Vicinity Centres

Discover more

Annual Report
2019

Join us as we discover how Vicinity Centres creates market-leading destinations.

Destinations that enhance communities and offer so much more than an exceptional retail experience.

Inside

About this report

This annual report is a summary of Vicinity Centres' operations, activities and financial position as at 30 June 2019. In this report references to 'Vicinity', 'Group', 'we', 'us' and 'our' refer to Vicinity Centres unless otherwise stated.

References in this report to a 'year' and 'FY19' refer to the financial year ended 30 June 2019 unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

This annual report discloses Vicinity's financial and non-financial performance for FY19 and has been prepared using elements of the International Integrated Reporting Council (IIRC) Integrated Reporting <IR> framework. More information, particularly latest company announcements and detailed sustainability reporting, can be found on Vicinity's website.

Vicinity is committed to reducing the environmental footprint associated with the production of the annual report and printed copies are only posted to securityholders who have elected to receive a printed copy. This report is printed on environmentally responsible paper manufactured under IAO 14001 environmental standards.

The following symbols are used in this report to cross-refer to more information on a topic:

References additional information within this Annual Report

References additional information available on the Vicinity Centres website

Disclaimer

This report contains forward-looking statements, including statements, indications and guidance regarding future earnings, distributions and performance. The forward-looking statements are based on information available to Vicinity Centres as at the date of this report (14 August 2019). These forward-looking statements are not guarantees or predictions of future results or performance expressed or implied by the forward-looking statements and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the control of Vicinity Centres. The actual results of Vicinity Centres may differ materially from those expressed or implied by these forward-looking statements, and you should not place undue reliance on such forward-looking statements. Except as required by law or regulation (including the ASX Listing Rules), we do not undertake to update these forward-looking statements.

Highlights

Our vision is to reimagine destinations of the future, creating places where people love to connect.

No.1

Chadstone, VIC has Australia's highest moving annual turnover (MAT) for the 18th consecutive year[1]

No.1

The Strand Arcade, NSW is Australia's highest ranked CBD centre by specialty MAT per sqm[2]

Net Zero

Targeting Net Zero carbon emissions by 2030[3]

No.3

Third most sustainable real estate company globally[4]

Luxury

Leading landlord to luxury retailers in Australia

4 Star

Australia's highest Green Star – Performance rated retail property portfolio

A/A2

Investment grade credit ratings from S&P Global and Moody's

$11,083

Portfolio specialty MAT per sqm, up 9.4% over FY19

1. Big Guns Survey 2019.
2. CBD Guns Survey 2019.
3. For common areas in Vicinity's wholly-owned retail assets.
4. Rated by RobecoSAM Dow Jones Sustainability Index.

Chadstone, VIC

Our Value Chain

Vicinity's points of differentiation

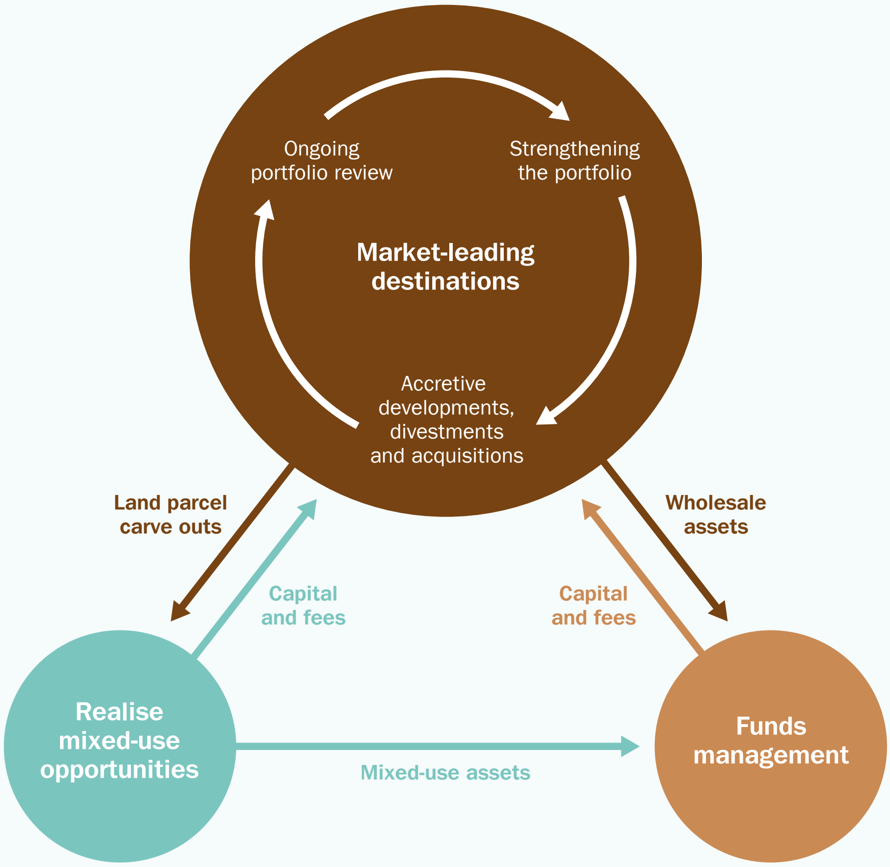
Our resources

- Real estate
- People
- Capital
- Data and systems
- Community

External influences

- Financial and property markets
- Consumer and retail trends
- Environment

Our business model



Our values

We always collaborate

We embrace difference

We imagine a better way

Our outcomes

Investor returns	3.7%	**Total returns** FY18: 11.1%
Successful retailers	$11,083	**Specialty MAT/sqm** FY18: $10,133
Engaged consumers	33	**Net promoter score** FY18: 39
Dedicated people	68%	**Engagement score** FY18: 73%
Better communities	$3.1m	**Community contribution** FY18: $4.3m

Our external recognition

Chadstone's $660 million development – International Council of Shopping Centres' VIVA (Vision, Innovation, Value, Achievement) award for design and development excellence

'People's Choice Award' – Property Council of Australia's Innovation and Excellence Awards for Vicinity's $73 million solar program

RobecoSAM (Dow Jones Sustainability Indices) awarded as the third most sustainable real estate company in 2018

4 Star Green Star – Performance rating across our portfolio – highest and largest Green Star – Performance rated portfolio in Australia – Green Building Council of Australia

5 Star Green Star Interiors V1.1 certification for Vicinity National Office fit out – Green Building Council of Australia

Chadstone – Shopping Centre News No.1 Australian retail centre by MAT (moving annual turnover) in the 2019 Big Guns survey

The Strand Arcade – Shopping Centre News No.1 CBD retail centre by specialty MAT/sqm and six of the top ten centres for specialty MAT/sqm in the 2019 CBD Guns survey

2019 Clean Energy Council Awards – Marketing and Communications Award for promotion of the integrated energy strategy

ABA100® Winner for Sustainability awarded for climate resilience program – The Australian Business Awards

2018 Frank Lowy Fellowship winner – Genevieve Elliott, General Manager, Data Science and Insights

Market-Leading Destinations

Chadstone, VIC

Chadstone

Australia's No.1
retail asset

Premium CBD Locations

Unrivalled Australian east coast
retail offer

Queen Victoria Building, NSW

DFOs

Australia's No.1
Outlet Centre portfolio

DFO South Wharf, VIC

Leading Luxury Offer

Australia's No.1 landlord
to this growing segment

QueensPlaza, QLD

Chairman's Review

Dear Securityholders

It is my pleasure to present to you Vicinity Centres (Vicinity's) 2019 Annual Report.

This time last year, we announced Vicinity's new strategy to unlock significant potential in the business and deliver strong and sustainable growth for securityholders. This involved focusing our directly-owned portfolio on market-leading destination assets, realising mixed-use opportunities and expanding our funds management platform over time.

Our results for the twelve months to 30 June 2019 (FY19) affirm the benefits of our strategy in what has been a challenging retail environment.

Statutory net profit after tax was $346.1 million. Funds from operations (FFO) totalled $689.1 million, or 18.0 cents on a per security basis, down 1.1% on FY18. Adjusting for divestments and one-off items, comparable FFO per security was up 2.0% on the prior year. Full-year distribution per security was 15.9 cents (7.95 cents for both half-year periods), compared to 16.3 cents in FY18. This decrease was largely due to the impact of asset divestments and reflects an adjusted FFO (AFFO) payout ratio of 99.8%.

Our results were underpinned by the strong performance of Vicinity's Flagship portfolio of Chadstone, premium CBD assets and DFO Outlet Centres. This reinforces our belief that having the right collection of retail, dining and entertainment offers for each asset is essential to driving success. Our Flagship portfolio is unrivalled in Australia, making Vicinity a first port of call for domestic and international retailers looking to reach Australian consumers and visitors.

Major value creation activities during the year included selling $670 million of non-core assets, progressing developments and acquiring $255 million of Vicinity securities under the on-market buy-back program at a 12.3% discount to June 2019 net tangible assets per security (NTA). Development highlights included opening DFO Perth, delivering five smaller projects at Chadstone and the completion of the final major stage of The Glen in August 2019.

Also fundamental to our focus on value creation is recognising that the retail operating environment is constantly evolving. This drives our determination to continue to innovate and we are using a broader range of both internal and external data to better understand changing customer expectations and the trends that matter most.

Online retail is a growing segment of the industry which can compete with physical retail on convenience and/or price, but often not on experience, customer engagement, or on the cost and ease of returning products when they are not quite right. That is why 91%[1] of Australian retail transactions continue to be completed in-store. We are also seeing pure-play online retailers looking to expand their customer reach and brand exposure by opening physical stores as two-thirds of online sales[2] go to retailers with a physical store presence.

Vicinity is focused on creating destinations that excite and engage customers, and which satisfy a broad range of societal wants and needs. As part of this, over the past few years we have purposely implemented a tenant remixing strategy across the portfolio to focus on growth categories and retailers that are on-trend. This has included increasing our exposure to activities and services that are consumed

Emporium Melbourne, VIC

1. NAB Online Retail Sales Index.
2. Quantium research.

QueensPlaza, QLD

> **DJSI[4] ranked Vicinity as the third most sustainable REIT globally.**

on-site, including food and beverage, health and beauty services, and leisure. We have also reduced our exposure to categories that have low product differentiation or that can be more readily bought online with little value-add.

We recognise the integral role that Vicinity and our centres play in our local communities, and in creating sustainable, market-leading destinations for the future. We have committed to targeting Net Zero carbon emissions by 2030[3], which brings us in line with the Paris Agreement and assists Vicinity to prepare for a low-carbon future. This is one of a range of initiatives that drive our leading approach to sustainability which this year's DJSI[4] survey ranked Vicinity as the third most sustainable REIT globally.

Our community investment program is focused on addressing youth disengagement and unemployment, and our national jobs fair initiative supports local youth to enter the workforce through our jobs readiness program. Jobs fairs were held across the portfolio throughout the year, and we had a strong response from our broader communities that we invited to apply for work with our retailers and within our centres.

We have also continued to invest in social enterprises, with more than $2.9 million spent through our social procurement program over FY18 and FY19, ahead of our cumulative two-year target of $2.4 million. We also spent more than $600,000 with Indigenous businesses over the same period.

Vicinity was a lead participant in driving an industry-wide approach to addressing the Modern Slavery Act introduced in January 2019. We are well placed to respond to this legislation in FY20, having already taken significant steps towards ensuring a sustainable and ethical supply chain over recent years.

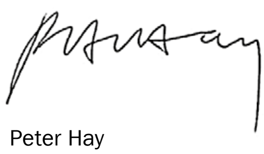
This is the second year of our reconciliation journey with Indigenous Australia. I am pleased to report that we implemented all of the commitments made in Vicinity's first Reconciliation Action Plan (RAP), Reflect RAP, and launched Vicinity's second RAP, Innovate RAP, during National Reconciliation Week in 2019.

Vicinity's employee engagement score was 68% this year, down from 73% reported for FY18. Despite the fall in engagement, Vicinity is focused on maintaining a highly motivated team. The Board and Executive Committee have made values, culture and engagement a high priority for Vicinity and this will continue to be an area of focus in FY20.

In September 2018, we welcomed Clive Appleton to the Board as a Non-executive Director. Clive has extensive property and funds management experience and has provided valuable counsel this year.

From today I will be handing over Vicinity's Chairmanship to fellow Director, Peter Kahan, who is currently on a leave of absence, and I will move into the position of Acting Chairman until his return from leave. During my four years as Chairman, I am pleased to have worked with an exceptional Board and management team, creating the strong retail property group that Vicinity is today, well positioned to succeed in a dynamic retail property environment. I wish the Board and management team every success and I am confident Vicinity is well placed to unlock potential and deliver long-term sustainable growth for securityholders.

The 2019 Annual General Meeting (AGM) will be held at Crown Towers in Melbourne on Thursday 14 November 2019.



Peter Hay
Chairman

3. For common areas in Vicinity's wholly-owned retail assets.
4. Dow Jones Sustainability Indices. 2018 Survey.

CEO and Managing Director's Review

Dear Securityholders,

I am pleased to present the results and highlights for FY19.

Our performance reflects early success on our strategy, introduced one year ago, to unlock Vicinity's potential and deliver strong and sustainable growth for securityholders. We have delivered a solid financial result in a challenging retail environment, reinforcing the benefits of our strategy. We continued to strengthen our portfolio through divestments, active asset management and progressing our developments, resulting in improved portfolio metrics and better positioning Vicinity for the future.

As part of our transition to a portfolio of market-leading destinations, we divested 12 non-core assets in the period. As the year progressed however, investor demand for retail property funds continued to soften globally. Compounded by a crowded divestment market, this has impacted retail property pricing in Australia. Consequently, we believe it is in the best interests of securityholders not to proceed with the proposed wholesale fund, Vicinity Keppel Australia Retail Fund (VKF), nor any further material asset divestments in the current environment as there is more value keeping these assets on balance sheet. Our focus will now be on maximising the value of these assets through continuing to enhance the retail mix, leveraging ancillary income opportunities, identifying and driving operational efficiencies and making targeted investment into the assets as appropriate.

We are pleased to have finalised the majority of our divestment program strategically ahead of the cycle. Capital recycling since merger in June 2015 to today has positioned Vicinity's portfolio for long-term growth. Vicinity's direct portfolio had interests in 88 assets valued at $14.3 billion at June 2015, and now has interests in 62 assets valued at $15.8 billion at June 2019. Over this time, specialty store MAT per sqm has increased by 32%, average asset value has increased 1.7 times, and we have decreased gearing by 90 basis points while enhancing our investment grade credit ratings.

Vicinity's portfolio of market-leading destinations is in a much stronger position today, also benefitting from extensive tenant remixing that we have been undertaking over the past few years. Our 62 shopping centres remain close to full occupancy at 99.5%. Our total portfolio MAT growth has continued to improve, increasing to 2.7%[1]. Specialty and mini major MAT growth has almost doubled on the prior year to 3.1% and specialty store productivity is up by 9.4% to approximately $11,100 per square metre.

During the year, we made strong progress on our $3.3 billion (Vicinity's share: $1.9 billion) development pipeline. In October, we opened DFO Perth, 100% leased and trading from day one. We also continued to elevate Chadstone's market-leading status, expanding the luxury precinct with first-to-market brands and flagships, a new visitor lounge, valet parking and new destination and casual dining offers.

This month, the final major stage of The Glen's $430 million[2] development was completed. The centre now has more than 250 retailers, a new-format David Jones and a new indoor-outdoor dining precinct.

35

Assets sold since June 2015 for $2.5 billion

32%

Increase in specialty MAT/sqm for the portfolio since June 2015

1. Sales growth is reported on a comparable basis which excludes divestments and development-impacted centres in accordance with Shopping Centre Council of Australia (SCCA) guidelines.
2. 100% interest. Vicinity's share is 50%.

Queen Victoria Building, NSW

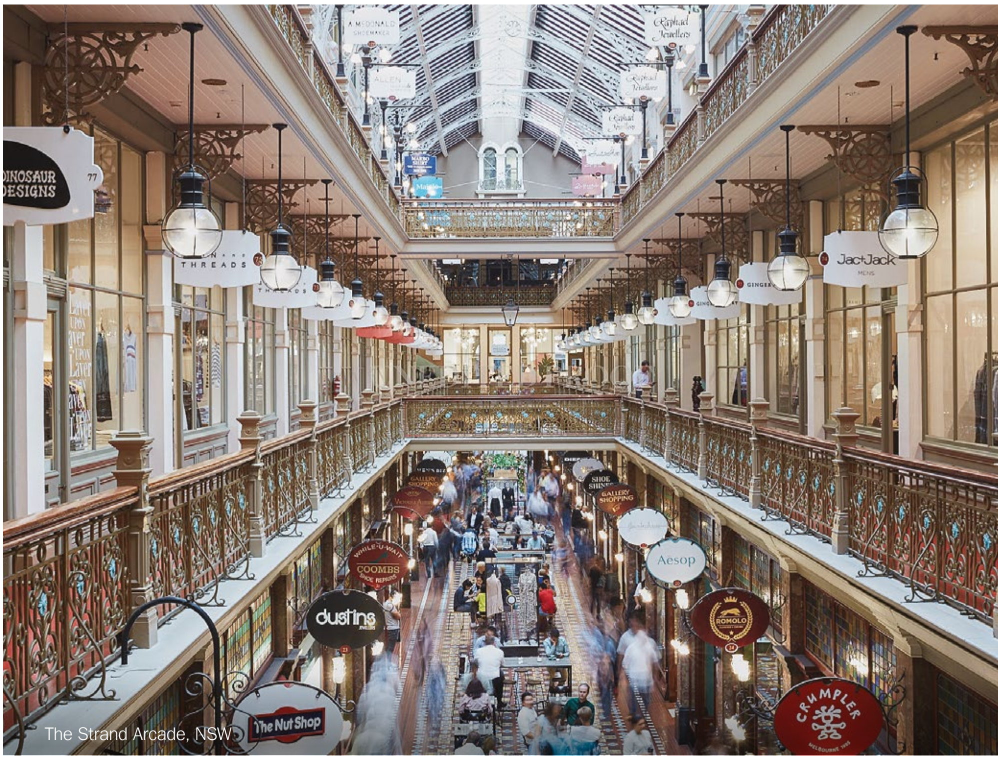
> **Vicinity is well capitalised with gearing of 27.1% at the lower end of the target range. Our strong balance sheet and investment grade credit ratings mean we can access new funding at favourable terms.**

Construction has also commenced on more than 500 apartments at The Glen in the largest air-rights deal in Australia, Vicinity's first residential project to realise value from mixed-use opportunities across our portfolio.

These projects reinforce our view that customers are attracted to a truly exciting retail, services, dining and entertainment offer.

Vicinity's balance sheet is strong and our investment grade credit ratings remain stable. Gearing of 27.1% is at the lower end of our 25% to 35% target range and we have well diversified funding sources. We acquired a further 100 million Vicinity securities under the buy-back program during the year, for an average price of $2.56 and we remained well capitalised. During the year, Vicinity accessed $2.0 billion of new or re-negotiated debt. This included the issuance of $400 million of Australian medium term notes for a six-year term, with an interest rate of approximately 2.6%. Vicinity now has access to undrawn debt facilities of $1.4 billion.

Towards the end of 2018, my first year at Vicinity, I announced a new executive structure to realign the business and focus on execution of the new strategy. A Chief Operating Officer (COO) role was created to integrate operations with leasing, shopping centre management and marketing. It was a pleasure to welcome Peter Huddle to Vicinity in March 2019 in the role of COO.



The Strand Arcade, NSW

Chadstone, VIC

Peter's deep international experience in asset management, coupled with his strategic vision in creating market-leading destinations in the Americas, means he is uniquely qualified to lead and develop our core operations strategy in Australia.

A new Chief Strategy Officer (CSO) role was created, with responsibility for developing and executing Vicinity's corporate strategy. Justin Mills was appointed to the role and had a strong innovation focus in his previous role at Vicinity as Executive General Manager of Shopping Centres. The creation of the Chief Information Officer (CIO) reflects the increasing importance of data and technology in driving retailer and consumer experience.

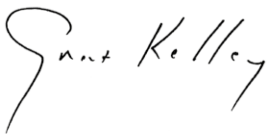
Nick Schiffer will commence as Vicinity's Chief Financial Officer from September 2019, with an outstanding background in finance and investment banking. I would like to extend my thanks to Kah Wong, Vicinity's General Manager Treasury, as he stepped into the role of Acting Chief Financial Officer prior to Nick's commencement. Kah's leadership and support during the interim period has been invaluable.

Vicinity's FFO guidance for FY20 is 17.8 to 18.0 cents per security[3], reflecting comparable growth of 1.7% to 2.9%[4]. The distribution payout ratio is expected to be at the upper end of 95% to 100% of adjusted FFO (AFFO)[3], and reflects FY20 maintenance capital expenditure and incentives of approximately $80 million to $90 million.

The retail environment is expected to remain challenging in FY20, although economic stimulus including lower interest rates and income tax cuts may benefit retail spending.

We are well advanced in repositioning Vicinity to create long-term value and sustainable growth for our securityholders.

I would like to thank our outgoing Chairman, Peter Hay, for his counsel and invaluable contribution to Vicinity over the past four years and welcome current Director, Peter Kahan as incoming Chairman. I look forward to working with Vicinity's Board and team to strengthen the business as we continue to enhance our retail centres and implement growth initiatives to create securityholder value.



Grant Kelley
CEO and Managing Director

3. Assuming no material deterioration in existing economic conditions.
4. Adjusting for divestments and one-off items in FY19.

More luxury

We pride ourselves on our curated mix of high-end brands. From the very best in local and global fashion, to accessories and skincare, our centres offer the perfect mix of current trends and timeless style.

Our Operating and Financial Review

We are pleased to present our operating and financial review for the 2019 financial year. It sets out Vicinity's strategy, achievements, objectives and outlook. It also outlines the key risks and opportunities for Vicinity's business model in the context of Vicinity's broader value chain.

Our strategy and business prospects

Vicinity's strategy is to deliver strong and sustainable growth, focusing on a directly-owned portfolio of market-leading destinations, realising mixed-use development opportunities and expanding our funds management platform.

We continue to enhance our portfolio by strengthening our destination assets, ongoing review of our portfolio including improving the retail mix, and progressing accretive developments, divestments and acquisitions. We consider market-leading destinations to be leading assets within the relevant catchment. Centres that offer not only an attractive retail mix but also a range of dining, leisure and services to cater to a broad range of consumer wants and needs.

Mixed-use development is a significant opportunity to maximise the value of our retail centres. As cities densify, well located retail assets, particularly those close to major transport hubs, can broaden their usage and substantially increase site productivity. Mixed-use development planning is progressing at several key assets, including how to best realise value for our securityholders at these sites.

As we continue to enhance our retail assets and develop a range of mixed-use additions to our shopping centre sites, Vicinity will continue to build a pool of quality assets in order to enable an expansion of our funds management platform and deliver like-minded investors attractive product to fulfil their wholesale property investment mandates.

We continue to integrate sustainability objectives into our strategy and to guide how we invest in our communities and build a low-carbon and climate resilient portfolio. This approach helps us create sustainable destinations and shape better communities.

We remain confident that investing in our Flagship and other strategic assets will create a portfolio of market-leading destinations, delivering strong operating metrics and driving long-term sustainable value for securityholders.

Our Value Chain
Pages 02–03

Our Business and Strategy
sustainability.vicinity.com.au/our-business-and-strategy/

> **"Mixed-use development is a significant opportunity to maximise the value of our retail centres. As cities densify, well located retail assets, particularly those close to major transport hubs, can broaden their usage and substantially increase site productivity.**

QueensPlaza, QLD

FY19 earnings, FY20 guidance and outlook

Over the 12 months to 30 June 2019, Vicinity generated a statutory net profit after tax of $346.1 million, underpinned by steady underlying performance offset by property valuation declines. Vicinity's funds from operations (FFO) per security was 18.0 cents for the year, down 1.1%. Adjusting for the impact of the divestment of 12 non-core assets, comparable FFO per security was up 2.0%, reflecting underlying portfolio performance, development completions, and capital management activities including the on-market securities buy-back program. The distribution per security declared of 15.9 cents (7.95 cents for both half-year periods) equates to a payout ratio of 99.8% of adjusted funds from operations (AFFO).

Vicinity's FFO guidance for FY20 is 17.8 to 18.0 cents per security, reflecting comparable growth of 1.7% to 2.9%[1,2]. The distribution payout ratio is expected to be at the upper end of 95% to 100% of adjusted FFO (AFFO)[1], with maintenance capital expenditure and incentives forecast of $80 million to $90 million.

Emporium Melbourne, VIC

1. Adjusting for divestments and a number of one-off items in FY19.
2. Assuming no material deterioration in existing economic conditions.

Achievements and focus

Our resources	FY19 achievements	FY20 focus
Real estate investment	• Divested 12 non-core assets for $670 million. • 12 centres energised as part of stages 1 and 2 of solar investment program. • All centres have asset specific climate change risk registers and climate resilience plans are formulated for new development projects. • 5 Star Green Star Interiors V1.1 certification for Vicinity National Office fit out. • 4 Star Green Star – Performance rating average across our managed portfolio – the highest and largest rated retail property portfolio in Australia.	• Complete solar investment program stages 1 and 2 and launch stage 3.
Real estate development	• DFO Perth opened fully leased in October 2018, growing Vicinity's DFO portfolio to six outlet centres. • Progressed The Glen redevelopment, opening stage three in October 2018 and stage four in early August 2019. • Chadstone continued to evolve with the opening of Victoria's Secret Australian flagship store, additional casual and high-end dining offers, expanded luxury and sports precincts, and introduction of valet parking and concierge services. • Opened first stage of QueensPlaza luxury remix, adding international luxury retailers Dior, Saint Laurent and Fendi.	• Hotel Chadstone to open November 2019. • Commence construction of Ellenbrook Central redevelopment including new Kmart store. • Deliver second stage of QueensPlaza's luxury remix. • Progress planning for mixed-use opportunities including the lodging development applications for Box Hill Central, Bankstown Central and Sunshine Marketplace.
Real estate management	• Portfolio occupancy of 99.5%. • Active portfolio remixing, completed 1,308 leasing deals with an average leasing spread[a] of -2.0%. • Chadstone – No.1 Australian retail centre by MAT (moving annual turnover) in the 2019 Big Guns survey. • The Strand Arcade – No.1 CBD retail centre by MAT/sqm and six of the top ten centres for specialty MAT/sqm in the 2019 CBD Guns survey. • Reduced portfolio carbon intensity[b] by 6% (surpassing a target of 3%) (on a comparable portfolio basis). • Achieved portfolio waste recycling rate of 45% (in line with target) (on a comparable portfolio basis).	• Continue to ensure that tenancy mix reflects each centre's consumers' wants and needs across the portfolio. • Increase ancillary income revenue from electricity on-sell and retail media. Introduce managed car parking to additional sites. • Obtain NABERS energy ratings for 100% of rateable portfolio. • Implement initiatives to drive further operational efficiencies. • Commence implementation of Responsible Procurement Action Plan, with a focus on modern slavery.
Capital	• Bought-back 100 million securities at an average 12.3% discount to June 2019 NTA. • Maintained 'A/stable' and 'A2/stable' credit ratings from Standard & Poor's and Moody's Investor Services, respectively. • Issued $400 million of bonds at approximately a 2.6% interest rate. • Maintained a strong balance sheet with gearing of 27.1%. • Vicinity rated third most sustainable real estate company globally in 2018 Dow Jones Sustainability Indices.	• Optimise the cost of debt, while appropriately managing debt diversity, expiry profile and market risk. • Leverage sustainability performance to gain access to additional capital and a broader range of capital sources.

Our resources	FY19 achievements	FY20 focus
People	• Successful completion of Human Resources Information System roll-out. • Activation of the Senior Leader Development program. • Launch of company-wide reward and recognition program. • Ongoing increased uptake of flexible working arrangements.	• Embed High Performance Culture blueprint. • Ongoing focus on Diversity and Inclusion. • Continuation of the Senior Leader Development program. • Increased focus on talent, succession and capability.
Data and Systems	• Net Promoter Score (NPS) and consumer satisfaction metrics implemented portfolio-wide. • Leasing optimisation tool and retailer insights product developed and tested. • Portfolio mapping solution implemented delivering performance metric visualisation. • Successful trial of digital advertising and offers platform. • Enhanced foot traffic reporting and prediction implemented across the portfolio. • Phase one of the customer intelligence platform delivered. • Development and launch of digital tourism passport to five centres including Chadstone. • Deployment of enterprise-wide digital and interactive mapping, and wayfinding solution at selected centres. • Trial of virtualised Building Management Systems (BMS), including operational energy and waste reporting. • Trial to connect smart devices to the network to collect data and increase efficiency of centre management.	• Leasing optimisation tool to be trialled in 30 centres. • Retailer insights product to be trialled with select retailer partners. • Digital advertising and offers platform to be implemented across 30 centres providing exposure to more than 280 million visits annually. • Expand the number of centres using the digital tourism passport. • Implement interactive mapping and wayfinding solution across centre websites. • Addition of retailer toolkit (content aimed at assisting retail partners establish and run their business), improvements in analytics and two-way communications at a centre level. • Expand BMS trial to enable additional functionality at centres. • Connect additional devices to network to improve efficiency and customer experience outcomes. • Carpark analysis to maximise usage and revenue. • Continue exploration of opportunities for alternative income growth, including development of consumer intelligence platform.
Community	• $2.9 million spent with social enterprises over FY18 and FY19, ahead of our cumulative target of $2.4 million. • Implemented all commitments in Vicinity's Reflect RAP including approximately $600,000 spent with Indigenous suppliers over the past two years, and launched Vicinity's Innovate RAP. • Founding member of Property Council of Australia's working group to provide a cohesive property market approach to the Modern Slavery Act. • Developed and deployed a national customer feedback portal to capture feedback, complaints and suggestions. • Continued to support Beacon Foundation through company-wide fundraising and skilled volunteering.	• Create national reporting dashboards to enable timely reporting, escalation, resolution, monitoring and oversight of complaints to identify trends (including social media channels) and systemic issues. • Achieve at least $3.9 million spend with social enterprises over a three-year period to the end of FY20. • Implement commitments from Vicinity's Innovate RAP, to be achieved by May 2021. • Continue to deliver Vicinity's Community Investment Program focused on disengaged and unemployed youth, with a focus at a centre level.

(a) The variance between the rent at the end of a lease and the rent received over the same space for a new lease. Excludes project-impacted leasing and divestments.
(b) FY19 compared to FY18 on a per sqm basis. Excluding acquisitions, divestments and development-impacted centres.

Our performance

Key performance metrics

	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	Page
Financials						
Statutory net profit after tax ($m)[a]	**346.1**	1,218.7	1,583.6	960.9	675.1	18
Funds from operations per security (cents)[a]	**18.0**	18.2	18.0	19.1	17.6	18
Distribution per security (cents)[a]	**15.9**	16.3	17.3	17.7	16.9	18
Comparable net property income growth (%)[a],[c]	**1.5**	1.0	2.5	3.5	2.5	18
Total return (%)[a]	**3.7**	11.1	15.5	12.8	10.6	64
Total securityholder return (%)[a]	**0.6**	7.0	-17.7	20.4	24.4	64
Portfolio						
Number of retail assets[b]	**62**	74	74	81	88	
Occupancy rate (%)[b]	**99.5**	99.7	99.5	99.4	98.9	
Total moving annual turnover (MAT)[a] ($b)	**16.5**	16.9	16.2	16.7	16.7	29
Specialty MAT/sqm[b],[d] ($)	**11,083**	10,133	9,429	8,865	8,412	29
Occupancy cost (%)[b]	**15.0**	14.7	14.6	14.6	15.4	29
Weighted average capitalisation rate (%)[b]	**5.30**	5.36	5.61	5.95	6.30	
Net promoter score	**33**	39	n.r.	n.r.	n.r.	
Balance Sheet						
Total assets ($b)[b]	**17.0**	17.5	16.7	15.8	15.6	19
Net tangible assets per security ($)[b]	**2.92**	2.97	2.82	2.59	2.45	19
Net asset value per security ($)[b]	**3.07**	3.13	2.97	2.74	2.68	19
Debt						
Gearing (%)[b],[e]	**27.1**	26.4	24.7	25.9	28.0	19
Weighted average cost of debt (%)[a],[f]	**4.5**[g]	4.3	4.2	4.0	4.2	20
Debt duration (years)[b],[h]	**4.1**[g]	4.4	5.3	5.3	3.0	20
Proportion of debt hedged (%)[b]	**89**	86	90	91	74	20
People						
Employee engagement score[b]	**68**	73	71	66	n.r.	
Women in leadership[b],[j]	**37**	35	36	31	28	40
Sustainability						
Community investment ($m)[a],[k]	**3.1**	4.3	3.7	1.7	1.4	36
Green Star Performance – portfolio rating (Stars)[b],[m]	**4**	3	3	2	n.r.	37
NABERS Energy rating[n]	**3.5**	3.6	3.7	3.4	3.2	37
NABERS Water rating[n]	**3.1**	3.1	3.2	2.9	2.4	37
Energy intensity (MJ)[a],[o]	**298**	300	305	323	341	
Carbon intensity (kg CO2-e)[a],[o]	**67.9**	69.1	70.9	77.0	83.0	
Waste diversion rate (%)[a]	**45**[p]	43	36	35	37	

Note: Data reported for prior years in the table is as disclosed in prior annual reporting, unless otherwise noted.

Sustainability Reporting Criteria available here: http://sustainability.vicinity.com.au/media/9605807/vicinity-centres-sustainability-reporting-criteria-fy2019.pdf

(a) For the 12 months to 30 June.
(b) As at 30 June.
(c) Excludes acquisitions, divestments and development-impacted centres and is calculated on a like-for-like basis versus the prior corresponding period. Including development-impacted centres comparable NPI growth for FY19 was 0.7%.
(d) Comparable. Excludes divestments and development-impacted centres in accordance with Shopping Centre Council of Australia (SCCA) guidelines.
(e) Calculated as: drawn debt net of cash/total tangible assets excluding cash, financial lease assets and derivative financial assets.
(f) Average for prior 12 months and inclusive of margins, drawn line fees and establishment fees.
(g) Adjusted for $225 million of FY20 bank debt repaid in July 2019.
(h) Based on facility limits.
(j) Executive Committee, senior leaders and senior managers as aligned to WGEA categories.
(k) The total community investment spend has been calculated using the London Benchmark Group (LBG) framework and includes foregone revenue and fund-raising activities. Investment for FY15 to FY18 has been revised.
(m) Managed portfolio.
(n) Based on Vicinity's ownership interest as at 31 December 2018. Includes 86% of rateable area for energy and 80% of rateable area for water.
(o) Calculated on a per sqm basis.
(p) Comparable portfolio.

DFO Perth, WA

Year in review

Vicinity's national portfolio is primarily concentrated in the metropolitan areas of the major state capital cities of Sydney, Melbourne, Brisbane, Perth and Adelaide. At 30 June 2019, we had 66 retail assets under management, with a combined value of $26.6 billion, which generated $17.4 billion in annual sales from approximately 7,600 leases across 2.6 million sqm of gross lettable area (GLA). Vicinity has an ownership interest in 62 of these assets, bringing the value of its Direct Portfolio to $15.8 billion. This section focuses on the performance of the Direct Portfolio which generates the majority of Vicinity's total income.

Major activities impacting financial performance during FY19 included:

- divesting 12 non-core assets for $670 million, at a 3.9% discount to book value;
- expanding our Outlet Centre portfolio to 6 centres, with DFO Perth opening in October 2018;
- completed a range of projects at Chadstone including opening Victoria's Secret's Australian flagship store, additional casual and destination dining offers, expanded luxury, general youth and sports precincts, and introduced valet parking and concierge services, while progressing the development of Hotel Chadstone;
- opened stages 3 and 4 of the major development of The Glen;
- buying back 99.8 million Vicinity securities for $2.56 on average, a discount of 12.3% to June 2019 NTA; and
- completing 12 projects as part of Vicinity's $73 million solar investment program, with the remaining eight projects to complete in FY20.

The Glen, VIC

Financial performance

The following summarised segment income statement is extracted from Note 1 of the Financial Report.

For the 12 months to:	30-Jun-19 $m	30-Jun-18 $m
Net property income	**887.6**	894.3
Property and funds management income	**63.0**	76.2
Total segment income	**950.6**	970.5
Corporate overheads	**(68.3)**	(73.3)
Net interest expense	**(193.0)**	(188.5)
Funds from operations (FFO)	**689.3**	708.7
Property revaluation (decrement)/increment	**(237.1)**	634.7
Other items	**(106.1)**	(124.7)
Net Profit after tax	**346.1**	1,218.7
Weighted average number of securities (m)	**3,829.5**	3,892.9
FFO per security (cents)	**18.00**	18.20
AFFO per security (cents)	**15.82**	16.26
Distribution per security (cents)	**15.90**	16.30
Distribution $m	**604.5**	631.1
AFFO payout ratio (Distribution $m / AFFO $m) (%)	**99.8**	99.7
FFO payout ratio (Distribution $m / FFO $m) (%)	**87.7**	89.1

“Gearing at the lower end of the target range reinforces Vicinity’s strong balance sheet.

The Galeries, NSW

Key commentary on financial performance:

- **Net profit after tax down $872.6 million** – largely due to the divestment of non-core assets and a statutory property revaluation loss of $237.1 million compared to a gain of $634.7 million in the prior year. The net valuation loss for the period was $226.5 million[1].
- **Funds from operations down $19.4 million** – impacted by non-core asset divestments and a reduction in wholesale funds under management. After adjusting for the non-core asset divestments, comparable FFO per security grew 2.0% driven by growth in the stable portfolio and the on-market securities buy-back.
- **Net property income (NPI) down $6.7 million or 0.7%** – representing the impact of non-core asset disposals, partly offset by developments completed at DFO Perth, Chadstone and The Glen and comparable NPI growth. On a comparable basis[2], NPI growth was 1.5%. Including pre-development centres[3], where upcoming projects prevent optimal leasing outcomes, comparable NPI growth was 0.7%.
- **Corporate overheads down $5.0 million or 6.8%** – reflecting a continued focus on operational efficiencies and one-off benefits realised on staff departures.
- **Net interest expense up $4.5 million or 2.4%** – largely stable as the reduction from non-core asset sales was offset by continued development capital expenditure and the purchase of $255.5 million securities through the on-market buy-back.
- **Asset valuation loss of $237.1 million** – net valuations gains on the flagship portfolio offset by declines in Western Australia and pre-development assets.

Statement of Comprehensive Income
Page 80

1. Net valuation gain excludes acquisitions, divestments and statutory adjustments and includes the impact of equity accounted investments.
2. Excludes acquisitions, divestments and development-impacted centres and is calculated on a like-for-like basis versus the prior corresponding period.
3. Bankstown Central, Chatswood Chase Sydney, Galleria, QueensPlaza and The Myer Centre Brisbane.

Financial position

The following summarised balance sheet is based on the full financial statements.

As at	30-Jun-19 $m	30-Jun-18 $m
Cash	**34.9**	42.1
Investment properties	**15,351.8**	15,892.7
Equity accounted investments	**670.1**	681.1
Intangible assets	**591.2**	594.9
Other assets	**345.6**	270.8
Total assets	**16,993.6**	17,481.6
Borrowings	**4,436.1**	4,437.6
Other liabilities	**968.4**	936.5
Total liabilities	**5,404.5**	5,374.1
Net assets	**11,589.1**	12,107.5
Net tangible assets per security (NTA) ($)	**2.92**	2.97
Net asset value per security (NAV) ($)	**3.07**	3.13
Gearing[(a)] (%)	**27.1**	26.4

(a) Calculated as drawn debt at Note 7(a) of the Financial Report, net of cash, divided by total tangible assets excluding cash, finance lease assets and derivative financial assets.

Northland, VIC

Key commentary on financial position:

- **Investment properties and equity accounted investments down $551.9 million or 3.3%** – the disposal of 12 non-core investment properties during the year for net proceeds of $655.0 million and a statutory revaluation decline of $237.1 million drove the reduction in investment properties. This was partly offset by capital and development expenditure of $399.4 million, notably at projects at Chadstone, Roselands, DFO Perth and The Glen. Refer to Note 4(b) of the Financial Report for further information.
- **Borrowings down $1.5 million** – Proceeds from non-core asset divestments were largely offset by development and other capital expenditure and $255.5 million of securities purchased through the on-market buy-back program.
- **Gearing up 0.7% to 27.1%** – remains at the low end of target range of 25% to 35% reinforcing Vicinity's strong balance sheet.

Balance Sheet
Page 81

Capital management

Vicinity's balance sheet remains in a strong position with access to a wide range of funding sources.

Vicinity continues to take a proactive approach to debt capital management, with a number of capital transaction programs undertaken in FY19. Vicinity has maintained its investment-grade credit ratings (Standard & Poor's A/stable and Moody's A2/stable) and negotiated $2.0 billion of new or renewed debt facilities.

After cancelling $225 million of bank debt facility limits in July 2019, Vicinity has access to undrawn debt facilities of $1.4 billion and is well positioned for planned investment and future development expenditure, and repayment of near-term debt expiries.

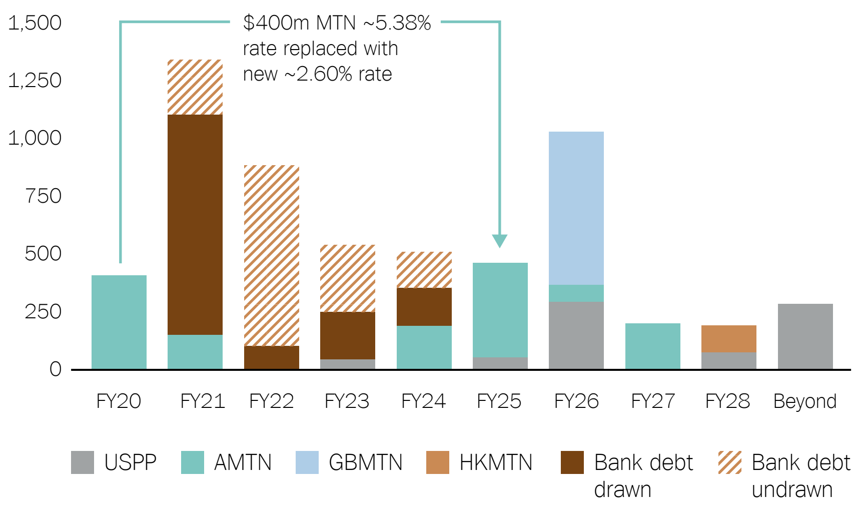
Major capital initiatives included:

- Divestments – 12 assets sold for $670 million.
- Securities buy-back – 100 million securities acquired on-market for $255 million.
- Development pipeline – $270 million invested.
- Solar investment program – $28 million invested.

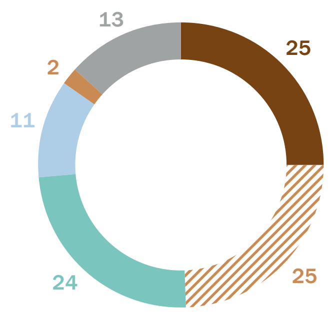
New debt capital management activities included:

- A$400 million of six-year Australian medium-term notes (MTNs) issued in June 2019.
- A$300 million of five-year bank debt with an Asian bank starting in June 2019.
- A$60 million seven-year private placement under our European MTN program issued in September 2018
- Extending the duration on $1.25 billion of bank debt by approximately one year on average
- Entering A$500 million of interest-rate hedges over six to nine years starting in June 2019

Debt maturity profile ($m)[(a)]



Sources of debt (%)[(a)]



(a) Based on facility limits and adjusted for $225 million of FY20 bank debt cancelled in July 2019.

> **Vicinity continues to take a proactive approach to debt capital management with a number of capital transaction programs in progress throughout FY19.**

More tastes

We're proud of the strong foodie culture in Australia, and Vicinity provides the best in dining and cafe diversity. With so many cuisines on offer, our customers are spoiled for choice whether they're grabbing a quick bite or settling in for a relaxing meal.

Our management of risk

Identifying and managing risks and opportunities is essential in supporting the achievement of Vicinity's objectives. Vicinity adopts a structured and comprehensive approach to managing risk to help provide benefits to its stakeholders, including securityholders, employees, consumers, retailers and the community in which Vicinity operates.

Vicinity's risk management approach facilitates the appropriate identification, assessment and control of risks to its operations and strategy, ensuring a clear understanding of risks and making informed decisions in line with the business strategy and risk appetite.

The table below outlines the key risks and opportunities that may affect Vicinity's ability to create value over the short, medium and long term, the potential impacts and the steps Vicinity is taking to manage these.

Our resources	Risks and opportunities	Potential impact on value creation	How Vicinity manages the risks and opportunities	More information
Real estate management	• Retail market performance • Structural changes in the retail sector including online sales	The majority of Vicinity's earnings are derived from rental income. Periods of subdued retail market conditions, changing consumer behaviour and shopping preferences, digital technology and growth in online retailing have the potential to impact retailer viability, vacancy rates, rental growth, asset values and profitability.	• Vicinity focuses on creating compelling consumer experiences, improving amenities and actively reweighting the retailer mix to higher demand categories, catering for the wants and needs of the local community (e.g. food, dining, leisure and entertainment). These initiatives aim to drive greater consumer visitation which should translate into higher sales and rental growth. • Vicinity's strategic and development plans factor in consumer preferences, development and product opportunities, retailer renewal and replacement strategies and rent or capital requirements. • Improving the quality of our portfolio so our centres continue to reflect consumer and retailer demand. This may involve developments, retailer remixes, divestments and acquisitions. The development pipeline is focused on ensuring Vicinity's centres adapt to structural changes and remain relevant to consumers, retailers and communities. • Vicinity supports its retailers, ensuring they are well supported in their operations, through a partnership model that delivers what's most important to them and makes improvements to its operations based on feedback received. • Vicinity continues to explore and pursue, where feasible, ancillary income opportunities including casual mall leasing, retail media, electricity services and car parking.	**Portfolio** Page 29 **Development** Page 30 **Our Data and Analytics** Page 38

Our resources	Risks and opportunities	Potential impact on value creation	How Vicinity manages the risks and opportunities	More information
Real estate management continued	• Climate change	The increasing severity of acute weather events (such as heatwaves, cyclones and storms) and chronic climate impacts may affect Vicinity's shopping centres and communities through physical damage, operating costs, ability to trade, consumer visitation and retail sales. The transition to a low carbon economy also enables Vicinity to realise opportunities such as reducing its reliance on the electricity grid by generating onsite renewable energy which also protects its business from future energy market and policy uncertainty.	• Vicinity's Sustainability Strategy addresses both the cause and the impact of climate change through creating low carbon, smart assets and increasing the climate resilience of our centres. • Vicinity is minimising its contribution to climate change by working to achieve Net Zero carbon emissions by 2030 for common areas in its wholly-owned centres, to be delivered through a combination of its industry-leading solar and energy efficiency program. • Climate scenario modelling analysed Vicinity's exposure to physical climate risks, and climate resilience strategies are being integrated into the management and design of centres. Vicinity has climate risk registers and mitigation plans to increase resilience across the entire portfolio.	**Integrated Energy Strategy** Page 33 **Our Communities** Page 36 **Climate Resilience** sustainability.vicinity.com.au
Real estate investment	• Achievement of optimal portfolio composition • Capital allocation and investment opportunities	It is critical that the property portfolio composition is optimised, and that capital is allocated prudently to meet Vicinity's return expectations. Vicinity's portfolio composition along with any developments, divestments and acquisitions undertaken can significantly impact Vicinity's total return.	• Vicinity's focus is on ongoing portfolio enhancement and creating destinations that provide market leading shopping, dining and entertainment experiences. • Vicinity has clear investment criteria for evaluating assets and regularly assessing asset quality and prospective performance using both qualitative and quantitative factors. This information is used to inform capital allocation and investment decisions. • Vicinity seeks to optimise its core portfolio by selling assets which fail to meet total return requirements, or do not offer future value accretive opportunities. The proceeds from divestments are reinvested into transformative developments and value accretive acquisitions. • Development opportunities are assessed and prioritised against set criteria which must meet minimum risk-adjusted financial return hurdles. Vicinity provides strong governance and oversight of capital allocation decisions through its Investment Committee.	**Our Strategy and Business Prospects** Page 12 **Our Portfolio** Page 29 **Development** Page 30 **Our Data and Analytics** Page 38

Our management of risk continued

Our resources	Risks and opportunities	Potential impact on value creation	How Vicinity manages the risks and opportunities	More information
Real estate development	• Development delivery	Delays, increased costs or failure to realise targeted rents or valuation means that development projects may not be delivered in accordance with approved targets and impact on Vicinity's financial performance or valuation.	• The development pipeline is focused on ensuring Vicinity's centres adapt to structural changes and remain relevant to consumers, retailers and communities. Development initiatives include redeveloping existing spaces and not necessarily extensions to sites. • Vicinity has a rigorous project management process in place which includes: an extensive iterative research and planning process; review and risk assessment by a third party; and progressive approvals required by its Investment Committee and the Board. • Development projects do not commence without Board approval, required external approvals, terms being agreed with major retailers, construction contracts being finalised with appropriately-qualified construction firms and the project feasibility supporting a minimum risk-adjusted financial return hurdle. • Development governance, processes and systems are in place to support the development pipeline and simultaneous development deliveries. • Development projects are also regularly monitored against schedule, budget and scope by project control groups, and reported to the Board.	**Capital Management** Page 20 **Development** Page 30 **Our Data and Analytics** Page 38
People	• Health and Safety • Terrorism/ Hostile Aggressor	Vicinity's operations expose employees, contractors, retailers and consumers to the risk of injury or illness. In addition, an incident could affect Vicinity's reputation, subject it to claims for financial compensation or have regulatory consequences.	• Vicinity has a Health and Safety Management System (H&SMS) in place to support the provision of a safe and healthy environment. This system includes an induction and education program, H&SMS self-assessments and centre audits, the use of competent contractors, regular reviews of procedures and stringent health and safety assessments prior to appointing principal contractors for (and during) development and asset refurbishment works. • Vicinity adopts the recommendations in the Australian Government's Crowded Places Strategy with additional asset hardening measures implemented to strengthen assets. • Vicinity maintains a Crisis and Emergency Management System which provides the framework for Vicinity to respond to a major incident or crisis occurring at one of its centres, development sites or offices. This system is supported by regular training and education and via desktop and simulated exercises to increase preparedness and to identify any opportunities for improvement.	**Our People** Page 40 **Creating a Great Place to Work** sustainability.vicinity.com.au

Our resources	Risks and opportunities	Potential impact on value creation	How Vicinity manages the risks and opportunities	More information
People continued	• People	An inability to attract or retain people with the appropriate capability, experience and level of engagement reduces Vicinity's capability to successfully deliver on strategy.	• Vicinity's People Strategy focuses on creating an attractive, desired place to work and connecting employees to a shared value and purpose of enriching community experiences. • Vicinity celebrates diverse perspectives and encourages a workplace where everyone can be themselves. • Leadership and learning development programs are in place to support employee capability development and the retention of talent.	**Our People** Page 40 **Creating a Great Place to Work** sustainability. vicinity.com.au
Capital	• Funding and Liquidity	Access to debt funding is not available at the appropriate price or cannot be accessed in the required timeframes to support the ongoing management and development of the business.	• Vicinity adopts a prudent capital management philosophy. Key attributes of this philosophy are the maintenance of a strong balance sheet with moderate gearing, preservation of an investment grade credit rating, diversification of debt sources, forward planning to address upcoming debt maturities, regulating the level of exposure to interest rate risk according to policy and fully hedging its exposure to foreign currency denominated debt. • The Capital Management Committee is responsible for the strategies relating to the management of financial risk and of debt and equity procurement for the Group.	**Capital Management** Page 20
Data and systems	• Information and cyber security	A breach or failure of Vicinity's information technology systems could expose it to financial/data loss, disruption or damage to operations, breach of compliance obligations and reputational damage.	• Vicinity's Information Security Management System includes: employee training and awareness; targeted penetration testing activities; regular network and third-party security assessments; vulnerability scanning and patching; and incident response plans. The Information Security Steering Committee provides oversight of the system, its implementation and the maturity across the organisation. • Vicinity's data governance framework sets principles for the effective collection, use and protection of its data assets in support of maximising the value of these assets. Vicinity's Data Breach Response Plan assists in the response to an unlikely event of a data breach and ensures the adherence to the obligations under the mandatory data breach reporting regime. The Plan operates alongside the Cyber Incident Response Plan for all cyber-related data breaches and forms part of Vicinity's Crisis and Emergency Management System.	**Our Data and Analytics** Page 38

Our Operating and Financial Review continued

Engaging with our stakeholders

At Vicinity, we rely on strong relationships with our stakeholders to operate our business successfully and deliver our strategy. Proactive and ongoing engagement enables us to understand our stakeholders' wants and needs, gain better insights into material business risks, and also identify shared value creation opportunities for both Vicinity and our stakeholders.

The following tables outline Vicinity's key stakeholders, our objectives for those stakeholders and their material interests in their interactions with Vicinity; information that helps to shape our business activities.

Governance
sustainability.vicinity.com.au

Stakeholder materiality

	Our objectives	Material interests of stakeholders	Our response
Consumers	Create unique and relevant shopping centre experiences and shape better communities.	• Monitoring and responding to consumer satisfaction. • Appropriate tenant mix to service consumers wants and needs. • Providing convenient, safe and engaging shopping experiences. • Community hubs and consumer experience. • Social cohesion and integration. • Physical safety. • Diversity, inclusion and well-being. • Responsible supply chain including modern slavery. • Cyber security and data privacy.	**Our Portfolio** Page 29 **Development** Page 30 **Our Data and Analytics** Page 38
Retailers	Deliver compelling destinations and value that support the success of retail operations.	• Monitoring and responding to retailer satisfaction. • Increasing consumer visitation and dwell time by creating engaging centre experiences. • Community hubs and consumer experience. • Strong engagement with centre management. • Good marketing and other services to help retailers succeed. • Waste Management and recycling. • Responsible supply chain including modern slavery. • Cyber security and data privacy. • Retail trading conditions.	**Our Portfolio** Page 29 **Development** Page 30 **Our Data and Analytics** Page 38
Security-holders	Create long-term value and sustainable growth.	• Meeting and exceeding financial expectations. • Strengthening portfolio composition. • Creation of community hubs and experiences that respond to changing consumer trends and supporting retailers to succeed. • Successfully delivering our development pipeline. • Maintaining a strong reputation through regular and transparent disclosure. • Managing other non-financial risks and opportunities such as climate change, data privacy, security, people and the future of retail. • Climate Change (adaptation and mitigation). • Corporate governance. • Tenant engagement and retention. • Responsible supply chain including modern slavery. • Retail trading conditions.	**Financial Performance** Page 18 **Capital Management** Page 20 **Our Management of Risk** Page 22 **Our Portfolio** Page 29 **Our Data and Analytics** Page 38 **2019 Corporate Governance Statement** vicinity.com.au

	Our objectives	Material interests of stakeholders	Our response
Strategic partners	Ensure stable and growing returns.	• Deliver stable and growing returns. • Responding to changing consumer trends and supporting retailers to succeed. • Alignment in strategy and objectives and transparency in reporting. • Delivering on investment objectives. • Tenant engagement and retention. • Retail trading conditions. • Climate Change (adaptation and mitigation).	**Our Portfolio** Page 29 **Development** Page 30 **Our Data and Analytics** Page 38
Our people	Support a highly engaged team that embraces our values, and delivers on our strategy.	• An engaged workforce – innovative and collaborative culture. • Learning and development opportunities. • Flexibility to balance professional and personal needs to ensure health and wellbeing. • Create diverse and inclusive culture that promotes equal opportunities and meaningful experiences.	**Our People** Page 40
Suppliers	Create long-term relationships, and make a positive impact on our communities.	• Building collaborative and mutually beneficial partnerships. • Fair and ethical business practices. • Responsible supply chain, including modern slavery. • Embracing innovation. • Social cohesion and integration.	**Our Communities** Page 36 **Our Suppliers** vicinity.com.au
Our communities	Meet and exceed expectations of our communities and society more broadly.	• Social cohesion and integration. • Responsible supply chain including modern slavery. • Corporate governance. • Waste Management and recycling. • Diversity, inclusion and well-being. • Community hubs and consumer experience.	**Our Communities** Page 36

More entertainment

Our centres are designed as community hubs that offer more than a place to shop. They are a place to meet with friends and family, catch the latest movie, see a fashion show or dine and chat into the night.

Our Portfolio

Ownership interest in **62** shopping centres	**Net Zero** carbon emissions target for 2030[1]	**No.1** centre for MAT in Australia – Chadstone
$11,083 specialty MAT per sqm[2] up 9.4% over FY19	**3.1%** growth in specialty store and mini majors MAT[2]	**No.1** CBD centre for specialty MAT per sqm – The Strand Arcade
4 Star Green Star – Performance rating for managed portfolio	**500m** customers annually	**14m** unique devices identified on our portfolio-wide WiFi network

During the year, we continued to enhance the portfolio, divesting 12 non-core assets, we expanded our outlet centre portfolio with the opening of DFO Perth, and continued the major developments of Hotel Chadstone and opening key stages at The Glen.

Key operating highlights:

- **Portfolio occupancy remains high at 99.5%** – Compared to 99.7% reported at June 2018.
- **Total average leasing spread[3] of -2.0%** – Up from -4.7% over FY18, driven by Chadstone, Premium CBDs and DFOs. This result was enhanced by the concerted effort to limit the number of short-term leasing deals, which were reduced to 19% of deals by income compared to 32% in FY18.
- **Total MAT of $16.5 billion** – Up 2.7% over the past 12 months[2] and up from 1.2% reported over FY18, driven by improving sales from specialty stores, mini majors and boosted by 53 weeks reporting by a number of major tenants in FY19, compared to 52 weeks in FY18.
- **Specialty store MAT productivity[2] of $11,083/sqm** – Up 9.4% from $10,133 at June 2018, reflecting improvements in both the productivity of specialty stores and portfolio composition.
- **Specialty store and mini majors MAT growth[2] of 3.1%** – Up from 1.6% reported over FY18, driven by improving sales across the apparel, retail services, jewellery and leisure categories.
- **Specialty store occupancy costs[2] of 15.0%** – Up marginally from the 14.7% reported in FY18.


Chadstone, VIC

1. For common areas in Vicinity's wholly-owned retail assets.
2. Comparable. Excludes divestments and development-impacted centres in accordance with SCCA guidelines.
3. The variance between the rent at the end of a lease and the rent received over the same space for a new lease. Includes all store types other than majors, offices, ATMs and storage and excludes project-impacted leasing and divestments.

Our Portfolio continued

Development

Our development pipeline is an important driver of portfolio enhancement. Developments enable Vicinity to build sustainable and inclusive lifestyle destinations, introduce the latest retail concepts and revitalise our offer – enhancing the overall retail experience. This improves the quality of our income streams by attracting more customers and driving sales growth.

FY19 completed projects

DFO Perth, WA

Western Australia's first DFO Outlet Centre opened at the Perth airport precinct in October 2018. The $140 million[1] joint venture with Perth Airport opened fully leased with 113 international and Australian brands, a casual dining precinct and 1,500 car spaces. The outlet has many first-to-market retailers as well as luxury and premium retailers and reinforces Vicinity as Australia's leading owner and manager of Outlet Centres. This greenfield development is expected to deliver development yield[2] of >12% and an internal rate of return (IRR) of >17%.

Chadstone, VIC

Several retail development projects were completed during the year at Chadstone. This included the opening of Australia's first Victoria's Secret flagship store, additional casual and high-end dining offers, expanded luxury, general youth and sports precincts as well as valet parking and a premium lounge for Chadstone's tourist visitors. The $77 million[1] of projects are expected to deliver a development yield[2] of >6% and IRR of >10%.

QueensPlaza, QLD

Destination dining

Keeping pace with changing consumer preferences is important at Vicinity. As Australians shift to eating more meals away from home, our centres need to provide quality dining destinations to suit a variety of patrons. Importantly, this shift is bringing visitors to our centres for more than just a pure retail experience, helping Vicinity to capture more of our customers' leisure time.

During the year, we have introduced new dining concepts at our centres, lifting the traditional 'food court' offering to destination dining venues worthy of following on social media.

Chadstone

Yu Kitchen and Calia opened in late 2018, both in the heart of Chadstone's luxury precinct. Sourcing high quality ingredients and offering visitors innovative menus in premium surroundings, these two new operators are the first for Chadstone's destination dining plans. Two additional dining venues will open at Hotel Chadstone in late 2019.

Queen Victoria Building

Sydney's iconic Queen Victoria Building refreshed Sydney's late-night bar and dining scene with Reign Champagne Parlour & Bar and Esquire Drink + Dine opening in March 2019. The venues inject glamour and sophistication for visitors, while also opening up the night time economy, of one of Sydney's favourite retail hubs.

QueensPlaza

Overlooking Queen Street Mall, Stanton Bar and Café offers visitors a relaxing yet high quality dining experience in the heart of Brisbane, a welcome addition to QueensPlaza's refreshed luxury precinct.

1. 100% interest. Vicinity's share is 50%.
2. Represents stabilised yield.

Projects under construction

The Glen, VIC

The $430 million[1] major redevelopment of The Glen is progressing well, with the final major stage, Stage 4, opening in August 2019. The centre now boasts the newest format David Jones, an outdoor dining precinct, international fashion retailers including Uniqlo and H&M, and will feature more than 250 specialty retailers when the development is complete in late FY20.

Construction has commenced on three luxury residential towers atop of the retail centre by Golden Age. The addition of more than 500 new residences on site will increase sales productivity and drive income for the centre when construction is completed in 2021.

The retail project is expected to deliver a development yield[2] of >7% and IRR of >13%.

Hotel Chadstone, VIC

Hotel Chadstone is nearing completion, opening in November 2019. The $130 million[1] hotel, located adjacent to Chadstone's retail centre, will have 250 rooms, conference facilities, a ballroom, two restaurants, spa facilities and a rooftop bar and lounge. The hotel (to be operated as MGallery by Sofitel under a 10-year operating lease) will cater to business travellers to the busy Monash region and visitors to Chadstone. The project is expected to deliver a development yield[2] of >8% and IRR of >10%.

Ellenbrook Central, WA

A $63 million development at Ellenbrook Central in Perth's north eastern growth corridor commenced in August 2019. The expanded centre will add a new Kmart, three mini majors and 15 specialty retailers. The project is expected to deliver a development yield[2] of approximately 6% and IRR of >10%.

Hotel Chadstone, VIC – Artist's impression

"Developments enable Vicinity to build sustainable and inclusive lifestyle destinations, introduce the latest retail concepts and revitalise our offer.

Future development

Chatswood Chase Sydney, NSW

Planning continues for a major redevelopment at Chatswood Chase Sydney which is targeted to commence in mid 2020. The project is expected to add more than 35,000 sqm of retail space and 780 car spaces into Australia's most affluent catchment and include an expansion of the retail offer to include premium, lifestyle and enhanced dining offers. Traffic and flood management risks have been resolved in the approved development application.

Box Hill Central, VIC and Bankstown Central, NSW

Planning continues for retail and mixed-use development at Box Hill Central, VIC and Bankstown Central, NSW, both strategic metropolitan sites on major transport nodes. Scoping works, capital requirements and likely income impacts are being investigated to advance these projects.

Box Hill Central in Melbourne's east sits above a major railway line located in the middle of Box Hill CBD. The site masterplan is complete and a retail development application is expected to be lodged in early 2020.

A significant opportunity for mixed-use development, in conjunction with a retail development, of Bankstown Central is in early planning stages to take advantage of growth of this key south-western suburb of Sydney.

Further details on these significant projects will be provided as they progress.

1. 100% interest. Vicinity's share is 50%.
2. Represents stabilised yield.

Enhancement projects

During the year, the Asset Refurbishment Team (ART) continued to undertake minor refurbishment projects to enhance the quality of amenities and improve the consumer experience at Vicinity's retail centres. They also provide valuable upgrades to centres in between major development.

A project is underway at Carlingford Court, NSW including the introduction of traffic guidance, refurbished entries to the centre, additional seating in a refurbished food court, upgraded amenities, new mall furniture, and a children's play area. This project is expected to be completed late in 2019.

Remixing projects have been undertaken to ensure centres have the right retail mix to meet customer demand. During the year, popular mini major JD Sports was joined by new high-profile retailers H&M, Sephora and Uniqlo at Northland, providing the centre with a unique mix of on-trend offers. Further ambience upgrades, including the food court, are targeted for FY21 and planning has commenced for an extended entertainment and leisure precinct at the centre.

New retailers including 365 Foodstore, Soul Origin and Decjuba have refreshed the retail offering at Victoria Gardens, VIC. In FY20 we will upgrade the food court and modernise the mall space in line with the evolving demographic in this catchment, just four kilometres from the Melbourne CBD.

Ancillary income streams

Vicinity has strong growth opportunities from ancillary income which comprised 11.6% of NPI in FY19.

Chadstone, VIC

Vicinity Media

Vicinity Media connects retailers and brands with Vicinity's valuable shopper audience via a range of world class media assets.

In FY19, a total of 20 new internal screens were installed, taking Vicinity's internal digital Supersite network to 111 screens across 31 centres. Significant positive progress has also been achieved with External Digital billboard projects. In FY19, we added 11 screens to our network including sites at The Glen, Victoria Gardens Shopping Centre, Box Hill Central, DFO Perth, Roxburgh Village and Broadmeadows Central. Plans for ten additional external screens have been submitted to councils for approval.

Managed Parking

Managed carparking at our centres improves the visitation experience, particularly at our busy centres located in commercial hubs or close to major transport networks.

Vicinity has managed car parking at 13 centres, many of which include state of the art technologies such as ticketless access control and parking guidance that help alleviate congestion on entry and assist customers in quickly navigating to available car park spaces.

New managed car parking sites include: DFO Perth, which has been successful in managing high traffic volumes experienced since opening; Chadstone valet parking, providing customers with a premium parking option; and new car park systems at Queen Victoria Building in conjunction with a new online booking platform. Managed car parking will be introduced at another two shopping centres over FY20 to drive car park utilisation for retail customers at those centres. Looking ahead, Vicinity will continue to focus on enhancing the customer's parking experience through investment in presentation standards and innovative parking solutions.

Integrated Energy Platform

Our Integrated Energy Strategy is the driving force behind energy transformation across Vicinity. It includes the industry-leading solar investment program and a focus on energy innovations that will help insulate Vicinity from volatile energy markets and prepare for a low-carbon future, including Vicinity's commitment to Net Zero carbon emissions by 2030[1].

Solar investment program

Launched in 2018, Vicinity's $73 million solar investment program, across two stages, has continued its roll out across Australia during the year.

We are already benefitting from Vicinity's solar program through:

- reduced grid energy consumption at centres in peak demand periods;
- greater energy resilience for our local communities; and
- building up a buffer from volatile energy market pricing.

At 30 June 2019, 12 solar projects have completed, with a further eight under construction.

On completion of stages 1 and 2, expected in FY20, the solar program will deliver:

- 20 centre solar systems;
- approximately 30MW capacity; and
- an average year-one yield of 13%, with an average IRR of 11%.

Lake Haven Centre, NSW

In addition to rooftop panels, our solar investment program includes using solar panels as car park shading, with shading for 2,400 spaces under construction across three centres. These projects provide the additional benefit of improving the customer experience through shaded parking.

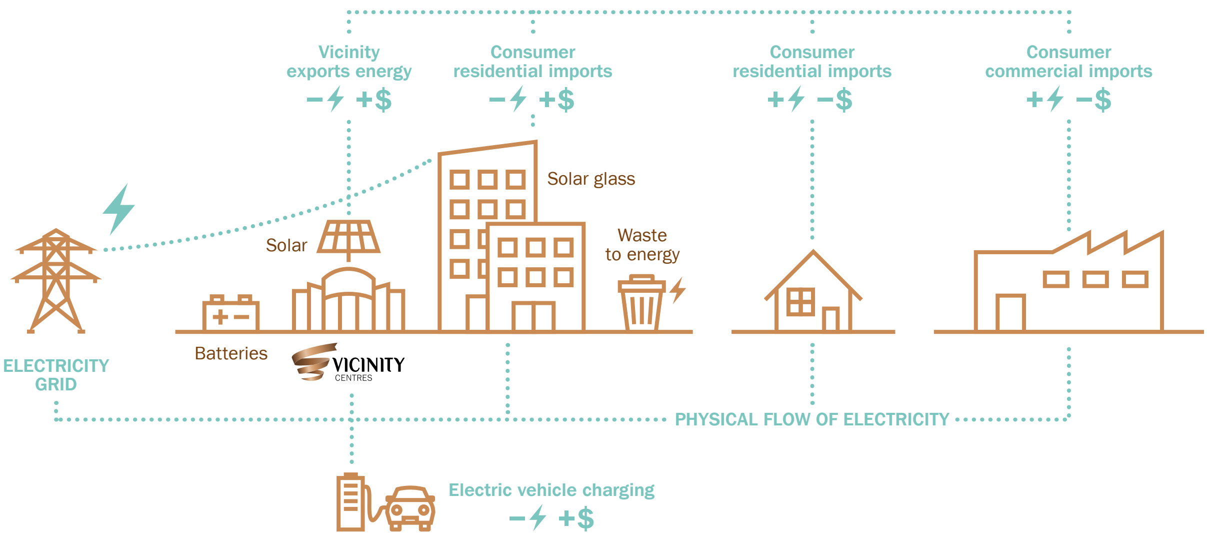
We have trialled innovations in renewable technology across the portfolio to optimise performance and enhance returns, including bifacial solar panels. These cutting-edge solar panels capture UV rays from the top and the underside of the panels, increasing efficiency and extending the capture time to shoulder periods (sunrise and sunset). We have trials currently underway across three centres. Initial results are showing a marked improvement in solar generation, further enhanced as we trial reflective surface treatments. Bifacial solar provides an effective solution for centres where roof space for solar panels is limited.

> **"Vicinity Energy is striving to put renewable energy at the very heart of our communities.**

1. For common areas in Vicinity's wholly-owned retail assets.

Integrated Energy Platform continued

Vicinity's Energy Community Vision



Creating energy communities

Vicinity's industry-leading solar program is creating a backbone for further integrated energy innovations and investment, that will deliver an 'energy community' at, and around, our centres.

These energy communities will be built on complementary renewable energy initiatives such as solar, battery, waste to energy, and electric vehicle charging.

The building blocks for our energy community vision are already in place.

In 2018, Vicinity installed Australian retail property's first storage battery at Castle Plaza, SA. The 548kWh battery is storing and utilising solar energy generated at the centre to improve energy efficiency and better manage peak demand periods. We are in advanced planning for further batteries to be retrofitted at more centres powered by solar energy in 2019 and beyond.

We are investigating blockchain technology to turn the energy we generate and store into a valuable saleable commodity. Blockchain technology may open the door back to the grid for real-time energy transactions with residents and businesses who connect to our network.

Battery and blockchain technology will enable Vicinity to aggregate our energy generation across multiple centres – to create a virtual power plant driven by Vicinity's energy management systems.

Integrating electric vehicle (EV) charging is another component of Vicinity's energy community vision that is in advanced planning. Vicinity has invested in EV charging station trials at four centres, with new installations to be mandatory for future retail developments.

Clear solar glass is also potentially another major source of energy for Vicinity. At Warwick Grove, WA we went operational with a trial clear solar glass structure in early 2019. Working with trial partners, ClearVue Technologies, we are continually optimising performance and the technology involved has huge potential to turn the built form of Vicinity's mixed-use developments into a considerable new source of clean, renewable energy.

Industry recognition

Vicinity's market-leading solar investment program and approach to innovation has received industry recognition and an Australia-wide following as we strive to put renewable energy at the very heart of our communities.

Vicinity was proud to be the recipient of the 2019 Property Council of Australia's 'People's Choice' award in May 2019. The award recognises the widespread industry support Vicinity has received for our Integrated Energy Strategy and national solar program.

In addition, Vicinity was thrilled to be awarded the Australian business award for sustainability for its climate resilience program. Our program addresses both the cause and the effects of climate change and was recognised for our innovation and leadership in climate change and resilience.

More pampering

Retail is just the beginning at our market-leading destinations. Whether our customers are looking for a hairdresser, a nail salon, or to get their makeup done, our centres ensure they feel refreshed and revitalised.

Our Communities

We acknowledge the important role that our centres play within their communities. Our strategy is focused on ensuring that we impact our local communities in a positive way to help them to thrive.

Engaging our communities

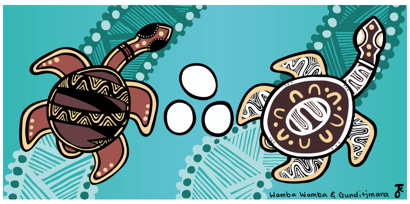
As part of supporting our local communities in the period, we strengthened our focus on disengaged youth through our partnership with national not for profit Beacon Foundation. To create a positive impact on disengaged youth and in support of young people in their transition to the workforce, we extended our work experience and mentoring programs, and jobs fairs nationally. Throughout Australia, hundreds of jobseekers participated in jobs readiness programs and connected with retailers to gain valuable interviewing and presentation skills, with many securing jobs with retailers in our centres.

Social procurement

A key focus of our procurement team is to ensure we use services that are sustainable, ethical and have a positive social impact on our communities. Our social procurement provides training, skills and jobs to address areas of disadvantage. In FY18 and FY19, we have achieved around $600,000 spend with Indigenous suppliers, going beyond our Reflect Reconciliation Action Plan commitment. We have continued to work in partnership with social enterprises, taking our cumulative spend over the past two years to $2.9 million and exceeding our target of $2.4 million for the same period.

We continued our relationships with social procurement enterprises including YMCA Rebuild, House with No Steps, Marist Youth Care, Activ Property Care and Orana Incorporated during the year, to provide essential maintenance services across our portfolio. Vicinity's support of these organisations creates employment opportunities for people from a range of disadvantaged backgrounds.

Reconciliation Action Plan (RAP)



Following the success of our first RAP – Reflect RAP – in 2018, we launched our second RAP – Innovate RAP – during National Reconciliation Week in May 2019.

As a leading Australian retail property company with shopping centres across Australia, we recognise the Traditional Custodians of the lands on which we live and work, and we are working to create shopping centres and a workplace where Aboriginal and Torres Strait Islander peoples, cultures, traditions and businesses are deeply appreciated, genuinely welcomed and actively encouraged.

Extending on our Reflect RAP, our Innovate RAP aims to increase respect, equality and opportunity for Aboriginal and Torres Strait Islander peoples, businesses and communities. We have committed to deepening relationships, increasing cultural awareness and connecting Aboriginal and Torres Strait Islander peoples with employment and business opportunities across our organisation. We have a great opportunity to learn from the wisdom, cultures and customs of Australia's Aboriginal and Torres Strait Islander peoples and make our business more successful in the process.

Indigenous business partnership

We are proud of our relationship with Wilco Electrical, a Supply Nation certified Indigenous-owned business. Vicinity has worked with Wilco Electrical since 2018, providing electrical maintenance for our shopping centres across Western Australia and electrical project work, including energy efficiency upgrades and ongoing repairs and maintenance at our centres. Wilco Electrical are proudly Indigenous owned and they provide training and apprenticeships to young Aboriginals in Western Australia. Vicinity's partnership has enabled an additional apprentice to be employed by Wilco Electrical.

Bayside, VIC – NAIDOC 2019

Bayside, VIC – NAIDOC 2019

Vicinity's star shines greenest

This year, Vicinity has achieved a 4 Star Green Star – Performance portfolio rating, both the highest and largest retail asset portfolio rating[1]. This achievement recognises our active focus on continual improvement, boosting our rating from 2 Stars just three years ago.

Green Building Council of Australia's Green Star – Performance rating system benchmarks buildings across a broad range of categories including energy, waste, water, management and innovation.

We are especially proud of the recognition gained for our Sustainability innovations including climate resilience and adaptation, social procurement, community investment and Indigenous reconciliation.

2030 Net Zero carbon target

Vicinity has set an important target of achieving Net Zero carbon emissions by 2030[2]. The long-term target aligns to Australia's commitments under The Paris Agreement (United Nations Framework Convention on Climate Change) and will be achieved through a combination of Vicinity's solar investment and accelerated energy efficiency programs.

This target follows an extensive energy efficiency review, with improvements made in lighting, air-conditioning and optimising building performance. These efforts have reduced carbon intensity[3] by 19% since June 2016, over half of the total reduction required to achieve our Net Zero pathway.

We look forward to sharing with you further gains made as we continue our journey to Net Zero carbon emissions by 2030.

Environmental efficiency

We made significant gains in our comparable portfolio energy intensity during the period, with a decrease of 6% from the previous year. Our environmental improvement program continues to drive year-on-year improvements in resource efficiency across the portfolio, reducing energy consumption and carbon emissions intensity on a per square metre basis, and reducing the proportion of waste sent to landfill.

We benchmark the sustainability performance of our assets using rating tools such as Green Star – Performance and NABERS to identify opportunities for improvement. This year, Vicinity achieved 4 Star Green Star – Performance rating across the managed portfolio, the largest and highest rated retail property portfolio in Australia[1]. We also achieved NABERS ratings across 86% of our rateable portfolio for energy and 80% of our rateable portfolio for water[4].

Improving our Environment
sustainability.vicinity.com.au/improving-our-environment/

1. By floor area.
2. For common areas in Vicinity's wholly-owned retail assets.
3. For wholly-owned retail assets.
4. As at 31 December 2018. Retail assets which cover a GLA of 15,000 sqm or above, which meets the minimum threshold to qualify for a NABERS Rating.

Our Data and Analytics

Investing in technology and in-house capability over a number of years has enabled Vicinity to develop an industry-leading data and analytics platform. This is providing greater insight into our business, creating operational efficiencies across our assets and improving the usability of our centres.

Emporium Melbourne, VIC

Understanding our customers

We know that retailers with an online presence have access to a deep pool of customer data. Traditionally, in-centre retailers have had very little insight into customers who transact with them, let alone those customers who are in-centre but don't visit the store.

Vicinity is collecting a range of actionable insights about the customer journeys that take place in our centres every day and we continue to expand our data sources, both internally generated and though trusted third parties, to develop a more complete picture of our customers. We are building a profile of our customers that is equivalent to what is available to an online retailer to level the playing field between online and offline retail and to create a range of benefits to our retail partners.

Foot traffic

Foot traffic is a critical performance metric to any destination – it demonstrates Vicinity's success in attracting customers to our centres. To ensure we always have reliable foot traffic metrics, we have deployed standard thermal counting devices across our entire portfolio with each device connected to Vicinity's converged WiFi network. This allows us to collect consistent traffic statistics in close to real time. This has multiple applications – from understanding volume of visitors in a centre at any one time to providing rigorous visitation metrics to retailers which helps them understand their own performance more intimately.

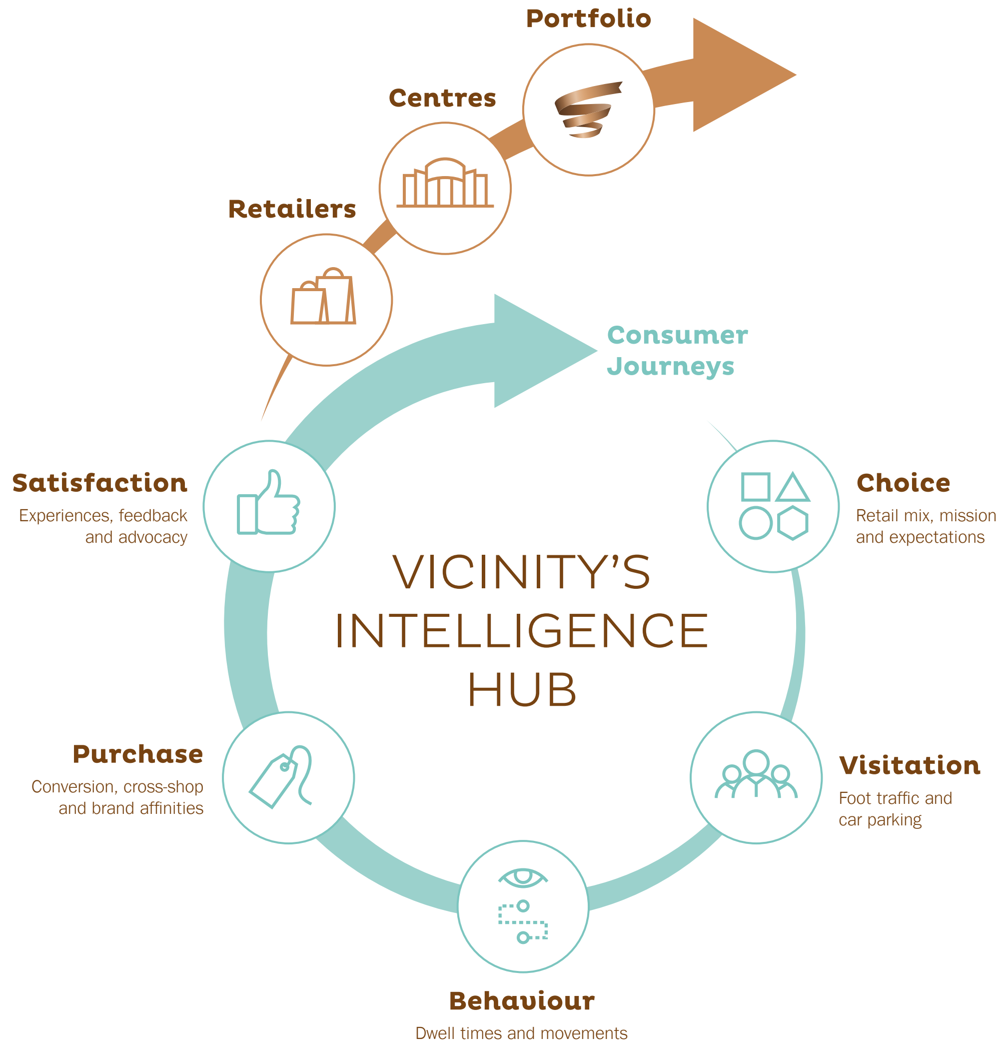
Customer behaviours

We are analysing in-centre customer behaviour to see how this can impact on retailer performance. This proprietary information is being developed in-house to ensure that our reporting is specifically designed to meet various retailers' needs. Data sources that are being utilised to understand customer behaviour includes door by door traffic counts, WiFi heat mapping, car park occupancy levels and flows, public transport usage, spend inside and outside a centre and in-situ research.

Retail is becoming more omni-channel in nature, where customers' browsing, transacting, receiving and exchanging of retail goods is increasingly being undertaken in a blended way across both physical and digital platforms. Our analysis of consumer behaviours and traffic movements will be key to pricing (renting) physical stores, particularly as some become 'showrooms' or are used to share a brand's 'experience'.

Satisfaction

We are measuring net promoter score (NPS) across each of our centres and we are able to collect this in-centre through traditional methods, but also on customers' devices through our WiFi network. This means we are able to capture approximately 70,000 consumer opinions annually, and utilise those findings to get real time feedback on how our centres are meeting customer needs.



Vicinity's intelligence hub

Vicinity's investment in the collection and development of consumer data and metrics has created the foundation for Vicinity's intelligence hub. The hub brings together a range of data points collected across a consumer's journey and synthesises it in one location in order to build a more complete picture of our visitors. This unprecedented knowledge of our consumers is opening the door to advanced insights, segmentation and targeting, to drive commercial advantage for Vicinity. We are then able to disseminate these insights for specific retailers, across a centre or aggregated to a portfolio level insight.

Giving our retailers the edge

One of our key objectives is to partner with our retailers to drive sales productivity. Using a combination of WiFi, traffic and customer profile data, we are able to generate a range of insights to empower our retailers including:

- understanding the applications that are being used by consumers when they are near a retailer's store, compared with application usage in other parts of the centre. This could be used to assist a retailer with their social media strategy;
- reporting volume of traffic near a store, or down a mall, versus the centre total;
- demonstrating which catchment demographic attributes are correlated to stronger performance for a retailer across our portfolio; and
- identifying what other stores within our centres are popular for cross-shopping for a retailer's customers which assists in leasing discussions and precinct planning.

Data driving internal decision-making

Our data insights are helping to drive decision-making across a range of functions within Vicinity, predominantly:

- understanding how consumers move through centres is influencing design decisions made during development planning;
- using data to provide relevant retailer offers to customers provides an opportunity to engage with those customers as well as an additional source of revenue; and
- analysing operational data to understand the efficiency of equipment, automate processes or machinery, identify abnormalities to enhance efficiencies and potentially deliver cost savings.

Data and analytics are increasingly important disrupters in the management of retail property. Vicinity is leaning into the opportunities and embedding the use of data in all parts of our business to achieve differentiation and sustainable commercial success.

Our People

At Vicinity Centres, our team are passionate about creating unique experiences across the portfolio, delivering value for our retail partners and striving for excellence in everything we do.

Culture, values and engagement

At the heart of our people is our purpose of Enriching Community Experiences. Underpinned by our values – we always collaborate, we embrace difference, and we imagine a better way – our people are inspired to embrace different perspectives, challenge assumptions and have the courage to be better tomorrow than we are today. Our values enforce the behaviours we believe create a great place to work and provide high quality outcomes for all Vicinity's stakeholders.

At Vicinity we recognise the link between highly engaged people, organisational culture and performance. In FY19 we expanded our annual employee engagement survey to include a specific survey on culture. The results from both the engagement and culture surveys provided insights into how our people experience life at Vicinity and future opportunities to drive high performance. The Board and Executive Committee have made culture, values and engagement a high priority for Vicinity and this will continue to be an area of focus in FY20.

Learning and development

Creating opportunities to unlock people potential is important at Vicinity. Our learning and development program, Discovery, continues to provide avenues to learn, develop and grow. Our wide range of learning programs deliver increased opportunities for our team members. Our mentoring program features the highest number of participants since the program's inception.

Health and Safety

At Vicinity, we developed and operate a leading Health and Safety Management System (H&SMS) which enables our team members across our business to discharge their health and safety obligations with high levels of competence and confidence. In the past year, Vicinity engaged external auditors to review how well the H&SMS was being used across Vicinity. The audits identified high level of conformance with H&SMS requirements and no issues that represented immediate risk of injury. Action plans were developed for each site to address any gaps and this has been supplemented by an education program to further build competence.

In addition to refining centre-specific understanding of H&SMS requirements, the audits identified opportunities to improve some procedures across Vicinity, by removing complexity and simplifying language. This is an ongoing process consistent with the drive for continual improvement.

Personal Development Plans have been made available to every team member and give our people the opportunity to define and track progress towards their personal development goals. In addition to driving a focus on career and personal development, this process also provides greater transparency and an opportunity to assess and build capability in the workplace.

Diversity and inclusion

Vicinity aims to reflect the local community in our workplaces and destinations. We believe in the strength of a diverse workforce where the backgrounds, perspectives and experience of our people help us deliver better business outcomes.

Diversity and inclusion at Vicinity has been a continued area of focus in FY19 and the delivery of key initiatives have been supported by the formation of dedicated diversity working groups, who have been responsible for leading the strategy and action planning for a wide range of diversity and inclusion initiatives.

Gender diversity remains an important area of focus and strategies are in place to increase the number of women in leadership roles. These include ensuring shortlists and interview panels for roles are gender diverse and investing in programs such as the Chief Executive Women's Leadership Program for high potential senior women.

> "Creating opportunities to unlock our people potential is important at Vicinity. Our learning and development program, Discovery, continues to provide avenues to learn, develop and grow.

In FY19, Vicinity was pleased to announce a partnership with Circle In, a leading 'stay-in-touch' program for working parents which provides tools, advice and support for working parents who are navigating careers and parenthood. Additionally, we were assessed as compliant in the 2018-2019 Workplace Gender Equality Agency (WGEA) reporting period and Grant Kelley continued as a WGEA Pay Equity Ambassador.

Progress against our diversity and inclusion strategy is measured annually through a dedicated diversity survey, with action plans developed for each business unit to address survey feedback. Responses to company-wide feedback and diversity performance indicators are measured and incorporated into Vicinity's overall three-year diversity and inclusion action plan.

Leadership

Leadership development is highly valued at Vicinity. All senior leaders are invited to participate in a tailored leadership development program. The development program provides our leaders access to a range of world-class executive learning and development options designed to unlock capability and maximise leadership potential. All people leaders have the opportunity to participate in our frontline leadership program, *Everyday Leader*.

Opportunities as part of the program include workshops and programs, one on one coaching and courses delivered through world-renowned executive education institutions.

Our Board

Our Board is committed to high standards of corporate governance. Our corporate governance platform is integral to supporting our strategic value drivers, protecting the rights of all of our investors and creating long-term value and sustainable growth.

Corporate governance

Our Corporate Governance Statement outlines our approach to governance including the structure and responsibilities of our Board and our executive and is available in the corporate governance section of our website at vicinity.com.au/about-us/corporate-governance

2019 Corporate Governance Statement
vicinity.com.au

Further information

You can find more disclosure on the following topics:

Our Strategy and Business Prospects
Page 12

Our Management of Risk
Page 22

Governance
sustainability.vicinity.com.au

Tax Transparency
Page 48

Contact Us
Page 129

Peter Hay
LLB, FAICD

Chairman, Independent Non-executive Director

Appointed June 2015

Background and Experience

Peter Hay has a strong background and breadth of experience in business, corporate governance, finance and investment banking advisory work, with a particular expertise in relation to mergers and acquisitions. Mr Hay was a partner of the legal firm Freehills until 2005, where he served as Chief Executive Officer from 2000. Mr Hay has also had significant involvement in advising governments and government-owned enterprises.

Mr Hay is Chairman of the Nominations Committee.

Current Directorships, Executive Positions and Advisory Roles

Chairman: Newcrest Mining Limited and Australia Pacific Airports Corporation Limited.

Member: AICD Corporate Governance Committee.

Past Non-executive Directorships
(past three years)

GUD Holdings Limited, Alumina Limited, Australia and New Zealand Banking Group Limited, NBN Co Limited and Myer Holdings Limited.

Clive Appleton
BEc, MBA, AMP (Harvard), GradDip (Mktg), FAICD

Non-executive Director

Appointed September 2018

Background and Experience

Mr Appleton has extensive experience in property and funds management and property development, having worked for several of Australia's leading retail property investment, management and development groups.

Mr Appleton's executive experience includes Chief Executive Officer of Gandel Retail Trust, senior executive roles with Jennings Group, where he was responsible for managing and developing its retail assets before a subsidiary was restructured to become Centro Properties Limited of which he became Managing Director; Managing Director of The Gandel Group Pty Limited where he was involved in the development of $1 billion worth of property; and Managing Director of APN Property Group including being instrumental in its float and responsible for managing its Private Funds division.

Current Directorships, Executive Positions and Advisory Roles

Chairman: Aspen Group.

Deputy Chairman: The Gandel Group Pty Limited.

Director: APN Property Group Limited, Perth Airport Pty Ltd and Perth Airport Development Group Pty Ltd.

Past Non-executive Directorships
(past three years)

Director: Arrow International Group Limited.

David Thurin AM (Dr)

MBBS, DIP RACOG, FRACGP, MS in Management

Non-executive Director

Appointed June 2015

Background and Experience

Dr David Thurin has had extensive experience in the property industry that includes senior roles within The Gandel Group and associated companies, including being the Joint Managing Director. Dr Thurin was a Director of The Gandel Group at the time of the merger between Gandel Retail Trust and Colonial First State Retail Property Trust in 2002. Dr Thurin is the Chairman, Chief Executive Officer and founder of Tigcorp Pty Ltd, which has property interests in retirement villages and land subdivision. He has a background in medicine, having been in private practice for over a decade, and was a prior President of the International Diabetes Institute.

Dr Thurin has been made a Member of the Order of Australia (AM) for his significant contribution and service to sporting organisations and community health.

Dr Thurin is a member of the Risk and Compliance Committee and the Nominations Committee.

Current Directorships, Executive Positions and Advisory Roles

Chairman and Chief Executive Officer: Tigcorp Pty Ltd.

Director: Melbourne Football Club and Baker Heart and Diabetes Institute.

Member: World Presidents' Organisation and Australian Institute of Company Directors.

Past Non-executive Directorships (past three years)

None.

Grant Kelley

LLB, MSc Econ, MBA

CEO and Managing Director

Appointed CEO January 2018 and appointed Managing Director January 2018

Background and Experience

Grant Kelley has over 25 years of global experience in real estate investment, corporate strategy, funds management and private equity.

Previously, Mr Kelley was CEO at City Developments Limited, a Singapore-based global real estate company with operations in over 20 countries. Prior to this, Mr Kelley was the Co-Head of Asia Pacific for Apollo Global Management, and also led their real estate investment activities in the region. In 2008, Mr Kelley founded Holdfast Capital Limited, an Asian-based real estate investment firm, which was acquired by Apollo in 2010. From 2004 to 2008, Mr Kelley was the CEO of Colony Capital Asia where he guided acquisition and asset management activities in Asia. Mr Kelley commenced his career in 1989 at Booz Allen & Hamilton, advising CEOs of major listed companies in the financial services, natural resources and healthcare industries.

Current Directorships, Executive Positions and Advisory Roles

Chairman: Adelaide Basketball and Holdfast Assets.

Director: Shopping Centre Council of Australia.

Governor: Pulteney Grammar School – Board of Governors.

Council Member: Asia Society Policy Institute.

Past Non-executive Directorships (past three years)

None.

Janette Kendall

BBUS MARKETING, FAICD

Independent Non-executive Director

Appointed December 2017

Background and Experience

Janette Kendall has significant expertise in strategic planning, digital innovation, marketing, operations and leadership across a number of industry sectors including digital and technology, marketing and communications, media, retail, fast-moving consumer goods, hospitality, gaming, property and manufacturing.

Ms Kendall's executive experience, both in Australia and China, includes: Senior Vice President of Marketing at Galaxy Entertainment Group, China, Executive General Manager of Marketing at Crown Resorts, General Manager and Divisional Manager roles at Pacific Brands, Executive Director at Singleton Ogilvy & Mather, CEO of emitch Limited, and Executive Director of Clemenger BBDO.

Ms Kendall is a member of the Remuneration and Human Resources Committee and the Nominations Committee.

Current Directorships, Executive Positions and Advisory Roles

Director: Costa Group, Wellcom Worldwide, KM Property Funds and Melbourne Theatre Company.

Past Non-executive Directorships (past three years)

Nine Entertainment Co Holdings Ltd.

Karen Penrose

BCOMM (UNSW), CPA, FAICD

Independent Non-executive Director

Appointed June 2015

Background and Experience

Karen Penrose's executive experience was in leadership and CFO roles, mainly in financial services. Ms Penrose is passionate about customer outcomes and financial management, and is well-versed in operating in a rapidly changing regulatory environment which stems from her 20 years in banking with Commonwealth Bank of Australia and HSBC, and eight years to early 2014 as a listed-company CFO and COO.

Ms Penrose has been a full-time director since 2014. She is a member of Chief Executive Women and a member of Women Corporate Directors.

Ms Penrose is Chairman of the Audit Committee and a member of the Risk and Compliance Committee.

Current Directorships, Executive Positions and Advisory Roles

Director: Spark Infrastructure Group, Bank of Queensland Limited, Estia Health Limited and Marshall Investments Pty Limited.

Past Non-executive Directorships (past three years)

AWE Limited and Future Generation Global Investment Company Limited (pro bono role).

Our Board continued

Peter Kahan
BCOMM, BACC, CA, MAICD

Independent Non-executive Director

Appointed June 2015

Background and Experience
Peter Kahan has had a long career in property funds management, with prior roles including Executive Deputy Chairman, Chief Executive Officer and Finance Director of The Gandel Group. Mr Kahan was the Finance Director of The Gandel Group at the time of the merger between Gandel Retail Trust and Colonial First State Retail Property Trust in 2002. Prior to joining The Gandel Group in 1994, Mr Kahan worked as a Chartered Accountant and held several senior financial roles across a variety of industry sectors.

Mr Kahan is Chairman of the Remuneration and Human Resources Committee and a member of the Audit Committee.

Current Directorships, Executive Positions and Advisory Roles
Director: Dexus Wholesale Property Limited.

Past Non-executive Directorships
(past three years)
Charter Hall Group.

Tim Hammon
BCOMM, LLB, MAICD

Independent Non-executive Director

Appointed December 2011

Background and Experience
Tim Hammon has extensive wealth management, property services and legal experience. He is currently Chairman of The Pacific Group of Companies Advisory Board and a Director of EQT Holdings Limited.

Mr Hammon was previously Chief Executive Officer of Mutual Trust Pty Limited and worked for Coles Myer Ltd in a range of roles including Chief Officer, Corporate and Property Services with responsibility for property development, leasing and corporate strategy. He was also Managing Partner of various offices of Mallesons Stephen Jaques.

Mr Hammon is the Chairman of the Risk and Compliance Committee and a member of the Remuneration and Human Resources Committee and the Nominations Committee.

Current Directorships, Executive Positions and Advisory Roles
Chairman: The Pacific Group of Companies Advisory Board.

Director: EQT Holdings Limited.

Past Non-executive Directorships
(past three years)
None.

Trevor Gerber
BACC, CA, SA

Independent Non-executive Director

Appointed June 2015

Background and Experience
Trevor Gerber worked for 14 years at Westfield, initially as Group Treasurer and subsequently as Director of Funds Management responsible for Westfield Trust and Westfield America Trust. He has been a professional director since 2000, and has experience in property, funds management, hotels and tourism, infrastructure and aquaculture.

Mr Gerber is a member of the Audit Committee and Acting Chairman of the Remuneration and Human Resources Committee.

Current Directorships, Executive Positions and Advisory Roles
Chairman: Sydney Airport Holdings Limited.

Director: CIMIC Group Limited and Tassal Group Limited.

Member: Chartered Accountants Australia and New Zealand.

Past Non-executive Directorships
(past three years)
Regis Healthcare Limited.

Wai Tang
BAppSc, MBA, FAICD

Independent Non-executive Director

Appointed May 2014

Background and Experience
Wai Tang has extensive retail industry experience and knowledge gained through senior executive and board roles. Her former senior executive roles included Operations Director for Just Group and Chief Executive Officer of the Just Group sleepwear business, Peter Alexander. Prior to joining the Just Group, she was General Manager of Business Development for Pacific Brands. She was also the co-founder of the Happy Lab retail confectionery concept.

Ms Tang is a member of the Audit Committee and the Risk and Compliance Committee.

Current Directorships, Executive Positions and Advisory Roles
Director: Ovato Limited, JB Hi-Fi Limited, Visit Victoria and the Melbourne International Arts Festival.

Council Member: Monash Art Gallery.

Past Non-executive Directorships
(past three years)
kikki.K Pty Ltd and Specialty Fashion Group.

Our Executive Committee

The CEO and Managing Director (CEO), together with the members of the Executive Committee and senior leaders, is responsible for implementing our strategy, achieving Vicinity's business performance and financial objectives and carrying out the day-to-day management of Vicinity's affairs.

Management is also responsible for supplying the Board with accurate, timely and clear information to enable the Board to perform its responsibilities.

Management committees

The CEO has established a number of committees to facilitate decision making by management. Management committees include:

- **Executive Committee** – comprised of ten members outlined on the current page and overleaf
- **Investment Committee** – includes CEO, Chief Financial Officer (CFO, Chair), Chief Development Officer (CDO), Chief Strategy Officer (CSO) and the Chief Operating Officer (COO)
- **Capital Management Committee** – includes CEO, CFO (Chair), CDO, Director Financial Operations and the General Manager, Corporate Finance
- **Diversity Forum** – includes CEO (Chair), his direct reports and senior leaders from each business function
- **Sustainability Committee** – includes CEO (Chair), CSO, CDO, COO and a number of management representatives

Grant Kelley
CEO and Managing Director

Grant Kelley joined Vicinity Centres in 2018 and has over 25 years of global experience in real estate investment, corporate strategy, funds management and private equity.

Grant was formerly CEO at City Developments Limited, a Singapore-based global real estate company with operations in over 20 countries. Prior to this, Grant was the Co-Head of Asia Pacific for Apollo Global Management, and also led their real estate investment activities in the region. In 2008, Grant founded Holdfast Capital Limited, an Asian-based real estate investment firm, which was acquired by Apollo in 2010. From 2004 to 2008, Grant was the CEO of Colony Capital Asia where he guided acquisition and asset management activities in Asia. From 2002 to 2004, he was based in New York, where he was a Principal at Colony with responsibility for the identification of US and European investment opportunities.

Grant holds a Bachelor of Laws degree from the University of Adelaide, a Masters in Economic Sciences from the London School of Economics, and an MBA from the Harvard Business School.

Grant is Chairman of Adelaide Basketball and Chairman of Holdfast Assets, a Director of the Shopping Centre Council of Australia, a Board Member of the Board of Pulteney Grammar School and a Council Member of the Asia Society Policy Institute.

Carolyn Reynolds
General Counsel

Carolyn Reynolds joined Vicinity Centres in May 2014 and has more than 20 years' experience as a commercial litigation and corporate lawyer. In her current role, Carolyn has oversight of the safety, risk, compliance, company secretarial, lease administration and legal functions for Vicinity, and is a Director of the Vicinity subsidiary Boards.

Prior to her current appointment, Carolyn was a partner at law firm Minter Ellison from July 2003. Carolyn gained extensive experience over this time which featured work on Las Vegas Sands Corp.'s bid for the rights to develop and operate the Marina Bay Sands Integrated Resort in Singapore. Carolyn has also gained diverse experience relating to boards from her legal work and involvement with not-for-profit organisations such as Ovarian Cancer Australia, Glenorchy Art and Sculpture Park and the Moreland Community Legal Centre.

Carolyn is a member of the Australian Institute of Company Directors and ACC Australia.

Our Executive Committee continued

Carolyn Viney
Chief Development Officer

Carolyn Viney joined Vicinity Centres in October 2016 and has more than 20 years' experience in construction, property development and real estate investment.

Prior to her current appointment, Carolyn was with Grocon where she held a number of senior roles over a 13-year period, including CEO, Deputy CEO, Head of Development and In-house Counsel. Before this, Carolyn was a Senior Associate at law firm Minter Ellison.

Carolyn is an Advisory Board Member to the Victorian Government's Office of Projects Victoria, and an Advisory Board Member of Women's Property Initiatives, a not for profit housing provider to women and children at risk of homelessness. Carolyn is also a Board Member of The Big Issue and Homes for Homes, both of which are not for profit providers of employment and support to homeless, marginalised and disadvantaged people, as well as being a Director of the Walter + Eliza Hall Institute of Medical Research. Carolyn is a former President of the Victorian Division and former National Board Member of the Property Council of Australia.

David Marcun
Director Financial Operations

David Marcun joined Vicinity Centres in June 2015 as part of the Merger of Federation Centres and Novion Property Group (Novion). David has more than 25 years' experience in the retail property sector, predominantly in finance and operations roles.

Prior to his current appointment, David was EGM Business Development. Previous to this, David was Chief Operating Officer and Head of Asset Management at Novion (formerly CFSGAM Property). Over this time, David played a significant role in the merger of Federation Centres and Novion, as well as the internalisation of CFSGAM Property from Commonwealth Bank of Australia in 2013-14. Having joined The Gandel Group in 1993, David was also involved in the acquisition of Gandel Retail Management by CFSGAM Property in 2002.

David is a member of Chartered Accountants Australia and New Zealand.

Ian Padgham
Acting Chief Information Officer

Ian Padgham joined Vicinity Centres in June 2015 as part of the Merger of Federation Centres and Novion Property Group (Novion) and has more than 25 years' experience in technology across a number of different industries, including retail property, financial services, telecommunications and utilities.

Prior to his current appointment, Ian was Head of Information Technology at Novion. He joined Novion in 2014 and played a key role in the Merger of Federation Centres and Novion, leading the integration of core technology systems and the move to a single technology platform. Before joining Novion, Ian held senior technology roles across a number of companies, including Colonial First State, AGL and Telstra.

Justin Mills
Chief Strategy Officer

Justin Mills joined Vicinity Centres in June 2015 following the Merger of Federation Centres and Novion Property Group (Novion) and has more than 18 years' experience in the retail property sector. Overseeing the strategy function of Vicinity, Justin is responsible for alternative income, data science and insights, security and intelligence, sustainability, strategy and strategic delivery and investor relations.

Prior to his current appointment, Justin was Executive General Manager Shopping Centre Management. Previous to this, he was General Manager, Retail Management and Strategy at Novion (formerly CFSGAM Property) from 2009. In 2002, Justin joined CFSGAM Property where his roles included Assistant Fund Manager of CFS Retail Property Trust, Centre Manager of Chadstone shopping centre and regional responsibilities across several Victorian assets.

Kah Wong
Acting Chief Financial Officer

Kah Wong joined Vicinity Centres in October 2016 and has nearly 20 years' experience in foreign exchange, debt capital and over the counter derivatives markets.

Kah was appointed to his current role in February 2019 and is responsible for finance, investment management, capital transactions and Vicinity's wholesale funds and strategic partnerships business.

Prior to his current role, Kah was General Manager, Treasury and responsible for managing the balance sheet for Vicinity and its predecessor companies, Novion Property Group and Colonial First State Global Asset Management, since 2006. Previous to this, Kah was Associate Director at Westpac Banking Corporation and Fixed Income Fund Manager at Retail Employee Superannuation Trust (REST).

Peter Huddle
Chief Operating Officer

Peter Huddle joined Vicinity Centres in March 2019 and has over 20 years' experience in Real Estate Development and Asset Management. Peter is responsible for leading the business in Shopping Centre Management, Operations, Leasing and Marketing.

Prior to joining Vicinity, Peter has had extensive experience in multiple global markets through a number of senior roles within the Westfield Group. Peter was most recently COO of Unibail-Rodamco-Westfield, USA post acquisition of Westfield. Prior to the acquisition, Peter was Senior Executive Vice President and Co-Country Head of the USA. Peter has lead the US Development teams through a prolific period of expansion and prior to the USA was COO of the Westfield Joint Venture in Brazil. Prior to Brazil, Peter had extensive Asset Management and Development experience within the Australian market.

Peter has recently returned to Australia from the USA.

Simone Carroll
Chief People and Transformation Officer

Simone Carroll joined Vicinity Centres in November 2015 and has over 20 years' commercial experience, most of which have been in senior positions for public and private equity owned companies.

Simone has lived and worked in Australia and Europe and conducted business extensively in Asia and the United States.

She began her career in commercial HR and has subsequently managed emerging businesses and key growth capabilities such as Digital, Data Science, Marketing and Brand.

Simone has a multi-industry background working for market leaders in the Property, Online, Advertising/Media, Electricity, FMCG and Health Insurance industries.

Tax Transparency

Vicinity aims to create long-term value and sustainable growth from our portfolio of Australian retail assets, creating places where people love to connect and true to our purpose, enriching the communities in which we operate. Vicinity's approach to tax and the economic contribution it makes through the taxes it pays aligns to those aims.

Australian tax transparency

To improve the transparency of business tax affairs in Australia, the Board of Taxation designed the Tax Transparency Code (TTC) in 2016 to outline a set of principles and minimum standards to guide the disclosure of tax information. In adopting the TTC's guidelines from its inception in 2016, Vicinity aims to provide transparent and informative disclosure on its tax affairs. Part A of the TTC disclosures can be found in Note 3 of the Financial Report and the Part B disclosures are contained within this section.

Furthermore, Vicinity Limited, as a corporate taxpayer with total income in excess of $100 million, is subject to the Australian Taxation Office's (ATO's) Public Disclosure of Entity Information Report that is released annually. This report discloses Vicinity Limited's total income, taxable income and income tax payable for the relevant financial year.

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Vicinity's group structure

Vicinity has a stapled structure, with each stapled security comprising one share in a company (Vicinity Limited) and one unit in a trust (Vicinity Centres Trust).

Vicinity Limited, and its wholly owned group of entities, undertakes the business of managing Vicinity's shopping centre portfolio including property management, development management and responsible entity and trustee services for Vicinity Centres Trust, its sub-trusts and external wholesale funds. Vicinity Limited also provides property and development management services for joint owners of Vicinity's assets and other third parties.

Vicinity Centres Trust is a managed investment scheme operating in accordance with the *Corporations Act 2001*, and is regulated by the Australian Securities and Investments Commission (ASIC). Vicinity Centres Trust and its controlled trusts hold the real estate investments for Vicinity.

The stapling of companies to trusts to create Australian Real Estate Investment Trusts (AREITs), as in the case of Vicinity and its predecessor organisations, has been commonplace in the Australian property industry since the 1990s. A stapled property group generally holds its real estate investments within a trust, while its management and other trading activities are held by the company. The structure provides securityholders the opportunity to invest in property through a regulated and managed scheme, while at the same time allowing securityholders to receive the benefits and efficiencies that result from property investment as if they held their investment directly. These benefits extend to receiving distributions of income on those investments directly from Vicinity Centres Trust as holder of the properties, with that income taxed directly in the hands of the securityholder.

Stapled structures legislation

Following the review of stapled structures in Australia by Federal Treasury, legislation has been enacted which introduces integrity measures aimed at addressing the inappropriate use of stapled structures and limiting the access for foreign investors to concessions for passive income. In particular, the legislation prevents stapled structures from re-characterising trading income into passive income. The application of the new integrity measures will have effect from 1 July 2019. In enacting the changes, the Federal Government has acknowledged that the legislation is targeted at taxpayers that use stapled structures beyond their traditional use in commercial and retail property.

Vicinity has reviewed the stapled structures legislation to ensure that it is compliant with the new integrity measures. As an AREIT that adopts a stapled structure in a traditional manner to derive passive rental income in its trust structure and trading income in its corporate structure, Vicinity is not materially impacted by the new integrity measures.

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Warriewood Square, NSW

Our approach to tax

Vicinity's tax culture and business practices are driven by our Vision and Values, and are consistent with our purpose of enriching the communities that we serve. Vicinity is also committed to strong corporate governance policies and practices across all of its functions, including tax.

Vicinity has an established Tax Risk Management Framework (the Framework) that is endorsed by the Vicinity Board and reflects the Group's low risk approach to taxation. When carrying on its activities, Vicinity:

- has a low risk appetite and does not engage in aggressive tax planning and strategies;
- complies with all of its statutory obligations in a timely and transparent manner;
- conducts itself in a lawful manner with respect to its tax obligations and protects its reputation;
- has robust tax governance, with ongoing oversight and escalation points for managing tax risk from Vicinity's key executives to the Audit Committee and Board of Directors;
- has a set of tax policies, procedures and systems across the Vicinity business to enable compliance with tax laws and the management of tax risk; and
- engages directly with the ATO to provide transparency and understanding of Vicinity's tax affairs.

A robust set of internal controls and policies has been put in place to support the operational effectiveness of the Framework within Vicinity. Furthermore, the Audit Committee and independent assurance functions such as internal and external auditors provide independent and objective assurance on the effectiveness of risk management, control and governance processes.

Vicinity applies the Framework across its business to integrate the assessment of the tax implications of transactions, projects and business initiatives into day to day business. In this way, Vicinity can assess the tax implications of all transactions before committing to them and mitigate any tax risks that might arise. The Group can then also put in place adequate processes to efficiently manage our on-going tax compliance obligations.

Vicinity values having a good relationship with all external regulatory bodies, including the ATO. Vicinity continues to engage with the ATO directly in a co-operative manner. During FY19, Vicinity participated in the ATO's Justified Trust program. Under this program, Vicinity worked with the ATO to assist with their understanding of:

- Vicinity's tax governance framework;
- How Vicinity addresses the risks or concerns that the ATO has identified and communicated to the broader market;
- The tax impact of any significant or new transactions for Vicinity; and
- How Vicinity's financial performance translates to its tax position.

The aim of the Justified Trust program is to assure the community that large businesses, including Vicinity, are paying the right amount of tax.

Finally, management engages and consults with regulatory bodies regarding tax policy, tax reform and tax law design on matters that affect Vicinity's business and its securityholders.

Further information on Vicinity's corporate governance is available in its 2019 Corporate Governance Statement.

2019 Corporate Governance Statement
vicinity.com.au

Taxation of Vicinity

Vicinity is a tax resident of Australia and operates entirely within the Australian market. Vicinity does not own any foreign assets, nor does it have any foreign related party subsidiaries. As a result, Vicinity does not have any transfer pricing risk.

As described above, Vicinity is a stapled group that consists of companies and trusts. Under Australian tax law, companies are subject to income tax at the applicable corporate tax rate (30% for FY19) on their taxable income. Trusts, in comparison, are generally taxed on a flow-through basis, meaning that a trust's taxable income is taxed in the hands of the beneficiaries (or in the case of Vicinity, its securityholders) at their applicable tax rates.

Tax Transparency continued

Vicinity Limited

Vicinity Limited and its wholly owned entities are consolidated for income tax purposes, resulting in all members of the consolidated group being treated as a single corporate taxpayer. Vicinity Limited is responsible for the income tax liability of the consolidated tax group, and intra-group transactions are eliminated in order to determine the consolidated tax group's taxable income.

Vicinity Centres Trust

Vicinity Centres Trust and its controlled trusts are not liable to pay income tax (including capital gains tax), as the taxable income from their property investments flows through the trust and is taxed in the hands of securityholders annually. Vicinity's securityholders pay tax at their marginal tax rates if they are Australian resident securityholders, or through the Attribution Managed Investment Trust (AMIT) withholding tax rules if they are non-resident securityholders. The Vicinity Centres Trust group elected into the AMIT regime with effect from 1 July 2017.

Reconciliation of accounting profit to income tax paid

A full reconciliation of Vicinity's accounting net profit to income tax paid is included in the deferred and current tax note in Note 3 of the Financial Report. In interpreting the disclosure in the deferred and current tax note, it should be noted that the accounting net profit is determined in accordance with the Australian Accounting Standards. Taxable income, in contrast, is a concept defined under income tax law, which is calculated by subtracting allowable deductions from assessable income. A taxpayer's income tax liability is calculated by multiplying its taxable income by its applicable tax rate.

Vicinity Centres Trust

The accounting net profit that was attributable to securityholders of Vicinity Centres Trust and its controlled entities was $326.9 million for FY19. As this accounting net profit was derived through its trust structure, the taxable income that is referrable to this net profit is taxed in the hands of securityholders, as described above.

Vicinity Limited

The Vicinity Limited consolidated group generated an accounting profit of $19.2 million for FY19. Accordingly, the Group recognised a current income tax expense of $9.6 million for FY19 but largely due to the use of previously unrecognised deferred tax assets, income tax expense was reduced to nil.

With respect to its tax position for FY19, the Vicinity Limited income tax consolidated group generated taxable income of approximately $33.0 million[1], which was fully offset by its carry-forward tax losses and franking credit tax offsets. Accordingly, Vicinity Limited is not required to pay income tax for FY19.

Vicinity Limited's losses that are carried forward to later income years are partly recognised through its deferred tax asset balance and described in detail in the deferred and current tax disclosures at Note 3(c) of the Financial Report. Vicinity Limited will be in a tax payable position when it fully utilises its carry-forward tax losses.

It is noted that Vicinity Limited's taxable income and income tax payable will be reported in the ATO's Public Disclosure of Entity Information Report for FY19, which is expected to be released in late 2020.

Effective tax rate

Under the TTC, Vicinity Limited has chosen to calculate its effective tax rate (ETR) as income tax expense (current and deferred) divided by accounting profit. This is a simplified method of calculating the ETR, and should not be compared to the corporate tax rate without appreciating the differences between accounting profit and taxable income (as explained above). Further information is available on the ATO's tax transparency webpage.

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Given that Vicinity Centres Trust does not pay income tax (rather, tax is paid by Vicinity's securityholders), it has no income tax expense and therefore a zero ETR. As described above, Vicinity Limited also has no income tax expense in FY19 due to the recognition of previously unrecognised deferred tax assets. As a result, Vicinity Limited has a zero ETR.

Contributions to the Australian tax system

Vicinity Centres Trust's flow-through tax status means that Vicinity securityholders pay income tax directly on Vicinity's property investments income. For FY19, Vicinity's securityholders will pay income tax on the taxable components of the cash distribution paid or attributed to them. The taxable components of the distribution will be communicated to securityholders and uploaded onto the Vicinity website, along with the Fund Payment notice for MIT withholding purposes, in late August 2019. As the majority of our non-resident securityholders hold their interests indirectly (for example through custodians), the Fund Payment notice informs these third parties of the amount of tax to withhold from our distribution.

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Additionally, as a business that operates in the Australian property industry, Vicinity is subject to various other taxes at the federal, state and local government levels. In FY19, these taxes amounted to approximately $221.3 million and are either borne by Vicinity as a cost of our business, or are remitted by Vicinity as part of our contribution to the administration of the tax system[2]. As provided below, the taxes remitted include pay as you go (PAYG) withholding taxes paid by our employees and Goods and Services Tax (GST) we collect from our retailers who rent space in our centres, net of GST claimed by Vicinity on its own purchases.

1. Prior to the recoupment of prior year tax losses and the utilisation of tax offsets.
2. In this regard, Vicinity includes entities which have been equity accounted in these financial statements.

The information provided below summarises Vicinity's Australian tax contribution for FY19. The most material change between the taxes paid in FY18 and FY19 arose in the area of stamp duty. Vicinity did not pay stamp duty in FY19 as there were no property acquisitions made. In comparison, approximately $67.7 million of stamp duty was paid on the acquisition of property interests in FY18.

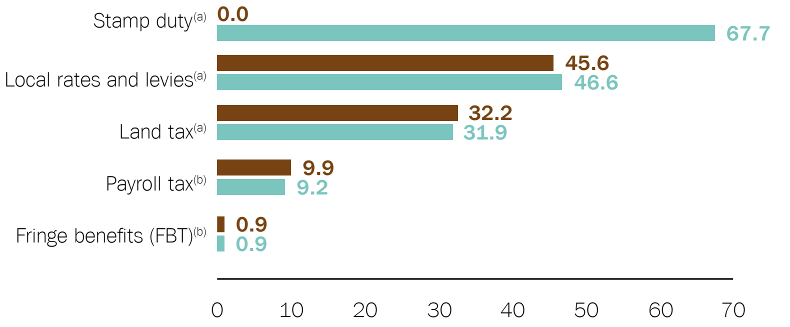
Basis of preparation

The basis of preparation for Vicinity's Australian tax contribution information presented below has been outlined in the footnotes to the disclosures. Vicinity undertakes an internal review process through its Finance and Internal Audit functions to verify the Australian tax contribution disclosures made.

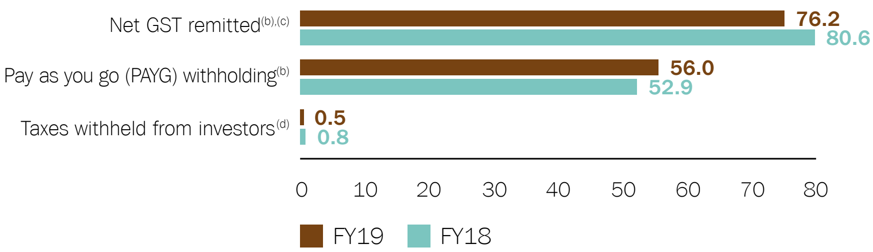
Further information

- Vicinity Limited taxes paid information is published by the ATO in its Report of Entity Information published on: data.gov.au/dataset/corporate-transparency
- ATO's webpage on the enactment of the Stapled Structures legislation: ato.gov.au/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-businesses/Stapled-structures/
- ATO's webpage on tax transparency for corporate tax entities, including background information and explanations: ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Tax-transparency--reporting-of-entity-tax-information
- A breakdown of the taxable components that securityholders receive via their annual taxation statements will be available in late August 2019 on Vicinity's website: vicinity.com.au/investor-centre/tax-information

Total taxes borne by Vicinity ($m)
$88.6 million



Total taxes remitted by Vicinity ($m)
$132.7 million



(a) Stamp duty, land tax, and local rates and levies data have been reported on the same basis as they are recognised for financial statement purposes, and therefore may vary from the actual taxes paid in FY18 and FY19 due to timing differences.

(b) Payroll tax, FBT, GST and PAYG withholding data has been reported based on the amounts paid in respect of tax returns or notices of assessment issued to Vicinity for FY19 from the respective revenue authorities.

(c) Net GST remitted for FY19 is comprised of $171.1 million of GST collected (FY18: $180.9 million) and $94.9 million of GST claimed (FY18: $100.3 million).

(d) This represents taxes withheld from Vicinity's securityholders, which has been prepared based on information maintained by Vicinity's external share registry provider. As the majority of our securityholders either supply their tax file number or in the case of non-residents, hold their interests indirectly, this figure is not representative of the taxes actually paid by our securityholders.

> "
> **Vicinity has an established Tax Risk Management Framework that is endorsed by the Vicinity Board and reflects the Group's low risk approach to taxation.**

Sustainability Assurance Statement

Independent Limited Assurance Report to the Directors of Vicinity Centres PM Pty Ltd

Conclusion

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the Selected Sustainability Performance Data included in Vicinity Centres PM Pty Ltd.'s 2019 Annual Report which has been prepared by Vicinity Centres PM Pty Ltd (Vicinity) in accordance with the Criteria for the year ended 30 June 2019.

Information Subject to Assurance

Vicinity Centres engaged KPMG to perform a limited assurance engagement in relation to Vicinity Centre's 2019 Annual Report. The 2019 Annual Report covers Vicinity Centre's operations for the year ended 30 June 2019 unless otherwise indicated. KPMG's scope of work included limited assurance over the following Selected Sustainability Performance Data on page 15 and page 16 of the Annual Report:

Selected Sustainability Performance Data
Carbon Intensity: Scope 1 and 2 greenhouse gas (GHG) emissions (kg CO2-e)
Energy intensity (MJ/sqm)
Waste diversion rate (% recycled)
Community investment ($m)
Women in leadership (%)
NABERS Energy rating (portfolio average)
NABERS Water rating (portfolio average)
Total social procurement spend in FY18 and FY19 ($m)
Total Indigenous procurement spend in FY18 and FY19 ($)

Criteria Used as the Basis of Reporting

The Selected Sustainability Performance Data have been prepared by Vicinity in accordance with Vicinity's own Criteria, available at: http://sustainability.vicinity.com.au/media/9605807/vicinity-centres-sustainability-reporting-criteria-fy2019.pdf *("the Criteria")*.

Basis for Conclusion

We conducted our work in accordance with Australian Standard on Assurance Engagements ASAE 3000 (Standard). In accordance with the Standard we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the Selected Sustainability Performance Data, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Summary of Procedures Performed

Our limited assurance conclusion is based on the evidence obtained from performing the following procedures:

- gaining an understanding of the reporting processes supporting the business activities related to the Selected Sustainability Performance Data;
- conducting interviews with relevant Vicinity personnel to understand the internal controls, governance structure and reporting process over the Selected Sustainability Performance Data;
- evaluating the appropriateness of the Criteria with respect to the Selected Sustainability Performance Data;
- undertaking analytical review procedures to support the reasonableness of the data;
- identifying and testing assumptions supporting the calculations;
- testing, on a sample basis, the underlying source data.

How the Standard Defines Limited Assurance and Material Misstatement

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of Vicinity Centres PM Pty Ltd.

Use of this Assurance Report

This report has been prepared for the Directors of Vicinity Centres PM Pty Ltd for the purpose of providing an assurance conclusion on the Selected Sustainability Performance Data within the Vicinity 2019 Annual Report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Vicinity Centres PM Pty Ltd, or for any other purpose than that for which it was prepared.

Management's Responsibility

Management are responsible for:

- determining that the Criteria is appropriate to meet their needs;
- preparing and presenting the Selected Sustainability Performance Data in accordance with the Criteria; and
- establishing internal controls that enable the preparation and presentation of the Selected Sustainability Performance Data that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the Selected Sustainability Performance Data for the year ended 30 June 2019, and to issue an assurance report that includes our conclusion.

Our Independence and Quality Control

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Australian Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.

KPMG

KPMG
Melbourne
14 August 2019

Financial Report

For the year ended 30 June 2019

Inside

Directors' Report

The Directors of Vicinity Limited present the Financial Report of Vicinity Centres (Vicinity or the Group) for the year ended 30 June 2019.

Vicinity Centres is a stapled group comprising Vicinity Limited (the Company) and Vicinity Centres Trust (the Trust). Although separate entities, the Stapling Deed entered into by the Company and the Trust ensures that shares in the Company and units in the Trust are 'stapled' together and are traded collectively on the Australian Securities Exchange (ASX), under the code 'VCX'.

Directors

The Boards of Directors of the Company and Vicinity Centres RE Ltd, as Responsible Entity (the RE) of the Trust (together, the Vicinity Board) consist of the same Directors. The following persons were members of the Vicinity Board from 1 July 2018 and up to the date of this report unless otherwise stated:

(i) Chairman

Peter Hay (Independent)[1]

(ii) Non-executive Directors

Clive Appleton (appointed 1 September 2018)
David Thurin AM
Janette Kendall (Independent)
Karen Penrose (Independent)
Peter Kahan (Independent)[1]
Tim Hammon (Independent)
Trevor Gerber (Independent)
Wai Tang (Independent)

(iii) Executive Director

Grant Kelley (CEO and Managing Director)

Further information on the background and experience of the Directors is contained on pages 42 to 44 of this report.

Company Secretaries

Carolyn Reynolds
Jacqueline Jovanovski (appointed 24 September 2018, resigned 2 August 2019)
Rohan Abeyewardene
Michelle Brady (resigned 24 September 2018)

Principal activities

The Group has its principal place of business at Level 4, Chadstone Tower One, 1341 Dandenong Road, Chadstone, Victoria 3148.

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

Review of results and operations

The Operating and Financial Review is contained on pages 12 to 27 of this report.

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 Group, the results of those operations, or the state of the Group's affairs in future financial years.

1. As announced to the ASX on 24 April 2019 and 5 July 2019, Mr Peter Kahan will assume the role of Chairman following the release of Vicinity's FY19 full year results on 14 August 2019; however, he is currently on a leave of absence. Mr Peter Hay, who has served as Chairman since Vicinity's inception in June 2015, has agreed to be Acting Chairman until Mr Kahan's return.

Distributions

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

	Total $m	Cents per stapled security
Interim – 31 December 2018	**304.6**	7.95
Final – 30 June 2019	**299.9**	7.95
Total – year ended 30 June 2019	**604.5**	15.90

The final distribution of 7.95 cents per stapled security is expected to be paid on 28 August 2019.

Director-related information

Meetings of Directors held during the year

	Board		Special Purpose Board[1]		Audit Committee		Remuneration and Human Resources Committee		Risk and Compliance Committee		Nominations Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Peter Hay	6	6	7	7	–	–	–	–	–	–	1	1
Clive Appleton[2]	5	5	5	5	–	–	–	–	–	–	–	–
David Thurin AM	6	6	7	7	–	–	–	–	4	4	1	1
Grant Kelley	6	6	7	7	–	–	–	–	–	–	–	–
Janette Kendall	6	6	7	6	–	–	5	5	–	–	1	1
Karen Penrose	6	6	7	7	4	4	–	–	4	4	–	–
Peter Kahan	6	6	7	7	4	4	5	5	–	–	–	–
Tim Hammon	6	5	7	7	–	–	5	5	4	4	1	1
Trevor Gerber	6	5	7	7	4	3	5	5	–	–	–	–
Wai Tang	6	6	7	6	4	4	–	–	4	4	–	–

1. Special purpose Board meetings were scheduled and convened at short notice to consider special purpose approvals.
2. Mr Appleton joined the Board effective from 1 September 2018.

Director securityholdings

Director securityholdings as at 30 June 2019 are detailed within the Remuneration Report. There have been no movements in securityholdings between 30 June 2019 and the date of this report.

Indemnification and insurance of Directors and Officers

The Company 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 Company 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 Company insured its Directors, Secretaries and Officers against liability to third parties and for costs incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors, Secretaries or Officers of Vicinity. This excludes a liability that arises out of wilful breach of duty or improper use of inside information. The premium also insures the Company 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.

Auditor-related information

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

Indemnification of the auditor

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

Non-audit services

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

Details of the amounts paid or payable to EY for audit and assurance and non-audit services provided during the year are set out in Note 17 to the financial statements.

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

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

Auditor's Independence Declaration

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

Environmental regulation

The Group is subject to the reporting obligations under the *National Greenhouse and Energy Reporting (NGER) Act 2007* (Cth). This requires the Group to report annual greenhouse gas emissions, energy use and production for all assets under management for years ending 30 June. The Group met this obligation by submitting its NGER report to the Department of the Environment and Energy for the year ended 30 June 2018 by 31 October 2018. The 2019 NGER report will be submitted by the 31 October 2019 submission date.

Corporate governance

In recognition of the need for high standards of corporate behaviour and accountability, the Directors of the Company have adopted and report against the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The full Corporate Governance Statement is available on the Corporate Governance section of Vicinity's website at vicinity.com.au.

Options over unissued securities

As at 30 June 2019 and at the date of this report, there were 7,793,688 unissued ordinary securities under option in the form of performance rights. Refer to the Remuneration Report for further details of the options outstanding for Key Management Personnel.

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

Events occurring after the end of the reporting period

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

Rounding of amounts

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

Remuneration Report

Letter from the Acting Chairman of the Remuneration and Human Resources Committee

Dear Securityholders,

On behalf of the Board, I am pleased to introduce Vicinity's Remuneration Report for the 12 months to 30 June 2019 (FY19). The Remuneration Report outlines Vicinity's remuneration framework and is designed to demonstrate the link between Vicinity's strategy, performance and the remuneration outcomes for our Executive Key Management Personnel – executives who are deemed to have authority and responsibility for planning, directing and controlling the activities of Vicinity (Executive KMP).

Our approach

The Remuneration and Human Resources Committee's (the Committee) overarching aim is to ensure our remuneration framework provides remuneration outcomes with a clear link to Company and individual performance, and to Vicinity's long-term strategy and values. We were pleased to again receive strong support for our Remuneration Report at the 2018 Annual General Meeting, with over 98% voting 'for' the Remuneration Report and over 98% support in each of the prior three years.

Executive changes during FY19

FY19 was a year of significant change in our executive team. We announced a new Executive Committee structure in December 2018 to accelerate our strategy to create a core portfolio of market-leading destinations, realise mixed-use opportunities and expand our funds management platform. Accordingly, the 2019 Remuneration Report reflects only part-year remuneration for our new Chief Operating Officer (COO), Peter Huddle, and part-year remuneration for the executives who departed during FY19. We also announced the appointment of our new Chief Financial Officer (CFO), Nicholas (Nick) Schiffer, who will join the Executive Committee in early September 2019.

FY19 performance and remuneration

In FY19, our comparable Net Property Income (NPI) growth and retail sales growth followed broader economic trends. We made good progress on our portfolio repositioning and developments, and funds from operations (FFO) per security were largely in line with target despite the challenging retail environment.

Remuneration for the CEO and Managing Director (CEO), Grant Kelley, was higher than FY18, because FY19 reflects Grant's first full year as CEO with FY18 representing only a half year's remuneration for the period from 1 January 2018 to 30 June 2018. Grant's Short Term Incentive (STI) outcome for FY19 was 75.0% of target resulting in an award of 56.3% of his maximum STI opportunity (FY18: 92.5% of target, 69.4% of maximum, pro-rated for the period of employment during FY18). The STI outcome for Peter Huddle was 100.0% of target resulting in an award of 50.0% of his maximum STI opportunity. Peter's award has been pro-rated for the period of employment during FY19.

The FY17 Long Term Incentive (LTI) Plan achieved conditional vesting of 50% at 30 June 2019, attributable to the strong Total Return (TR) over the three-year performance period, with 100% vesting against this measure but with nil vesting against the relative Total Securityholder Return (TSR) measure reflecting the lower TSR, compared to competitors over the performance period. Neither Grant Kelley nor Peter Huddle participated in the FY17 LTI Plan.

The Committee believes that all employees should be given the opportunity to become securityholders in our business, and that share plans help engage, retain and motivate employees over the long term. Our Exempt Employee Security Plan (EESP) enables Vicinity to gift up to $1,000 worth of securities to each eligible employee and during FY19, 1,040 employees benefited from the EESP.

FY20 remuneration framework

We have made some changes to our remuneration framework for FY20. For the STI, we have reduced the maximum opportunity for the Executive Committee members (excluding the CEO) from 200% to 150% of target. We have also amended the STI deferral period for Executive Committee members (excluding the CEO) from the current 18 months to two equal amounts payable in 12 months and 24 months respectively.

For the LTI, effective from the FY20 LTI grant, we have extended the performance period from a three-year to a four-year period and have discontinued the practice of a 12-month holding lock. We have also introduced an absolute TSR 'gate' to the plan ensuring benefit will only be derived from the TSR Performance Rights when positive TSR performance is delivered over the four-year term of the plan, regardless of performance relative to competitors.

These changes have no impact on the remuneration outcomes presented in this Remuneration Report for FY19.

Summary

The remuneration outcomes for FY19 reflect an appropriate alignment between our performance and executive remuneration. We remain confident that our remuneration framework can continue to support long-term value creation; however, we continue to look for opportunities to refine our approach to ensure it best supports the execution of our strategies to increase securityholder value. We look forward to ongoing dialogue with, and the support of, our securityholders, and welcome your feedback and comments on any aspect of this report.

Trevor Gerber
Acting Chairman – Remuneration and Human Resources Committee

Peter Hay
Chairman

Contents

1. Remuneration Report overview

This Remuneration Report outlines:

- Vicinity's reward principles and framework;
- Vicinity's performance for the 12 months to 30 June 2019 (FY19) and the remuneration outcomes for Executive KMP; and
- remuneration received by Directors and Executive KMP.

The contents of the Remuneration Report (as set out below) are governed by s300A of the *Corporations Act 2001* and the Corporations Legislation. Unless otherwise noted, figures contained within this report are prepared on a basis consistent with the requirements of Australian Accounting Standards and have been audited.

1.1 Key Management Personnel (KMP)

Vicinity's KMP include all Non-executive Directors (NEDs) and those executives who are deemed to have authority and responsibility for planning, directing and controlling the activities of Vicinity (Executive KMP). A KMP assessment is completed annually to determine which members of the Executive Committee should be disclosed as Executive KMP for the financial year. A summary of Executive KMP during FY18 and FY19 is shown in Table 1.1 below.

Table 1.1: Executive KMP

Name	Position	FY19	FY18
Current Executive KMP			
Grant Kelley	CEO and Managing Director (CEO)	✓	Part-year (commenced 1 January 2018)
Peter Huddle	Chief Operating Officer (COO)	Part-year (commenced 25 March 2019)	×
Former Executive KMP			
Richard Jamieson	Chief Financial Officer (CFO)	Part-year (ceased 31 January 2019)	✓
Michael O'Brien	Chief Financial Officer (CFO)	Part-year (4 December 2018 to 10 May 2019)	✓
	Chief Investment Officer (CIO)	Part-year (1 July 2018 to 3 December 2018)	
Angus McNaughton	Former CEO and Managing Director (CEO)	×	Part-year (ceased 31 December 2017)

✓ KMP for full year × not a KMP during the year

As announced on 4 June 2019, our new CFO, Nick Schiffer, will join Vicinity as an Executive KMP in September 2019. The list of Non-executive Directors during the current and prior year can be found in section 5.2.

2. Remuneration framework

2.1 Reward principles and framework

The objective of Vicinity's remuneration framework is to build capability by attracting, retaining and engaging a talented executive team capable of managing and enhancing the business, while aligning their actions with securityholder interests. We recognise that remuneration represents just one of the factors that enables the attraction and retention of talent. We also seek to engage our executives over the long term and to provide challenging work and development opportunities. This is achieved through linking executive remuneration to both short and long-term company performance. Our framework encourages executives to focus on creating long-term value and growth, and complements our purpose of enriching community experiences by ensuring that short-term actions do not have a detrimental effect in the longer term.

The diagram below provides an overview of how our reward principles are linked to the components of our remuneration framework and how these components are measured to ensure that executive and securityholder interests are aligned. As detailed in the Letter from the Acting Chairman of the Committee, we have made some changes to the STI and LTI components from FY20. The principles and framework outlined below apply for FY19 and will be updated to reflect these changes in the FY20 Remuneration Report.

Reward principles

Attract, retain and engage high-performing executives	Demonstrate the link between performance, strategy execution and reward	Encourage executives to manage from the perspective of securityholders

Remuneration framework

Components	Performance measures	Strategic objective
Total Fixed Remuneration (TFR) *Base salary, superannuation and any salary sacrifice amounts.* Further details are contained in section 4.1. +	• Benchmarked to competitive rates. • Size, scope and complexity of the role. • The relevant job market. • Individual experience, capability and performance.	• Remuneration set at competitive levels to attract, retain and engage key talent.
Short Term Incentive (STI) *Annual bonus opportunity, 12-month performance period subject to performance targets.* *50% paid in cash and 50% deferred into equity (24-month deferral for the CEO and 18 months for other Executive KMP).* Further details are contained in section 4.2. +	Measured against three performance categories: • **Financial:** targets include funds from operations, net property income, management expense ratio, sales and capital management objectives. • **Strategy and portfolio enhancement:** relates to portfolio enhancement, the development pipeline (including mixed-use), funds management, corporate reputation and sustainability. • **Leadership, governance and operational excellence:** includes people, organisational capability, innovation, diversity and inclusion and risk and compliance management.	• Financial targets relate to Vicinity's capacity to pay distributions and generate securityholder returns. • Strategic and portfolio enhancement measures focus on asset and business performance, development projects and the long-term strategic direction of Vicinity. • Leadership, governance and operational excellence objectives aim to promote a culture and behaviours that drive Company performance, operational excellence, innovation and reflect our long-term objectives.
Long Term Incentive (LTI) *Performance rights, three-year performance period, additional one-year holding lock.* Further details are contained in section 4.3.	The performance rights vest subject to achievement of an: • internal hurdle based on Total Return (TR); and • external hurdle based on total securityholder return (TSR) relative to the S&P/ASX 200 A-REIT (Australian Real Estate Investment Trust) Index, excluding Unibail Rodamco Westfield (ASX:URW).	• Encourages sustainable high performance over the medium to long term and securityholder value creation. • Provides a retention element. • TR measures the extent to which Vicinity efficiently manages and extracts value from Vicinity's assets and alignment with underlying growth in securityholder value. • Relative TSR hurdle aligns remuneration with Vicinity's long-term return relative to the nominated peer group.

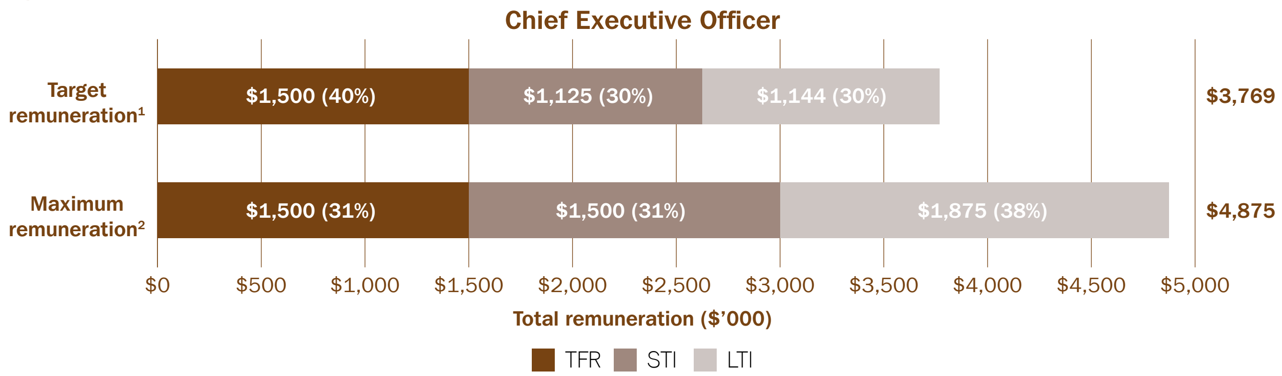
2. Remuneration framework continued

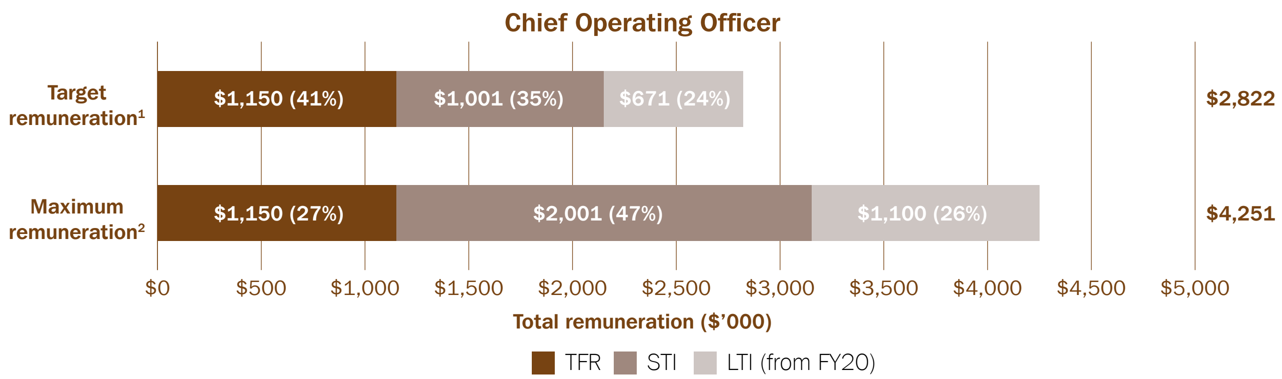
2.2 Pay mix

A significant component of executive remuneration is linked to short and long-term company performance to assist in aligning executive interests with those of securityholders. The components of total remuneration and the relative weightings of the fixed and at-risk components of total target and total maximum remuneration for the current Executive KMP are detailed in Figure 2.1 below. These values are not reflective of the FY19 outcomes and in the case of the COO, the values do not reflect the FY19 remuneration opportunity as no FY19 LTI was granted to the COO and his TFR and STI for FY19 were pro-rated for the period of employment during FY19.

The LTI component included in the maximum remuneration is based on face value which represents the full value of the performance rights awarded at the time of grant. This value is unadjusted for the probability of performance targets being met or potential changes in security price. The LTI component included in the target remuneration is based on the fair value of the FY19 LTI granted to the CEO on 4 December 2018. The LTI component for the COO is included for the purposes of comparison based on the fair value of the FY19 LTI granted to the CEO on 4 December 2018.

Figure 2.1 Pay mix



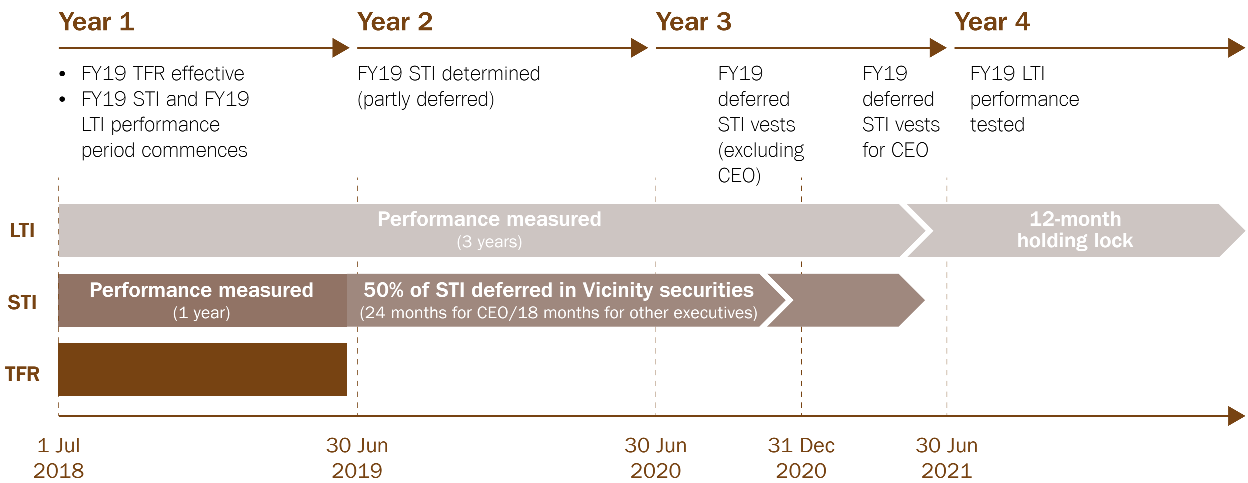


1. Includes LTI based on the fair value of the FY19 performance rights awarded at the time of grant calculated in accordance with AASB 2 *Share Based Payments*.
2. Includes LTI based on the face value of the FY19 performance rights awarded at the time of grant, which differs from the fair values which are calculated in accordance with AASB 2 *Share Based Payments*. In the case of the COO, a value is included for the purposes of comparison.

For the former CFO, Michael O'Brien, remuneration comprised TFR of $750,000, Target STI of $487,000 and LTI face value of $675,000.

2.3 When remuneration is delivered

The diagram below provides a timeline of when remuneration is delivered, using FY19 as an example.



The timeline outlined above applies for FY19 and will change in FY20 to reflect the future changes to the remuneration framework as described previously.

3. Company performance and executive remuneration outcomes

3.1 Overview of company performance

During the year Vicinity delivered a statutory net profit of $346.1 million. The decline on the prior period was largely due to the impact of non-core asset divestments and unrealised property revaluation losses. FFO totalled 18.0 cents on a per security basis. This result, which reflected 2.0% comparable growth, was at the low end of the FY19 guidance range. Speciality and mini major MAT growth was 3.1%, up from 1.6% a year earlier. These were solid outcomes considering the subdued economic environment that continues to weigh on consumer spending and consequently leasing negotiations with tenants, particularly within our Western Australian portfolio.

During the year we sold 11 non-core assets for $631 million[1], representing a 5.1% discount to book value, taking the total divestments since merger to 35 assets for $2.5 billion at an 0.5% premium to book value. The investor demand for retail property globally continued to deteriorate during FY19. In light of this, and while Vicinity's divestment program to date has been a strong outcome for Vicinity's securityholders, management is not currently pursuing the establishment of a new wholesale property fund.

Developments continue to be a key focus to enhance the portfolio. Five smaller projects were completed at Chadstone, DFO Perth opened fully leased in October 2018 and major construction works at The Glen were completed, with Stage 4 opening in August 2019. Hotel Chadstone remains on track to open in late 2019.

It was also an active year for capital management, with $2.0 billion of new or extended debt facilities negotiated, further diversifying funding sources while maintaining Vicinity's A/A2 stable credit ratings from Standard and Poor and Moody's respectively.

Table 3.1 highlights key FY19 business performance metrics and executive remuneration outcomes. Further detail on these metrics and achievements is contained in Table 3.4.

1. Excludes the divestment of Flinders Square, WA which was contracted for sale in July 2018. Also excludes transaction costs.

3. Company performance and executive remuneration outcomes continued

3.1 Overview continued

Table 3.1: Company performance and executive remuneration overview

What Vicinity achieved	What executives received
FY19 performance	
• FFO was $689.3 million or 18.0 cents on a per security basis (FY18: 18.2 cents per security), at the low end of the guidance range[1]. • Delivered comparable NPI growth of 1.5%. • Progressed strategic and portfolio enhancement objectives, including the divestment of $631.0 million of non-core assets[2], completing or advancing key development projects and committing to a Net Zero carbon target by 2030[3]. • Refer to further commentary within Table 3.4.	FY19 STI outcomes: • The CEO received an STI award of 75.0% of target resulting in an award of 56.3% of his maximum STI opportunity. • Executive KMP (excluding the CEO) each received between 50.0% and 100.0% of their target STI opportunity (between 25.0% and 50.0% of their maximum STI opportunity), pro-rated for their relevant periods of employment during FY19. • Michael O'Brien received nil STI and forfeited all deferred STI due to his resignation. • Additional information is provided in section 3.3.
Three-year performance period (1 July 2016 – 30 June 2019)	
• Relative TSR for the three-year period to 30 June 2019 was -6.0%, which was below the level required for threshold vesting • A compound annual TR of 10.0% per annum was achieved over the performance period[4], resulting in 100% conditional vesting against this measure (the target required for full vesting against this measure was 9.5%).	FY17 LTI: • The overall conditional vesting of the FY17 LTI was 50%. Neither the CEO nor COO participated in the FY17 LTI. Vested securities for Richard Jamieson remain subject to a 12-month holding lock and will be released in August 2020 • Michael O'Brien forfeited his performance rights due to his resignation • Additional information is provided in section 3.4.

Table 3.2 below summarises details of Vicinity's financial performance for the current and past four financial years.

Table 3.2

Securityholder performance metrics	FY15	FY16	FY17	FY18	FY19
Security price as at 30 June ($)[(a)]	2.92	3.32	2.57	2.59	2.45
Net tangible assets per security ($)	2.45	2.59	2.82	2.97	2.92
Distributions declared per security (cents)	16.9	17.7	17.3	16.3	15.9
Total Return[(b)]	10.6%	12.8%	15.5%	11.1%	3.7%
TSR of VCX for the year ended 30 June[(c)]	24.4%	20.4%	(17.7%)	7.0%	0.6%
TSR of the S&P/ASX 200 A-REIT Index[(c)]	20.3%	24.6%	(6.3%)	13.0%	19.3%

(a) Security price as at the last trading day of the financial year.

(b) Calculated as: (change in NTA during the year + distributions declared)/opening NTA. As explained in section 3.4, certain adjustments may be made to the TR outcome included in this table for the purposes of determining the vesting of LTI awards.

(c) TSR is calculated as the combination of security price movement from the opening security price, plus distributions (assumed to be reinvested) over the period, expressed as a percentage. Source: UBS.

1. Adjusted for the impact of divestments. Unadjusted FFO per security is down 1.1%.
2. Excludes the divestment of Flinders Square, WA, which was contracted for sale in July 2018. Also excludes transaction costs.
3. For common areas in Vicinity's wholly-owned retail assets.
4. Refer to section 4.3 for a description of the calculation of the compound annual TR.

3.2 Fixed remuneration outcomes

Summary

Vicinity reviews the fixed remuneration component of Executive KMP packages annually to ensure they remain competitive to attract, retain and engage key talent. External benchmarking is undertaken that incorporates the size, scope and complexity of each role which is overlaid with an individual's experience, capability and performance to determine their fixed remuneration.

Outcomes

In FY19, the fixed remuneration for the CEO and the former CFO, Richard Jamieson, remained unchanged. The former CFO, Michael O'Brien, received an increase to his fixed remuneration of 7.1% effective 4 December 2018 to reflect his transition from the role of CIO to CFO. The fixed remuneration for the CEO and all members of the Executive Committee will remain unchanged for FY20.

3.3 FY19 Short Term Incentive (STI) outcomes

Summary

Vicinity's STI provides Executive KMP and employees with the opportunity to be rewarded for achieving a combination of Vicinity's financial, strategic and portfolio enhancement, and leadership, governance and operational excellence performance objectives through an annual performance-based reward. Many of these objectives contribute towards medium to longer-term performance outcomes aligned to Vicinity's strategy. The STI outcome for KMP was weighted against the three performance categories as outlined in Table 3.3.

Specific measures for individuals are set within these performance categories and approved by the Board. Further details of the STI are set out in section 4.2.

Access to the STI is contingent on the achievement of an FFO gateway of 97.5% of target. This ensures that a minimum financial hurdle must be met before any incentive is paid. If the gateway is achieved, performance for each measure is assessed on a range from 'threshold' to 'maximum'. Maximum is set at a level that ensures that the maximum amount of STI is payable only when performance has significantly exceeded target measures. Further detail on the assessment of each performance measure is contained in Table 3.4 and details of STI awarded are contained in Table 3.5.

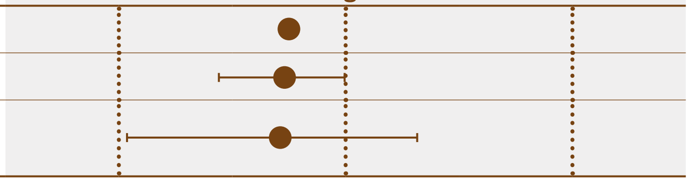
Outcomes

STI outcomes were determined based on actual performance against the performance objectives. Tables 3.3, 3.4 and 3.5 below outline the FY19 STI outcomes.

Table 3.3: FY19 Executive KMP performance level achieved

The combined financial and strategic and portfolio enhancement category weightings for each Executive KMP ranged between 60% and 90% with the weightings to objectives within each category reflecting the relative importance of each type of target to the Executive KMP's role.

		Performance level achieved[1]		
Performance category	Weighting at target	Minimum	Target	Maximum
Financial	30% – 42.5%			
Strategic and portfolio	30% – 60%			
Leadership, governance and operational excellence	10% – 40%			



1. The line represents the range of outcomes achieved by the current and former Executive KMP. The circles indicate the average outcome. Please refer to Table 3.4 for more detail on business performance against FY19 measures.

3. Company performance and executive remuneration outcomes continued

3.3 FY19 Short Term Incentive (STI) outcomes continued

Table 3.4: Executive KMP business performance against FY19 measures

Performance category and weighting	Performance measure	Reason chosen	Performance outcome
Financial (30% – 42.5%)	Funds from operations (FFO), net property income (NPI) and NPI growth, management expense ratio (MER), sales, and capital management objectives.	FFO, NPI, MER and sales are key financial measures of performance, while balance sheet strength is a critical foundation for future success.	• Delivered FFO per security of 18.0 cents reflecting 2.0% comparable FFO growth. This was at the low end of the target range and impacted by the challenging retail environment. • Comparable NPI growth of 1.5%. • Improvement in specialty store and mini majors MAT growth to 3.1% (up from 1.6%). • Maintained A/A2 stable credit ratings from Standard & Poor and Moody's respectively. • Established or extended $2.0 billion of finance facilities with further diversification of lenders. • Stable management expense ratio.
Strategic and portfolio enhancement (30% – 60%)	Strategic objectives focused on portfolio enhancement, the development pipeline (including mixed-use), funds management, corporate reputation and sustainability.	Developing and implementing Vicinity's key strategic initiatives will underpin future opportunities and growth. Focus on improving portfolio quality, operational efficiency, risk management and sustainability will underpin sustainable performance.	• Non-core asset sales of $631 million at an average 5.1% discount to book value[1], a strong result given the deterioration in the retail property transaction market. • Proactively pursued establishing a new wholesale fund. Elected to retain assets on balance sheet to preserve securityholder value given the negative sentiment towards retail globally. • Significant progress across live developments, including: – Hotel Chadstone which remains on program and within budget (opening late 2019). – Delivering residential site at The Glen to developer Golden Age and completion of major stages, the major retail project is on-track for early 2020 completion. – Completion of DFO Perth which exceeded budget returns. – Roselands refurbishment slightly behind program, although leasing progressing well. • Maintained strong relationships with our co-owners. • Progressed master-planning and preparing for development applications on a number of sites with mixed-use potential. • Sustainability objectives progressed, committed to Net Zero carbon target by 2030[2] and ranked third most sustainable Real Estate company globally in DJSI. • Fully implemented Reflect Reconciliation Action Plan (RAP) commitments and launched Innovate RAP.
Leadership, governance and operational excellence (10% – 40%)	Objectives centred on people, organisational capability, innovation, diversity and inclusion, and risk and compliance management.	Non-financial objectives underpin growth and sustainability of our business and provide the Board with discretion to apply judgement to ensure alignment of overall outcomes with Company performance.	• Engagement currently at 68% (down from 73% in FY18), demonstrating good levels of engagement given Executive Committee and Senior Leader structure review. • No material compliance or safety events and strong safety culture embedded (engagement survey score of 93%). • Launched Learning and Development plan framework for our team members.

1. Excludes the divestment of Flinders Square, WA which was contracted for sale in July 2018. Also excludes transaction costs.
2. For common areas in Vicinity's wholly-owned retail assets.

Table 3.5: FY19 STI outcomes for Executive KMP

	Target STI as % of TFR	Maximum STI opportunity as % of TFR[1]	Actual STI awarded ($)[2]	% of target STI opportunity awarded	% of maximum STI opportunity awarded	% of maximum STI opportunity forfeited
Current Executive KMP						
Grant Kelley	75%	100%	843,750	75.0%	56.3%	43.7%
Peter Huddle[3]	87%	174%	268,627	100.0%	50.0%	50.0%
Former Executive KMP						
Richard Jamieson	75%	150%	165,668	50.0%	25.0%	75.0%
Michael O'Brien[4]	65%	130%	0	0%	0%	100.0%

1. The maximum STI opportunity as % of TFR is the theoretical maximum the Executive KMP can receive. The maximum STI opportunity as a percentage of the target opportunity is 1.33 times and 2.0 times respectively for the CEO and other current and former Executive KMP.
2. 50% paid in cash and 50% deferred into equity (24-month deferral for the CEO and 18 months for other Executive KMP). As Richard Jamieson was a good leaver, he remained eligible to participate in the FY19 STI however his award was pro-rated for the period of employment during FY19. The award will be paid fully in cash at the normal STI payment date.
3. The FY19 STI award for Peter Huddle was pro-rated for the period of employment during FY19.
4. Michael O'Brien forfeited his FY19 STI due to his resignation.

3.4 FY19 Long Term Incentive (LTI) outcomes

Summary

The LTI provides an annual opportunity for the CEO, the direct reports to the CEO (Executive Committee) and other Senior Executives (Senior Leaders) for an equity award (through performance rights), subject to the achievement of performance hurdles over three years and a further 12-month holding lock. The LTI aligns a significant portion of overall remuneration to securityholder value over the longer term.

Please refer to section 4.3 for further details of the LTI Plan.

Outcomes

The FY17 LTI grant was tested at 30 June 2019. A compound annual TR of 10.0% per annum[1] was achieved over the performance period resulting in 100% conditional vesting against this measure (the target required for full vesting against this measure was 9.5%). In making its year-end determination of the TR outcome, the Committee seeks to ensure that the TR performance rights vesting reflects the value created from the efficient management of Vicinity Centres' assets and there is no undue advantage, penalty or disincentive for undertaking certain activities. This may result in adjustments to the TR outcome being made by the Committee. Both upward and downward adjustments can be made, with reference to principles agreed by the Committee, to ensure the outcomes are appropriate.

The most significant adjustments considered by the Committee over the FY17-FY19 performance period included net foreign exchange movements, integration and transaction costs, stamp duty on asset acquisitions and net mark-to-market movements on derivatives. After factoring in these adjustments, the compound annual TR per annum increased from 10.0% to 10.5%, also resulting in 100% conditional vesting against this measure.

The relative TSR ranking over the performance period was 15th out of the 15 companies in the TSR comparator group (Comparator Group), which delivered nil vesting against this measure (the target required for full vesting against this measure was a ranking of greater than or equal to 75th percentile). The combined outcome was therefore 50%.

Details of all current LTI holdings for Executive KMP are contained in section 4.5.

1. Refer to section 4.3 for a description of the calculation of the compound annual TR.

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3. Company performance and executive remuneration outcomes continued

3.4 FY19 Long Term Incentive (LTI) outcomes continued

FY19 grants

The FY19 LTI grant was made to the Executive Committee and Senior Leaders with effect from 1 July 2018, with a three-year performance period. No FY19 LTI grant was made to the COO or the departing CFO, Richard Jamieson. Michael O'Brien forfeited his FY19 performance rights upon resignation.

Table 3.6 shows the number of performance rights granted to the Executive KMP under the FY19 LTI. The number of performance rights granted was allocated using the 'face value' methodology.

The fair value of the performance rights at grant date are also included in table 3.6. Fair values are calculated in accordance with AASB 2 *Share Based Payments*.

As outlined, these performance rights may conditionally vest in three years' time provided TSR and TR hurdles are met. If the performance rights vest, there is an additional 12-month holding lock which is subject to continued service, except where varied as described in section 4.4, during which they cannot be traded. Further details on the hurdle requirements are contained in section 4.3.

Table 3.6: FY19 LTI grants

	Grant date	Face value of rights on grant date $	Number of performance rights[1]	LTI face value as a percentage of TFR at grant date %	Fair value of rights on grant date[2,3] ($)	LTI fair value as a percentage of TFR at grant date %
Current Executive KMP						
Grant Kelley	4 December 2018	1,875,000	708,161	125%	1,140,139	76%
Peter Huddle	–	–	–	–	–	–
Former Executive KMP						
Richard Jamieson	–	–	–	–	–	–
Michael O'Brien	4 December 2018 (forfeited upon resignation)	525,000	198,285	75%	319,239	46%
Total		**2,400,000**	**906,446**		**1,459,378**	

1. The grants made to Executive KMP represented their full face value LTI opportunity for the relevant financial year. The security price used in the calculation is the volume weighted average price (VWAP) of Vicinity's securities 10 trading days immediately following the 2018 Annual General Meeting of $2.6477.
2. Calculated based on a fair value per performance right of:

Grant date	TR hurdle $	TSR hurdle $
4 December 2018	2.16	1.06

The fair value per performance right was calculated by independent consultants as at the grant date identified above. The valuation of the TSR performance rights incorporates the probability of achieving market conditions whereas the valuation of TR performance rights does not. This results in a lower fair value for TSR performance rights than for TR performance rights. Further details on assumptions used to determine the fair value of the performance rights are included in Note 14(b) to the Financial Report. The fair value is recognised as an expense in the Statement of Comprehensive Income over the four-year vesting period (that is, three-year performance period plus 12-month holding lock).

3. The fair value of the grant has been determined based on the fair value per instrument as at the date of grant. The minimum total value of the grant to the Executive KMP is nil should none of the applicable performance conditions be met.

3.5 Statutory remuneration tables

Table 3.7 below details the remuneration received by each current Executive KMP during the current and prior years, for the period where they were a KMP. Table 3.8 provides the same information for former Executive KMP. These tables have been prepared in accordance with the requirements of the Corporations Act and relevant Australian Accounting Standards. The figures provided under the performance rights and STI deferred columns are accounting values and do not reflect actual payments received or the full value of future deferred entitlements awarded during the year.

Table 3.7: Current Executive KMP remuneration for FY19 and FY18

		Short-term benefits			Other benefits		Share based payments			Post-employment			
Current Executive KMP	Period	Base salary[1] ($)	STI cash[2] ($)	Non-monetary[3] ($)	Other[4] ($)	Leave entitlements[5] ($)	Sign-on bonus[6] ($)	Performance rights[7] ($)	STI deferred[8] ($)	Superannuation contributions ($)	Termination benefits ($)	Total ($)	% Performance-related[9]
Grant Kelley	**FY19**	**1,485,142**	**421,875**	**5,647**	**–**	**10,955**	**–**	**181,694**	**140,497**	**20,531**	**–**	**2,266,341**	**33%**
	FY18	790,737	258,018	2,623	–	2,539	160,297	292,127	258,018	10,025	–	1,774,384	46%
Peter Huddle	**FY19**	**328,274**	**134,313**	**809**	**58,088**	**1,036**	**–**	**–**	**20,313**	**5,133**	**–**	**547,966**	**28%**
(commenced 25 March 2019)	FY18	–	–	–	–	–	–	–	–	–	–	–	–
Total current	**FY19**	**1,813,416**	**556,188**	**6,456**	**58,088**	**11,991**	**–**	**181,694**	**160,810**	**25,664**	**–**	**2,814,307**	**32%**
Executive KMP	FY18	790,737	258,018	2,623	–	2,539	160,297	292,127	258,018	10,025	–	1,774,384	46%

1. Base salary includes annual leave entitlements.
2. The cash component is 50% of the STI awarded for Executive KMP (including the current CEO). The FY19 STI is scheduled to be paid in September 2019.
3. Non-monetary benefits include death and total permanent disability and salary continuance insurance premiums paid by Vicinity on behalf of the Executive KMP.
4. Other benefits for Peter Huddle for FY19 represents relocation assistance provided to relocate Peter and his dependent family members from California, USA to Melbourne, Australia.
5. Leave entitlements reflect long service leave accrued for the period.
6. Represents the face value of restricted securities granted to the current CEO upon sign on. Upon commencement, Grant Kelley received a sign-on bonus in the form of 57,006 restricted securities with a face value of $160,297. Half of the restricted securities were delivered after 12 months from the date of commencement on 1 January 2019 and the remainder will be delivered after 24 months from the date of commencement on 1 January 2020 subject to continued service, except where varied as described in section 4.4.
7. In accordance with the requirements of Australian Accounting Standards, remuneration includes a proportion of the fair value of the performance rights granted or outstanding during the year (that is, a portion of performance rights awarded under the LTI that remained unvested as at 30 June 2019). The fair value of the equity instruments is determined as at the grant date and is progressively expensed over the vesting period of four years. This amount included as remuneration is not related to or indicative of the benefit (if any) that Executive KMP may ultimately realise should the performance rights vest. The fair value of the performance rights at the date of their grant has been determined in accordance with AASB 2, applying a Monte Carlo simulation valuation method.
8. 50% of the STI is deferred in securities which will vest in 24 months for the CEO and 18 months for Executive KMP following the date of deferral. The value of STI deferred into securities (and as reported in this table) has been expensed over the relevant vesting period.
9. Represents the sum of STI cash, performance rights and STI deferred divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year.

3. Company performance and executive remuneration outcomes continued

3.5 Statutory remuneration tables continued

Table 3.8: Former Executive KMP remuneration for FY19 and FY18

		Short-term benefits			Other benefits		Share based payments			Post-employment			
Former Executive KMP	Period	Base salary[1] ($)	STI cash[2] ($)	Non-monetary[3] ($)	Other[4] ($)	Leave entitlements[5] ($)	Sign-on bonus ($)	Performance rights[6] ($)	STI Deferred[7] ($)	Superannuation contributions ($)	Termination benefits[8] ($)	Total ($)	% Performance-related[9]
Angus McNaughton	**FY19**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
(ceased 31 December 2017)	FY18	757,946	751,031	2,399	8,333	–	–	268,145	–	15,966	–	1,803,820	57%
Richard Jamieson	**FY19**	**322,027**	**165,668**	**2,926**	**–**	**(39,865)**	**–**	**64,863**	**–**	**11,977**	**556,458**	**1,084,054**	**21%**
(ceased 31 January 2019)	FY18	741,196	196,875	3,627	–	15,187	–	337,610	196,875	20,049	–	1,511,419	48%
Michael O'Brien	**FY19**	**535,849**	**–**	**4,702**	**–**	**(16,028)**	**–**	**(560,615)**	**(204,750)**	**17,110**	**108,501**	**(115,231)**	**–**
(ceased 10 May 2019)	FY18	677,314	204,750	4,459	–	8,850	–	288,367	204,750	20,049	–	1,408,539	50%
Total former	**FY19**	**857,876**	**165,668**	**7,628**	**–**	**(55,893)**	**–**	**(495,752)**	**(204,750)**	**29,087**	**664,959**	**968,823**	**–**
Executive KMP	FY18	2,176,456	1,152,656	10,485	8,333	24,037	–	894,122	401,625	56,064	–	4,723,778	52%
Total current and	**FY19**	**2,671,292**	**721,856**	**14,084**	**58,088**	**(43,902)**	**–**	**(314,058)**	**(43,940)**	**54,751**	**664,959**	**3,783,130**	**10%**
former Executive KMP	FY18	2,967,193	1,410,674	13,108	8,333	26,576	160,297	1,186,249	659,643	66,089	–	6,498,162	50%

1. Base salary includes annual leave entitlements.
2. Richard Jamieson's FY19 STI is not subject to deferral into securities and will be paid in cash in September 2019. Michael O'Brien did not receive a FY19 STI award. Due to the retirement of Angus McNaughton effective 31 December 2017, his FY18 STI was not subject to deferral into securities and his FY18 STI was paid in cash in September 2018.
3. Non-monetary benefits include death and total permanent disability and salary continuance insurance premiums paid by Vicinity on behalf of on behalf of the Former Executive KMP.
4. Other benefits for Angus McNaughton for FY18 represent a relocation allowance of $8,333.
5. Leave entitlements reflect long service leave accrued for the period. Richard Jamieson and Michael O'Brien were not entitled to long service leave upon cessation of employment given they had not met the seven-year service requirement and as such the expense recognised in previous financial years was reversed in FY19.
6. In accordance with the requirements of Australian Accounting Standards (AASB), remuneration includes a proportion of the fair value of the performance rights granted or outstanding during the year (that is, a portion of performance rights awarded under the LTI that remained unvested as at 30 June 2019). The fair value of the equity instruments is determined as at the grant date and is progressively expensed over the vesting period of four years. This amount included as remuneration is not related to or indicative of the benefit (if any) that Executive KMP may ultimately realise should the performance rights vest. The fair value of the performance rights at the date of their grant has been determined in accordance with AASB 2, applying a Monte Carlo simulation valuation method. Michael O'Brien forfeited his performance rights on termination and as such the expense related to this was reversed in FY19.
7. 50% of the STI is deferred in securities which will vest in 18 months following the date of deferral. Michael O'Brien forfeited his deferred STI securities on termination and as such the expense related to his FY18 STI deferral this was reversed in FY19.
8. Termination payments for Richard Jamieson included base salary and other benefits received between the date he stepped down from the Executive Committee and his termination date ($144,968) and a payment In lieu of notice of 17.33 weeks TFR ($243,151) and a severance payment of 12 weeks TFR ($168,339). Termination payments for Michael O'Brien included base salary paid between the date he stepped down from the Executive Committee up to his termination date ($108,501).
9. Represents the sum of STI cash, performance rights and STI deferred divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year.

3.6 Remuneration received during FY19

In addition to the statutory disclosure requirements for remuneration in Tables 3.7 and 3.8, additional information is provided in Table 3.9 and section 4.5 to enable a computation of 'actual' remuneration or 'take home pay' received by the Executive KMP during FY19. Actual pay comparisons reflect the different employment periods worked by each KMP throughout both FY18 and FY19.

During FY19, deferred STI restricted securities granted to former Executive KMP for the FY17 year (in which the current CEO and COO did not participate) were released. Table 3.9 below details the number of securities released to each former Executive KMP during FY19.

Table 3.9: Deferred STI for KMP

	Date of grant	Deferred STI award	Value of deferred equity at time of grant ($)	Number of restricted securities allocated[1]	Release date	Market value of securities released ($)[2]
Former Executive KMP						
Richard Jamieson	1 July 2017	FY17	267,187	99,378	31 December 2018	258,383
Michael O'Brien	1 July 2017	FY17	284,375	105,771	31 December 2018	275,005

1. The VWAP used to calculate the number of securities allocated at the time of grant was $2.6886.
2. Based on a security price on 31 December 2018 of $2.60.

4. Executive remuneration – further information

This section contains further details of the three components of Executive KMP remuneration being:

- fixed remuneration,
- STI; and
- LTI.

4.1 Fixed remuneration

Fixed remuneration comprises base salary and leave entitlements, superannuation contributions and any salary sacrifice amounts (for example, motor vehicle leases). Vicinity aims to provide a competitive level of fixed remuneration to attract, retain and engage key talent. External benchmarking is undertaken that incorporates the size, scope and complexity of each role which is overlaid with an individual's experience, capability and performance to determine their fixed remuneration.

4. Executive remuneration – further information continued

4.2 STI

Refer to section 3.3 for a summary of the STI and outcomes for FY19.

STI arrangements

Opportunity	For the current CEO, the FY19 STI opportunity at a target level of performance is 75% of TFR. The theoretical maximum STI for exceptional individual and Vicinity performance is 1.33 times the target opportunity (100% of TFR). For other current Executive KMP (currently the COO), the STI opportunity at a target level of performance is 87% of TFR. The theoretical maximum STI for exceptional individual and Vicinity performance is 2.0 times the target opportunity (174% of TFR).
Performance measurement period	The STI performance measurement period is the full financial year. Where an Executive KMP commences employment during the year, their STI is evaluated and paid on a pro-rata basis. Where an Executive KMP ceases employment during the year, if the STI is not forfeited, it is evaluated and paid on a pro-rata basis. Payment is made at the normal payment date applicable to other employees.
Grant date, payment and deferral	STI is provided as a combination of cash and deferred equity. 50% of the STI is deferred into equity for a period of 24 months for the CEO and 18 months for other Executive KMP. Dividends are paid on the deferred equity component during the deferral period. Outcomes are calculated following the Board's review of Vicinity's FY19 audited financial results and the cash component will be paid in September 2019.
Performance targets and measurement	Section 3.3 provides a detailed summary of the performance objectives and measures and the subsequent results for Executive KMP for FY19. Performance objectives for FY19 were finalised by the Board in the case of the CEO, and by the CEO and the Committee in the case of other Executive KMP. The Committee, with input from the Chairman of the Board, assesses the CEO's performance against his objectives and makes the recommendation to the Board for final determination. The CEO assesses the performance of all other Executive KMP relative to their individual objectives and makes recommendations to the Committee for final determination.

4.3 LTI

Refer to section 3.4 for a summary of the LTI and awards during FY19.

LTI arrangements

Type of equity awarded	Rights to Vicinity stapled securities at a future time for nil consideration, subject to the achievement of agreed performance hurdles at the end of the performance period (as set out below). Until the performance rights conditionally vest, an Executive KMP has no entitlement to receive dividends or distributions from, no legal or beneficial interest in, and no voting rights associated with, the underlying stapled securities.
Performance period	Three years plus 12-month holding lock, which is subject to continued service, except where varied as described in section 4.4. During the holding lock period, the conditionally vested performance rights cannot be traded, but the holder is entitled to receive dividends, distributions and vote.
Performance hurdles	Allocations of performance rights are tested against two performance hurdles: • 50% are subject to the achievement of relative TSR[1]; and • 50% are tied to the achievement of TR[2]. Each hurdle will be measured independently at the end of the performance period.
Opportunity	For the CEO, the FY19 LTI opportunity was a face value of 125% of TFR. For other current Executive KMP (currently the COO), the LTI opportunity is a face value of 96% of TFR. The number of rights allocated was determined based on the 10-day VWAP of Vicinity securities immediately following the 2018 Annual General Meeting.
Vesting scale	The following vesting scales apply: (see TSR and TR tables below) Following testing, any rights that do not vest, lapse.

TSR

Percentile ranking	Percentage vesting
< 51st	0%
Between 51st and 75th	Between 51% and 100%
≥ 75th	100%

TR

Compound annual target TR per annum	Percentage vesting
< 9.0%	0%
Between 9.0% and 9.5%	Between 50% and 100%
≥ 9.5%	100%

1. Relative TSR combines the security price movement and dividends (which are assumed to be reinvested) to show total return to securityholders, relative to that of other companies in the comparator group. The Board decided that an appropriate comparator group for the relative TSR performance hurdle was the S&P/ASX 200 A-REIT Index excluding Unibail Rodamco Westfield. Where appropriate, the Board has discretion to adjust the comparator group to take into account events, including but not limited to takeovers, mergers or de-mergers, that might occur with respect to the entities in the comparator group. During FY19, Investa Office Fund (IOF) was delisted and therefore removed from the comparator group.
2. TR is calculated each year as the change in Vicinity's NTA during the year plus distributions per security made divided by the NTA at the beginning of the year. The annual TR result for each year during the performance period is then used to calculate the compound annual TR for the three-year performance period.

4.4 STI and LTI – cessation of employment, clawback or change of control

The Board retains discretion to determine the treatment of the STI and LTI awards on the cessation of employment; however, generally:

- In the event of resignation or termination for cause, any eligibility for STI, deferred STI and LTI entitlements will be forfeited.
- In the event of cessation of employment for such reasons as redundancy, death, total and permanent disablement or retirement:
  - a pro-rata amount of unvested performance rights which have not yet conditionally vested will remain on foot, with the balance forfeited. Performance rights may then conditionally vest at the end of the performance period subject to meeting the performance measures under the associated plan and will then be subject to the 12-month holding lock. In these circumstances, the continuous service condition will be deemed to have been waived;
  - STI for the year will be pro-rated over the employment period and paid fully in cash at the same time as all others (no amounts are deferred into equity); and
  - deferred STI will remain on foot and will vest at the normal vesting date.

The Board also has the right to reduce future award payments or adjust unvested amounts to 'clawback' from participants if there has been serious misconduct or a material misstatement in Vicinity's financial results.

In the event of a change in control, the Board has absolute discretion to determine the treatment for STI and LTI entitlements.

4. Executive remuneration – further information continued

4.5 Total LTI holdings

Table 4.1 below details the total performance rights held by Executive KMP including the FY19 LTI grants detailed above.

Table 4.1: Total performance rights held by Executive KMP

	Opening performance rights	Granted as remuneration in FY19	Forfeited upon termination during FY19[2]	FY17 LTI Lapsed during FY19[3]	FY17 LTI vested during FY19[4]	Closing unvested performance rights
Executive KMP						
Grant Kelley	565,406[1]	708,161	–		–	1,273,567
Peter Huddle	–	–	–		–	–
Former Executive KMP						
Richard Jamieson[5]	428,643	–	(131,197)	(91,275)	(91,275)	114,896
Michael O'Brien	375,063	198,285	(573,348)	–	–	–
Total number of performance rights	**1,369,112**	**906,446**	**(704,545)**	**(91,275)**	**(91,275)**	**1,388,463**

1. The number for Grant Kelley represents the number of performance rights granted under the FY18 LTI Plan that are eligible to vest based on pro-ration to reflect the number of days of the performance period served. The actual number of performance rights granted to Grant Kelley was 678,487.
2. For Richard Jamieson this represents the pro-rata portion of the FY17 and FY18 LTI performance rights which lapsed on termination based on the number of days of the performance period served. For Michael O'Brien this represents the forfeiture of all outstanding performance rights.
3. Represents the portion of the FY17 performance rights which lapsed during FY19 due to the TSR performance conditions not being met.
4. The value of performance rights vesting on 30 June 2019 under the FY17 LTI was $223,624 for Richard Jamieson. This is based on a security price of $2.45 on 28 June 2019 (the last trading day of the financial year). The FY17 LTI remains subject to a 12-month holding lock.
5. Richard Jamieson's performance rights under the FY16 LTI of 98,921 rights conditionally vested on 30 June 2018 and will be released from their 12-month holding lock in August 2019.

4.6 Service agreements

Remuneration and other terms of employment for Executive KMP are formalised in Executive Services Agreements (ESAs). The terms and conditions of employment of the Executive KMP reflect market conditions at the time of entering into their contract.

Key features of the Executive KMP ESAs include the following:

- eligibility to participate in short and long-term incentive plans;
- ongoing employment until terminated by either the Executive KMP or Vicinity; and
- Vicinity may make payments in lieu of all or part of the applicable notice period.

Notice period provisions are detailed below.

	Termination by Vicinity		Termination by Executive KMP	Termination payment[1]
	For cause	Other		
Grant Kelley	Immediately	6 months	6 months	6 months x TFR
Peter Huddle	Immediately	6 months	6 months	6 months x TFR

1. Paid, subject to law, if Vicinity terminated the Executive KMP's employment agreement on notice and without cause, and makes payment in lieu of notice. Termination payments are generally not paid on resignation or termination with cause, although the Board may determine exceptions to this. No termination payment will exceed the limit under the Corporations Act.

5. Non-executive Director remuneration

5.1 Remuneration philosophy

Non-executive Director fee levels are set with regard to time commitment and workload, the risk and responsibility attached to the role and external market benchmarking. Non-executive Director base fees were last increased effective 1 January 2018 and the base fees and committee fees will remain unchanged for FY20. No element of Non-executive Director remuneration is 'at risk', that is, no element is based on the performance of Vicinity.

The current maximum fee pool of $2.25 million was approved by Vicinity securityholders in November 2011 and no changes to the fee pool will be made for FY20. Forecast Board and Committee fees for FY20 remain within the maximum fee pool.

Board and committee fees

FY19 Board and Committee fees are outlined in the table below:

Table 5.1: FY19 Board and Committee fees

Board/Committee	Role	FY19 fees per annum[1] ($)
Board	Chairman	463,500
	Non-executive Director	164,800
Audit Committee	Chairman	41,200
	Member	20,600
Risk and Compliance Committee	Chairman	41,200
	Member	20,600
Remuneration and Human Resources Committee	Chairman	41,200
	Member	20,600
Nominations Committee	Chairman	No additional fee
	Member	No additional fee

1. Fees are inclusive of superannuation.

The Chairman of the Board receives no further remuneration for Committee membership, although he may attend Committee meetings. Non-executive Directors are entitled to be reimbursed for all reasonable business-related expenses, including travel on Company business, that may be incurred in the discharge of their duties.

5. Non-executive Director remuneration continued

5.2 Fees and benefits paid

Table 5.2: Non-executive Directors' fees for FY19 and FY18

Non-executive Director	Period	Short-term benefits: Fees ($)[1]	Short-term benefits: Committee fees ($)	Post-employment benefits[2]: Superannuation contributions ($)	Total fees ($)
Current Non-executive Directors					
Peter Hay, Chair	**FY19**	**442,969**		**20,531**	**463,500**
(appointed 11 June 2015)	FY18	436,701	–	20,049	456,750
Clive Appleton[3]	**FY19**	**137,333**	**–**	**–**	**137,333**
(appointed 1 September 2018)	FY18	–	–	–	–
Trevor Gerber	**FY19**	**150,502**	**37,626**	**17,872**	**206,000**
(appointed 28 October 2015)	FY18	148,310	37,078	17,612	203,000
Tim Hammon	**FY19**	**150,502**	**56,438**	**19,660**	**226,600**
(appointed 15 December 2011)	FY18	148,310	55,617	19,373	223,300
Peter Kahan[4]	**FY19**	**150,502**	**56,438**	**19,660**	**226,600**
(appointed 11 June 2015)	FY18	151,202	46,484	15,614	213,300
Janette Kendall	**FY19**	**150,502**	**18,813**	**16,085**	**185,400**
(appointed 1 December 2017)	FY18	87,428	9,406	9,199	106,033
Karen Penrose	**FY19**	**150,502**	**56,438**	**19,660**	**226,600**
(appointed 11 June 2015)	FY18	148,310	55,617	19,373	223,300
Wai Tang	**FY19**	**150,502**	**37,626**	**17,872**	**206,000**
(appointed 30 May 2014)	FY18	148,310	37,078	17,612	203,000
David Thurin	**FY19**	**150,502**	**18,813**	**16,085**	**185,400**
(appointed 11 June 2015)	FY18	148,310	18,540	15,850	182,700
Subtotal current Non-executive Directors	**FY19**	**1,633,816**	**282,192**	**147,425**	**2,063,433**
	FY18	1,416,881	259,820	134,682	1,811,383

1. Unless otherwise stated, fees represent fees paid to Non-executive Directors in their capacity as Directors of Vicinity Limited (the Company) and Vicinity Centre RE Ltd as Responsible Entity for Vicinity Centres Trust (the RE) whose Boards and Committees meet concurrently.
2. Non-executive Directors receive no post-employment benefits other than statutory superannuation.
3. Clive Appleton's fees are paid to The Gandel Group Pty Limited and therefore no superannuation contributions were made by Vicinity on his behalf.
4. Up to 31 August 2017 in FY18, a total of $33,333 of Peter Kahan's Director fees were paid to The Gandel Group Pty Limited and therefore no superannuation contributions were made by Vicinity on his behalf during this period.

Table 5.2.1: Former Non-executive Directors' fees

Non-executive Director	Period	Short-term benefits: Fees ($)[1]	Short-term benefits: Committee fees ($)	Post-employment benefits[2]: Superannuation contributions ($)	Total fees ($)
Former Non-executive Directors					
Charles Macek	**FY19**	**–**	**–**	**–**	**–**
(ceased as Director on 16 November 2017)	FY18	56,012	14,003	6,652	76,667
Debra Stirling	**FY19**	–	–	–	**–**
(ceased as Director on 16 November 2017)	FY18	56,012	14,003	6,652	76,667
Subtotal former Non-executive Directors	**FY19**	**–**	**–**	**–**	**–**
	FY18	112,024	28,006	13,304	153,334
Total current and former	**FY19**	**1,633,816**	**282,192**	**147,425**	**2,063,433**
Non-executive Directors	FY18	1,528,905	287,826	147,986	1,964,717

1. Fees represent fees paid to Non-executive Directors in their capacity as Directors of the Company and the RE, which meet concurrently.
2. Non-executive Directors receive no post-employment benefits other than statutory superannuation.

6. Other remuneration information

6.1 Remuneration governance

The Board of Directors has responsibility to ensure that appropriate governance is in place in relation to all human resource matters including remuneration. To ensure that the Board acts independently of management and is fully informed when making remuneration decisions, the Board has established the following protocols:

- The Board has established the Remuneration and Human Resources Committee comprised of Non-executive Directors, which is responsible for reviewing and making recommendations on remuneration policies for Vicinity, including policies governing the remuneration of Executive KMP and other Senior Executives. Further information regarding the respective roles and responsibilities of the Board and the Committee are contained in their respective charters, available at www.vicinity.com.au, and in Vicinity's Corporate Governance Statement.
- When considering the recommendations of the Committee, the Board applies a policy of excluding any executives from being present and participating in discussions impacting their own remuneration.
- The Committee can seek advice from both management and external advisors in developing its remuneration recommendations for the Board.

6.2 External advisors and consultants

To assist in performing its duties, and making recommendations to the Board, the Committee directly engages external advisors to provide input to the process of reviewing Executive KMP and Non-executive Director remuneration, and to provide advice on various aspects of the remuneration framework.

During FY19, KPMG was engaged by the Committee and management to provide a number of services. The work undertaken by KPMG in FY19 did not constitute a remuneration recommendation for the purposes of the Corporations Act.

6.3 Security trading restrictions

Vicinity's Securities Trading Policy prohibits Senior Executives from hedging or otherwise limiting their exposure to risk in relation to unvested Vicinity securities issued or acquired under any applicable equity arrangements.

6.4 Minimum executive securityholdings

A mandatory security ownership policy is in place for executives. This requires the CEO and other Senior Executives to build and retain a minimum holding of securities equal to 100% and 60% of TFR respectively within five years. Deferred STI and LTI count towards the holding level.

6.5 Minimum NED securityholdings

A minimum securityholding policy for Non-executive Directors is currently in place. This policy encourages Independent Directors to acquire a holding of securities equal in value to one year of Non-executive Director base fees (net of income tax and superannuation) within five years from the introduction of the policy in 2016 or from the Director's commencement date (whichever is earlier).

6. Other remuneration information continued

6.6 Executive KMP and Non-executive Directors' securityholdings

The table below shows the securities held (directly or indirectly) by Non-executive Directors and Executive KMP as at 30 June 2019. There were no changes in holdings between 30 June 2019 and the date of this report. Non-executive Directors have all achieved their current minimum security holding requirement. Grant Kelley is making good progress towards his minimum security holding requirement.

Table 6.1: Executive KMP and Non-executive Directors' securityholdings

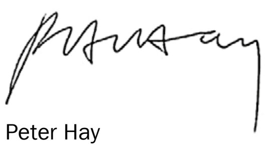
	Opening securities[1]	Granted as remuneration	Additions during the year	Other movements	Closing
Non-executive Directors					
Peter Hay	138,291	–	5,000	–	143,291
Clive Appleton	–	–	32,295	–	32,295
Trevor Gerber	100,000	–	–	–	100,000
Tim Hammon	50,000	–	–	–	50,000
Peter Kahan[2]	–	–	33,000	–	33,000
Janette Kendall	13,206	–	17,114	–	30,320
Karen Penrose	47,500	–	–	–	47,500
Wai Tang	20,000	–	30,980	–	50,980
David Thurin	13,895,373	–	–	–	13,895,373
Total	**14,264,370**	**–**	**118,389**	**–**	**14,382,759**
Executive KMP & Former Executive KMP					
Grant Kelley	57,006	94,794[3]	–	–	151,800
Peter Huddle	–	–	–	–	–
Richard Jamieson	226,309	171,251[3]	–	(397,560)[4]	–
Michael O'Brien	179,550	155,240[3]	–	(334,790)[5]	–
Total	**462,865**	**421,285**	**–**	**(732,350)**	**151,800**

1. Reflects securities balance as at 1 July 2018.
2. Peter Kahan represented The Gandel Group Pty Limited, a substantial securityholder of Vicinity, until 31 August 2017. Due to the commencement of the new CEO and change in strategy, there has been limited opportunity for Peter Kahan to acquire securities to date.
3. Reflects restricted securities allocated under the FY18 STI Plan and in the case of Richard Jamieson and Michael O'Brien, also includes restricted securities allocated under the FY16 LTI Plan.
4. Reflects securities held at the date Richard Jamieson ceased employment.
5. Reflects 75,224 securities forfeited by Michael O'Brien from the FY18 STI Plan and 80,016 securities forfeited from the FY16 LTI Plan and the remaining balance of 179,550 securities held at the date he ceased employment.

There were no other related party transactions or balances with Directors and Executive KMP or their controlled entities, in relation to securities held.

End of the Remuneration Report.

Signed in Melbourne on 14 August 2019 in accordance with a resolution of Directors.



Peter Hay
Chairman

Auditor's Independence Declaration

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Building a better working world

Auditor's Independence Declaration to the Directors of Vicinity Limited

As lead auditor for the audit of the financial report of Vicinity Limited for the financial year ended 30 June 2019, 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 Limited and the entities it controlled during the financial year.

Ernst & Young

David Shewring
Partner
14 August 2019

Statement of Comprehensive Income

for the year ended 30 June 2019

	Note	30-Jun-19 $m	30-Jun-18 $m
Revenue and income			
Property ownership revenue and income		**1,221.0**	1,246.9
Management fee revenue from strategic partnerships		**60.7**	82.8
Interest and other income		**4.8**	5.6
Total revenue and income	22	**1,286.5**	1,335.3
Share of net profit of equity accounted investments	5(b)	**19.0**	26.8
Property revaluation (decrement)/increment for directly owned properties	4(b)	**(237.1)**	634.7
Direct property expenses		**(354.3)**	(342.6)
Borrowing costs	6(c)	**(188.2)**	(182.5)
Employee benefits expense	13	**(95.5)**	(97.6)
Other expenses from ordinary activities		**(38.5)**	(36.8)
Net foreign exchange movement on interest bearing liabilities		**(57.9)**	(59.0)
Net mark-to-market movement on derivatives		**15.8**	12.6
Amortisation of intangible assets	15(a)	**(3.7)**	(4.5)
Stamp duty	4(b)	**–**	(67.7)
Profit before tax for the year		**346.1**	1,218.7
Income tax expense	3	**–**	–
Net profit for the year		**346.1**	1,218.7
Other comprehensive income		**–**	–
Total comprehensive income for the year		**346.1**	1,218.7
Total profit and total comprehensive income for the year attributable to stapled securityholders as:			
Securityholders of Vicinity Limited	18(b)	**19.2**	39.6
Securityholders of other stapled entities of the Group		**326.9**	1,179.1
Net profit and total comprehensive income for the year		**346.1**	1,218.7
Earnings per security attributable to securityholders of the Group:			
Basic earnings per security (cents)	2	**9.04**	31.31
Diluted earnings per security (cents)	2	**9.02**	31.25

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

Balance Sheet

as at 30 June 2019

	Note	30-Jun-19 $m	30-Jun-18 $m
Current assets			
Cash and cash equivalents		**34.9**	42.1
Trade receivables and other assets	9	**101.1**	99.6
Derivative financial instruments	6(e)	**4.7**	3.2
Total current assets		**140.7**	144.9
Non-current assets			
Investment properties	4(a)	**15,351.8**	15,892.7
Investments accounted for using the equity method	5(a)	**670.1**	681.1
Intangible assets	15(a)	**591.2**	594.9
Plant and equipment		**10.4**	13.7
Derivative financial instruments	6(e)	**138.6**	62.5
Deferred tax assets	3(c)	**84.3**	84.3
Other assets		**6.5**	7.5
Total non-current assets		**16,852.9**	17,336.7
Total assets		**16,993.6**	17,481.6
Current liabilities			
Interest bearing liabilities	6(a)	**401.5**	41.6
Distribution payable		**299.9**	317.5
Payables and other financial liabilities	10	**151.4**	165.3
Provisions	11	**72.4**	77.0
Derivative financial instruments	6(e)	**5.6**	–
Total current liabilities		**930.8**	601.4
Non-current liabilities			
Interest bearing liabilities	6(a)	**4,034.6**	4,396.0
Other financial liabilities	10	**207.3**	204.8
Provisions	11	**8.2**	8.7
Derivative financial instruments	6(e)	**223.6**	163.2
Total non-current liabilities		**4,473.7**	4,772.7
Total liabilities		**5,404.5**	5,374.1
Net assets		**11,589.1**	12,107.5
Equity			
Contributed equity	8	**8,006.9**	8,262.4
Share based payment reserve		**3.1**	7.6
Retained profits		**3,579.1**	3,837.5
Total equity		**11,589.1**	12,107.5

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 2019

	Attributable to securityholders of Vicinity Limited				Attributable to securityholders of other stapled entities of the Group				
	Contributed equity $m	Reserves $m	Retained profits/ (losses) $m	Total $m	Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Total equity $m
As at 1 July 2017	**481.1**	**4.6**	**(309.4)**	**176.3**	**8,012.1**	**–**	**3,559.3**	**11,571.4**	**11,747.7**
Net profit for the year	–	–	39.6	39.6	–	–	1,179.1	1,179.1	1,218.7
Total comprehensive/income for the year	**–**	**–**	**39.6**	**39.6**	**–**	**–**	**1,179.1**	**1,179.1**	**1,218.7**
Transactions with securityholders in their capacity as securityholders:									
On-market security buy-back	(3.5)	–	–	(3.5)	(227.3)	–	–	(227.3)	(230.8)
Net movements in share based payment reserve	–	3.0	–	3.0	–	–	–	–	3.0
Distributions declared	–	–	–	–	–	–	(631.1)	(631.1)	(631.1)
Total equity as at 30 June 2018	**477.6**	**7.6**	**(269.8)**	**215.4**	**7,784.8**	**–**	**4,107.3**	**11,892.1**	**12,107.5**
Net profit for the year	–	–	19.2	19.2	–	–	326.9	326.9	346.1
Total comprehensive income for the year	**–**	**–**	**19.2**	**19.2**	**–**	**–**	**326.9**	**326.9**	**346.1**
Transactions with securityholders in their capacity as securityholders:									
On-market security buy-back	(4.5)	–	–	(4.5)	(251.0)	–	–	(251.0)	(255.5)
Net movements in share based payment reserve	–	(4.5)	–	(4.5)	–	–	–	–	(4.5)
Distributions declared	–	–	–	–	–	–	(604.5)	(604.5)	(604.5)
Total equity as at 30 June 2019	**473.1**	**3.1**	**(250.6)**	**225.6**	**7,533.8**	**–**	**3,829.7**	**11,363.5**	**11,589.1**

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

Cash Flow Statement

for the year ended 30 June 2019

	Note	30-Jun-19 $m	30-Jun-18 $m
Cash flows from operating activities			
Receipts in the course of operations		**1,440.1**	1,474.3
Payments in the course of operations		**(614.0)**	(597.5)
Distributions and dividends received from equity accounted and managed investments		**21.7**	9.3
Interest and other revenue received		**1.8**	1.3
Interest paid		**(187.5)**	(181.3)
Net cash inflows from operating activities	16	**662.1**	706.1
Cash flows from investing activities			
Payments for capital expenditure on investment properties		**(413.0)**	(399.7)
Payments for acquisition of investment properties		**–**	(557.3)
Proceeds from disposal of investment properties		**683.1**	166.2
Proceeds from disposal of Chatswood Chase Sydney, net of cash disposed		**–**	558.9
Payments for plant and equipment		**(1.5)**	(5.4)
Stamp duty paid		**–**	(67.7)
Net cash inflows/(outflows) from investing activities		**268.6**	(305.0)
Cash flows from financing activities			
Proceeds from borrowings		**1,327.4**	1,160.9
Repayment of borrowings		**(1,376.0)**	(670.5)
Distributions paid to external securityholders		**(622.1)**	(654.0)
On-market security buy-back		**(255.5)**	(230.8)
Debt establishment costs paid		**(4.4)**	(2.5)
Acquisition of shares on-market for settlement of share based payments		**(7.3)**	(4.3)
Net cash outflows from financing activities		**(937.9)**	(401.2)
Net decrease in cash and cash equivalents held		**(7.2)**	(0.1)
Cash and cash equivalents at the beginning of the year		**42.1**	42.2
Cash and cash equivalents at the end of the year		**34.9**	42.1

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 judgements and estimates disclosures incorporated within the notes to which they relate.

About this Report

Vicinity Centres (the Group) is listed on the Australian Securities Exchange (ASX) under the code 'VCX'. It comprises Vicinity Limited (the Company) and Vicinity Centres Trust (the Trust). The Stapling Deed entered into by the Company and the Trust ensures that shares in the Company and units in the Trust are 'stapled' together and are traded collectively. The Company and the Trust are for-profit entities that are domiciled and operate wholly in Australia.

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 14 August 2019. The Directors have the power to amend and reissue the Financial Report.

Although the Group has a net current deficiency of $790.1 million (current liabilities exceed current assets) at reporting date, the Group has sufficient current undrawn borrowing facilities (of $1,666.5 million, refer to Note 6(b)) 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 Group. Where the presentation or classification of items in the Financial Report is amended, comparative amounts are also reclassified unless it is impractical. The adjustments made to the presentation of items had no impact on the net assets or net profit of the Group.

Impact of new and amended accounting standards

The new accounting standards AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* became effective for the Group on 1 July 2018. Further details relating to the adoption of these accounting standards are contained in Note 21.

There were other new and/or amended standards that became effective as of 1 July 2018, but these did not have a material impact on the financial statements of the Group.

Critical accounting judgements and estimates

The preparation of financial statements requires the 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 results of which form the basis of the carrying value of certain 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
Recognition of deferred tax assets	Note 3
Valuation of investment properties	Note 4
Valuation of derivatives	Note 6
Recoverability of intangible assets	Note 15

Operations

1. Segment information

The Group's operating segments identified for internal reporting purposes are:

- *Property Investment:* comprises net property income (revenue less expenses) derived from investment in retail property; and
- *Strategic Partnerships:* represents fee income from property management, development, leasing and management of wholesale property funds.

The internal reporting on these segments is provided to the Chief Operating Decision Makers to make strategic decisions. During the year, the Chief Operating Decision Makers were the CEO and Managing Director (CEO) and the Chief Financial Officer (CFO).

Segment performance is assessed based on funds from operations (FFO), which is calculated as statutory net profit, adjusted for fair value movements, certain unrealised and non-cash items, and other items that are not in the ordinary course of business or are capital in nature. In addition to FFO, adjusted funds from operations (AFFO) is considered when assessing the performance of the Group. AFFO represents the Group's FFO adjusted for investment property maintenance capital and static tenant leasing costs incurred during the year in accordance with the guidelines published by the Property Council of Australia (PCA).

(a) Segment results

For the 12 months to:	30-Jun-19 $m	30-Jun-18 $m
Property Investment segment		
Net property income	**887.6**	894.3
Strategic Partnerships segment		
Property management, development and leasing fees	**58.5**	61.0
Funds management fees	**4.5**	15.2
Total segment income	**950.6**	970.5
Corporate overheads (net of internal property management fees)	**(68.3)**	(73.3)
Net interest expense	**(193.0)**	(188.5)
Funds from operations	**689.3**	708.7
Adjusted for:		
Maintenance capital and static tenant leasing costs	**(83.3)**	(75.6)
Adjusted funds from operations	**606.0**	633.1

The Group also monitors the following metrics:

For the 12 months to:	30-Jun-19	30-Jun-18
FFO per security[1] (cents per security)	**18.00**	18.20
AFFO per security[1] (cents per security)	**15.82**	16.26
Distribution per security (DPS)[2] (cents per security)	**15.90**	16.30
Total distributions declared ($m)	**604.5**	631.1
AFFO payout ratio (total distributions declared $m/AFFO $m) (%)	**99.8%**	99.7%
FFO payout ratio (total distributions declared $m/FFO $m) (%)	**87.7%**	89.1%

1. The calculation of FFO and AFFO per security for the year uses the basic weighted average number of securities on issue as calculated in Note 2.
2. Distributions per security are calculated based on actual number of securities outstanding at the time of the distribution record date.

(b) Reconciliation of net profit after tax to FFO

For the 12 months to:	30-Jun-19 $m	30-Jun-18 $m
Net profit after tax	**346.1**	1,218.7
Property revaluation decrement/(increment) for directly owned properties[1]	**237.1**	(634.7)
Non-distributable loss/(gain) relating to equity accounted investments[1]	**13.2**	(15.2)
Amortisation of incentives and leasing costs[2]	**44.6**	36.3
Straight-lining of rent adjustment[3]	**(15.1)**	(16.8)
Stamp duty	**–**	67.7
Net mark-to-market movement on derivatives[4]	**(15.8)**	(12.6)
Net foreign exchange movement on interest bearing liabilities[4]	**57.9**	59.0
Amortisation of intangible assets[4]	**3.7**	4.5
Movement in deferred performance fee	**5.4**	(5.4)
Other non-distributable items	**12.2**	7.2
Funds from operations	**689.3**	708.7

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

1. FFO excludes non-distributable fair value movements relating to directly owned investment properties and equity accounted investments.
2. Lease incentives and leasing costs are capitalised to investment properties. Amortisation of these items is then recognised as an expense in accordance with Australian Accounting Standards. In accordance with the PCA Guidelines amortisation of these items are excluded from FFO as:
   - static (non-development) lease incentives committed during the year relating to static centres are reflected in the AFFO calculation at Note 1(a); and
   - development leasing costs are included within the capital cost of the relevant development project.
3. Straight-lining of rental revenue, which is required by Australian Accounting Standards, is an unrealised non-cash amount and excluded from FFO.
4. Represent non-cash adjustments as required by Australian Accounting Standards and are excluded from FFO.

(c) Reconciliation of segment income to total revenue

Refer to Note 22 for a reconciliation of total segment income to total revenue and income in the Statement of Comprehensive Income.

(d) Segment assets and liabilities

The property investment segment reported to the CEO and CFO includes investment properties held directly and those that are included in equity accounted investments. A breakdown of the total investment properties in the property investment segment is shown below:

	Note	30-Jun-19 $m	30-Jun-18 $m
Investment properties[1]	4(a)[1]	**15,096.4**	15,638.1
Investment properties included in equity accounted investments	5(c)[2]	**718.8**	727.1
Total interests in directly owned investment properties		**15,815.2**	16,365.2
Assets under management on behalf of strategic partners[3]		**10,819.1**	11,365.3
Total assets under management		**26,634.3**	27,730.5

1. Calculated as total investment properties at Note 4(a) less finance lease assets and planning and holding costs.
2. Excludes planning and holding costs relating to investment properties included in equity accounted investments.
3. Represents the value of property interests managed, but not owned, consolidated or otherwise accounted for by the Group.

All other assets and liabilities are not allocated by segment for reporting to the CEO and CFO.

2. Earnings per security

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

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

Diluted earnings per security adjusts the weighted average number of securities for the weighted average number of performance rights on issue.

Basic and diluted earnings per security are as follows:

For the 12 months to:	30-Jun-19	30-Jun-18
Earnings per security attributable to securityholders of the Group:		
Basic earnings per security (cents)	**9.04**	31.31
Diluted earnings per security (cents)	**9.02**	31.25
Earnings per security attributable to securityholders of the Parent:		
Basic earnings per security (cents)	**0.50**	1.02
Diluted earnings per security (cents)	**0.50**	1.02

The following net profit after income tax amounts are used in the numerator in calculating earnings per stapled security:

For the 12 months to:	30-Jun-19 $m	30-Jun-18 $m
Earnings used in calculating basic and diluted earnings per security of the Group	**346.1**	1,218.7
Earnings used in calculating basic and diluted earnings per security of the Parent	**19.2**	39.6

The following weighted average number of securities are used in the denominator in calculating earnings per security for the Parent and the Group:

For the 12 months to:	30-Jun-19 Number (m)	30-Jun-18 Number (m)
Weighted average number of securities used as the denominator in calculating basic earnings per security	**3,829.5**	3,892.9
Adjustment for potential dilution from performance rights on issue	**7.7**	7.1
Weighted average number of securities and potential securities used as the denominator in calculating diluted earnings per security	**3,837.2**	3,900.0

3. Taxes

(a) Group taxation

Income tax

Vicinity Centres Trust (flow through trust structure)

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

Vicinity Limited (corporate tax group)

The Company and its subsidiaries have formed a tax consolidated group (TCG). Under this arrangement, the Company, the head entity, accounts for its own current and deferred tax amounts and assumes those from subsidiaries in the TCG. Members of the TCG have entered into a tax funding arrangement, which sets out the funding obligations of members of the TCG in respect of tax amounts. The tax funding arrangement requires payments to/from the head entity to be recognised via an inter-entity receivable/payable which is at call.

Income tax expense for the year is calculated at the corporate tax rate of 30% and comprises current and deferred tax expense, any adjustments relating to current tax of prior periods and movements in off balance sheet deferred tax assets. These amounts are recognised in profit or loss, except to the extent they relate to items recognised directly in other comprehensive income or equity. Current tax expense represents the expense relating to the expected taxable income at the applicable rate for the current financial year.

Deferred tax assets and liabilities are measured based on the expected manner of recovery of the carrying value of an asset or liability. Deferred tax expense represents the tax expenses in respect of future tax consequences of recovering or settling the carrying amount of an asset or liability. These future tax consequences are recorded as deferred tax assets to the extent it is probable that future taxable profits or deferred tax liabilities will be available to utilise them. Where appropriate, deferred tax assets and liabilities are offset as permitted by Australian Accounting Standards.

A summary of Vicinity Limited's current and deferred tax expense, and recognised deferred tax assets, is shown below:

For the 12 months to:	30-Jun-19 $m	30-Jun-18 $m
Current income tax expense	**(9.6)**	(11.2)
Deferred income tax benefit	**4.7**	0.3
Adjustment for current year tax of prior periods	**(1.2)**	0.7
Decrease in unrecognised deferred tax assets	**6.1**	10.2
Income tax expense	**–**	–

Statutory taxes and levies

The Group also incurs federal, state based and local authority taxes including land tax, council rates and levies. These are included within direct property expenses in the Statement of Comprehensive Income. Additionally, employee benefits expense within the Statement of Comprehensive Income includes employment-related taxes such as fringe benefits tax, payroll tax and workcover contributions.

Further details on statutory taxes and levies can be found in the Tax Transparency section of the Annual Report.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included within the Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Further details on GST can be found in the Tax Transparency section of the Annual Report.

Voluntary tax transparency code

The Group is a signatory to the Tax Transparency Code (TTC). Part A of the TTC recommends disclosure of company effective tax rates. As outlined above, taxable income from the Trust's property investments is taxed on a flow through basis in the hands of the Trust's securityholders. The Company is taxed at the Australian corporate tax rate (currently 30%); however, as a result of utilising previously unrecognised deferred tax assets, the effective tax rate based on current income tax payable for the Company is nil. Further information can be found in the Tax Transparency section of the Annual Report.

3. Taxes continued

(b) Reconciliation between net profit and income tax benefit

For the 12 months to:	30-Jun-19 $m	30-Jun-18 $m
Profit before tax for the year	**346.1**	1,218.7
Less: Profit attributed to the Trust and not subject to tax[1]	**(320.8)**	(1,179.1)
Net profit before tax attributable to securityholders of Vicinity Limited	**25.3**	39.6
Prima facie income expense at 30%	**(7.6)**	(11.9)
Tax effect of amounts not taxable in calculating income tax expense:		
Net adjustment relating to share based payments	**1.3**	(1.0)
Other permanent differences	**1.4**	2.0
Prior period adjustments	**(1.2)**	0.7
Decrease in unrecognised deferred tax assets (allowable deductions)	**0.7**	15.4
Decrease/(increase) in unrecognised deferred tax assets (tax losses)	**5.4**	(5.2)
Income tax expense	**–**	–

1. As outlined above taxable income from the Trust's property investments is taxed on a flow through basis in the hands of the Trust's securityholders. Includes adjustment for $6.1 million income tax expense recognised by Vicinity Limited, which has been offset against the Vicinity Group's unrecognised deferred tax assets disclosed below (30 June 2018: $nil).

(c) Movement in temporary differences

A summary of the movements in deferred tax balances is as follows:

	Provisions $m	Intangible assets $m	Other $m	Tax losses $m	Total $m
At 30 June 2017	**18.2**	**(2.4)**	**0.3**	**68.2**	**84.3**
Deferred income tax (expense)/benefit	1.7	1.3	(2.7)	(0.3)	–
At 30 June 2018	**19.9**	**(1.1)**	**(2.4)**	**67.9**	**84.3**
Deferred income tax (expense)/benefit	(0.4)	1.1	4.0	(4.7)	–
At 30 June 2019	**19.5**	**–**	**1.6**	**63.2**	**84.3**

The deferred tax assets are recognised as it is probable that the Group will earn sufficient taxable income in future periods for them to be utilised.

Unrecognised deferred tax assets will be reviewed on an annual basis and may be recognised at a later date if considered likely to be recovered. These totalled $13.5 million at 30 June 2019 (30 June 2018: $19.6 million) comprising:

- allowable deductions of $0.5 million (30 June 2018: $1.2 million); and
- tax losses of $13.0 million (30 June 2018: $18.4 million).

These unrecognised deferred tax assets do not expire.

4. Investment properties

The Group's investment properties represent freehold and leasehold interests in land and buildings held either to derive rental income or for capital appreciation, or both. They are initially measured at cost, including related transaction costs. Subsequently, at each reporting period, they are carried at their fair values based on the market value 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 Group's valuation process and valuation methods is described in Note 4(c).

(a) Portfolio summary

	30-Jun-19			30-Jun-18		
Shopping centre type	Number of properties	Value $m	Weighted average cap rate %	Number of properties	Value $m	Weighted average cap rate %
Super Regional	**1**	**3,250.0**	**3.75**	1	3,050.0	3.75
Major Regional	**7**	**2,564.2**	**5.66**	7	2,658.9	5.64
City Centre	**7**	**2,466.0**	**4.65**	7	2,417.5	4.66
Regional	**9**	**1,865.6**	**6.28**	9	1,977.0	6.12
Outlet Centre	**6**	**1,737.7**	**5.82**	6	1,562.0	6.04
Sub Regional	**25**	**2,961.4**	**6.33**	29	3,288.6	6.29
Neighbourhood	**5**	**251.5**	**6.31**	13	684.1	6.31
Planning and holding costs[1]	**–**	**32.2**	**–**	–	34.5	–
Total	**60**	**15,128.6**	**5.32**	72	15,672.6	5.38
Add: Finance lease assets[2]		**223.2**			220.1	
Total investment properties		**15,351.8**			15,892.7	

1. Planning and holding costs relating to planned 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 23(b) for further detail.

(b) Movements for the year

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

- Flinders Square (August 2018) for $39.5 million[1];
- Belmont Village (September 2018) for $58.0 million[1];
- a portfolio of 10 assets (Bentons Square, Currambine Central, Kalamunda Central, Lavington Square, North Shore Village, Oxenford Village, Stirlings Central, The Gateway, Warnbro Centre and West End Plaza) (October and November 2018) for a total consideration of $573.0 million[1]; and
- air rights at The Glen shopping centre for $29.3 million[1].

4. Investment properties continued

(b) Movements for the year continued

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

	30-Jun-19 $m	30-Jun-18 $m
Opening balance at 1 July	**15,672.6**	15,449.5
Acquisitions including associated stamp duty and transaction costs	**–**	588.1
Capital expenditure[2]	**399.4**	386.0
Capitalised borrowing costs[3]	**6.3**	6.3
Disposals	**(683.1)**	(729.0)
Non-cash transfer of Chatswood Chase Sydney to equity accounted investments	**–**	(575.8)
Property revaluation (decrement)/increment for directly owned properties	**(237.1)**	634.7
Stamp duty	**–**	(67.7)
Amortisation of incentives and leasing costs	**(44.6)**	(36.3)
Straight-lining of rent adjustment	**15.1**	16.8
Closing balance at 30 June	**15,128.6**	15,672.6

1. Amounts exclude transaction costs. Amount for the portfolio sale of ten assets also excludes a rental guarantee of up to $8.0 million available to the purchaser which expires during November 2020.
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 4.6% (30 June 2018: 4.4%).

(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. Qualified independent valuers must be authorised by law to carry out such valuations and have at least five years' valuation experience (including at least two years in Australia);
- internal valuations to be undertaken at the end of the reporting period (half-year and year end) 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.

For the financial year ended 30 June 2019, independent valuers, from the pre-approved panel, have been rotated across all properties for a new appointment period of three years. All properties have now been valued under the new appointments.

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. As outlined below, the determination of an investment property valuation requires assumptions to be made to determine certain inputs that are not based on observable market data. This means the valuation of an investment property is a significant judgement.

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 (held for sale) are valued at the agreed sale amount.

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

Key inputs and sensitivities

The 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 discounted cash flow valuation 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 Group in determining fair value of its investment properties are summarised below:

	30-Jun-19		30-Jun-18		
Unobservable inputs	Range of inputs	Weighted average inputs	Range of inputs	Weighted average inputs	Sensitivity
Capitalisation rate[1]	**3.75% – 7.75%**	**5.32%**	3.75% – 7.50%	5.38%	The higher the capitalisation rate, discount rate, terminal yield, and expected downtime due to tenants vacating, the lower the fair value.
Discount rate[2]	**6.00% – 8.75%**	**6.88%**	6.25% – 8.75%	7.17%	
Terminal yield[3]	**4.00% – 8.00%**	**5.53%**	4.00% – 7.75%	5.64%	
Expected downtime (for tenants vacating)	**3 months to 12 months**	**6 months**	2 months to 9 months	5 months	
Rental growth rate	**2.43% – 4.07%**	**3.33%**	2.18% – 4.19%	3.40%	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 the forecast cash flow of an asset into present value terms. It should reflect the required rate of return of the property given its risk profile relative to competing uses of capital. The rate is determined with regards to comparable market transactions.
3. The terminal yield is the capitalisation rate used to convert forecast annual income into a forecast asset value at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to comparable market transactions and the expected risk inherent in the cash flows at the end of the cash flow period. Leasehold properties with tenure less than 20 years (at the end of the 10-year investment horizon) have been excluded from this sensitivity for comparative reasons given the terminal value calculation can differ to take into account the finite term remaining on the ground lease at that time.

All the above key assumptions have been taken from the latest external valuation reports and internal valuation assessments.

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

4. Investment properties continued

(d) List of investment properties held

i. Super Regional

	Ownership interest %	30-Jun-19 Valuation type	Carrying value 30-Jun-19 $m	Carrying value 30-Jun-18 $m
Chadstone	50	External	**3,250.0**	3,050.0
Total Super Regional			**3,250.0**	3,050.0

ii. Major Regional

	Ownership interest %	30-Jun-19 Valuation type	Carrying value 30-Jun-19 $m	Carrying value 30-Jun-18 $m
Bankstown Central	50	External	**337.5**	355.0
Bayside	100	Internal	**591.4**	630.0
Galleria	50	External	**337.5**	380.0
Mandurah Forum	50	External	**275.0**	335.9
Northland	50	External	**494.1**	490.0
Roselands	50	External	**167.7**	161.7
The Glen	50	Internal	**361.0**	306.3
Total Major Regional			**2,564.2**	2,658.9

iii. City Centre

	Ownership interest %	30-Jun-19 Valuation type	Carrying value 30-Jun-19 $m	Carrying value 30-Jun-18 $m
Emporium Melbourne	50	External	**705.0**	685.0
Myer Bourke Street	33	Internal	**164.0**	160.0
Queen Victoria Building[1]	50	Internal	**330.0**	320.0
QueensPlaza	100	External	**790.0**	774.0
The Galeries	50	Internal	**170.0**	163.5
The Myer Centre Brisbane	25	Internal	**180.0**	195.0
The Strand Arcade	50	Internal	**127.0**	120.0
Total City Centre			**2,466.0**	2,417.5

iv. Regional

	Ownership interest %	30-Jun-19 Valuation type	Carrying value 30-Jun-19 $m	Carrying value 30-Jun-18 $m
Broadmeadows Central	100	External	**324.2**	330.5
Colonnades	50	Internal	**126.8**	147.5
Cranbourne Park	50	External	**152.0**	161.3
Eastlands	100	Internal	**173.0**	170.0
Elizabeth City Centre	100	Internal	**368.1**	380.0
Grand Plaza	50	Internal	**217.5**	220.0
Mt Ommaney Centre	25	External	**91.5**	105.2
Rockingham Centre	50	External	**270.0**	305.0
Runaway Bay Centre	50	External	**142.5**	157.5
Total Regional			**1,865.6**	1,977.0

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

v. Outlet Centre

	Ownership interest %	30-Jun-19 Valuation type	Carrying value 30-Jun-19 $m	Carrying value 30-Jun-18 $m
DFO Brisbane[2]	100	External	**64.0**	61.0
DFO Essendon[3]	100	Internal	**178.0**	178.0
DFO Homebush	100	Internal	**540.0**	480.0
DFO Moorabbin[4]	100	External	**125.2**	126.0
DFO Perth[5]	50	Internal	**110.5**	62.0
DFO South Wharf[6]	100	Internal	**720.0**	655.0
Total Outlet Centre			**1,737.7**	1,562.0

vi. Sub Regional

	Ownership interest %	30-Jun-19 Valuation type	Carrying value 30-Jun-19 $m	Carrying value 30-Jun-18 $m
Altona Gate Shopping Centre	100	Internal	**106.5**	106.5
Armidale Central	100	External	**44.0**	46.0
Box Hill Central (North Precinct)	100	External	**126.5**	119.0
Box Hill Central (South Precinct)[7]	100	Internal	**234.0**	217.0
Buranda Village	100	Internal	**42.0**	42.5
Carlingford Court	50	External	**123.5**	121.0
Castle Plaza	100	Internal	**173.4**	175.0
Corio Central	100	External	**105.0**	130.0
Ellenbrook Central	100	Internal	**244.0**	244.0
Gympie Central	100	External	**77.5**	81.3
Halls Head Central	50	External	**47.5**	57.0
Karratha City	50	External	**47.5**	51.2
Kurralta Central	100	Internal	**44.6**	43.5
Lake Haven Centre	100	Internal	**323.4**	320.0
Livingston Marketplace	100	Internal	**90.0**	89.0
Maddington Central	100	External	**109.0**	120.0
Mornington Central	50	Internal	**36.0**	37.0
Nepean Village	100	Internal	**207.0**	192.0
Northgate	100	External	**100.0**	110.0
Roxburgh Village	100	External	**122.6**	122.1
Sunshine Marketplace	50	External	**62.4**	61.0
Taigum Square	100	External	**99.7**	101.0
Warriewood Square	50	External	**150.0**	148.0
Warwick Grove	100	External	**180.0**	200.0
Whitsunday Plaza	100	External	**65.3**	69.0
Belmont Village[8]	–	–	**–**	51.0
Lavington Square[8]	–	–	**–**	58.0
Warnbro Centre[8]	–	–	**–**	105.0
West End Plaza[8]	–	–	**–**	71.5
Total Sub Regional			**2,961.4**	3,288.6

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

4. Investment properties continued

(d) List of investment properties held continued

vii. Neighbourhood

	Ownership interest %	30-Jun-19 Valuation type	Carrying value 30-Jun-19 $m	Carrying value 30-Jun-18 $m
Dianella Plaza	100	Internal	**80.0**	89.8
Lennox Village	50	External	**31.5**	39.0
Milton Village	100	Internal	**31.7**	30.3
Oakleigh Central	100	External	**79.8**	76.0
Victoria Park Central	100	External	**28.5**	30.1
Bentons Square[8]	–	–	**–**	82.0
Currambine Central[8]	–	–	**–**	96.0
Flinders Square[8]	–	–	**–**	39.5
Kalamunda Central[8]	–	–	**–**	42.0
North Shore Village[8]	–	–	**–**	27.0
Oxenford Village[8]	–	–	**–**	33.2
Stirlings Central[8]	–	–	**–**	48.0
The Gateway[8]	–	–	**–**	51.2
Total Neighbourhood			**251.5**	684.1

1. The title to this property is leasehold and expires in 2083.
2. The right to operate the DFO Brisbane business expires in 2046.
3. The title to this property is leasehold and expires in 2048.
4. The title to this property is leasehold with an option to extend the ground lease to 2034 at the Group's discretion.
5. The title to this property is leasehold and expires in 2047.
6. The title to this property is leasehold and expires in 2108.
7. The title to this property is leasehold with options to extend the ground lease to 2134 at the Group's discretion.
8. Disposed of during the period.

(e) Operating lease receivables

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

	30-Jun-19 $m	30-Jun-18 $m
Not later than one year	**871.5**	883.6
Later than one year and not later than five years	**2,308.3**	2,376.9
Later than five years	**1,020.8**	1,166.8
Total operating lease receivables	**4,200.6**	4,427.3

1. Refer to Note 22 for the proportion of revenue earned relating to the recovery of property outgoings.

5. Equity accounted investments

Equity accounted investments are predominantly investment property joint ventures with strategic partners where the property ownership interest is held through a jointly owned trust rather than direct ownership into the property title. The 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 Group's financial statements using the equity method.

(a) Summary of equity accounted investments

	Ownership		Carrying value	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	%	%	$m	$m
Chatswood Chase Sydney (Joint venture)[1]	**51.0**	51.0	**579.5**	591.2
Victoria Gardens Retail Trust (Joint venture)	**50.0**	50.0	**89.2**	87.6
Vicinity Asset Operations Pty Ltd (Associate)	**40.0**	40.0	**1.4**	2.3
Closing balance			**670.1**	681.1

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

(b) Movements for the year

	30-Jun-19	30-Jun-18
	$m	$m
Opening balance	**681.1**	88.0
Non-cash transfer of Chatswood Chase Sydney from investment properties	**–**	576.7
Additional investments made during the year	**1.6**	0.2
Share of net profit of equity accounted investments	**19.0**	26.8
Distributions of net income declared by equity accounted investments	**(31.6)**	(10.6)
Closing balance	**670.1**	681.1

(c) Summarised financial information of joint ventures

Chatswood Chase Sydney

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

	30-Jun-19	30-Jun-18
	$m	$m
Investment properties (non-current)	**591.5**	592.0
Other net working capital	**(12.0)**	(1.0)
Net assets	**579.5**	591.0
Total income[1]	**31.9**	10.5
Aggregate net profits after income tax[1]	**12.5**	18.7

1. Amounts for the year ended 30 June 2018 represent results since classification of Chatswood Chase Sydney as an equity accounted investment on 30 April 2018.

Victoria Gardens Retail Trust

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

	30-Jun-19	30-Jun-18
	$m	$m
Investment properties (non-current)	**142.9**	140.3
Interest bearing liabilities (non-current)	**(46.7)**	(46.7)
Other net working capital	**(7.0)**	(6.0)
Net assets	**89.2**	87.6
Total income	**11.2**	10.6
Aggregate net profits after income tax	**7.0**	5.9
Interest expense	**(1.9)**	(1.9)

5. Equity accounted investments continued

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

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

Asset management fees earned by the Group for management services provided to Chatswood Chase Sydney totalled $6,264,044 (from 30 April 2018 to 30 June 2018: totalled $1,736,545). At 30 June 2019, no amounts remain payable to the Group (30 June 2018: $nil). Distribution income from the Group's investment in Chatswood Chase Sydney was $24,002,946 (30 June 2018: $4,329,417) with $11,808,356 remaining receivable at 30 June 2019 (30 June 2018: $1,065,417).

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

Asset management fees earned by the Group for management services provided to Victoria Gardens Retail Trust totalled $143,975 (30 June 2018: $1,596,281). At 30 June 2019, no amounts remain payable to the Group (30 June 2018: $nil). Distribution income from the Group's investment in Victoria Gardens Retail Trust was $5,317,152 (30 June 2018: $4,720,097) with $7,762,405 remaining receivable at 30 June 2019 (30 June 2018: $6,795,253).

Vicinity Asset Operations Pty Ltd (VAO) (associate, 40% ownership interest)

Rent and outgoings earned from VAO as a tenant of the Group's centres was $7,460,645 (30 June 2018: $12,774,974). Dividends paid to the Group were $2,278,296 (30 June 2018: $1,569,674). The Group has receivables from VAO of $2,619,121 at 30 June 2019 (30 June 2018: $5,739,656).

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 AUD at the applicable exchange rate at year end with the gain or loss attributable to exchange rate movements recognised in profit or loss in the Statement of Comprehensive Income.

During the year, the following financing activities have occurred:

- AUD $460.0 million bonds ($60.0 million seven-year and $400.0 million six-year bonds) were issued under the European Medium Term Note (EMTN) and Australian Medium Term Note (AMTN) programs;
- a five-year AUD $300.0 million bank debt facility was established with a new lender;
- maturities for a number of bank debt facilities totalling $1.25 billion were extended by 12 to 13 months;
- USD $30.0 million USD Private Placement Notes (USPPs) matured on 7 February 2019; and
- net repayments of $48.6 million were made throughout the year with proceeds from investment property divestments, partially offset by drawdowns for the on-market security buy-back program and capital expenditure.

(a) Summary of facilities

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

	30-Jun-19 $m	30-Jun-18 $m
Current liabilities		
Secured		
AMTNs[1]	**151.8**	–
Unsecured		
USPPs	**–**	41.6
AMTNs	**250.0**	–
Deferred debt costs[2]	**(0.3)**	–
Total current liabilities	**401.5**	41.6
Non-current liabilities		
Secured		
AMTNs[1]	**153.6**	311.5
Unsecured		
Bank debt	**1,418.5**	1,888.5
AMTNs[3]	**856.1**	646.2
GBP European Medium Term Notes (GBMTNs)	**629.2**	616.6
HKD Medium Term Notes (HKMTNs)	**116.7**	110.4
USPPs	**873.5**	836.7
Deferred debt costs[2]	**(13.0)**	(13.9)
Total non-current liabilities	**4,034.6**	4,396.0
Total interest bearing liabilities	**4,436.1**	4,437.6

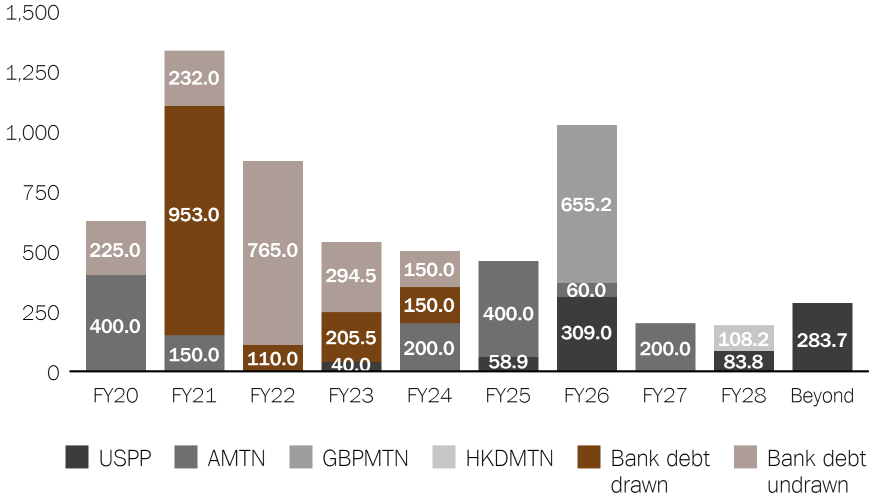
1. Secured by a first charge over certain of the Group's investment properties with a carrying value of $3,639.4 million (30 June 2018: $4,470.9 million).
2. Deferred debt costs comprise the unamortised value of borrowing costs on establishment or refinance of debt facilities. These costs are deferred on the Balance Sheet and amortised to borrowing costs in the Statement of Comprehensive Income.
3. Non-current unsecured AMTNs include AUD $60.0 million issued under the Group's EMTN program.

6. Interest bearing liabilities and derivatives continued

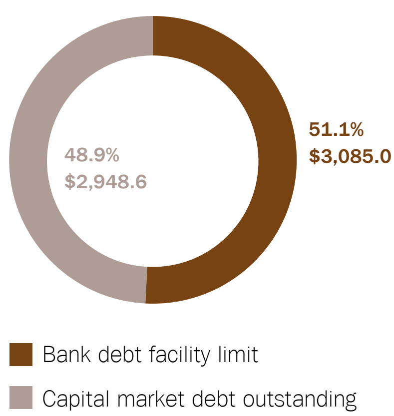
(b) Facility maturity and availability

The charts below outline the maturity of the Group's total available facilities at 30 June 2019 by type and the bank to capital markets debt ratio. Of the $6,033.6 million total available facilities (30 June 2018: $5,494.0 million), $1,666.5 million remains undrawn at 30 June 2019 (30 June 2018: $1,078.8 million).

Available facilities expiry profile ($m)[1,2]



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



1. The carrying amount of the USPPs, GBMTNs, HKMTNs and AMTNs in the Balance Sheet is net of adjustments for fair value items and foreign exchange translation of $82.3 million (30 June 2018: $36.3 million). These adjustments are excluded from the calculation of total facilities available and amounts drawn as shown in the charts. Additionally, deferred debt costs of $13.3 million (30 June 2018: $13.9 million) are not reflected in the amount drawn.
2. $225.0 million of undrawn bank debt facilities expiring in FY20 were cancelled on 30 July 2019.

(c) Borrowing costs

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

For the 12 months to:	30-Jun-19 $m	30-Jun-18 $m
Interest and other costs on interest bearing liabilities and derivatives	**195.2**	189.2
Amortisation of deferred debt costs	**5.0**	4.6
Amortisation of fair value adjustments relating to discontinuation of hedge accounting	**(2.2)**	(2.6)
Amortisation of AMTN and GBMTN fair value adjustment	**(5.0)**	(4.9)
Finance lease interest	**3.1**	2.6
Capitalised borrowing costs	**(7.9)**	(6.4)
Total borrowing costs	**188.2**	182.5

(d) Defaults and covenants

At 30 June 2019, the Group had no defaults on debt obligations or breaches of lending covenants (30 June 2018: Nil).

(e) Derivatives

As detailed further in Note 7, derivative instruments are held to hedge against the interest rate risk and foreign currency risk of the Group's borrowings. Derivatives are initially recognised at fair value and subsequently remeasured to their fair value at each reporting period. The fair value of these derivatives 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. In respect of derivative financial instruments within the Statement of Comprehensive Income:

- movements in fair value are recognised within net mark-to-market movement on derivatives; and
- the net interest received or paid is included within borrowing costs.

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

	Carrying amount		Notional principal value	
	30-Jun-19 $m	30-Jun-18 $m	30-Jun-19 $m	30-Jun-18 $m
Cross currency swaps (pay AUD floating receive USD fixed)	**–**	3.2	**–**	38.0
Interest rate swaps (pay floating/receive fixed)	**4.7**	–	**400.0**	–
Total current assets	**4.7**	3.2	**n/a**	n/a
Cross currency swaps (pay AUD floating receive USD fixed)	**116.6**	60.7	**660.3**	302.5
Cross currency swaps (pay AUD floating receive HKD fixed)	**16.4**	1.8	**108.2**	108.2
Interest rate swaps (pay floating/receive fixed)	**5.6**	–	**100.0**	–
Total non-current assets	**138.6**	62.5	**n/a**	n/a
Interest rate swaps (pay fixed/receive floating)	**(5.6)**	–	**550.0**	150.0
Total current liabilities	**(5.6)**	–	**n/a**	n/a
Cross currency swaps (pay AUD floating receive GBP fixed)	**(16.4)**	(48.3)	**655.2**	655.2
Cross currency swaps (pay AUD floating receive USD fixed)	**–**	(37.9)	**–**	357.8
Interest rate swaps (pay fixed/receive floating)	**(207.2)**	(77.0)	**2,525.0**	2,575.0
Total non-current liabilities	**(223.6)**	(163.2)	**n/a**	n/a
Total net carrying amount of derivative financial instruments[1]	**(85.9)**	(97.5)	**n/a**	n/a

1. The movement in the net carrying amount of derivative financial instruments of $11.6 million was due to mark-to-market fair value adjustments of $15.8 million partly offset by the maturity of a cross currency swap of $4.2 million.

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

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

	30-Jun-19 $m	30-Jun-18 $m
Opening balance	**4,437.6**	3,893.7
Net cash (repayments)/drawdowns of borrowings	**(48.6)**	490.4
Foreign exchange rate adjustments recognised in profit and loss	**57.9**	59.0
Payment of deferred debt costs	**(4.4)**	(2.5)
Amortisation of deferred debt costs	**5.0**	4.6
Maturity of cross currency swap	**(4.2)**	–
Fair value movements, non-cash	**(7.2)**	(7.6)
Closing balance	**4,436.1**	4,437.6

7. Capital and financial risk management

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

- ensure that the 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 Group's debt facilities;
- reduce the impact of adverse interest rate or foreign exchange movements on the Group using approved financial risk management instruments;
- diversify banking counterparties to mitigate counterparty credit risk; and
- ensure the Group treasury team operates in an appropriate control environment, with effective systems and procedures.

The key financial risks monitored by the CMC and the Group and strategies adopted to assist in managing these risks are set out below:

Risk	Primary source(s)	Explanation and risk management strategy	Details
Interest rate risk	Floating rate borrowings	Interest rate risk represents the potential for changes in market interest rates to impact the total interest expense for the Group. Interest rate swaps[1] are used to manage this risk. None of the Group's derivatives are currently in designated hedge relationships. Under the terms of these swaps, the Group agrees to exchange, at specified intervals, amounts based on the difference between fixed interest rates and the floating market interest rate calculated by reference to an agreed notional principal amount.	Note 7(a)
Foreign exchange rate risk	Foreign denominated interest bearing liabilities	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. This risk is managed through the use of cross currency swaps[1], which swap the foreign currency interest payments into Australian Dollars and fix the exchange rate for the conversion of the principal repayment. None of these derivatives are currently in designated hedge relationships.	Note 7(b)
Liquidity risk	Interest bearing liabilities	Liquidity risk represents the risk that the Group will be unable to meet financial obligations as they fall due. To manage this risk, sufficient capacity under the 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 obtaining and maintaining funding from a range of sources (e.g. banks and Australian and foreign debt capital markets), maintaining sufficient undrawn debt capacity and cash balances, and managing the amount of borrowings that mature, or facilities that expire, in any one year.	Note 7(c)
Credit risk	Tenant receivables, derivative counterparties and bank deposits	Credit risk is the risk that a tenant or counterparty to a financial instrument fails to meet their financial obligations to the Group. To mitigate tenant credit risk, an assessment is performed taking into consideration the financial background of the tenant and the amount of any security or bank guarantee provided as collateral under the lease. To mitigate credit risk in relation to derivative counterparties and bank deposits, the Group has policies to limit exposure to any one financial institution. The maximum exposure to credit risk at the balance date is the carrying amount of the Group's financial assets.	Note 9

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 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.

(a) Interest rate risk

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

	30-Jun-19 $m	30-Jun-18 $m
Total interest bearing liabilities (Note 6(a))	**4,436.1**	4,437.6
Add: deferred debt costs	**13.3**	13.9
Add: fair value and foreign exchange adjustments to GBMTNs	**26.0**	38.6
Less: fair value and foreign exchange adjustments to USPPs	**(98.3)**	(65.0)
Less: fair value adjustments to AMTNs	**(1.5)**	(7.7)
Less: foreign exchange adjustments to HKMTNs	**(8.5)**	(2.2)
Total drawn debt	**4,367.1**	4,415.2
Less: Fixed rate borrowings	**(1,290.0)**	(1,065.0)
Variable rate borrowings exposed to cash flow interest rate risk	**3,077.1**	3,350.2
Less: Notional principal of outstanding interest rate swap contracts	**(2,575.0)**	(2,725.0)
Net variable rate borrowings exposed to cash flow interest rate risk	**502.1**	625.2
Hedge ratio[1]	**88.5%**	86.0%

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 floating interest rate of +/- 25 bps, assuming the net exposure to cash flow interest rate risk as at 30 June 2019 remains unchanged for the next 12 months, would impact the Group's cash interest cost for the next 12 months by $1.2 million (30 June 2018 +/- 25 bps: $1.6 million).

The fair values of derivatives used by the 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 2019 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $7.8 million (30 June 2018 +/- 25 bps: $2.8 million).

This sensitivity analysis should not be considered a projection.

(b) Foreign exchange rate risk

At 30 June 2019, the Group has the following net exposure to foreign currency translation risk arising from GBP, HKD and USD denominated borrowings:

GBP borrowings	30-Jun-19 GBP £m	30-Jun-18 GBP £m
Total interest bearing liabilities in GBP	**350.0**	350.0
Less: Notional value of cross currency swaps (pay AUD receive GBP)	**(350.0)**	(350.0)
Net exposure to GBP translation risk	**–**	–
Hedge ratio for interest bearing liabilities in GBP	**100%**	100%

HKD borrowings	30-Jun-19 HKD $m	30-Jun-18 HKD $m
Total interest bearing liabilities in HKD	**640.0**	640.0
Less: Notional value of cross currency swaps (pay AUD receive HKD)	**(640.0)**	(640.0)
Net exposure to HKD translation risk	**–**	–
Hedge ratio for interest bearing liabilities in HKD	**100%**	100%

USD borrowings	30-Jun-19 USD $m	30-Jun-18 USD $m
Total interest bearing liabilities in USD	**523.0**	553.0
Less: Notional value of cross currency swaps (pay AUD receive USD)	**(523.0)**	(553.0)
Net exposure to USD translation risk	**–**	–
Hedge ratio for interest bearing liabilities in USD	**100%**	100%

The carrying values of debt and derivatives held by the Group are also sensitive to foreign exchange rates. A shift in the forward GBP, HKD and USD exchange rate curves of +/- 5.0 cents, assuming the net exposure to fair value exchange rate risk as at 30 June 2019 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $8.7 million (30 June 2018 +/- 5.0 cents: $12.3 million).

7. Capital and financial risk management continued

(c) Liquidity risk

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

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

30-Jun-18	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m
Bank debt	–	1,273.5	615.0	1,888.5
AMTNs	–	550.0	400.0	950.0
GBMTNs	–	–	695.0	695.0
HKMTNs	–	–	116.1	116.1
USPPs	40.5	–	829.5	870.0
Estimated interest payments and line fees on borrowings	167.9	256.8	424.8	849.5
Estimated net interest rate swap cash outflow	25.5	37.4	19.9	82.8
Estimated gross cross currency swap cash outflows	97.8	122.8	1,822.3	2,042.9
Estimated gross cross currency swap cash (inflows)	(95.1)	(105.1)	(1,833.9)	(2,034.1)
Total contractual outflows	236.6	2,135.4	3,088.7	5,460.7

(d) Fair value of borrowings

As at 30 June 2019, the Group's interest bearing liabilities had a fair value of $4,565.1 million (30 June 2018: $4,476.5 million).

The carrying amount of these interest bearing liabilities was $4,436.1 million (June 2018: $4,437.6 million). The difference between the carrying amount and the fair value of interest bearing liabilities is due to:

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

Had the fixed rate interest bearing liabilities been recognised at fair value, these would have been classified as Level 2 under the fair value hierarchy as the market discount rates used are indirectly observable.

(e) Capital risk management

The Group maintains a strong and conservative capital structure with appropriate liquidity, low gearing and a diversified debt profile (by source and tenor). The Group has long-term credit ratings of 'A2/stable' from Moody's Investors Service and 'A/stable' from Standard & Poor's. Key metrics monitored are gearing ratio and interest cover ratio. These metrics are shown below:

Gearing

	30-Jun-19 $m	30-Jun-18 $m
Total drawn debt (Note 7(a))	**4,367.1**	4,415.2
Drawn debt net of cash	**4,332.2**	4,373.1
Total tangible assets excluding cash, finance lease assets and derivative financial assets	**16,001.0**	16,558.8
Gearing ratio (target range of 25.0% to 35.0%)	**27.1%**	26.4%

Interest cover ratio

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

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

At 30 June 2019 the interest cover ratio was 4.4 times (30 June 2018: 4.8 times).

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 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 ordinary securities of the Group is shown in the table below. All ordinary securities are fully paid. During the year the Group continued its on-market security buy-back program purchasing 99.8 million securities for a total of $255.5 million representing an average price of $2.56 per security.

	30-Jun-19 Number (m)	30-Jun-18 Number (m)	30-Jun-19 $m	30-Jun-18 $m
Total stapled securities on issue at the beginning of the year	**3,871.6**	3,958.6	**8,262.4**	8,493.2
On-market security buy-back	**(99.8)**	(87.0)	**(255.5)**	(230.8)
Total stapled securities on issue at the end of the year	**3,771.8**	3,871.6	**8,006.9**	8,262.4

9. Trade receivables and other assets

Trade receivables largely comprise amounts due from tenants of the Group's investment properties under lease agreements and amounts receivable from strategic partners under property management agreements. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit losses. At 30 June 2019, the carrying value of trade receivables and other financial assets approximated their fair value.

	30-Jun-19 $m	30-Jun-18 $m
Trade debtors	**18.2**	15.3
Accrued income	**18.0**	16.7
Receivables from strategic partnerships	**5.3**	13.0
Less: allowance for expected credit losses	**(7.3)**	(6.7)
Total trade receivables[1]	**34.2**	38.3
Distributions receivable from joint ventures and associates	**19.5**	7.8
Prepayments	**16.0**	17.3
Land tax levies	**14.2**	12.0
Tenant security deposits held	**0.6**	0.8
Development receivables	**–**	3.2
Other	**16.6**	20.2
Total other assets	**66.9**	61.3
Total trade receivables and other assets	**101.1**	99.6

1. Includes receivables relating to lease rental income, property outgoings recovery revenue and other property related revenue. Refer to Note 22 for an analysis of the Group's revenue and income by type.

Credit risk

Receivable balances are continually monitored with the Group considering receivables that have not been paid for 30 days after the invoice date as past due. Of the $41.5 million trade receivables outstanding (30 June 2018: $45.0 million), $13.7 million, which represents approximately 1.07% of total combined revenue, is considered past due but not impaired at 30 June 2019 (30 June 2018: $13.7 million).

The Group has recognised a loss of $6.2 million (30 June 2018: $3.9 million) in respect of impaired trade receivables during the year. The loss has been included in direct property expenses in the Statement of Comprehensive Income.

The 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. There are no significant concentrations of credit risk with any tenant or tenant group.

Allowance for expected credit losses

The allowance for expected credit losses (ECLs) represents the difference between cash flows contractually receivable by the Group and the cash flows the Group expects to receive over the life of the relevant receivable (lifetime ECLs) based on a probability weighted estimate.

To calculate the lifetime ECLs on trade receivables the Group utilises a provision matrix. The provision matrix incorporates historical tenant debt write off information for each investment property as well as considering forward indicators specific to the economic environment to determine an allowance rate based on the age of a particular debt. Conditions specific to a tenant or group of tenants are also considered when determining the appropriate allowance.

Individual debts are considered to be in default and written off when contractual payments have not been made and management decides to no longer pursue the amount.

10. Payables and other financial liabilities

Payables and other financial liabilities represent liabilities for goods and services provided to the 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, excluding finance lease liabilities. Trade and other payables are carried at amortised cost and are not discounted due to their short-term nature. At 30 June 2019, the carrying value of payables and other financial liabilities approximated their fair value.

	30-Jun-19 $m	30-Jun-18 $m
Current		
Trade payables and accrued expenses	**68.4**	62.3
Lease rental income and property outgoings recovery revenue received in advance[1]	**16.8**	27.7
Accrued interest expense	**18.3**	18.7
Accrued capital expenditure	**25.3**	31.6
Security deposits	**0.3**	0.5
Finance lease liabilities[2]	**15.9**	15.3
Other	**6.4**	9.2
Total current liabilities	**151.4**	165.3
Non-current		
Finance lease liabilities[2]	**207.3**	204.8
Total non-current liabilities	**207.3**	204.8

1. Largely represents amounts received in advance relating to the following month's lease rental income and property outgoings recovery revenue.
2. Refer Note 23(b).

11. Provisions

Provisions comprise liabilities arising from employee benefits, such as annual leave and long service leave, as well as provisions for stamp duty and other items for which the amount or timing of the settlement is uncertain as it is outside the control of the Group.

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

The discount rates used to determine the present value of employee-related provisions are determined by reference to market yields at the end of the reporting period attaching to high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows of the related liability.

	30-Jun-19 $m	30-Jun-18 $m
Current		
Current employee entitlements	**51.8**	51.1
Other current provisions	**20.6**	25.9
Total current provisions	**72.4**	77.0
Non-current		
Non-current employee entitlements	**3.9**	3.9
Other non-current provisions	**4.3**	4.8
Total non-current provisions	**8.2**	8.7

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

	30-Jun-18 $m	Arising during the year $m	Paid during the year $m	Other movements $m	30-Jun-19 $m
Current					
Stamp duty	9.0	–	–	(3.0)	**6.0**
Land tax levies	12.0	14.2	(12.0)	–	**14.2**
Other	4.9	–	–	(4.5)	**0.4**
Total other current provisions	25.9	14.2	(12.0)	(7.5)	**20.6**
Non-current					
Other	4.8	–	(0.5)	–	**4.3**
Total other non-current provisions	4.8	–	(0.5)	–	**4.3**

12. Key management personnel

The remuneration of the Key Management Personnel (KMP) of the Group is disclosed in the Remuneration Report. The compensation of KMP included in the Group's financial statements comprises:

For the 12 months to:	30-Jun-19 $'000	30-Jun-18 $'000
Short-term employee benefits – Executive KMP	**3,466**	4,399
Short-term employee benefits – Non-executive KMP	**1,916**	1,817
Termination benefits	**665**	–
Share based payments	**(358)**	2,006
Post-employment benefits	**202**	214
Other long-term employee benefits	**(44)**	27
Total remuneration of KMP of the Group	**5,847**	8,463

13. Employees

Employee benefits expense consists of:

For the 12 months to:	Note	30-Jun-19 $m	30-Jun-18 $m
Salaries and wages		**87.7**	86.8
Share based payments expense	14(a)	**2.8**	7.3
Other employee benefits expense		**5.0**	3.5
Total employee benefits expense		**95.5**	97.6

14. Share based payments

The Group remunerates eligible employees through three equity settled security based compensation plans. These plans are designed to align executives' and employees' interests with those of securityholders by incentivising participants to deliver long-term shareholder returns. A summary of each plan is described below:

Plan	Description
Long Term Incentive (LTI)	Executives and senior management are granted performance rights to acquire Vicinity securities for nil consideration. These rights vest after completion of a four-year service period and when certain hurdle requirements, which are set when the rights are granted, are met. Achievement of the hurdle requirements are assessed after completion of the first three years with a subsequent holding lock of one year. The detailed hurdle requirements are set out in Note 14(b).
Short Term Incentive (STI)	STI provides the opportunity to receive an annual, performance based incentive payment, when a combination of short-term Group financial and individual performance objectives is achieved. Executives and senior management are then required to defer a portion of their annual STI payment into equity for a period of 12 to 24 months. The amounts deferred will become available to the employee at the end of the deferral period, provided they remain employed by the Group.
Employee Plan	$1,000 worth of Vicinity securities are granted annually to eligible employees for nil consideration. Securities granted under the plan are subject to a three-year trading restriction unless the employee ceases to be employed by the Group.

Further details relating to the LTI and STI plans are included in Note 14(b).

(a) Expenses and movements relating to share based payment plans

The following expenses and movements were recognised within employee benefits expense and reserves in relation to the share based payment compensation plans.

For the 12 months to:	30-Jun-19 $m	30-Jun-18 $m
Long Term Incentive	**(0.7)**	3.0
Short Term Incentive[1]	**2.4**	3.2
Employee Plan[2]	**1.0**	0.9
Other share based payments	**0.1**	0.2
Total share based payments	**2.8**	7.3

1. As described in Note 14(b) this amount represents the value of STI deferred into equity relating to the prior financial year.
2. A total of 392,441 securities were granted under the Employee Plan during the year (30 June 2018: 335,008).

The movement in the number of LTI performance rights during the year was as follows:

	30-Jun-19 Number	30-Jun-18 Number
Opening balance at the beginning of the year	**8,137,548**	6,121,419
Granted	**3,307,020**	3,266,880
Forfeited and lapsed	**(2,538,012)**	(1,250,751)
Vested[1]	**(1,112,868)**	–
Outstanding at the end of the year	**7,793,688**	8,137,548
Exercisable at the end of the year	**Nil**	Nil
Weighted average remaining contractual life	**2.08 years**	2.12 years

1. The LTI performance rights vested during the year relate to FY16 LTI Plan. The performance period for the FY17 LTI Plan ended on 30 June 2019. Performance hurdles were subsequently tested in August 2019 with 1,023,948 performance rights conditionally vesting and 1,023,931 lapsing. Performance rights that have conditionally vested remain subject to a 12-month holding lock period.

(b) Plan details

Long Term Incentive Plan conditions

Features of the LTI performance rights on issue during the financial year are:

Grant years	FY19, FY18, FY17 and FY16
Performance period	Three years commencing 1 July of the grant year
Service period	Four years (three-year performance period plus an additional year holding lock)
Performance hurdles[1]	50% relative total securityholder return (TSR) Relative TSR combines the security price movement and distributions (which are assumed to be re-invested) to show the total return to securityholders, relative to that of other companies in the TSR Comparator Group. 50% total return (TR) TR is calculated in each year of the performance period as: Change in Vicinity's net tangible assets (NTA) value during the year plus total distributions made divided by the NTA value at the beginning of the year. The annual TR result for each year during the performance period is then used to calculate the compound annual TR for the three-year performance period[2].
TSR Comparator Group	S&P/ASX 200 A-REIT Index excluding Westfield Corporation[3].

1. For the purposes of LTI Plan assessment, each performance hurdle operates independently of the other.
2. To ensure that the TR performance rights vesting reflects the value created from the efficient management of Vicinity Centres assets and there is no undue advantage, penalty or disincentive for undertaking certain activities TR outcomes may be adjusted. Both upwards and downwards adjustments can be made, with reference to principles agreed by the Remuneration and Human Resources Committee.
3. Westfield Corporation (ASX:WDC) merged with Unibail Rodamco to form Unibail Rodamco Westfield (URW) in May 2018. WDC was de-listed from the ASX and a CHESS depository interest for URW (ASX:URW) was listed on the ASX. The TSR Comparator Group excludes WDC and URW.

14. Share based payments continued

(b) Plan details continued

Long Term Incentive Plan – performance rights valuation

The fair value of performance rights granted under the LTI is estimated at the date of grant using a Monte Carlo simulation model taking into account the terms and conditions upon which the performance rights were granted. For grants with non-market vesting conditions (TR), the grant date fair value is expensed over the vesting period and adjusted to reflect the actual number of rights for which the related service and non-market vesting conditions are expected to be met. The grant date fair value of awards with market performance conditions (TSR) reflects the probability of these conditions being met and hence the expense recognised over the vesting period is only adjusted for changes in expectations as to whether service criteria will be met.

A number of assumptions were used in valuing the performance rights as shown in the table below:

Assumption	Basis	FY19 Plan	FY18 Plan
Distribution yield	Expected annual distribution rate over the next three years.	**5.9%**	5.7%
Risk-free interest rate	Three-year government bond yields as at grant date.	**2.0%**	1.9%
Volatility correlation between Vicinity and other comparator companies	Analysis of historical total security return volatility (i.e. standard deviation) and the implied volatilities of exchange traded options.	**60.0%**	55.0%
Volatility of Vicinity securities	As above.	**16.0%**	17.0%
TSR of Vicinity securities	Performance between the start date of the testing period and the valuation date.	**4.4%**	4.7%
Holding lock adjustment	Adjustment for 12-month holding lock period.	**7.5%**	7.5%
Security price at measurement date	Closing Vicinity securities price at grant date.	**$2.71**	$2.87
Fair value per right – TR		**$2.16**	$2.25
Fair value per right – TSR		**$1.06**	$0.98

Short Term Incentive Plan

The number of securities granted and deferred under the STI Plan during the year ended 30 June 2019 relating to incentive payments earned in the year ended 30 June 2018 was 877,643 (30 June 2018 relating to the year ended 30 June 2017: 1,187,088). The fair value of these securities was $2.72 per security (30 June 2018: $2.69) being the volume weighted average security price of VCX in the 10 trading days prior to the grant date of 26 September 2018.

Other disclosures

15. Intangible assets

(a) Background

Intangible asset balances relate to the value of external management contracts and goodwill. The intangible assets were recognised upon business combinations at their fair value at both the date of Novion Property Group's acquisition of the Commonwealth Bank of Australia's property management business (on 24 March 2014) and the merger of Novion Property Group and Federation Centres (on 11 June 2015).

External management contracts

External management contracts reflect the right to provide asset and funds management services to external parties in accordance with management agreements. The value of these contracts is allocated to the Strategic Partnerships cash-generating unit (SP CGU), which is also an operating and reportable segment.

Finite life

External management contracts that are considered to have a finite life are amortised on a straight-line basis depending on the timing of the projected cash flows under the management agreements.

Indefinite life

External management contracts, primarily those associated with strategic partners who co-own assets with the Group and that have management agreements without termination dates, are considered to have indefinite useful lives and are therefore not amortised.

Goodwill

Goodwill is allocated to the Property Investment CGU (PI CGU), which is also an operating and reportable segment. Goodwill relates to the incremental value created in relation to the Group's investment properties by replacing external market-based asset management fees with a lower internal cost structure (reflecting the value of management contracts relating to internally-owned assets).

A reconciliation of the movements in the value of intangible assets for the current and prior period is shown below:

	External management contracts		Goodwill	Total
	Indefinite life $m	Finite life $m	$m	$m
Carrying value 1 July 2017	**164.2**	**8.2**	**427.0**	**599.4**
Amortisation charge	–	(4.5)	–	(4.5)
Carrying value 30 June 2018	**164.2**	**3.7**	**427.0**	**594.9**
Amortisation charge	–	(3.7)	–	(3.7)
Carrying value 30 June 2019	**164.2**	**–**	**427.0**	**591.2**

(b) Impairment testing

The Group performs impairment testing for goodwill and indefinite life intangible assets on an annual basis (at 30 June each year) or when there are other indicators of impairment. At 30 June 2019 the Group's net asset value was greater than its market capitalisation, which was considered a potential indicator of impairment. Further details of the resulting impairment testing undertaken are summarised below. No impairment was required to either the SP CGU or PI CGU.

External management contracts

The recoverable amount of the SP CGU is determined using a fair value less cost of disposal (fair value) approach. This is performed using a discounted cash flow (DCF) valuation of the external asset and funds management contracts which is based on the following key assumptions:

Key assumption	30-Jun-19	30-Jun-18
Post-tax external management contract cash flows	**5 years**	5 years
Terminal growth rates	**2.20% – 2.70%**	2.20% – 2.70%
Post-tax discount rate range	**6.51% – 7.01%**	6.80% –7.30%

The impairment test determined that the recoverable amount of the SP CGU exceeded its carrying value and therefore no impairment was required.

Sensitivity considerations

Sensitivities to the key assumptions within the external management contracts DCF were also tested and the Group has determined that no reasonably possible changes would give rise to impairment at 30 June 2019. The future disposal of interests in directly owned or equity accounted investment property assets, where the Group also gives up any future management rights under existing finite life or indefinite life contracts, may lead to the derecognition of the associated carrying values of these management contracts, as the Group may no longer act as the asset manager and therefore no longer be entitled to the asset management fees.

15. Intangible assets continued

(b) Impairment testing continued

Goodwill

The recoverable amount of the PI CGU is determined using a fair value approach. In order to determine the fair value of the PI CGU as a whole, an enterprise value (EV) approach is undertaken. The EV approach estimates unlevered fair value based on a Free Cash Flow to Firm DCF analysis. This analysis discounts funds from operations (FFO) adjusted for interest expense, cash flows from the SP CGU and capital expenditure requirements. The table below summarises key assumptions used in the EV model:

Key assumption	30-Jun-19	30-Jun-18
Cash flows for forecast FFO and operational capital expenditure	**5 years**	5 years
Terminal growth rate	**2.20%**	2.20%
Pre-tax discount rate range	**6.76% – 7.26%**	7.02% – 7.52%

The impairment test determined that the recoverable amount of the PI CGU exceeded its carrying value and therefore no impairment was required.

Sensitivity considerations

An increase of nine basis points in the pre-tax discount rate or a decrease of 10 basis points in the terminal growth rate would result in the recoverable amount of the PI CGU being equal to its carrying value. This sensitivity analysis assumes that these assumptions change while all other assumptions remain constant; however, changes in the pre-tax discount rate and terminal growth rate may be accompanied by a change in other assumptions, which could have an offsetting impact, for example, on the carrying value of the Group's investment properties.

The carrying amount of the PI CGU includes the value of the Group's investment properties. These investment properties are held at fair value, which is determined based on a number of market-based assumptions, including discount rates, capitalisation rates and growth rates (as outlined in Note 4(c)). Therefore, movements in market-based assumptions used in determining the recoverable amount of the PI CGU may also be indicative of movements in assumptions applied in the valuation of the PI CGU's investment properties as follows:

- Increases in market-based pre-tax discount rates may also be indicative of increases in the discount rate and capitalisation rate assumptions applied in the valuation of the PI CGU's investment properties.
- Decreases in the terminal growth rate may also be indicative of decreases in the growth rate assumptions applied in the valuation of the PI CGU's investment properties.

Increases in the investment property discount rate and capitalisation rate assumptions, or decreases in growth rate assumptions, would reduce their fair value (carrying amount, assuming all other assumptions remain constant) thereby reducing the overall carrying amount of the PI CGU. This may result in the recoverable amount of the PI CGU continuing to exceed its carrying value.

As part of the assessment of the recoverable amount of the PI CGU and associated goodwill balance, the Group cross checked the carrying value of goodwill using a DCF valuation of only the incremental cash flows generated by the internal asset management contracts (as compared to paying external market-based asset management fees). The key assumptions used were the same as those used in the valuation of the external management contracts to determine a value for goodwill from the perspective of an external manager. The DCF valuation cross check did not provide an indicator of impairment.

Other than as disclosed above there were no reasonably possible changes in assumptions at 30 June 2019 that would result in the carrying value of the PI CGU exceeding its recoverable amount.

Process for determination of key assumptions

Key assumptions used in the fair value assessment of both goodwill and external management contracts have been determined as follows:

- Relevant discount rates are calculated based on the Group's estimated weighted average cost of capital, with reference to the Group's long-term average cost of debt, estimated cost of equity and target gearing ratios.
- Terminal growth rates are estimated with reference to macro-economic conditions (including consideration of equity analyst estimates) and the Group's expected long-term earnings growth.
- Forecast FFO, capital expenditure and asset and funds management cash flows are based on the values determined by the Group's budgeting and planning process.

The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants. As forecast FFO, discount rates and growth rates are unobservable inputs into the valuation process, the key assumptions and valuation result are considered to be Level 3 in the fair value hierarchy.

16. 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-19 $m	30-Jun-18 $m
Net profit after tax for the financial year	**346.1**	1,218.7
Exclude non-cash items and cash flows under investing and financing activities:		
Amortisation of incentives and leasing costs	**44.6**	36.3
Straight-lining of rent adjustment	**(15.1)**	(16.8)
Property revaluation decrement/(increment) for directly owned properties	**237.1**	(634.7)
Stamp duty	**–**	67.7
Share of net profit of equity accounted investments	**(19.0)**	(26.8)
Distributions of net income from equity accounted investments	**31.6**	10.6
Amortisation of non-cash items included in interest expense	**0.9**	(0.3)
Net foreign exchange movement on interest bearing liabilities	**57.9**	59.0
Net mark-to-market movement on derivatives	**(15.8)**	(12.6)
Share based payment expense	**2.8**	7.3
Amortisation of intangible assets	**3.7**	4.5
Other non-cash items	**1.6**	3.8
Movements in working capital:		
(Decrease) in payables, provisions and other liabilities	**(10.0)**	(5.4)
(Increase) in receivables and other assets	**(4.3)**	(5.2)
Net cash inflow from operating activities	**662.1**	706.1

17. 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-19 $'000	30-Jun-18 $'000
Group statutory audit and review of financial reports	**1,187**	1,087
Required regulatory audit services		
Outgoings and promotional fund audits *(independent audit required by retail tenancy law)*	**103**	231
Real Estate Trust account audits *(independent audit required by retail tenancy law)*	**47**	61
Responsible Entity compliance plan audits *(independent audit required for Australian Financial Service Licence holders)*	**45**	44
Required regulatory audit services	**195**	336
Total – statutory and required regulatory audit services	**1,382**	1,423
Other assurance services	**438**	446
Taxation compliance services	**336**	525
Total – other assurance and taxation compliance services	**774**	971
Total auditor's remuneration	**2,156**	2,394

18. Parent entity financial information

(a) Summary financials

The financial information presented below represents that of the legal Parent entity, and deemed Parent entity of the stapled Group, Vicinity Limited. Vicinity Limited recognises investments in subsidiary entities at cost, less any impairment since acquisition. Other accounting policies applied by Vicinity Limited are consistent with those used for the preparation of the consolidated Financial Report.

	30-Jun-19 $m	30-Jun-18 $m
Balance Sheet		
Current assets	**4.4**	18.8
Total assets	**663.7**	687.2
Current liabilities	**(62.0)**	(64.3)
Total liabilities	**(540.1)**	(578.7)
Net assets	**123.6**	108.5
Equity		
Contributed equity	**447.3**	451.8
Share based payment reserve	**(4.3)**	(0.9)
Accumulated losses	**(319.4)**	(342.4)
Total equity	**123.6**	108.5
Net profit for the financial year of Vicinity Limited as Parent entity	**23.0**	26.5
Total comprehensive income for the financial year of Vicinity Limited	**23.0**	26.5

Vicinity Limited has access to the Group's cash flow from operations and undrawn bank facilities, in order to pay its current obligations as and when they fall due.

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. Guarantees provided to subsidiary entities are disclosed at Note 20(c) and predominantly relate to fulfilling capital requirements under Australian Financial Services Licences held by these subsidiaries.

(b) Stapled entity allocation of net profit

In accordance with AASB 3 *Business Combinations*, the Company is the deemed Parent of the Vicinity Centres stapled Group. As the Company has no legal ownership over Vicinity Centres Trust and its controlled entities, the allocation of net profit and net assets is shown separately for the Company and the Trust in the Statement of Comprehensive Income and Statements of Changes in Equity.

19. Related parties

(a) Background

The deemed Parent entity of the Group is Vicinity Limited, which is domiciled and incorporated in Australia. All subsidiaries and sub-trusts of the Group are wholly-owned subsidiaries of Vicinity Limited or sub-trusts of Vicinity Centres Trust as at 30 June 2019.

(b) Information on related party transactions and balances

Vicinity Funds RE Ltd, a wholly-owned subsidiary of the Group, is the Responsible Entity/Trustee of the following funds (collectively known as the Wholesale funds managed by the Group):

- Direct Property Investment Fund A (DPIF-A);
- Direct Property Investment Fund B (DPIF-B);
- Vicinity Enhanced Retail Fund (VERF); and
- Australian Investments Trust (AIT).

The transactions with the Wholesale funds, on normal commercial terms, and the balances outstanding at 30 June 2019 are outlined in the tables below. Transactions and balances relating to equity accounted investments are disclosed in Note 5(d).

Related party balances with Wholesale funds

	Funds management fee receivable		Alignment fee payable	
	30-Jun-19 $'000	30-Jun-18 $'000	30-Jun-19 $'000	30-Jun-18 $'000
Wholesale funds managed by the Group	**675**	6,874	**251**	304

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

Related party transactions with Wholesale funds

For the 12 months to:	30-Jun-19 $'000	30-Jun-18 $'000
Asset and funds management fee income	**2,239**	27,708
Reimbursement of expenses to the property manager	**2,885**	4,718
Distribution income	**90**	137
Alignment fee expense	**(393)**	(864)
Rent and outgoings expenses	**(525)**	(568)

20. Commitments and contingencies

(a) Operating lease commitments

Estimated non-cancellable operating lease expenditure contracted for at reporting date, but not provided for in the financial statements, is shown below. These amounts exclude any lease expenditure for option periods available to the Group.

	30-Jun-19 $m	30-Jun-18 $m
Not later than one year	**8.2**	5.2
Later than one year and not later than five years	**19.0**	17.3
Later than five years	**3.7**	4.8
Total operating lease commitments	**30.9**	27.3

(b) Capital commitments

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

	30-Jun-19 $m	30-Jun-18 $m
Not later than one year	**115.1**	122.3
Later than one year and not later than five years	**–**	7.0
Total capital commitments	**115.1**	129.3

(c) Contingent assets and liabilities

Bank guarantees totalling $47.5 million have been arranged by the Group, primarily to guarantee obligations for two of the Group's Responsible Entities to meet their financial obligations under their Australian Financial Services Licences and other capital requirements (30 June 2018: $51.9 million).

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

21. Adoption of new accounting standards

The new accounting standards AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* became effective for the Group on 1 July 2018. This note explains the impact of the adoption of these standards on the Group's financial statements and updated accounting policies.

(a) AASB 9 Financial Instruments

This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It introduces a new approach for classification and measurement of financial instruments; impairment of financial assets; and hedge accounting. The Group adopted AASB 9 retrospectively.

Impact of adoption

Classification and measurement of financial instruments (excluding derivatives)

Financial assets

The table below compares the classification and measurement of the Group's financial assets under AASB 139 as compared to AASB 9. The changes in classification of the Group's financial assets under AASB 9 have not impacted their carrying values.

Financial asset	Carrying amount 30-Jun-18 ($m)	Classification and measurement AASB 139	Classification and measurement AASB 9
Cash and cash equivalents	42.1	Loans and receivables measured at amortised cost	Financial assets measured at amortised cost
Receivables and other assets (current)	99.6	Loans and receivables measured at amortised cost	Financial assets measured at amortised cost
Other assets (non-current)	7.5	Financial asset designated as fair value through profit or loss (FVTPL)	Equity instrument (financial asset) measured at FVTPL

Financial liabilities

The accounting requirements for the Group's financial liabilities under AASB 9 remain largely the same as AASB 139 in that all financial liabilities are measured at amortised cost.

The Group has floating rate borrowing facilities that have been refinanced during previous financial periods. Under AASB 9, the accounting for the modification of a financial liability that has not resulted in derecognition requires an adjustment to the amortised cost of the liability, with any gain or loss being recognised immediately in the Statement of Comprehensive Income. Under the previous standard AASB 139, the gain or loss would have been recognised over the remaining life of the borrowing by adjusting the effective interest rate. The Group has assessed that the cumulative gain on initial application and on modifications during the year is immaterial.

Impairment of financial assets

AASB 9 replaces the 'incurred loss' impairment model of AASB 139 with a new 'expected credit loss' (ECL) impairment model. The objective of the ECL model is to recognise debtor provisions on a forward-looking basis, rather than when there is historical evidence of an impairment occurring. The Group assessed that the impact of adopting the ECL approach to impairment was immaterial. Refer to Note 9 for information on the Group's approach to calculating ECLs.

Hedge accounting and classification and measurement of derivative financial instruments

The Group does not have any existing designated hedging relationships for accounting purposes. Therefore, all derivative financial instruments (assets and liabilities) will continue to be measured at FVTPL and there is no impact from the adoption of AASB 9.

Accounting policies

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities or derivative financial instruments. The impact of the standard on the accounting policies for financial assets from 1 July 2018 is set out below.

Classification and measurement

AASB 9 classifies financial assets based on an entity's business model for managing the financial assets (whether they are held to collect or held to sell) and the contractual terms of the cash flows (whether the contractual cash flows to be received relate only to principal and interest or contain other features). The Group has classified its financial assets as follows:

- Cash and cash equivalents, and current receivables and other assets are held to collect contractual cash flows representing solely payments of principal and interest. At initial recognition these are measured at fair value plus directly attributable transaction costs. Subsequently these financial assets are carried at amortised cost using the effective interest rate method less any impairment losses calculated under the ECL method outlined in Note 9.
- Non-current other assets are equity instruments. The Group accounts for these at FVTPL. Any directly attributable transaction costs relating to these financial assets are expensed upon initial recognition.

Impairment

Refer to Note 9 for the Group's accounting policy for assessing impairment of financial assets under AASB 9.

(b) AASB 15 Revenue from Contracts with Customers

This standard replaces AASB 118 *Revenue* and other revenue-related standards and interpretations. Under AASB 15 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 Group expects to be entitled in exchange for those goods or services and is either recognised 'over time' or 'at a point in time'.

AASB 15 also requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Leases are excluded from the scope of AASB 15. Consequently, for the Group only certain components of property ownership revenue and income and management fee revenue from strategic partnerships are accounted for under AASB 15.

The Group adopted AASB 15 using the modified retrospective basis with no restatement of comparative periods.

Impact of adoption

Adopting AASB 15 has had no material impact on the Group's financial statements as there is no material change to the timing of recognition of revenue when comparing previous accounting policies to the accounting policies applicable under AASB 15 as disclosed below.

The adoption of AASB 15 has resulted in certain additional required disclosures within the financial report.

Accounting policies

Refer to Note 22 for the Group's accounting policies relating to revenue and income.

22. Revenue and income

Property ownership revenue and income

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

Lease rental income

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

Revenue from recovery of property outgoings

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

Other property related revenue

Other property related revenue includes fees earned from advertising, carparking and the on-selling of other services at the Group's shopping centres. The material components of this revenue are recognised over time as the relevant services are provided and relevant performance obligations satisfied.

Management fee revenue from strategic partnerships

These comprise:

Property management fees

The Group manages shopping centre properties on behalf of its co-owners and other external parties. In connection with the provision of these management services the Group derives fee revenue from:

- Ongoing shopping centre management. This is recognised monthly (over time) as property management services are provided. In accordance with the relevant property management agreements, fee revenue is calculated as a percentage of a property's gross revenue and income. Fees are invoiced and paid in the month the service is provided. These fees are derived from finite life and indefinite life contracts as described in Note 15(a).
- Tenant leasing management services. Fees are recognised and invoiced at either the date of lease instruction or lease execution (point in time) depending on the specific property management agreement. Revenue is generally calculated as a percentage of Year 1 rental income achieved.

Property development fees

The Group provides development management and leasing services to its co-owners and other external parties. The Group accounts for all property development services provided under these agreements as a single performance obligation as all activities involved in property development management are highly interrelated. Property development fees are therefore calculated in accordance with the relevant development agreement and recognised over time on a time elapsed input method over the life of the relevant development project.

Funds management fees

The Group provides fund management services to wholesale property funds and property mandates. Services are provided on an ongoing basis and revenue is calculated and recognised monthly (over time) as fund management services are provided in accordance with the relevant fund constitutions.

A summary of the Group's total revenue and income included within the Statement of Comprehensive Income by segment and reconciliation to total segment income is shown below:

For the 12 months to:	30-Jun-19 $m Property Investment segment	30-Jun-19 $m Strategic Partnerships segment	30-Jun-19 $m Total	30-Jun-18 $m Property Investment segment	30-Jun-18 $m Strategic Partnerships segment	30-Jun-18 $m Total
Recovery of property outgoings[1]	**209.2**	**–**	**209.2**	214.8	–	214.8
Other property related revenue[1]	**93.4**	**–**	**93.4**	88.9	–	88.9
Property management and development fees[2]	**–**	**61.6**	**61.6**	–	62.2	62.2
Funds management fees[2]	**–**	**(0.9)**	**(0.9)**	–	20.6	20.6
Total revenue from contracts with customers	**302.6**	**60.7**	**363.3**	303.7	82.8	386.5
Lease rental income[1]	**918.4**	**–**	**918.4**	943.2	–	943.2
Interest and other income	**4.8**	**–**	**4.8**	5.6	–	5.6
Total income	**923.2**	**–**	**923.2**	948.8	–	948.8
Total revenue and income	**1,225.8**	**60.7**	**1,286.5**	1,252.5	82.8	1,335.3
Reconciliation to segment income						
Property-related expenses included in segment income	**(398.9)**	**–**	**(398.9)**	(387.7)	–	(387.7)
Net property income from equity accounted investments included in segment income	**35.0**	**–**	**35.0**	14.7	–	14.7
Straight-lining of rent adjustment	**(15.1)**	**–**	**(15.1)**	(16.8)	–	(16.8)
Amortisation of static lease incentives and other project items	**44.6**	**–**	**44.6**	36.3	–	36.3
Interest and other revenue not included in segment income	**(3.8)**	**2.3**	**(1.5)**	(4.7)	(6.6)	(11.3)
Total segment income	**887.6**	**63.0**	**950.6**	894.3	76.2	970.5

1. Included within 'Property ownership revenue and income' in the Statement of Comprehensive Income.
2. Included within 'Management fee revenue from strategic partnerships' in the Statement of Comprehensive Income.

23. Other Group 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 2019 and the results of all controlled entities for the financial year unless otherwise stated. Controlled entities are:

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

In accordance with AASB 3 *Business Combinations*, Vicinity Limited is the deemed parent of the stapled Group. The results and equity attributable to Vicinity Centres Trust (that is, the amounts shown as attributable to securityholders of other stapled entities of the Group) are shown prior to the elimination of transactions between Vicinity Limited and Vicinity Centres Trust.

23. Other Group accounting matters continued

(a) Other accounting policies continued

Investments in joint operations

Included in investment properties are shopping centres that are accounted for as joint operations – in the form of direct ownership of a partial freehold or leasehold interest in a shopping centre with a strategic partner, based on standard market joint operation agreements. The 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.

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

AASB 16 Leases (adopted by the Group from 1 July 2019)

This standard replaces AASB 117 *Leases* and other lease-related interpretations. It provides a new lessee accounting model, which requires a lessee to recognise lease assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. No significant impact is expected as the Group does not currently have any significant arrangements where it is a lessee.

For existing investment properties already accounted for as finance leases in accordance with the requirements of AASB 140 *Investment Properties* (refer Note 23(b)), the adoption of AASB 16 will require a reassessment of the assumed lease term. This is also not expected to have a significant impact as any reassessment will impact the recognised lease asset and lease liability equally.

Additionally, the accounting requirements for tenant leasing arrangements for which the Group is the lessor, remain substantially unchanged under AASB 16 and accordingly no significant impact on the Statement of Comprehensive Income is expected.

There are other new and/or amended standards that will become effective as of 1 July 2019, but these are not expected to have a material impact on the financial statements of the Group.

(b) Finance lease liabilities

As disclosed in the footnotes to Note 4(d), a number of the 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-19 $m			30-Jun-18 $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	**15.9**	**–**	**15.9**	15.3	–	15.3
Later than one but not more than five years	**68.6**	**(14.3)**	**54.3**	66.7	(14.0)	52.7
More than five years	**547.3**	**(394.3)**	**153.0**	563.2	(411.1)	152.1
Total[1]	**631.8**	**(408.6)**	**223.2**	645.2	(425.1)	220.1

1. For details of properties subject to leasehold arrangements, refer to the footnotes in Note 4(d).

24. Events occurring after the reporting date

No matters have arisen since the end of the year which have significantly affected, or may significantly affect, the operations of the 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 Limited, we declare that:

(a) in the opinion of the Directors, the financial statements and notes set out on pages 80 to 120 are in accordance with the *Corporations Act 2001* (Cth), including:

   i. giving a true and fair view of the Group and its controlled entities' financial position as at 30 June 2019 and of the performance for the financial year ended on that date; and

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

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

(b) in the opinion of the Directors, there are reasonable grounds to believe that the Group 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 2019.

Signed in accordance with a resolution of the Directors of Vicinity Limited.

Peter Hay
Chairman

Melbourne

14 August 2019

Independent Auditor's Report

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

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Independent Auditor's Report

To the Members of Vicinity Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vicinity Limited (the "Company"), and the entities it controlled (collectively "Vicinity Centres" or the "Group"), which comprises the consolidated balance sheet as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a) giving a true and fair view of the consolidated balance sheet of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

Directors' Report
Remuneration Report
Statement of Comprehensive Income
Balance Sheet
Statements of Changes in Equity
Cash Flow Statement
Notes to the Financial Statements
Directors' Declaration
Independent Auditor's Report
Summary of Securityholders
Corporate Directory

Building a better working world

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

Why significant	How the matter was addressed in the audit
The Group owns a portfolio of retail property assets valued at $15,351.8 million at 30 June 2019, which represents 90.3% of total assets of the Group. 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 yields, which require significant estimation and judgement. This also includes the estimations for costs to complete and an allowance for developer's risk and profit and stabilisation for properties in the development phase. Minor adjustments to certain assumptions can lead to significant changes in the valuation of the retail property assets. As outlined in Note 4, the Group determined the valuation of the portfolio based upon valuations sourced from suitably qualified independent valuation experts and internal valuations. 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.	In performing our audit procedures, on a sample basis, we: ▶ Assessed the competence and qualifications of valuers, as well as the objectivity 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. ▶ For properties under development, we compared the costs incurred to date plus the estimated costs to complete to the expected value of the completed project, as advised by the valuers. ▶ Discussed key developments in progress with representatives of the Group responsible for managing developments. ▶ Assessed the effectiveness of controls surrounding the development process and tested a sample of development spend on major projects to progress billing reports. ▶ Reviewed 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 of the financial report. Our real estate valuation specialists were involved in the conduct of these procedures where appropriate.

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2. Carrying value of intangible assets

Why significant	How the matter was addressed in the audit
As at 30 June 2019 the Group held $591.2 million in goodwill and identifiable intangible assets (relating to indefinite life external management contracts). As outlined in Note 15, goodwill and indefinite life external management contracts are tested for impairment annually, or when there is an impairment indicator. The recoverable amount of the indefinite life external management contracts has been determined based on a fair value less cost of disposal ("Fair Value") method using discounted cash flows ("DCFs") of the external asset and funds management business. The recoverable amount of the Property Investment Cash Generating Unit ("CGU"), to which Goodwill is allocated, has been determined using the Fair Value method based on DCFs of the CGU's underlying earnings, adjusted for interest expense and capital expenditure requirements. The impairment assessment includes judgements and estimates made by the Group such as the growth rate of forecasted cash flows, discount rate and terminal value. As a result of the assessment performed at 30 June 2019, no impairment of goodwill or identifiable intangible assets was recorded during the year.	In performing our audit procedures, we: ► Considered the appropriateness and application of valuation methodologies applied. ► Considered the key inputs and assumptions such as forecast cash flows, discount rates and overhead allocations adopted in the valuations. ► Compared the data used in the DCFs to the actual and budgeted financial performance of the Group. ► Compared earnings multiples derived from the Group's impairment testing model to those observable from external market data obtained from comparable listed entities. ► Considered the relationship between the market capitalisation of the business to the net assets of the Group. ► Assessed the disclosures included in Note 15 to the financial report. Our valuation specialists were involved in the conduct of these procedures where appropriate.

3. Property Portfolio Transactions

Why significant	How the matter was addressed in the audit
The Group disposed of twelve properties during the year ended 30 June 2019 for proceeds totalling $683.1m, which had a significant effect on the financial statements. Refer to Note 4 for the impact of the disposals on Investment Properties.	In performing our audit procedures, we: ► Considered the terms of the sale agreements and other related documents. ► Assessed whether these transactions were accounted for in accordance with Australian Accounting Standards, which are reflected in the Groups' accounting policies set out in Notes 4 and 5 of the financial report. ► Assessed the adequacy of the disclosures in Note 4 of the financial report.

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

The directors are responsible for the other information. The other information comprises the information included in Vicinity Centres' 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company 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 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Vicinity Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

David Shewring
Partner
Melbourne
14 August 2019

Alison Parker
Partner

Summary of Securityholders

as at 12 August 2019

Spread of securityholders

Range	Number of securityholders	Number of securities	% of issued securities
100,001 and over	196	3,591,288,672	95.21
10,001 to 100,000	5,505	120,275,748	3.19
5,001 to 10,000	4,824	35,616,088	0.94
1,001 to 5,000	7,939	22,393,748	0.59
1 to 1,000	5,268	2,256,946	0.06
Total	**23,732**	**3,771,831,202**	**100.00**

The number of securityholders holding less than a marketable parcel of 199 securities ($2.52 on 12 August 2019) is 1,246 and they hold 74,723 securities.

On-market purchase of securities

During FY19, 2,596,000 Vicinity securities were purchased on-market at an average price per security of $2.7987 by the trustee for the EESP, STI and LTI to satisfy entitlements under these plans. In addition, 99,777,765 Vicinity securities were acquired as part of Vicinity's on-market securities buy-back at an average price per security of $2.5607.

Substantial securityholders

Company name	Effective date	Number of securities
The Gandel Group Pty Ltd and associates	11 June 2015	682,861,296
The Vanguard Group Inc	21 December 2018	326,513,518
BNP Paribas nominees as custodian for UniSuper Ltd	5 April 2019	269,126,539
BlackRock Group (BlackRock Inc and its associates)	11 September 2017	268,556,599
State Street Corporation and subsidiaries	11 March 2019	234,217,711

20 largest securityholders

Rank	Name	Number of securities held	% of issued securities
1	HSBC Custody Nominees (Australia) Limited	1,107,447,533	29.36
2	J P Morgan Nominees Australia Pty Limited	762,886,410	20.23
3	Citicorp Nominees Pty Limited	404,174,002	10.72
4	BNP Paribas Nominees Pty Ltd	327,928,774	8.69
5	National Nominees Limited	108,863,567	2.89
6	Rosslynbridge Pty Ltd	83,062,778	2.20
7	Besgan No. 1 Pty Ltd	79,856,234	2.12
7	Besgan No. 2 Pty Ltd	79,856,234	2.12
7	Besgan No. 3 Pty Ltd	79,856,234	2.12
7	Besgan No. 4 Pty Ltd	79,856,234	2.12
11	Allowater Pty Ltd	57,400,286	1.52
12	HSBC Custody Nominees (Australia) Limited	40,230,579	1.07
13	Braybridge Pty Ltd	39,385,610	1.04
14	BNP Paribas Noms Pty Ltd	37,326,285	0.99
15	Citicorp Nominees Pty Limited	34,988,259	0.93
16	Ledburn Proprietary Limited	33,556,774	0.89
17	Broadgan Proprietary Limited	32,906,624	0.87
18	Cenarth Pty Ltd	31,605,848	0.84
19	AMP Life Limited	14,614,479	0.39
20	Applebrook Pty Ltd	11,926,250	0.32
Total 20 largest securityholders		**3,447,728,994**	**91.41**
Balance of register		324,102,208	8.59
Total issued capital		**3,771,831,202**	**100.00**

Corporate Directory

Vicinity Centres

comprising:

Vicinity Limited
ABN 90 114 757 783

and

Vicinity Centres RE Ltd
ABN 88 149 781 322

as Responsible Entity for

Vicinity Centres Trust
ARSN 104 931 928

ASX listing

Vicinity Centres is listed on the ASX under the listing code VCX

Board of Directors

Peter Hay (Chairman)[1]
Peter Kahan (Chairman-elect)[1]
Grant Kelley (CEO)
Clive Appleton
David Thurin AM (Dr)
Janette Kendall
Karen Penrose
Tim Hammon
Trevor Gerber
Wai Tang

1. As announced to the ASX on 24 April 2019 and 5 July 2019, Mr Peter Kahan will assume the role of Chairman following the release of Vicinity's FY19 full year results on 14 August 2019; however, he is currently on a leave of absence. Mr Peter Hay, who has served as Chairman since Vicinity's inception in June 2015, has agreed to be Acting Chairman until Mr Kahan's return.

Company Secretaries

Carolyn Reynolds
Rohan Abeyewardene

Registered office

Chadstone Tower One
Level 4, 1341 Dandenong Road
Chadstone Victoria 3148 Australia
Telephone: +61 3 7001 4000
Facsimile: +61 3 7001 4001
Web: vicinity.com.au

Auditors

Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000 Australia

Follow us on:

Security Registrar

If you have queries relating to your securityholding or wish to update your personal or payment details, please contact the Security Registrar.

Link Market Services Limited
Tower 4, 727 Collins Street, Melbourne
Victoria 3008 Australia

General securityholder enquiries:

Toll Free: +61 1300 887 890
Facsimile: +61 2 9287 0303
Facsimile: +61 2 9287 0309 (for proxy voting)
Email: vicinity@linkmarketservices.com.au
Post: Locked Bag A14, Sydney South NSW 1235 Australia

Access your securityholding online

You can update your personal details and access information about your securityholding online by clicking 'Securityholder login' on our home page at vicinity.com.au, or via the 'Investor Services' section of the Security Registrar's website at linkmarketservices.com.au, or scan the QR Code (below) to take you to the investor centre.

Securityholders can use the online system to:

- view your holding balances, distribution payments and transaction history;
- choose your preferred Annual Report and communications options;
- confirm whether you have lodged your Tax File Number (TFN) or Australian Business Number (ABN);
- update your contact details;
- update your bank account details;
- check Vicinity Centres' security price; and
- download various securityholder instruction forms.

Contact Vicinity Centres

We are committed to delivering a high level of service to all securityholders. Should there be some way you feel that we can improve our service, we would like to know. Whether you are making a suggestion or a complaint, your feedback is always appreciated.

Investor relations

Email: investor.relations@vicinity.com.au

The Responsible Entity is a member (member no. 28912) of the Australian Financial Complaints Authority (AFCA), an external dispute resolution scheme to handle complaints from consumers in the financial system. If you are not satisfied with the resolution of your complaint by the Responsible Entity, you may refer your complaint to AFCA, GPO Box 3, Melbourne Victoria 3001, by telephone on 1800 931 678, by email to info@afca.org.au, or by lodging it online at afca.org.au.

Key dates[1]

28 August 2019	June 2019 Distribution payment and 2019 Annual Tax Statements despatched
14 November 2019	2019 Annual General Meeting
30 December 2019	Ex-distribution date for December 2019 distribution
31 December 2019	Record date for December 2019 distribution
11 February 2020	FY20 interim results
2 March 2020	December 2019 distribution payment
29 June 2020	Ex-distribution date for June 2020 distribution
30 June 2020	Record date for June 2020 distribution
19 August 2020	FY20 annual results
31 August 2020	June 2020 distribution payment and 2020 Annual Tax Statements despatched

1. These dates may be subject to change.

VICINITY CENTRES

vicinity.com.au