy. Limits are in place in respect of their use to hedge cash flows subject to interest rate and foreign exchange risk. None of these derivatives are currently in hedge relationships.

7. Capital and financial risk management (continued)

(a) Interest rate risk

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

	30-Jun-16 $m	30-Jun-15 $m
Total interest bearing liabilities (Note 6)	3,942.2	4,303.1
Add: Deferred debt costs	17.9	15.8
Add: Fair value and foreign exchange adjustments to GBP EMTNs	35.3	-
Less: Fair value and foreign exchange adjustments to US$ USPPs	(79.9)	(84.7)
Less: Fair value adjustment on secured A$ MTNs acquired on Merger	(23.1)	(28.7)
Less: Fair value adjustment on convertible notes	-	(17.0)
Total drawn debt	3,892.4	4,188.5
Less: Fixed rate borrowings	(665.0)	(1,283.4)
Net variable rate borrowings exposed to cash flow interest rate risk at 30 June	3,227.4	2,905.1
Less: Notional principal of outstanding interest rate swap contracts	(2,870.1)	(1,804.2)
Representative net variable rate borrowings exposed to cash flow interest rate risk	357.3	1,100.9
Hedged ratio(1)	91%	74%

(1) Calculated as total drawn debt less representative net variable rate borrowings exposed to cash flow interest rate risk divided by total drawn debt.

Sensitivity to interest rates

A shift in the forward interest rate curve of +/- 25 bps, assuming the net exposure to cash flow interest rate risk as at 30 June 2016 remains unchanged for the next 12 months, would impact the Trust Group's cash interest cost for the next 12 months by $0.9 million (30 June 2015 +/-25 bps: $2.8 million).

The fair values of derivatives used by the Trust Group are also sensitive to interest rates. A shift in the forward interest rate curve of +/- 25 bps, assuming the net exposure to fair value interest rate risk as at 30 June 2016 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $10.0 million (30 June 2015 +/-25 bps: $14.2 million).

This sensitivity analysis should not be considered a projection.

(b) Foreign exchange rate risk

At 30 June 2016, the Trust Group has the following net exposure to foreign currency translation risk arising from US$ and GBP denominated borrowings:

US$ Borrowings	30-Jun-16 US$ $m	30-Jun-15 US$ $m
Total interest bearing liabilities in US$	693.0	449.0
Less: Notional value of cross currency swaps (pay A$ receive US$)	(693.0)	(449.0)
Net exposure to US$ translation risk	-	-
Hedge ratio for interest bearing liability in US$	100%	100%

GBP Borrowings	30-Jun-16 GBP $m	30-Jun-15 GBP $m
Total interest bearing liabilities in GBP	350.0	n/a
Less: Notional value of cross currency swaps (pay A$ receive GBP)	(350.0)	n/a
Net exposure to GBP translation risk	-	n/a
Hedge ratio for interest bearing liability in GBP	100%	n/a

The carrying values of debt and derivatives held by the Trust Group are also sensitive to foreign exchange rates. A shift in the forward exchange rate curve of +/- 5 cents, assuming the net exposure to fair value exchange rate risk as at 30 June 2016 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $27.0 million (30 June 2015 +/-5 cents: $ nil).

7. Capital and financial risk management (continued)

(c) Liquidity risk

The contractual maturity of interest bearing liabilities and the interest payment profile is shown below. Estimated interest and principle payments are calculated based on the forward interest and foreign exchange rates prevailing at year end. Timing of payments is based on current contractual obligations which may not align to the classifications of current and non-current liabilities. Refer to Note 10 for details on trade and other liabilities that are not included in the table below.

30 June 2016	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m	Carrying amount $m
Bank debt	-	1,539.3	157.0	1,696.3	1,696.3
A$ AMTNs	-	-	250.0	250.0	250.0
Related party loan	-	-	300.0	300.0	323.2
US$ USPPs	189.8	41.5	770.8	1002.1	1070.7
GBP EMTNs	-	-	720.4	720.4	619.9
Estimated interest payments on borrowings	139.2	243.6	486.0	868.8	N/A
Estimated net interest rate swap cash outflow	17.6	62.2	104.2	184.0	163.9
Estimated gross cross currency swap cash outflows	235.7	142.5	1,745.8	2,124.0	N/A
Estimated gross cross currency swap cash (inflows)	(251.0)	(145.2)	(1,889.9)	(2,286.1)	(112.0)
Total contractual outflows	331.3	1,883.9	2,644.3	4,859.5	4,012.0

30 June 2015	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m	Carrying amount $m
Bank debt	-	2,380.9	-	2,380.9	2,380.9
A$ AMTNs	440.0	-	250.0	690.0	690.0
Related party loan	-	-	300.0	300.0	328.7
US$ USPPs	-	177.6	386.7	564.3	648.9
Convertible notes	270.4	-	-	270.4	270.4
Estimated interest payments on borrowings	148.1	168.2	195.3	511.6	N/A
Estimated net interest rate swap cash outflow/(inflow)	2.2	(0.1)	(3.2)	(1.1)	(1.4)
Estimated gross cross currency swap cash outflows	17.0	207.6	500.8	725.4	N/A
Estimated gross cross currency swap cash (inflows)	(25.8)	(228.9)	(597.3)	(852.0)	(84.7)
Total contractual outflows	851.9	2,705.3	1,032.3	4,589.5	4,232.8

(d) Fair value of borrowings

As at 30 June 2016, the Trust Group's debt has a fair value of $4,081.6 million (30 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 inputs would have been classified as Level 2 under the fair value hierarchy as the market discount rates used are indirectly observable.

7. Capital and financial risk management (continued)

(e) Capital risk management

The Vicinity Centres Group maintains a strong and conservative capital structure with appropriate liquidity, a strong balance sheet and a diversified debt profile (by source and tenor). The Vicinity Centres Group has long term credit ratings of 'A-' from Standard & Poor's and 'A2' from Moody's Investors Service.

Key metrics monitored are bank facilities to debt capital markets debt and gearing ratios. These are shown in the tables below:

Bank facilities to capital market debt

Facility type	30-Jun-16 $m	30-Jun-15 $m
Total bank facilities[1]	2,910.0	5,100.0
Total capital market debt	2,196.1	1,807.6
Total debt facilities available to the Trust Group	5,106.1	6,907.6
Bank facilities as a proportion of total debt facilities	57%	74%
Capital market debt as a proportion of total debt facilities	43%	26%

(1) Includes bank guarantee facilities of $17.7 million (30 June 2015: $2.7 million).

Gearing

	30-Jun-16	30-Jun-15
Drawn debt net of cash ($m)	3,854.9	4,125.1
Total tangible assets excluding cash, finance lease assets and derivative financial assets ($m)	15,228.6	14,988.4
Gearing ratio (target range of 25.0% to 35.0%)	25.3%	27.5%

8. Contributed equity

An ordinary stapled security 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 in proportion to the number of securities held. Ordinary stapled securities are classified as equity.

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

The number of units of the Trust is shown in the table below. All units are fully paid.

	30-Jun-16 Number (m)	30-Jun-15 Number (m)	30-Jun-16 $m	30-Jun-15 $m
Units on issue at beginning of the year	3,958.6	2,482.3	8,012.1	4,139.0
Issue of stapled securities – Dividend Reinvestment Plan	-	48.5	-	121.8
Issue of stapled securities – Employee Share Acquisition Plan	-	0.2	-	-
Securities issued to effect the Merger	-	1,427.6	-	3,979.8
De-stapling of Novion Limited	-	-	-	(228.5)
Total units on issue at the end of the year	3,958.6	3,958.6	8,012.1	8,012.1

Working capital

9. Receivables and other assets

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Debts that are individually known to be uncollectable are written off when identified. An allowance account (provision for doubtful debts) is used when there is objective evidence that the Trust Group may not be able to collect all amounts due according to the original terms of the receivables.

	Note	30-Jun-16 $m	30-Jun-15 $m
Trade debtors		18.1	20.7
Accrued income		19.8	23.1
Alignment fee receivable		-	10.8
Distribution receivable from joint ventures and associates		5.2	8.2
Less: Provision for doubtful debts		(4.6)	(6.9)
Total receivables		38.5	55.9
Prepayments		7.3	8.9
Levies		13.4	13.5
Tenant security deposits held		1.9	7.9
Other		15.2	43.7
Total current receivables and other assets		76.3	129.9
Cross-stapled loan with Vicinity Limited		511.4	535.0
Loan to Tuggeranong Town Centre Trust	5(c)	117.4	117.4
Investment in related party		2.7	2.5
Total non-current receivables and other assets		631.5	654.9

Risk of tenant default

Tenant debtor balances are continually monitored with the Trust Group considering receivables that have not been paid for 30 days after the invoice date as past due. Prompt recovery of these balances is sought. Where there are indicators that full recovery will not occur, provision is made for these amounts.

Of the $43.1 million trade and related party receivables outstanding (30 June 2015: $62.8 million), $10.6 million, which represents approximately 0.82% of total combined revenue, is considered past due at 30 June 2016 (30 June 2015: $7.2 million). These relate to a number of individual customers for whom there is no recent history of default.

The Trust Group has recognised a loss of $3.6 million (30 June 2015: $1.8 million) in respect of impaired trade receivables during the year. The loss has been included in “other expenses from ordinary activities” in the Statement of Comprehensive Income.

The Trust Group does not hold any collateral in relation to trade or other receivables, other than security deposits or bank guarantees as is usual in leasing agreements.

The maximum exposure to credit risk at the balance date is the carrying amount of each class of receivables outlined above.

10. Payables and other financial liabilities

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

	30-Jun-16 $m	30-Jun-15 $m
Current		
Trade payables and accrued expenses	53.7	81.8
Rents received in advance	27.1	26.1
Accrued interest expense	16.7	13.6
Accrued capital expenditure	45.0	55.4
Security deposits	1.3	9.5
Other financial liability – Bentons Square(1)	38.6	-
Related party payables	17.1	49.9
Other	2.2	3.5
Finance lease liabilities (2)	13.8	-
Total current liabilities	215.5	239.8
Non-Current		
Other financial liability – Bentons Square(1)	-	38.9
Finance lease liabilities	200.4	-
Total non-current liabilities	200.4	38.9

(1) The Trust had an option to acquire the remaining 50% of Bentons Square. This was exercised on 5 July 2016. Based on the terms of the agreement, 100% of the property results were accounted for in the Trust financial statements, with a deferred settlement liability recognised on the 50% of the property under option.

(2) Refer to Note 18(b).

At 30 June 2016, the carrying value of payables and other liabilities approximated their fair value. All current payables, excluding finance lease liabilities, are expected to be due and payable within the next three months.

11. Provisions

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

The movements for the year in provisions are as follows:

	30-Jun-15 $m	Arising during the year	Paid during the year	Other movements	30-Jun-16 $m
Stamp duty	74.9	22.2	(83.4)	(4.7)	9.0
Levies	13.5	13.4	(13.5)	-	13.4
Other	8.7	-	-	(1.1)	7.6
Total provisions	97.1	35.6	(96.9)	(5.8)	30.0

Other disclosures

12. Remuneration of the Responsible Entity and Employees

The Trust Group is required to have an incorporated Responsible Entity (RE) to manage its activities. The RE is considered to be the Key Management Personnel of the Trust Group. The total Responsible Entity fee recognised by the Trust Group for the year was $53.6 million (30 June 2015: $7.0 million).

In the year ended 30 June 2015, prior to de-stapling of the Novion Group upon the Merger, Novion Limited was consolidated in the Vicinity Centres Trust results. As Novion Limited no longer formed part of the VCT Group from the date of the Merger, and VCT Group does not employ personnel in its own right, there are no continuing employee expenses.

The Trust Group is not required to prepare a Remuneration Report. The Remuneration Report for the Vicinity Centres Group can be found in the 30 June 2016 Vicinity Centres Annual Report at www.vicinity.com.au.

13. Notes to the cash flow statement

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

	30-Jun-16 $m	30-Jun-15 $m
Net profit after tax for the financial year	1,266.2	670.3
Exclude non-cash items and cash flows under investing and financing activities:		
Amortisation of static lease incentives and other project items	42.3	30.3
Straight-lining of rent adjustment	(4.8)	(6.4)
Property revaluation increment for directly owned properties	(726.3)	(429.4)
Share of net loss/(profit) of investments accounted for using the equity method	8.7	(7.7)
Distributions of net income from equity accounted investments	8.0	3.0
Capitalised borrowing costs	(11.8)	(10.4)
Amortisation of borrowing costs	5.9	13.6
Net movements on mark to market of derivatives	147.5	23.5
Foreign exchange (gain)/loss	(42.4)	0.6
Integration and transaction costs	11.1	131.9
Stamp duty and other costs written off on acquisition of investment properties	20.1	-
Other non-cash items	(1.1)	10.7
Movements in working capital		
Increase/(decrease) in payables and other liabilities	(67.7)	13.0
Decrease in receivables and other assets	51.8	5.1
Net cash inflow from operating activities	707.5	448.1

14. Auditor's remuneration

During the year, the following fees were paid or payable for services provided by the auditors of Vicinity Centres Group, EY or its related practices. The amounts below represent total fees paid for the Vicinity Centres Group and have not been adjusted to exclude fees relating to entities not consolidated by the Trust Group.

	30-Jun-16 $'000	30-Jun-15 $'000
Audit services		
Statutory audit and review of financial reports	1,309.2	1,541.9
Other assurance services	462.5	461.0
Non-audit services prior to appointment as Group auditor(1)	-	939.9
Taxation services	291.3	185.2
Total auditor's remuneration	2,063.0	3,128.0

(1) Prior to the Merger PricewaterhouseCoopers was the Group auditor of Novion. As such Ernst & Young provided non-audit services to Novion. Fees paid to PricewaterhouseCoopers in the year ended 30 June 2015 totalled $1,691,000 equating to total fees paid to auditors of the Group in the year ended 30 June 2015 of $4,819,000.

15. Parent entity financial information

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

	30-Jun-16 $m	30-Jun-15 $m
Balance Sheet		
Current assets	1,369.0	1,102.9
Total assets	14,512.9	14,049.0
Current liabilities	(770.3)	(694.3)
Total liabilities	(3,955.9)	(3,399.9)
Equity		
Contributed equity	13,447.9	13,447.9
Accumulated losses	(2,890.9)	(2,798.8)
Total equity	10,557.0	10,649.1
Net profit/(loss) for the financial year of Vicinity Centres Trust as parent entity	608.6	(354.9)
Total comprehensive profit/(loss) for the financial year of Vicinity Centres Trust	608.6	(354.9)

The parent entity has no capital expenditure commitments which have been contracted but not provided for or operating lease commitments and contingencies as at reporting date.

16. Related parties

(a) Background

The parent entity of the Trust Group is Vicinity Centres Trust which is domiciled and incorporated in Australia. The ultimate Australian parent entity is Vicinity Limited.

(b) Information on related party transactions and balances

(i) The following transactions occurred with related parties:

	30-Jun-16 $'000	30-Jun-15 $'000
Responsible Entity		
Responsible Entity management fee	(53,592)	(6,117)
Ultimate parent		
Interest received on inter-company loan	38,060	3,041
Other related parties		
Borrowing costs	(20,514)	(5,992)
Asset and funds management fee revenue	-	15,320
Interest received on intercompany loan	-	560
Net movement on mark to market of derivatives	-	467
Distribution revenue	110	51
Alignment fee expense	-	(1,281)
Rent and outgoings	-	475
Professional fees	(686)	(358)
Property management fees	(52,669)	(28,678)
Leasing and development fees	(40,186)	(4,452)
Centre manager expense	-	(1,445)

16. Related parties (continued)

(b) Information on related party transactions and balances (continued)

(ii) The following balances are outstanding at the reporting date in relation to transactions with related parties:

	30-Jun-16 $'000	30-Jun-15 $'000
Responsible Entities		
Payables:		
Responsible Entity management fee payable	(4,986)	(39,518)
Receivables:		
Alignment fee receivable	-	10,767
Ultimate parent		
Cross staple loan receivable	511,398	535,291
Other loans and interest	(3,765)	103
Other receivables	253	6,057
Interest payable	(37)	-
Other payables	-	(1,414)
Other related parties		
Property jointly owned	505,000	598,716
Receivables:		
Other receivables	-	21,883
Payables:		
Interest payable	(1,121)	(1,097)
Related party borrowings	(323,177)	(328,788)
Borrowing costs payable on related party borrowings	2,120	2,600
Management fee payable	(1,643)	(1,589)
Capital expenditure payable	(18,833)	(23,694)
Other payables	(4,831)	(7,576)

(c) Other related party transactions

During the financial year, a subsidiary of the Trust settled a transaction for the acquisition a number of commercial units (the Strata Plan) adjacent to one of its properties (the Transaction).

Mr Richard Haddock AM, a Director of the Responsible Entity, together with his family were a party to the Transaction as the holder of one unit in the Strata Plan. That unit, which Mr Haddock and his family had held since 1990, was acquired by the Trust's subsidiary on arm's length terms for a value of $1,349,000 on 4 September 2015.

The Board's procedures under its conflict of interest policy were in place throughout the Transaction in order to manage the conflicts of interest arising from the Transaction.

17. Commitments and contingencies

(a) Operating lease commitments

Estimated operating lease expenditure contracted for at reporting date, but not provided for in the financial statements:

	30-Jun-16 $m	30-Jun-15 $m
Not later than one year	1.2	0.9
Later than one year and not later than five years	1.8	1.4
Later than five years	1.2	-
Total operating lease commitments	4.2	2.3

(b) Capital commitments

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

	30-Jun-16 $m	30-Jun-15 $m
Not later than one year	182.3	176.4
Later than one year and not later than five years	66.2	32.9
Total capital commitments	248.5	209.3

(c) Contingent assets and liabilities

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

18. Other accounting matters

(a) Other accounting policies

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

Principles of consolidation

These consolidated financial statements comprise the assets and liabilities of all controlled entities at 30 June 2016 and the results of all controlled entities for the financial year unless otherwise stated. Controlled entities are:

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the following activities:

Property ownership revenue

As the owner of a number of shopping centres, the Trust Group derives rental revenue from the leasing of the retail space in these properties. Lease income is recognised on a straight-line basis over the lease term. Items included in the straight lining calculation as required by accounting standards are lease incentives given to tenants and fixed rental increases that form part of rental contracts.

Interest revenue

Interest revenue is recognised on a time proportion basis using the effective interest method.

18. Other accounting matters (continued)

(a) Other accounting policies (continued)

Investments in joint operations

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

Impact of new and amended standards

There are no new and amended standards that became effective for the Trust Group on 1 July 2015 that have a material impact on the financial statements.

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

Certain new Accounting Standards and Interpretations have been published that are not mandatory for the 30 June 2016 reporting period. The Trust Group has assessed the impact of these new Accounting Standards and Interpretations that are relevant to the Trust Group (based on the current and known future activities of the Trust Group), and does not expect any material impact on net assets, net profit, presentation or disclosures when these standards become effective and are adopted.

(b) Finance lease liabilities

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

As required by AASB 140 *Investment Properties,* where the fair value model is used to value investment property the present value of these minimum payments under the leasehold arrangements must then be presented separately as a:

- Finance lease asset that is added to the overall investment property balance (refer to Note 4(a)); and
- Corresponding finance lease liability (refer to Note 10).

	Minimum lease payments $m	Future finance charges $m	Present value of payments $m
The minimum lease payments under finance leases fall due as follows:			
Not later than one year	13.8	-	13.8
Later than one but not more than five years	62.4	(13.1)	49.3
More than five years [1]	597.7	(446.6)	151.1
Total	673.9	(459.7)	214.2

(1) Predominantly relates to payments relating to the DFO Brisbane business which was acquired in May 2016. For details of other properties subject to leasehold arrangements refer to the footnotes in Note 4(d).

19. Events occurring after the reporting date

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

Directors' Declaration

In accordance with a resolution of the Directors of Vicinity Centres RE Ltd, we declare that:

(a) in the opinion of the Directors, the financial statements and notes set out on pages 8 to 35 are in accordance with the *Corporations Act 2001*(Cth), including:

  i. giving a true and fair view of the Trust and its controlled entities' financial position as at 30 June 2016 and of the performance for the financial year ended on that date, and

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

  iii. complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in the notes to the financial statements on page X of the 2016 Financial Report, and

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

(c) the Directors have been given the Declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001*(Cth) for the financial year ended 30 June 2016.

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

Peter Hay
Chairman

Melbourne
17 August 2016

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent auditor's report to the unitholders of Vicinity Centres Trust

Report on the financial report

We have audited the accompanying financial report of Vicinity Centres Trust (the 'Trust'), which comprises the balance sheet as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Vicinity Centres Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Vicinity Centres RE Ltd, the Responsible Entity of the Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In the notes to the financial statements, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of Vicinity Centres RE Ltd a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Vicinity Centres Trust is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in the notes to the financial statements.

Ernst & Young

David Shewring
Partner
Melbourne
17 August 2016