



Vicinity Centres Trust

Financial report for the year ended
30 June 2017

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

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



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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 2017. The Trust is stapled to Vicinity Limited to form the stapled Group, Vicinity Centres, which is traded collectively on the Australian Securities Exchange under the code 'VCX'. Accordingly the financial report for Vicinity Centres Trust should be read in conjunction with the financial report of Vicinity Centres available at 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 Level 4, Chadstone Tower One, 1341 Dandenong Road, Chadstone, Victoria 3148.

Directors

The following persons were members of the Vicinity Centres RE Ltd Board from 1 July 2016 and up to the date of this report unless otherwise stated:

(i) Chairman

Peter Hay (Independent)

(ii) Non-executive Directors

Charles Macek (Independent)¹

David Thurin

Debra Stirling (Independent)¹

Karen Penrose (Independent)

Peter Kahan

Richard Haddock AM (Independent) (retired 30 April 2017)

Tim Hammon (Independent)

Trevor Gerber (Independent)

Wai Tang (Independent)

(iii) Executive Director

Angus McNaughton (CEO and Managing Director)²

Company Secretaries

Carolyn Reynolds

Michelle Brady

¹ Mr Charles Macek and Ms Debra Stirling have announced their intent to retire as non-executive directors at the Annual General Meeting to be held on 16 November 2017.

² As announced on 22 June 2017, CEO and Managing Director, Mr Angus McNaughton, has advised of his intention to retire during the 2018 financial year. On 11 August 2017, the Group announced Mr Grant Kelley would succeed Mr Angus McNaughton as CEO and Managing Director, with a planned commencement date of 1 January 2018.

Principal activities

The Trust Group has its principal place of business at Level 4, Chadstone Tower One, 1341 Dandenong Road, Chadstone, Victoria 3148. The principal activity of the Trust Group during the year was property investment.

Review of results and operations

A detailed review of the results and operations for the Vicinity Centres Group is contained in the Directors' Report in the Vicinity Centres Group 30 June 2017 Annual Report which is available at vicinity.com.au. Key highlights of the results and operations of the Trust are outlined below:

(a) Financial performance

The statutory net profit after tax of the Trust Group for the year ended 30 June 2017 was \$1,617.6 million, an increase of \$351.4 million on the prior year (30 June 2016: \$1,266.2 million). This increase was primarily due to revaluation gains on investment properties and lower mark-to-market losses on derivatives as compared to the prior year. Statutory result highlights for the current year included:

- Total revenue and income of \$1,268.8 million;
- Positive operating cash flows of \$696.9 million;
- Property revaluation gains for the year of \$931.1 million;
- Basic earnings per unit of 40.86 cents; and
- Distributions per unit of 17.3 cents.

(b) Financial position

At 30 June 2017 the Trust's net assets were \$11,620.8 million, up \$932.8 million from \$10,688.0 million at 30 June 2016. This increase was primarily due to an increase in the investment property balance by \$1,007.8 million to \$15,661.4 million (including held for sale properties). This movement included:

- Property revaluation gains for the year of \$931.1 million;
- The acquisition of investment properties valued at \$151.1 million, offset by disposals totalling \$437.9 million; and
- Development spend, most notably at Chadstone, Mandurah Forum and The Glen.

(c) Capital management

During the year, the following financing activities have occurred:

- US \$144.0 million of US\$ Private Placement Notes (USPPs) expired on 7 February 2017 and were repaid through existing available bank debt facilities;
- \$200.0 million of 7-year and \$200.0 million of 10-year A\$ Medium Term Notes (AMTNs) were issued on 26 April 2017. The proceeds of the issue were used to repay existing bank facilities and for general corporate purposes. \$260.0 million of existing bank debt facilities were cancelled following this issue;
- A thirteen month extension of certain bank debt facilities to improve the debt expiry profiles; and
- Net repayments of existing facilities have been made throughout the year from asset sales, partially offset by funds drawn for capital expenditure.

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 affected or may significantly affect the operations of the Trust Group, the results of those operations, or the state of the Trust 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 unit |
|----------------------------|--------------|----------------|
| Interim – 31 December 2016 | 344.4 | 8.7 |
| Final – 30 June 2017 | 340.4 | 8.6 |
| Total – year end | 684.8 | 17.3 |

The final distribution of 8.6 cents per unit will be paid on 30 August 2017.

Director related information

Meetings of Directors of the RE held during the year

| | Board | | Special Purpose Board ¹ | | Audit Committee | | Remuneration Committee | | Risk & Compliance Committee | |
|------------------|----------|----------|------------------------------------|----------|-----------------|----------|------------------------|----------|-----------------------------|----------|
| | Eligible | Attended | Eligible | Attended | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Peter Hay | 7 | 7 | 3 | 3 | - | - | - | - | - | - |
| Angus McNaughton | 7 | 7 | 3 | 3 | - | - | - | - | - | - |
| Charles Macek | 7 | 7 | 3 | 3 | - | - | 6 | 6 | - | - |
| David Thurin | 7 | 7 | 3 | 3 | - | - | - | - | 4 | 4 |
| Debra Stirling | 7 | 7 | 3 | 3 | - | - | 6 | 6 | 4 | 4 |
| Karen Penrose | 7 | 7 | 3 | 3 | 7 | 7 | - | - | 4 | 4 |
| Peter Kahan | 7 | 7 | 3 | 3 | 7 | 7 | 6 | 6 | - | - |
| Richard Haddock | 6 | 6 | 2 | 2 | 6 | 6 | - | - | 3 | 3 |
| Tim Hammon | 7 | 7 | 3 | 3 | - | - | 6 | 6 | 4 | 4 |
| Trevor Gerber | 7 | 7 | 3 | 3 | 7 | 7 | 6 | 6 | - | - |
| Wai Tang | 7 | 7 | 3 | 3 | 7 | 7 | - | - | 4 | 4 |

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

Vicinity Centres RE Ltd also has a Nominations Committee consisting of Mr Hay, Mr Hammon, Mr Macek and Mr Kahan. All members attended the three Nominations Committee meetings held during the year.

Indemnification and insurance of Directors and Officers

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

During the financial year, the RE insured its Directors, Secretaries and Officers against liability to third parties and for costs incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors 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 and unitholdings of Directors

The Directors of the RE receive remuneration in their capacity as Directors of the RE. These amounts are paid directly by Vicinity Limited, the parent entity of the Vicinity Centres Group. The Trust pays the RE a fee to cover the management of the Trust Group, as disclosed in Note 12 to the financial statements. Amounts paid to and details of stapled securities held by Directors (and Key Management Personnel) can be found in the Remuneration Report within the Vicinity Centres Group 30 June 2017 Annual Report available at vicinity.com.au.

Directors' information

Information on the qualifications, experience and responsibilities of Directors are presented in the Directors' report in the Vicinity Centres Group 30 June 2017 Annual Report available at vicinity.com.au.

Auditor related information

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

Indemnification of 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). The indemnity does not apply to any loss arising out of any breach of the audit engagement agreements or from EY's negligent, wrongful or wilful acts or omissions. No payment has been made under this indemnity to EY during or since the end of the financial year.

Non-audit services

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

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

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

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

Environmental regulation

The Trust Group is subject to the reporting obligations under the *National Greenhouse and Energy Reporting (NGER) Act 2007* (Cth). This requires the Trust Group to report annual greenhouse gas emissions, energy use and production for all assets under management for years ending 30 June. The Trust Group met this obligation by submitting its NGER report to the Department of the Environment and Energy for the year ended 30 June 2016 by 31 October 2016. The 2017 NGER report will be submitted by the 31 October 2017 deadline. The Trust Group monitors its other environmental legal obligations and is compliant for the reporting period.

Options over unissued securities

As at 30 June 2017 and at the date of this report, there were 6,121,419 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 2017 financial statements available at vicinity.com.au for further details.

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

Events occurring after the end of the reporting period

On-market securities buy-back

On 25 July 2017, the Vicinity Centres Group announced an on-market buy-back program of up to 5% of ordinary securities on issue. The Vicinity Centres Group will only purchase securities where doing so is accretive to earnings per security and net tangible assets (NTA), while also preserving ample capacity to fund other capital requirements.

Appointment of new Chief Executive Officer (CEO) and Managing Director

On 11 August 2017, the Group announced Mr Grant Kelley would succeed Mr Angus McNaughton as CEO and Managing Director, with a planned commencement date of 1 January 2018.

Vicinity Board changes

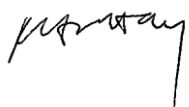
On 31 July 2017, the Group announced the appointment of Ms Janette Kendall as an independent, non-executive director to the Boards of Vicinity Limited and Vicinity Centres RE Ltd, effective from 1 December 2017. Mr Charles Macek and Ms Debra Stirling will retire as independent non-executive directors at the Annual General Meeting to be held on 16 November 2017.

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

Rounding of amounts

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

Signed in Melbourne on 16 August 2017 in accordance with a resolution of the Directors.



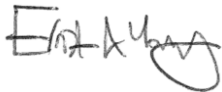
Peter Hay
Chairman

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 2017, 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
16 August 2017

Statement of Comprehensive Income

for the year ended 30 June 2017

| | Note | 30-Jun-17 \$m | 30-Jun-16 \$m |
|--|------|------------------|------------------|
| Revenue | | | |
| Property ownership revenue | | 1,222.6 | 1,247.3 |
| Interest and other income | | 46.2 | 52.5 |
| Total revenue and income | | 1,268.8 | 1,299.8 |
| Share of net profits/(loss) of equity accounted investments | 5(a) | 16.7 | (8.7) |
| Property revaluation increment for directly owned properties | 4(b) | 931.1 | 726.3 |
| Direct property expenses | | (381.6) | (371.5) |
| Borrowing costs | 6(b) | (154.7) | (175.1) |
| Responsible entity fees | 12 | (56.7) | (53.6) |
| Other expenses from ordinary activities | | (1.7) | (14.7) |
| Net foreign exchange movement on interest bearing liabilities | | 60.7 | 42.4 |
| Net mark-to-market movement on derivatives | | (55.1) | (147.5) |
| Integration costs | | - | (11.1) |
| Stamp duty and other costs written off on acquisition of investment properties | | (9.9) | (20.1) |
| Profit before tax for the year | | 1,617.6 | 1,266.2 |
| Income tax expense | 3 | - | - |
| Net profit for the year | | 1,617.6 | 1,266.2 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 1,617.6 | 1,266.2 |
| Earnings per security attributable to unitholders of the Trust: | | | |
| Basic earnings per unit (cents) | 2 | 40.86 | 31.99 |
| Diluted earnings per unit (cents) | 2 | 40.81 | 31.96 |

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

Balance Sheet

as at 30 June 2017

| | Note | 30-Jun-17 \$m | 30-Jun-16 \$m |
|---|------|------------------|------------------|
| Current assets | | | |
| Cash and cash equivalents | | 31.2 | 37.5 |
| Receivables and other assets | 9 | 72.3 | 76.3 |
| Investment properties held for sale | 4(a) | 33.5 | 232.1 |
| Financial assets carried at fair value through profit or loss | | 4.3 | 3.6 |
| Derivative financial instruments | 6(d) | - | 15.6 |
| Total current assets | | 141.3 | 365.1 |
| Non-current assets | | | |
| Investment properties | 4(a) | 15,627.9 | 14,421.5 |
| Investments accounted for using the equity method | 5 | 86.4 | 77.8 |
| Derivative financial instruments | 6(d) | 68.3 | 112.2 |
| Receivables and other assets | 9 | 522.0 | 631.5 |
| Total non-current assets | | 16,304.6 | 15,243.0 |
| Total assets | | 16,445.9 | 15,608.1 |
| Current liabilities | | | |
| Interest bearing liabilities | 6 | - | 193.1 |
| Distribution payable | | 340.4 | 352.3 |
| Payables and other financial liabilities | 10 | 183.3 | 215.5 |
| Provisions | 11 | 26.6 | 30.0 |
| Derivative financial instruments | 6(d) | 2.3 | - |
| Total current liabilities | | 552.6 | 790.9 |
| Non-current liabilities | | | |
| Interest bearing liabilities | 6 | 3,893.7 | 3,749.1 |
| Other financial liabilities | 10 | 202.7 | 200.4 |
| Derivative financial instruments | 6(d) | 176.1 | 179.7 |
| Total non-current liabilities | | 4,272.5 | 4,129.2 |
| Total liabilities | | 4,825.1 | 4,920.1 |
| Net assets | | 11,620.8 | 10,688.0 |
| Equity | | | |
| Contributed equity | 8 | 8,012.1 | 8,012.1 |
| Retained profits | | 3,608.7 | 2,675.9 |
| Total equity | | 11,620.8 | 10,688.0 |

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

Statements of Changes in Equity

for the year ended 30 June 2017

| | Attributable to unitholders of the Trust | | |
|--|--|-------------------------|-----------------|
| | Contributed equity \$m | Retained profits \$m | Total \$m |
| As at 1 July 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 unitholders in their capacity as unitholders: | | | |
| Distributions declared | - | (700.7) | (700.7) |
| Total equity as at 30 June 2016 | 8,012.1 | 2,675.9 | 10,688.0 |
| Net profit for the year | - | 1,617.6 | 1,617.6 |
| Total comprehensive income for the year | - | 1,617.6 | 1,617.6 |
| Transactions with unitholders in their capacity as unitholders: | | | |
| Distributions declared | - | (684.8) | (684.8) |
| Total equity as at 30 June 2017 | 8,012.1 | 3,608.7 | 11,620.8 |

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

Cash Flow Statement

for the year ended 30 June 2017

| | Note | 30-Jun-17 \$m | 30-Jun-16 \$m |
|--|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Receipts in the course of operations | | 1,384.1 | 1,413.0 |
| Payments in the course of operations | | (576.0) | (593.5) |
| Distributions and dividends received from associates, joint venture partnerships and managed investments | | 4.8 | 11.7 |
| Interest and other revenue received | | 42.4 | 46.9 |
| Interest paid | | (158.4) | (170.6) |
| Net cash inflows from operating activities | 13 | 696.9 | 707.5 |
| Cash flows from investing activities | | | |
| Payments for capital expenditure on investment properties | | (382.9) | (445.8) |
| Payments for acquisition of investment properties | | (141.3) | (358.0) |
| Proceeds from disposal of investment properties | | 437.9 | 1,146.7 |
| Proceeds from other investments | | - | 3.5 |
| Integration costs | | - | (8.5) |
| Payment to settle other financial liability – Bentons Square acquisition | | (38.3) | - |
| Stamp duty paid | | (9.9) | (83.4) |
| Net cash (outflows)/inflows from investing activities | | (134.5) | 254.5 |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 1,972.6 | 4,519.2 |
| Repayment of borrowings | | (1,946.3) | (4,837.8) |
| Proceeds from repayment of loan to Tuggeranong Town Centre Trust | | 117.4 | - |
| Proceeds received from Vicinity Limited | | 67.6 | 110.4 |
| Funds advanced to Vicinity Limited | | (79.5) | (80.2) |
| Distributions paid to external unitholders | | (696.7) | (684.9) |
| Debt establishment costs paid | | (3.8) | (14.6) |
| Net cash outflows from financing activities | | (568.7) | (987.9) |
| Net decrease in cash and cash equivalents held | | (6.3) | (25.9) |
| Cash and cash equivalents at the beginning of the year | | 37.5 | 63.4 |
| Cash and cash equivalents at the end of the year | | 31.2 | 37.5 |

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

Notes to the Financial Statements

The index of notes to the financial statements is shown below. Similar notes have been grouped into sections with relevant accounting policies and judgement and estimate disclosures incorporated within the notes to which they relate.

Operations

- 1 Segment information
- 2 Earnings per unit
- 3 Taxes
- 4 Investment properties
- 5 Equity accounted investments

Capital structure and financial risk management

- 6 Interest bearing liabilities and derivatives
- 7 Capital and financial risk management
- 8 Contributed equity

Working capital

- 9 Receivables and other assets
- 10 Payables and other financial liabilities
- 11 Provisions

Other disclosures

- 12 Remuneration of the Responsible Entity and Employees
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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). The Trust is for-profit entity that is domiciled and operates wholly in Australia.

The Trust is stapled to Vicinity Limited (the Company) to form the stapled group Vicinity Centres (the Vicinity Centres Group). Accordingly the financial report for Vicinity Centres Trust should be read in conjunction with the Vicinity Centres 30 June 2017 Annual Report available at vicinity.com.au.

Basis of preparation

This general purpose financial report:

- Has been prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards (AASBs) issued by the Australian Accounting Standards Board. Compliance with AASBs ensures compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- Is presented in Australian dollars (\$) and rounded to the nearest tenth of a million dollars (\$m) in accordance with ASIC Legislative Instrument 2016/191 (unless otherwise stated);
- Has been prepared in accordance with the historical cost convention, except for certain financial assets and liabilities and investment properties which have been recognised at fair value; and
- Was authorised for issue by the Board of Directors on 16 August 2017. The Directors have the power to amend and reissue the financial report.

Although the Trust Group has a net current deficiency of \$411.3 million (current liabilities exceed current assets) at reporting date, the Trust Group has sufficient current undrawn borrowing facilities (of \$1,126.0 million, refer to Note 6(a)) and generates sufficient operating cash flows to meet its current obligations as they fall due. Accordingly, this financial report has been prepared on a going concern basis.

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

Accounting policies

The Trust Group's accounting policies are contained within the relevant notes to these financial statements. 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 judgements and estimates

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 |

Operations

1. Segment information

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

As a result of this stapled structure, management does not report the individual results of the Trust to the Chief Operating Decision Makers (which for the Vicinity Centres Group were the CEO and Managing Director and the Chief Financial Officer (CFO)). Rather management 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-17 | 30-Jun-16 |
|---|-----------|-----------|
| Earnings per unit attributable to unitholders: | | |
| Basic earnings per unit (cents) | 40.86 | 31.99 |
| Diluted earnings per unit (cents) | 40.81 | 31.96 |

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

| For the 12 months to: | 30-Jun-17 \$m | 30-Jun-16 \$m |
|---|------------------|------------------|
| Earnings used in calculating basic and diluted earnings per unit of the Trust Group | 1,617.6 | 1,266.2 |

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

| For the 12 months to: | 30-Jun-17 Number (m) | 30-Jun-16 Number (m) |
|---|-------------------------|-------------------------|
| Weighted average number of units used as the denominator in calculating basic earnings per unit | 3,958.6 | 3,958.6 |
| Adjustment for potential dilution from performance rights granted | 5.0 | 3.8 |
| Weighted average number of units and potential units used as the denominator in calculating the diluted earnings per unit | 3,963.6 | 3,962.4 |

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.

Refer to Note 3 of the Vicinity Centres 30 June 2017 Group Financial Statements available at vicinity.com.au for further details of taxes paid by the Vicinity Centres Group.

4. Investment properties

The Trust Group's investment properties represent freehold and leasehold interests in land and buildings held 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 Trust Group's valuation process and valuation methods is described in Note 4 (c).

(a) Portfolio summary

| Shopping centre type | 30-Jun-17 | | | 30-Jun-16 | | |
|---|----------------------|-----------------|-----------------------------|----------------------|-----------------|-----------------------------|
| | Number of properties | Value \$m | Weighted average cap rate % | Number of properties | Value \$m | Weighted average cap rate % |
| Super Regional | 1 | 2,675.0 | 4.25 | 1 | 2,215.0 | 4.75 |
| Major Regional | 7 | 3,358.0 | 5.45 | 7 | 3,144.2 | 5.79 |
| City Centre | 4 | 1,726.7 | 4.97 | 4 | 1,849.5 | 5.06 |
| Regional | 10 | 2,240.4 | 6.17 | 10 | 2,105.4 | 6.33 |
| Outlet Centre | 6 | 1,391.7 | 6.29 | 5 | 1,084.8 | 6.49 |
| Sub Regional | 31 | 3,308.0 | 6.37 | 34 | 3,272.5 | 6.75 |
| Neighbourhood | 15 | 728.4 | 6.51 | 19 | 747.3 | 6.86 |
| Planning and holding costs ¹ | - | 21.3 | - | - | 25.8 | - |
| Total | 74 | 15,449.5 | 5.61 | 80 | 14,444.5 | 5.94 |
| Add: Finance lease assets ² | | 217.5 | | | 214.2 | |
| Less: Properties held for sale (current asset) ³ | | (33.5) | | | (232.1) | |
| Less: Property holdings by Vicinity Limited | | (5.6) | | | (5.1) | |
| Total investment properties | | 15,627.9 | | | 14,421.5 | |

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 2017 the value represented a 100% interest in Terrace Central, which is due to settle in 2017. The 30 June 2016 balance included a 25% freehold interest in The Myer Centre Brisbane, a 50% freehold interest in Mornington Central and a 100% freehold interest in Bowes Street. The prior year properties held for sale all settled during the year.

(b) Movements for the year

| | 30-Jun-17 \$m | 30-Jun-16 \$m |
|---|------------------|------------------|
| Opening balance at 1 July | 14,444.5 | 14,109.7 |
| Acquisitions including associated stamp duty and transaction costs ¹ | 151.1 | 378.1 |
| Capital expenditure ² | 385.1 | 422.9 |
| Capitalised borrowing costs ³ | 8.0 | 11.8 |
| Disposals | (437.9) | (1,146.7) |
| Property revaluation increment for directly owned properties | 931.1 | 726.3 |
| Stamp duty and other costs written off on acquisition of investment properties | (9.9) | (20.1) |
| Amortisation of incentives and leasing costs | (39.6) | (42.3) |
| Straight-lining of rent adjustment | 17.1 | 4.8 |
| Closing balance at 30 June | 15,449.5 | 14,444.5 |

1. Excludes \$38.3 million deferred consideration paid for the acquisition of the remaining 50% of Bentons Square in July 2016, as this asset was previously accounted for in investment properties on a 100% ownership basis based on the terms of the agreement.
2. Includes development costs, maintenance capital expenditure, lease incentives and fit out costs.
3. Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 4.3% (30 June 2016: 4.1%).

4. Investment properties (continued)

(c) Portfolio valuation

Process

Each investment property is valued either independently (externally) or internally in December and June each year as part of the biannual 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 management 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 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.

| 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 results. |
| 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. |

4. Investment properties (continued)

(c) Portfolio valuation (continued)

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 by the Trust Group in determining fair value of its investment properties are summarised below:

| Unobservable inputs | 30-Jun-17 | | 30-Jun-16 | | Sensitivity |
|--|----------------------|-------------------------|-----------------------|-------------------------|--|
| | Range of inputs | Weighted average inputs | Range of inputs | Weighted average inputs | |
| Capitalisation rate ¹ | 4.25% - 7.50% | 5.61% | 4.75% - 8.50% | 5.94% | The higher the discount rate, terminal yield, capitalisation rate and expected downtime due to tenants vacating, the lower the fair value. |
| Discount rate ² | 6.75% - 8.50% | 7.55% | 7.00% - 9.25% | 7.95% | |
| Terminal yield ³ | 4.50% - 7.75% | 5.85% | 5.00% - 8.75% | 6.18% | |
| Expected downtime (for tenants vacating) | 2 months to 9 months | 5 months | 2 months to 12 months | 4 months | |
| Rental growth rate | 2.27% - 4.44% | 3.52% | 2.70% - 4.50% | 3.70% | The higher the rental growth rate, the higher the fair value. |

1. The capitalisation rate is the required annual yield of net market income used to determine the value of the property. The rate is determined with regards to comparable market transactions.
2. The discount rate is a required annual total rate of return used to convert a forecast cash flow 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 cash flow period.

All of the above key assumptions have been taken from the latest external valuation reports and internal valuation assessments. DFO Perth is excluded from the 30 June 2017 inputs as it is currently under construction.

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

(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-17 \$m | 30-Jun-16 \$m |
|---|------------------|------------------|
| Not later than one year | 860.8 | 833.2 |
| Later than one year and not later than five years | 2,282.1 | 2,077.3 |
| Later than five years | 1,130.9 | 1,091.6 |
| Total operating lease receivables | 4,273.8 | 4,002.1 |

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.

| | Ownership | | Carrying value | |
|---|----------------|----------------|------------------|------------------|
| | 30-Jun-17 % | 30-Jun-16 % | 30-Jun-17 \$m | 30-Jun-16 \$m |
| Victoria Gardens Retail Trust joint venture | 50.0 | 50.0 | 86.4 | 76.3 |
| Other associates and joint ventures | - | - | - | 1.5 |
| Closing Balance | | | 86.4 | 77.8 |

(a) Movements for the year

| | 30-Jun-17 \$m | 30-Jun-16 \$m |
|---|------------------|------------------|
| Opening balance | 77.8 | 93.0 |
| Additional investments made during the year | 0.4 | 2.0 |
| Share of net profit/(loss) of equity accounted investments | 16.7 | (8.7) |
| Distributions of net income from equity accounted investments | (6.8) | (8.0) |
| Disposal of ownership in equity accounted investments | (1.7) | (0.5) |
| Closing balance | 86.4 | 77.8 |

(b) Summarised financial information for Victoria Gardens Retail Trust¹

| | 30-Jun-17 \$m | 30-Jun-16 \$m |
|---|------------------|------------------|
| Investment properties - non-current | 138.2 | 127.1 |
| Interest bearing liabilities - non-current | (46.6) | (46.6) |
| Other net liabilities | (5.2) | (4.2) |
| Net assets | 86.4 | 76.3 |
| Total income | 10.3 | 9.3 |
| Aggregate net profits after income tax | 14.8 | 10.1 |
| Interest expense | (1.9) | (1.9) |
| Distributions receivable by the Trust Group | 5.8 | 3.6 |

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 \$5,825,157 at balance date (30 June 2016: \$3,667,754).

Tuggeranong Town Centre Trust (joint venture, 50% ownership interest disposed on 30 November 2016)

The Trust Group had a loan receivable from Tuggeranong Town Centre Trust (TTCT) of \$117,387,000 which was repaid upon disposal (30 June 2016: \$117,387,000). Interest income for the year was \$2,834,142 (30 June 2016: \$7,132,051). There are no outstanding balances related to this joint venture at 30 June 2017.

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 Australian Dollars (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.

During the year the following financing activities have occurred:

- US \$144.0 million of US\$ Private Placement Notes (USPPs) expired on 7 February 2017 and were repaid through existing available bank debt facilities;
- \$200.0 million of 7-year and \$200.0 million of 10-year A\$ Medium Term Notes (AMTNs) were issued on 26 April 2017. The proceeds of the issue were used to repay existing bank facilities and for general corporate purposes. \$260.0 million of existing bank debt facilities were cancelled following this issue;
- A thirteen month extension of certain bank debt facilities to improve the debt expiry profiles; and
- Net repayments of existing facilities have been made throughout the year from asset sales, partially offset by funds drawn for capital expenditure.

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

| | 30-Jun-17 \$m | 30-Jun-16 \$m |
|---|------------------|------------------|
| Current liabilities | | |
| Unsecured | | |
| USPPs | - | 193.1 |
| Total current liabilities | - | 193.1 |
| Non-current liabilities | | |
| Secured | | |
| Related party borrowings ¹ | 317.4 | 323.2 |
| Unsecured | | |
| Bank debt | 1,506.3 | 1,696.3 |
| AMTNs | 645.7 | 250.0 |
| GBP European Medium Term Notes (EMTNs) | 588.1 | 619.9 |
| USPPs | 852.2 | 877.6 |
| Deferred debt costs ² | (16.0) | (17.9) |
| Total non-current liabilities | 3,893.7 | 3,749.1 |
| Total interest bearing liabilities | 3,893.7 | 3,942.2 |

1. The Trust Group has entered into a 'back-to-back' related party loan agreement with Vicinity Centres Finance Pty Ltd (VCFPL), a subsidiary of Vicinity Limited. The related party loan agreement between the Trust Group and VCFPL was secured and on the same terms and conditional as VCFPL's AMTNs.
2. Deferred debt costs comprise the unamortised value of borrowing costs on establishment or refinance of debt facilities. These costs are deferred on the Balance Sheet and amortised to borrowing costs in the Statement of Comprehensive Income.

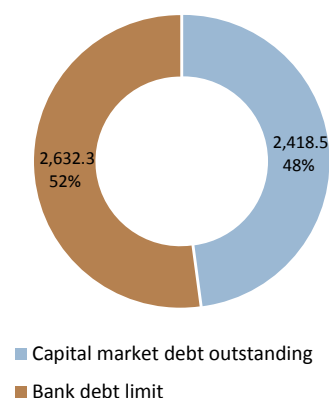
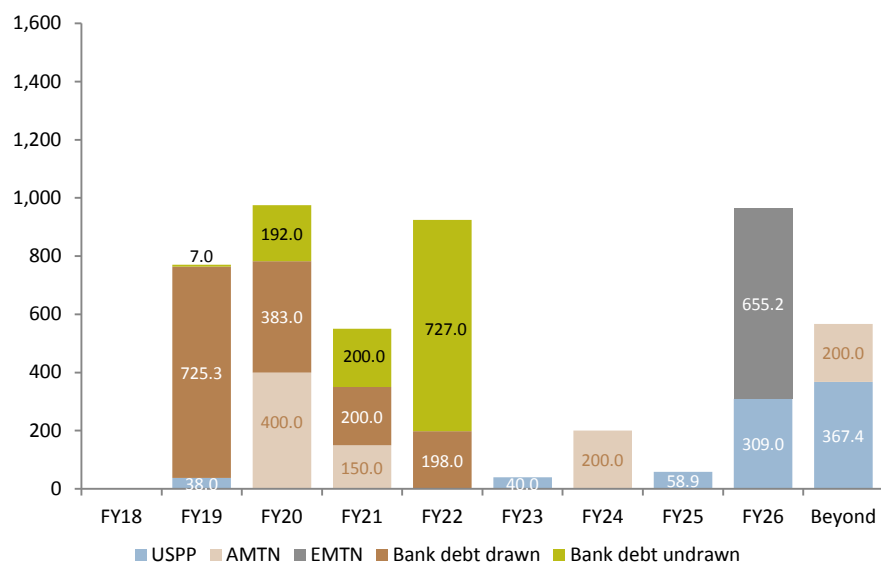
6. Interest bearing liabilities and derivatives (continued)

(a) Financing facilities

The charts below outline the maturity of the Trust Group's total available facilities at 30 June 2017 by type, and the bank to capital markets debt ratio. Of the \$5,050.8 million total available facilities (30 June 2016: \$5,088.4 million), \$1,126.0 million remains undrawn at 30 June 2017 (30 June 2016: \$1,196.0 million).

Available facilities expiry profile (\$m)^{1,2}

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



- The carrying amount of the USPPs, EMTNs, AMTNs and secured related party borrowings in the Balance Sheet is net of adjustments for fair value items and foreign exchange translation of -\$15.1 million (30 June 2016: +\$67.7 million). These adjustments are excluded from the calculation of total facilities available and amounts drawn as shown in the charts. Additionally, deferred debt costs of \$16.0 million (30 June 2016: \$17.9 million) are not reflected in the amount drawn.
- Total bank debt facilities are reduced by bank guarantees of \$17.7 million drawn against bank debt facilities (30 June 2016: \$17.7 million).

(b) Borrowing costs

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

| For the 12 months to: | 30-Jun-17 \$m | 30-Jun-16 \$m |
|---|------------------|------------------|
| Interest costs on interest bearing liabilities and derivatives | 167.2 | 188.4 |
| Amortisation of borrowing costs | 5.2 | 5.9 |
| Amortisation of fair value adjustments relating to discontinuation of hedge accounting ¹ | (7.9) | (1.9) |
| Amortisation of AMTN, EMTN and secured related party borrowing fair value adjustments | (5.1) | (5.5) |
| Finance lease interest | 3.3 | - |
| Less: Capitalised borrowing costs | (8.0) | (11.8) |
| Total borrowing costs | 154.7 | 175.1 |

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

6. Interest bearing liabilities and derivatives (continued)

(c) Defaults and covenants

At 30 June 2017, the Trust Group had no defaults on debt obligations or breaches of lending covenants (30 June 2016: None).

(d) Derivatives

As detailed further in Note 7, derivative instruments are held to hedge against the interest rate risk and foreign currency risk of the Trust Group's borrowings. The fair value of these derivatives are estimated using valuation techniques, including referencing to the current fair value of other instruments that are substantially the same or calculation of discounted cash flows. These valuation techniques use observable Level 2 inputs, mainly interest rates and interest rate curves as well as foreign currency rates and foreign currency curves.

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

| | Carrying Amount | | Notional Principal Value | |
|--|------------------|------------------|--------------------------|------------------|
| | 30-Jun-17 \$m | 30-Jun-16 \$m | 30-Jun-17 \$m | 30-Jun-16 \$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 | 68.3 | 112.2 | 340.6 | 435.0 |
| Total non-current assets | 68.3 | 112.2 | n/a | n/a |
| Interest rate swaps (floating to fixed) – Liabilities | (2.3) | - | 1,187.0 | - |
| Total current liabilities | (2.3) | - | n/a | n/a |
| Cross currency swaps (pay A\$ floating receive US\$ fixed) - Liabilities | (36.2) | (1.0) | 357.8 | 263.3 |
| Cross currency swaps (pay A\$ floating receive GBP fixed) - Liabilities | (67.5) | (14.8) | 655.2 | 655.2 |
| Interest rate swaps (floating to fixed) – Liabilities | (72.4) | (163.9) | 1,275.0 | 2,870.1 |
| Total non-current liabilities | (176.1) | (179.7) | n/a | n/a |

7. Capital and financial risk management

The Vicinity Centres Group treasury team is responsible for the day to day management of the Trust Group's capital requirements and financial risk management. These activities are overseen by the internal management Capital Management Committee (CMC), operating under CMC Charter and treasury policies. These policies 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 below:

| Risk | Primary source(s) | Explanation and risk management strategy | Details |
|-----------------------------------|--|---|--------------------------------|
| Interest rate risk | Floating rate borrowings | <p>Interest rate risk represents the potential for changes in market interest rates to impact the total interest expense for the Vicinity Centres Group.</p> <p>Floating-to-fixed interest rate swaps¹ are used to manage this risk. None of the Vicinity Centres Group's derivatives are currently in designated hedge relationships.</p> <p>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.</p> | Note 7(a) |
| Foreign exchange rate risk | Foreign denominated interest bearing liabilities (USPPs and EMTNs) | <p>Foreign exchange risk refers to the risk that 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.</p> <p>This risk is managed through the use of cross currency swaps¹ which swap the foreign currency interest payments into Australian Dollars and fix the exchange rate for the conversion of the principal repayment. None of these derivatives are currently in designated hedge relationships.</p> | Note 7(b) |
| Liquidity risk | Interest bearing liabilities | <p>Liquidity risk represents the risk that the Vicinity Centres Group will be unable to meet financial obligations as they fall due.</p> <p>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 and Australian and foreign debt capital markets), maintaining sufficient undrawn debt capacity and cash balances, and managing the amount of borrowings that mature, or facilities that expire, in any one year.</p> | Note 7(c) |
| Credit risk | Tenant receivables, derivative counterparties and bank deposits | <p>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.</p> <p>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.</p> <p>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.</p> <p>The maximum exposure to credit risk at the balance date is the carrying amount of the Vicinity Centres Group's financial assets.</p> | <p>Note 9</p> <p>Note 6(d)</p> |

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 Vicinity Centres 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-17 \$m | 30-Jun-16 \$m |
|---|------------------|------------------|
| Total interest bearing liabilities (Note 6) | 3,893.7 | 3,942.2 |
| Add: Deferred debt costs | 16.0 | 17.9 |
| Add: Fair value and foreign exchange adjustments to EMTNs | 67.1 | 35.3 |
| Less: Fair value and foreign exchange adjustments to USPPs | (38.9) | (79.9) |
| Less: Fair value adjustments on AMTNs and secured related party borrowings | (13.1) | (23.1) |
| Total drawn debt | 3,924.8 | 3,892.4 |
| Less: Fixed rate borrowings | (1,065.0) | (665.0) |
| Variable rate borrowings exposed to cash flow interest rate risk | 2,859.8 | 3,227.4 |
| Less: Notional principal of outstanding interest rate swap contracts | (2,462.0) | (2,870.1) |
| Net variable rate borrowings exposed to cash flow interest rate risk | 397.8 | 357.3 |
| Hedge ratio¹ | 90% | 91% |

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 2017 remains unchanged for the next 12 months, would impact the Trust Group's cash interest cost for the next 12 months by \$1.0 million (30 June 2016 +/-25bps: \$0.9 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 2017 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by \$8.6 million (30 June 2016 +/-25bps: \$10.0 million).

This sensitivity analysis should not be considered a projection.

(b) Foreign exchange rate risk

At 30 June 2017, the Trust Group has the following net exposure to foreign currency translation risk arising from US\$ and GBP denominated borrowings:

| US\$ Borrowings | 30-Jun-17 US\$ \$m | 30-Jun-16 US\$ \$m |
|---|-----------------------|-----------------------|
| Total interest bearing liabilities in US\$ | 553.0 | 693.0 |
| Less: Notional value of cross currency swaps (pay A\$ receive US\$) | (553.0) | (693.0) |
| Net exposure to US\$ translation risk | - | - |
| Hedge ratio for interest bearing liability in US\$ | 100% | 100% |

| GBP Borrowings | 30-Jun-17 GBP \$m | 30-Jun-16 GBP \$m |
|--|----------------------|----------------------|
| Total interest bearing liabilities in GBP | 350.0 | 350.0 |
| Less: Notional value of cross currency swaps (pay A\$ receive GBP) | (350.0) | (350.0) |
| Net exposure to GBP translation risk | - | - |
| Hedge ratio for interest bearing liability in GBP | 100% | 100% |

The carrying values of debt and derivatives held by the Trust Group are also sensitive to foreign exchange rates. A shift in the forward USD and GBP exchange rate curves of +/- 5 cents, assuming the net exposure to fair value exchange rate risk as at 30 June 2017 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by \$16.5 million (30 June 2016 +/- 5 cents: \$27.0 million).

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 principal payments are calculated based on the forward interest and foreign exchange rates prevailing at year end and are undiscounted. Timing of payments is based on current contractual obligations 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-Jun-17 | Less than 1 year \$m | 1 to 3 years \$m | Greater than 3 years \$m | Total \$m | Carrying amount \$m |
|--|----------------------------|---------------------|--------------------------------|----------------|---------------------------|
| Bank debt | - | 1,108.3 | 398.0 | 1,506.3 | 1,506.3 |
| AMTNs | - | 400.0 | 250.0 | 650.0 | 645.7 |
| Related party borrowings | - | - | 300.0 | 300.0 | 317.4 |
| USPPs | - | 39.4 | 851.9 | 891.3 | 852.2 |
| EMTNs | - | - | 694.5 | 694.5 | 588.1 |
| Estimated interest payments on borrowings | 121.8 | 245.8 | 481.0 | 848.6 | n/a |
| Estimated net interest rate swap cash outflow | 26.5 | 40.5 | 12.3 | 79.3 | 74.7 |
| Estimated gross cross currency swap cash outflows | 52.6 | 153.7 | 1,761.1 | 1,967.4 | 35.4 |
| Estimated gross cross currency swap cash (inflows) | (48.6) | (135.9) | (1,761.8) | (1,946.3) | n/a |
| Total contractual outflows | 152.3 | 1,851.8 | 2,987.0 | 4,991.1 | 4,019.8 |

| 30-Jun-16 | 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 |
| AMTNs | - | - | 250.0 | 250.0 | 250.0 |
| Related party borrowings | - | - | 300.0 | 300.0 | 323.2 |
| USPPs | 189.8 | 41.5 | 885.8 | 1,117.1 | 1,070.7 |
| 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 | 2,759.3 | 4,974.5 | 4,012.0 |

(d) Fair value of borrowings

As at 30 June 2017, the Trust Group's debt has a fair value of \$3,987.3 million (30 June 2016: \$4,081.6 million).

The difference between the carrying amount and fair value is due to fixed rate borrowings held. The fair value of fixed rate borrowings is calculated by discounting the contractual cash flows 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 'A2' from Moody's Investors Service and 'A' from Standard & Poor's. The two key metrics monitored by the Vicinity Centres Group are the bank facilities to capital markets debt ratio and gearing ratio. These are shown in the tables below:

Bank facilities to capital market debt

| Facility type | 30-Jun-17 \$m | 30-Jun-16 \$m |
|---|------------------|------------------|
| Total bank facilities ¹ | 2,632.3 | 2,910.0 |
| Total capital market debt | 2,418.5 | 2,196.1 |
| Total debt facilities available to the Trust Group | 5,050.8 | 5,106.1 |
| Bank facilities as a proportion of total debt facilities | 52.1% | 57.0% |
| Capital market debt as a proportion of total debt facilities | 47.9% | 43.0% |

1. Total bank debt facilities are reduced by bank guarantees of \$17.7 million drawn against bank debt facilities (30 June 2016: \$17.7 million).

Gearing

| | 30-Jun-17 | 30-Jun-16 |
|--|----------------|----------------|
| Total drawn debt (Note 7(a)) | 3,924.8 | 3,892.4 |
| Drawn debt net of cash (\$m) | 3,893.6 | 3,854.9 |
| Total tangible assets excluding cash, finance lease assets and derivative financial assets (\$m) | 16,128.9 | 15,228.6 |
| Gearing ratio (target range of 25.0% to 35.0%) | 24.1% | 25.3% |

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 (if enacted) in proportion to the number of securities held. Ordinary stapled securities are classified as equity.

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

The number of units of the Trust Group is shown in the table below. All units are fully paid. There were no movements in the number of units on issue during the current or prior financial year.

| | 30-Jun-17 Number (m) | 30-Jun-16 Number (m) | 30-Jun-17 \$m | 30-Jun-16 \$m |
|---|-------------------------|-------------------------|------------------|------------------|
| Total units on issue during and 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-17 \$m | 30-Jun-16 \$m |
|--|------|------------------|------------------|
| Trade debtors | | 14.3 | 18.1 |
| Accrued income | | 15.5 | 19.8 |
| Distribution receivable from joint ventures and associates | | 5.8 | 5.2 |
| Less: Provision for doubtful debts | | (6.0) | (4.6) |
| Total receivables | | 29.6 | 38.5 |
| Prepayments | | 12.4 | 7.3 |
| Levies | | 13.1 | 13.4 |
| Tenant security deposits held | | 1.2 | 1.9 |
| Other | | 16.0 | 15.2 |
| Total current receivables and other assets | | 72.3 | 76.3 |
| Loan to Vicinity Limited | | 519.5 | 511.4 |
| Loan to Tuggeranong Town Centre Trust | 5(c) | - | 117.4 |
| Investment in related party | | 2.5 | 2.7 |
| Total non-current receivables and other assets | | 522.0 | 631.5 |

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 \$35.6 million trade and related party receivables outstanding (30 June 2016: \$43.1 million), \$12.1 million, which represents approximately 0.95% of total combined revenue, is considered past due but not impaired at 30 June 2017 (30 June 2016: \$10.6 million).

The Trust Group has recognised a loss of \$5.6 million (30 June 2016: \$3.6 million) in respect of impaired trade receivables during the year. The loss has been included in direct property 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-17 \$m | 30-Jun-16 \$m |
|---|------------------|------------------|
| Current | | |
| Trade payables and accrued expenses | 49.7 | 53.7 |
| Rents received in advance | 34.5 | 27.1 |
| Accrued interest expense | 16.8 | 16.7 |
| Accrued capital expenditure | 54.9 | 45.0 |
| Security deposits | 0.6 | 1.3 |
| Other financial liability – Bentons Square ¹ | - | 38.6 |
| Related party payables | 10.0 | 17.1 |
| Finance lease liabilities ² | 14.8 | 13.8 |
| Other | 2.0 | 2.2 |
| Total current liabilities | 183.3 | 215.5 |
| Non-Current | | |
| Finance lease liabilities ² | 202.7 | 200.4 |
| Total non-current liabilities | 202.7 | 200.4 |

1. Refer footnote 1 in Note 4(b).

2. Refer Note 18(b).

At 30 June 2017, the carrying value of payables and other financial 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 other current provisions are as follows:

| | 30-Jun-16 \$m | Arising during the year | Paid during the year | Other movements | 30-Jun-17 \$m |
|---------------------------------|------------------|----------------------------|-------------------------|--------------------|------------------|
| Stamp duty | 9.0 | 9.9 | (9.9) | - | 9.0 |
| Levies | 13.4 | 13.1 | (13.4) | - | 13.1 |
| Other | 7.6 | - | - | (3.1) | 4.5 |
| Total current provisions | 30.0 | 23.0 | (23.3) | (3.1) | 26.6 |

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 RE fee recognised by the Trust Group for the year was \$56,749,000 (30 June 2016: \$53,592,000). At 30 June 2017 \$nil RE fee remained payable to the RE (30 June 2016: \$4,986,000).

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 2017 Vicinity Centres Annual Report at 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.

| For the 12 months to: | 30-Jun-17 \$m | 30-Jun-16 \$m |
|--|------------------|------------------|
| Net profit after tax for the financial year | 1,617.6 | 1,266.2 |
| <i>Exclude non-cash items and cash flows under investing and financing activities:</i> | | |
| Amortisation of incentives and leasing costs | 39.6 | 42.3 |
| Straight-lining of rent adjustment | (17.1) | (4.8) |
| Property revaluation increment for directly owned properties | (931.1) | (726.3) |
| Stamp duty and other costs written off on acquisition of investment properties | 9.9 | 20.1 |
| Share of net (profit)/loss of equity accounted investments | (16.7) | 8.7 |
| Distributions of net income from equity accounted investments | 6.8 | 8.0 |
| Amortisation of non-cash items included in interest expense | (4.5) | (1.5) |
| Net foreign exchange movement on interest bearing liabilities | (60.7) | (42.4) |
| Net mark-to-market movement on derivatives | 55.1 | 147.5 |
| Integration costs | - | 11.1 |
| Other non-cash items | (0.5) | (5.5) |
| <i>Movements in working capital:</i> | | |
| Decrease in payables, provisions and other liabilities | (5.7) | (67.7) |
| Decrease in receivables and other assets | 4.2 | 51.8 |
| Net cash inflow from operating activities | 696.9 | 707.5 |

14. Auditor's remuneration

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

| For the 12 months to: | 30-Jun-17 \$'000 | 30-Jun-16 \$'000 |
|---|---------------------|---------------------|
| Audit services | | |
| Statutory audit and review of financial reports | 1,287.5 | 1,309.2 |
| Other assurance services | 592.4 | 463.5 |
| Taxation services | 544.0 | 291.3 |
| Total auditor's remuneration | 2,423.9 | 2,064.0 |

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-17 \$m | 30-Jun-16 \$m |
|---|------------------|------------------|
| Balance Sheet | | |
| Current assets | 1,200.9 | 1,369.0 |
| Total assets | 14,957.1 | 14,512.9 |
| Current liabilities | (1,027.4) | (770.3) |
| Total liabilities | (4,395.3) | (3,955.9) |
| Equity | | |
| Contributed equity | 13,447.9 | 13,447.9 |
| Accumulated losses | (2,886.2) | (2,890.9) |
| Total equity | 10,561.7 | 10,557.0 |
| Net profit/(loss) for the financial year of Vicinity Centres Trust as parent entity | 689.5 | 608.6 |
| Total comprehensive profit/(loss) for the financial year of Vicinity Centres Trust | 689.5 | 608.6 |

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 for accounting purposes is Vicinity Limited.

(b) Information on related party transactions and balances

The following table shows transactions that occurred, on normal commercial terms, with related parties during the year, if not otherwise disclosed within these financial statements.

| For the 12 months to: | 30-Jun-17 \$'000 | 30-Jun-16 \$'000 |
|---|---------------------|---------------------|
| Ultimate parent | | |
| Interest income on loan to Vicinity Limited | 37,865 | 38,060 |
| Other related parties | | |
| <i>Revenue and income</i> | | |
| Distribution revenue | 115 | 110 |
| Rent and outgoings | 7,340 | 5,194 |
| <i>Expenses</i> | | |
| Borrowing costs on secured related party borrowings | (16,898) | (16,764) |
| Asset management fees | (82,229) | (92,855) |
| Reimbursement of expenses | (47,682) | (49,213) |

The following balances are outstanding at the reporting date in relation to transactions with related parties, if not otherwise disclosed within these financial statements:

| | 30-Jun-17 \$'000 | 30-Jun-16 \$'000 |
|--|---------------------|---------------------|
| Ultimate parent | | |
| Other loan and interest payable | - | (3,802) |
| Other payables | (42) | - |
| Other receivables | 26 | 253 |
| Other related parties | | |
| Interest payable on secured related party borrowings | (1,103) | (1,121) |
| Asset management fees payable | (83) | (1,643) |
| Capital expenditure payable ¹ | (9,643) | (18,833) |
| Other payables | (141) | (4,831) |
| Borrowing costs receivable on loan to Vicinity Limited | 1,530 | 2,120 |
| Property jointly owned² | 528,000 | 505,000 |

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

2. Represents the value of the Trust's 50% interest in Grand Plaza and 50% interest in Rockingham, which are jointly owned with an entity for which a subsidiary of the ultimate parent acts as RE.

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-17 \$m | 30-Jun-16 \$m |
|---|------------------|------------------|
| Not later than one year | 0.9 | 1.2 |
| Later than one year and not later than five years | 1.1 | 1.8 |
| Later than five years | 1.7 | 1.2 |
| Total operating lease commitments | 3.7 | 4.2 |

(b) Capital commitments

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

| | 30-Jun-17 \$m | 30-Jun-16 \$m |
|---|------------------|------------------|
| Not later than one year | 168.9 | 182.3 |
| Later than one year and not later than five years | 52.5 | 66.2 |
| Total capital commitments | 221.4 | 248.5 |

(c) Contingent assets and liabilities

Bank guarantees totalling \$4.0 million have been arranged by the VCT Group. 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 2017 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 and lease income

As the owner of a number of shopping centres, the Trust Group derives rental revenue as lessor 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.

18. Other accounting matters (continued)

(a) Other accounting policies (continued)

Interest revenue

Interest revenue is recognised using the effective interest method.

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 2016 that have a material impact on the financial statements.

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

AASB 9 Financial Instruments (effective for the Group from 1 July 2018)

This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It introduces a new approach for classification and measurement, impairment and hedge accounting of financial instruments and introduces a forward looking 'expected loss' impairment model for recording expected credit losses. The adoption of this standard is not expected to have a material impact for the Group.

AASB 15 Revenue from Contracts with Customers (effective for the Group from 1 July 2018)

This standard replaces AASB 118 Revenue and other revenue related standards and interpretations. The core principle of AASB 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of those goods or services passes to customers. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard has introduced a five-step model as the framework for applying that core principle. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers

This standard is not expected to have a significant impact on the Group's financial statements as the majority of the Group's revenue and income is base rental income derived from lease agreements with tenants. The recognition of other revenue items derived by the Group, including variable payments linked to lease agreements, cost recoveries from tenants and fee income from strategic partners is not expected to be materially impacted by the adoption of this standard.

AASB 16 Leases (effective for the Group from 1 July 2019)

This standard replaces AASB 117 Leases. It provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the potential impact of this standard and the transition method to be adopted however does not expect a material impact on the financial statements.

18. Other accounting matters (continued)

(b) Finance lease liabilities

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 Note 4(a)); and
- Corresponding finance lease liability (refer Note 10).

The minimum lease payments under finance leases fall due as follows:

| | 30-Jun-17 \$m | | | 30-Jun-16 \$m | | |
|---|------------------------------|------------------------------|---------------------------------|------------------------------|------------------------------|---------------------------------|
| | Minimum lease payments | Future finance charges | Present value of payments | Minimum lease payments | Future finance charges | Present value of payments |
| Not later than one year | 14.8 | - | 14.8 | 13.8 | - | 13.8 |
| Later than one but not more than five years | 64.5 | (13.5) | 51.0 | 62.4 | (13.1) | 49.3 |
| More than five years | 580.7 | (429.0) | 151.7 | 597.7 | (446.6) | 151.1 |
| Total | 660.0 | (442.5) | 217.5 | 673.9 | (459.7) | 214.2 |

19. Events occurring after the reporting date

On-market securities buy-back

On 25 July 2017, the Vicinity Centres Group announced an on-market buy-back program of up to 5% of ordinary securities on issue. The Vicinity Centres Group will only purchase securities where doing so is accretive to earnings per security and NTA, while also preserving ample capacity to fund other capital requirements.

Appointment of new Chief Executive Officer (CEO) and Managing Director

On 11 August 2017, the Group announced Mr Grant Kelley would succeed Mr Angus McNaughton as CEO and Managing Director, with a planned commencement date of 1 January 2018.

Vicinity Board changes

On 31 July 2017 the Group announced the appointment of Ms Janette Kendall as an independent, non-executive director to the Boards of Vicinity Limited and Vicinity Centres RE Ltd, effective from 1 December 2017. Mr Charles Macek and Ms Debra Stirling will retire as independent non-executive directors at the Annual General Meeting to be held on 16 November 2017.

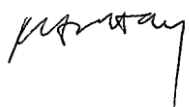
No matters other than those identified above have arisen since the end of the year which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Directors' Declaration

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

- (a) in the opinion of the Directors, the financial statements and notes set out on pages 9 to 34 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 2017 and of the performance for the financial year ended on that date, and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001* (Cth), and
 - iii. complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in the notes to the financial statements on page 14 of the 2017 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 2017.

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



Peter Hay
Chairman

Melbourne
16 August 2017

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Vicinity Centres Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vicinity Centres Trust (the "Trust") and its subsidiaries (collectively the "Group"), which comprises the balance sheet as at 30 June 2017, the statement of comprehensive income, the statements of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion:

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

- (i) giving a true and fair view of the financial position of the Group as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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

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

| Why significant | How the matter was addressed in the audit |
|---|--|
| <p>The Group owns a portfolio of retail property assets valued at \$15,627.9 million at 30 June 2017, excluding assets held for sale, which represents 95.0% of total assets of the Group.</p> <p>The valuation of the property portfolio, which includes properties in a development phase and jointly held investments, is based on a number of assumptions, such as capitalisation rates, discount rates and terminal yield, which require significant estimation and judgement. This also includes the estimations for costs to complete and an allowance for developer's risk and profit for properties in the development phase. Minor adjustments to certain assumptions can lead to significant changes in the valuation of the retail property assets.</p> <p>As outlined in Note 4, the Group's basis for determining the portfolio valuation is underpinned by valuations sourced from suitably qualified valuation experts and internal valuations.</p> <p>Refer to Note 4 for a description of the accounting policy, overview of the valuation methodology, process for valuation (including the use of independent expert valuers and internal valuations), significant assumptions and the relative sensitivity of the valuation to changes in these assumptions.</p> | <p>In performing our audit procedures, with assistance from our real estate valuation specialists, on a sample basis, we:</p> <ul style="list-style-type: none"> ▶ Assessed the competence of valuers, as well as the independence of external valuers, and appropriateness of the scope and methodology of the valuation commissioned for the purposes of the financial report. ▶ Assessed the key inputs and assumptions adopted in the valuation methodologies including comparing capitalisation rates to those derived from relevant transactions and other external market sources. ▶ Compared the data used in the valuation to the actual and budgeted financial performance of the underlying properties, tested as part of the audit process. ▶ For properties under development, we compared the costs incurred to date plus estimated costs to complete to the expected value of the completed project, as advised by external valuers. ▶ Discussed key developments in progress with Development Management. ▶ Assessed the design and operating effectiveness of key controls surrounding the development process and tested a sample of significant development spend on major projects to progress billing reports. ▶ Performed an analytical review of the portfolio assets with reference to external market data and portfolio performance in order to identify and investigate items that were outside of our audit expectations. ▶ Assessed the disclosures included in Note 4 to the financial report. |

2. Interest Bearing Liabilities and Derivatives

| Why significant | How the matter was addressed in the audit |
|--|---|
| <p>The Group had interest bearing liabilities of \$3,893.7 million at 30 June 2017. During the year the Group repaid US private placement notes which matured in February 2017 and issued Australian Medium Term Notes.</p> <p>The Group maintains a portfolio of facilities with varying counterparties, currencies and terms. This portfolio influences the Group's gearing, liquidity, solvency, covenant obligations and financing cost profile.</p> <p>In relation to this portfolio, the Group incurred \$162.7 million in borrowing costs during the year, of which, \$154.7 million were expensed and \$8.0 million were capitalised to assets under development.</p> <p>Refer to Note 6 of the financial report for a description of the accounting policy treatment for these liabilities and information of the Group's interest bearing liabilities.</p> <p>Interest rate and currency risks are managed by floating-to-fixed interest rate swaps and cross currency swaps ("derivatives") which have been set out in Note 7 of the financial report.</p> <p>These derivatives involve judgement to assess the fair value (carrying amounts), which are estimated using valuation techniques and are sensitive to movements in financial markets, as outlined in Note 7.</p> | <ul style="list-style-type: none"> ▶ We assessed the design and operating effectiveness of relevant controls over the recording and reporting of drawdowns and repayments, the valuation of interest bearing liabilities, the recording and reporting of derivatives, and the monitoring of compliance. ▶ We assessed the Group's compliance with material facility agreements, including covenants, and the Group's maturity profile, to test the appropriate classification of the interest bearing liabilities as current or non-current. ▶ We confirmed all interest bearing liabilities and derivatives directly with counterparties at 30 June 2017. ▶ We tested the calculation of interest recognised in the consolidated statement of comprehensive income and capitalised to development properties. ▶ On a sample basis, with involvement of our treasury specialists, we tested the calculation of the fair value of derivatives at the reporting date and disclosures outlined in Note 6. ▶ We assessed the disclosures included in Note 6 and Note 7 to the financial report. |

3. Property Portfolio Transactions

| Why significant | How the matter was addressed in the audit |
|---|---|
| <p>The Group undertook a significant number of acquisitions and disposals during the year, which had a material effect on the financial report.</p> <p>Refer to Note 4 for the impact of the transactions on Investment Properties.</p> | <p>For material transactions, we:</p> <ul style="list-style-type: none"> ▶ Reviewed the sale and purchase agreements and other related documents. ▶ Assessed these transactions against the recognition, de-recognition, measurement and classification criteria of the Group's accounting policies set out in Note 4 of the financial report and applicable Australian Accounting Standards. <p>We assessed the adequacy of the disclosures in the financial report.</p> |

Information Other than the Financial Report and Auditor's Report

The Directors of Vicinity Centres RE Ltd, the Responsible Entity of the Trust (the "RE"), are responsible for the other information. The other information comprises the information included in the Vicinity Centres Trust' Financial Report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

Directors' Responsibilities for the Financial Report

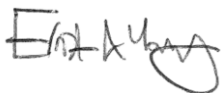
The Directors of the RE are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors of the RE determine is necessary to enable the preparation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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.



Ernst & Young



David Shewring
Partner
Melbourne
16 August 2017