VICINITY
CENTRES

CREATING BEAUTIFUL PLACES

Annual Report 2018

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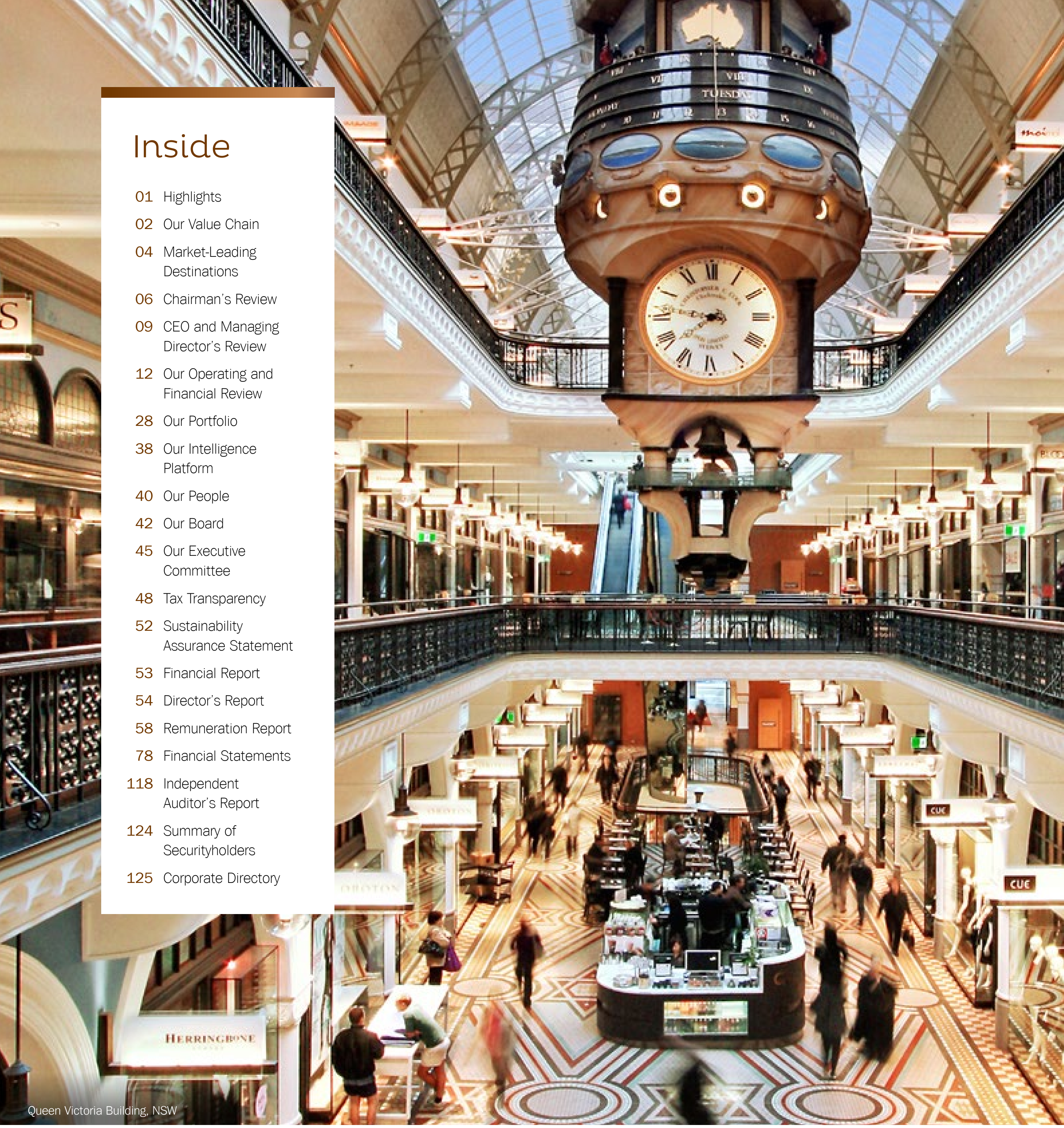


Queen Victoria Building, NSW

About this report

This annual report is a summary of Vicinity Centres' operations, activities and financial position as at 30 June 2018. 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 'FY18' refer to the financial year ended 30 June 2018 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 FY18 and has been prepared using elements of the International Integrated Reporting Council's (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 ISO 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 (15 August 2018). 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 undertake no obligation to update these forward-looking statements.

Highlights

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

Chadstone is Australia's

No.1

retail, dining and entertainment destination

Total return

11.1%

for FY18

Most sustainable retail property company

across Australia and Asia Pacific and #4 globally as recognised by Global Real Estate Sustainability Benchmark (GRESB) in 2017

DFOs

Australia's No. 1 outlet centre portfolio

Significant Pipeline

of development and mixed-use opportunities

Unrivalled premium CBD retail offer

across Australia's three largest CBDs

Commitment to reconciliation

Released Reflect Reconciliation Action Plan (RAP) this year, commencing our reconciliation journey

$28m

Australia's largest shopping centre solar investment project commenced

Our Value Chain

Our resources

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

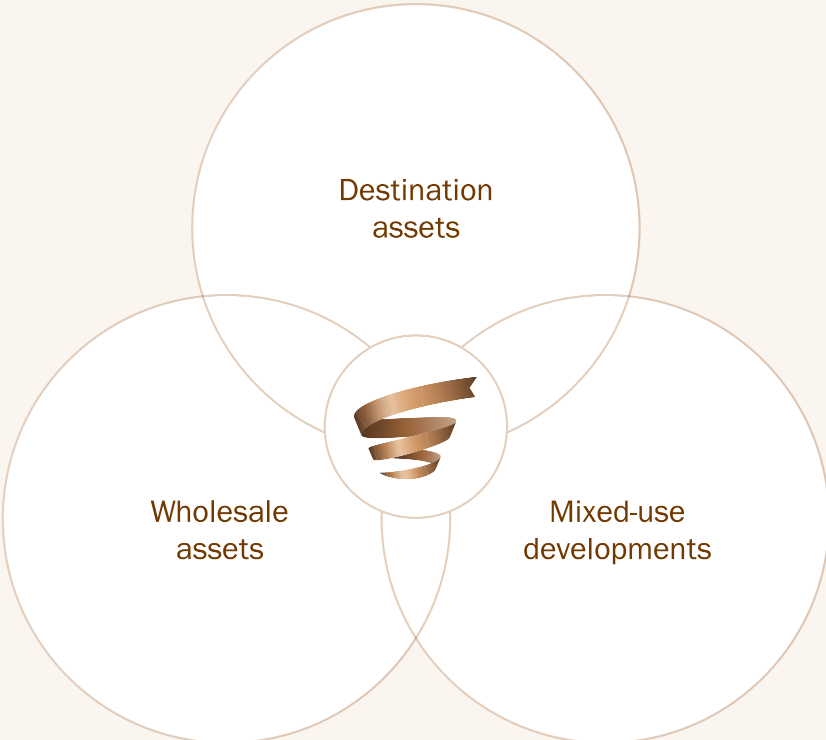
External influences

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

Our business model

Vicinity's strategy is to deliver strong and sustainable growth via focus on:

- Market-leading destinations
- Expanding our wholesale funds platform
- Realising mixed-use opportunities



Deliver the best retail mix and engaging experiences to attract consumers and support our retail partners.

Enhance our portfolio quality through select retail and mixed-use developments, divestments and acquisitions.

Intensively managing our centres to drive income growth and operational efficiencies.

Our outcomes

Solid investor returns

Total return
11.1%
FY17: 15.5%

Successful retailers

Specialty MAT/sqm
$10,133
FY17: $9,429

Engaged consumers

Net promoter score (inaugural)
39

Dedicated people

Engagement score
73%
FY17: 71%

Better communities

Community investment
$3.0m
FY17: $1.8m

Our external recognition

Most intelligent retail building project
2018 RealComm | IBcon Digie Awards

Best redeveloped shopping centre
22nd Annual MAPIC International Awards

RobecoSAM sustainability award silver class 2018
Dow Jones Sustainability Indices

Gold award for 'best bitesize learning solution'
LearnX Summit & Awards

Highly commended for 'best implementation of a blended learning solution'
Australian Institute of Training and Development

Construction & real estate team of the year
2018 Corporate Counsel Awards

Site/Team of the Year
First Contact Executive

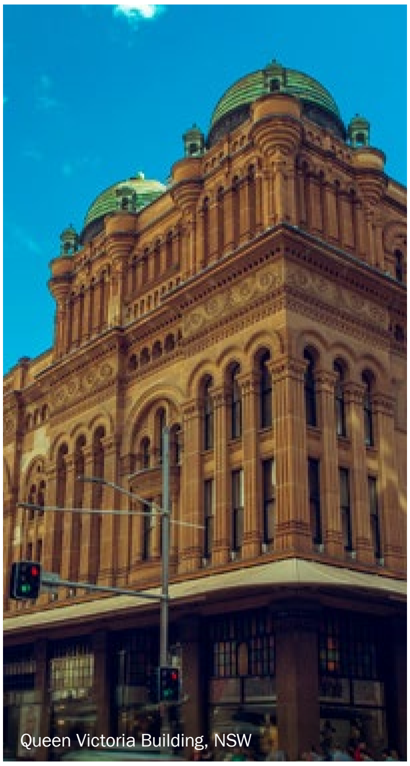
ASX100: Best ESG, Best Accurate & Timely Briefings, Best Remuneration Policy and Best Disclosure
2017 East Coles Awards

Environmental and Social QualityScore of 1
ISS transparency and disclosure rating June 2018

Market-Leading Destinations

Chadstone
Australia's No.1 retail, dining and entertainment destination

Chadstone, VIC



Queen Victoria Building, NSW

Premium CBD assets
Unrivalled premium retail offer across Australia's three largest CBDs

DFOs
Australia's No.1 outlet centre portfolio

The Glen, VIC – Artist's impression

DFO Homebush, NSW

High potential
Strong Regional and Sub Regional assets, and assets with development potential

The Strand Arcade, NSW

Chairman's Review

"Vicinity now has a premium retail offer across Australia's three largest CBDs."

Dear Securityholders,

It is my pleasure to present to you Vicinity Centres (Vicinity's) 2018 Annual Report.

Vicinity's delivery on strategy since the merger in 2015, including our strong focus on building a resilient portfolio of assets and our active capital recycling program, has created significant value for securityholders. Over the past three years, we have divested interests in 24 non-core retail assets for $1.9 billion at a 2.4% premium to book value[1]. These proceeds have been reinvested into developments, acquisitions, the buy-back of Vicinity securities and to repay borrowings, contributing to net tangible assets per security (NTA) growth of 21% over that time. This continued focus on repositioning the portfolio to the most resilient and high-quality assets has also resulted in the average asset value in Vicinity's portfolio increasing 48% and specialty sales per sqm being up 20% to $10,133[2].

During the 2018 financial year (FY18), our ongoing focus on repositioning, enhancing and optimising the portfolio, collaborating with our retailers, and creating beautiful places where people choose to connect and experience the best in shopping, dining and leisure, is reflected by the improvement across our portfolio metrics and has strengthened Vicinity's position for the future.

Statutory net profit after tax for the 12 months to 30 June 2018 was $1,218.7 million, reflecting steady growth in funds from operations (FFO) and strong asset valuation gains. In line with guidance,

11.1%

Total return for FY18[3]

FFO per security of 18.2 cents was delivered, up 1.1% on the prior year. Adjusting for the impact of acquisitions and divestments, comparable FFO per security growth was 2.2%. The full year distribution per security was 16.3 cents, compared to 17.3 cents in the prior year. This reflects both the impact of asset sales and the adoption of a new distribution payout ratio.

Vicinity now has a premium retail offer across Australia's three largest CBDs, with 50% ownership interests in, and management of, three strongly-performing and highly resilient Sydney CBD assets, Queen Victoria Building, The Galeries and The Strand Arcade (Sydney CBD Centres), following a strategic asset swap with GIC during the year. Coupled with Emporium Melbourne, Myer Bourke Street and Brisbane's QueensPlaza and The Myer Centre Brisbane, Vicinity now has a unique competitive advantage in attracting best-in-class international and domestic retailers into the portfolio.

Our premier asset, Chadstone, recently surpassed $2.0 billion in annual sales, placing it firmly as a top retail destination globally. Chadstone's expanded offer including international flagships, additional

1. Includes the divestment of Flinders Square, WA, which was contracted for sale in July 2018, settlement expected in August 2018.
2. Excludes divestments and development-impacted centres in accordance with Shopping Centre Council of Australia (SCCA) guidelines and includes Chadstone same-store sales.
3. Calculated as: (Change in NTA during the period + distributions declared)/opening NTA.

Chadstone, VIC

"Following an early stage assessment, we have identified a pipeline of mixed-use opportunities representing approximately $1.0 billion of potential value upside for Vicinity."

luxury brands, quality dining and entertainment experiences, contributed to annual visitation increasing by 7.0% to almost 23 million people over the year.

Vicinity also owns Australia's leading outlet centre portfolio, the DFOs, which have delivered a 15.6% annualised total return since acquisition. With moving annual turnover (MAT) growth of 4.6% over the year, our DFO portfolio continues to perform strongly. This flagship portfolio comprising Chadstone, our premium CBD assets and DFOs, are unique assets, with strong income and long-term capital growth potential.

In his first six weeks with Vicinity, CEO and Managing Director, Mr Grant Kelley visited over 90% of Vicinity's assets by value and was able to quickly form a view on the huge potential across the portfolio. It was also evident to Grant that the market was not ascribing full value to Vicinity's portfolio.

To realise the significant potential in the business, Vicinity aims to deliver strong and sustainable growth for securityholders by continuing to focus on our directly-owned portfolio of market-leading destination assets, expanding our wholesale funds platform and, in the longer run, where value-adding mixed-use opportunities are identified across the portfolio, to unlock the additional value for our securityholders. Three major initiatives have been announced over the past six months which will be transformational for Vicinity in driving this growth: the planned divestment of up to $1.0 billion of non-core assets in FY19, the proposed establishment of a wholesale fund with Keppel Capital to be seeded with approximately $1.0 billion of retail assets from Vicinity's balance sheet and following an early stage assessment, we have identified a pipeline of mixed-use opportunities representing approximately $1.0 billion of potential value upside for Vicinity.

Our people and culture focus this year has been on the leadership, development and collaboration of our people. This focus has been well received internally and helped to drive an improvement in our overall engagement score to 73% recorded for FY18, up 2 percentage points from FY17. This is a pleasing result for the team and feedback from this survey will be used to improve retention, promote diversity in our workplaces, and reward and recognise our people.

As important local hubs, our centres cater to diverse communities across Australia. This year, we launched Vicinity's Reflect Reconciliation Action Plan (RAP) during National Reconciliation Week, the first step on our reconciliation journey. Through this RAP, we aim to create a truly inclusive workplace that celebrates Australia's rich cultural heritage, and identify opportunities to create mutually beneficial outcomes for both Vicinity and Aboriginal and Torres Strait Islander people in our communities.

Improving opportunities for unemployed and disengaged youth is central to our community focus. Our nation-wide fundraising initiative 'Light the Way', employee volunteering and a new work experience program launched during the year helped us make valuable contributions to support our corporate community partner Beacon Foundation as they guide young people towards meaningful education and work opportunities.

We have committed to Australia's largest shopping centre solar program across two stages creating a fully integrated energy system incorporating the latest renewable technology innovations. Stage one is underway with a $28 million investment across five centres and includes trialling a new high-tech battery system allowing us to better utilise our solar energy generation. Stage two is planned to commence in FY19 and will include approximately $50 million of investment. Australia continues to be faced with an environment of rising energy costs and uncertainty surrounding a clear national policy framework to contain electricity generation costs. Our solar program will reduce Vicinity's reliance on the grid and exposure to volatile energy pricing, delivering strong investment returns while achieving our sustainability ambitions of reducing carbon emissions.

Our environmental, social and governance activities contribute importantly to the long-term performance of Vicinity and create shared value for all our stakeholders, and I am pleased to see our efforts are being recognised externally. GRESB rated Vicinity as number one retail property company in Australia and the Asia Pacific and number four globally in its 2017 assessment.

As foreshadowed in last year's annual report, in December 2017, Ms Janette Kendall joined the Board of Vicinity. Drawing on her extensive experience in strategic planning, digital innovation, marketing and operations she has already made a considerable contribution. I would like to thank Mr Charles Macek and Ms Debra Stirling who departed the Board in November 2017 for their service and counsel.

On behalf of the Board, I would also like to thank Mr Angus McNaughton, former CEO and Managing Director who departed in December 2017, for the work he undertook to bring two retail property groups together and create the strong, united company that Vicinity is today. Thanks also to Angus and the executive team for their work ensuring a seamless transition through to Grant's commencement in January 2018.

On behalf of the Board, thank you to our team for their ongoing passion and commitment in making Vicinity a stronger and more successful business each year. I believe Vicinity is in a strong position and that we have set a clear roadmap for building an even more resilient business into the future as we focus on creating market-leading shopping, dining and entertainment destinations. This is an exciting time for Vicinity to grow and we look forward to creating and unlocking value in our portfolio for our securityholders in the years ahead. I would like to thank you for your continued support and hope to see many of you at the Annual General Meeting (AGM) to be held in Melbourne on 1 November 2018.

"We look forward to creating and unlocking value in our portfolio for our securityholders in the years ahead."

Peter Hay
Chairman

QueensPlaza, QLD

CEO & Managing Director's Review

"Our active capital management approach further strengthened Vicinity's capital position and earnings profile during the year."

Dear Securityholders,

I am honoured to have joined Vicinity in January this year as CEO and Managing Director. Visiting most of the portfolio across Australia in my initial weeks, it was evident to me that we have some very strong retail assets, in addition to an opportunity-rich portfolio in terms of developments both within our centres and on adjacent landholdings. I was also particularly impressed with the strength of the operating platform, together with the commitment and high calibre of our people.

I believe that the strategy undertaken since the merger in 2015 has been the right path for Vicinity, including our focus on building a resilient portfolio of assets, strengthened by our intensive asset management approach and portfolio enhancement initiatives, and active capital management, driving growth and strong returns for securityholders.

The team's work in portfolio enhancement has been reflected in Vicinity's FY18 results. Statutory net profit after tax was $1,218.7 million, underpinned by steady operational performance and strong net property valuation gains of $555.1 million[1], with notable uplifts in the values of Chadstone, DFO South Wharf and DFO Homebush. FFO of $708.7 million was achieved, or 18.2 cents on a per security basis which is up by 1.1% compared to FY17. This result was driven by development completions, comparable net property income (NPI) growth and the buy-back of Vicinity securities, partially offset by earnings dilution from non-core assets sold over the past 24 months. Adjusting for acquisitions and divestments, comparable FFO per security was up 2.2%, supported by comparable NPI growth of 1.0% and the buy-back of Vicinity securities at a discount to NTA.

Our active capital management approach further strengthened Vicinity's capital position and earnings profile during the year. We negotiated $900 million of new or extended bank debt facilities, repaying the debt maturing in FY18 and the majority of our FY19 expiries. Opportunistically, we acquired 87 million Vicinity securities, 2.2% of issued capital, for $231 million reflecting a 10.8% discount to June 2018 NTA and in July 2018, we extended the buy-back program for an additional 12 months. Vicinity is well capitalised, with gearing of 26.4% at the lower end of our target range. Our capital management activities throughout the year have assisted in Vicinity maintaining its investment-grade credit ratings of 'A/stable' by Standard & Poor's and 'A2/stable' by Moody's.

Our extensive retail development pipeline is a key driver of income and valuation growth. FY18 has been an active period in development, successfully delivering current live projects and planning future projects. Chadstone's performance remains strong, recently exceeding $2.0 billion in annual sales, and a stabilised yield of 7% on the $666 million[2] redevelopment completed in June 2017. Building on this success, the construction of a $130 million[2] hotel at Chadstone commenced during the year and is on track for completion in late 2019. We completed the major $320 million[2] development of Mandurah Forum in June 2018, delivering a compelling retail, dining

1. Net valuation gain excludes statutory accounting adjustments and assets divested during the period.
2. 100% interest. Vicinity's share is 50%.

and leisure destination. At The Glen, we completed two successful stages of the $430 million[1] development and stage three of this project is fully leased and remains on schedule to open in October 2018. The $150 million[1] development of DFO Perth is nearing completion and is fully leased. With a high-profile selection of tenants committed, including Polo Ralph Lauren, Kate Spade, Coach, Furla and Tommy Hilfiger, we are very excited about the compelling offer Perth's first DFO will deliver when it opens in early October 2018.

Unlocking Vicinity's potential

Vicinity's strategy is clear, with an identified path to unlock significant potential in the business. We will deliver strong and sustainable growth through focusing our directly-owned portfolio on market-leading destination assets, expanding our wholesale funds platform and realising mixed-use opportunities.

Over the past six months, we have announced three major strategic initiatives which will be transformational for Vicinity. In June 2018, we announced the planned divestment of up to $1.0 billion of non-core assets over the course of FY19.

Earlier this month, we also announced the establishment[2] of a 50:50 joint venture with Singapore's Keppel Capital to manage a new wholesale property fund, Vicinity Keppel Australia Retail Fund (VKF), proposed to be seeded with approximately $1.0 billion of assets from Vicinity's balance sheet. This planned fund would expand our wholesale funds management platform and generate additional income streams.

And thirdly, as flagged earlier this year, we have identified the potential to unlock significant value through mixed-use developments across the portfolio. Over the past few months, following an early stage assessment, we have identified a pipeline of mixed-use opportunities representing approximately $1.0 billion of potential value upside for Vicinity. Additional uses identified are primarily residential, to be undertaken using a capital-light approach, office and hotel. Although it will take time to realise these mixed-use opportunities across the portfolio, the value they can create for Vicinity is substantial and not reflected in current valuations.

> "We will deliver strong and sustainable growth through focusing our directly-owned portfolio on market-leading destination assets, expanding our wholesale funds platform and realising mixed-use opportunities across the portfolio."

The divestment program and establishment of the proposed wholesale fund will complete our planned capital recycling program. Our focus on capital allocation will see the proceeds from these transactions invested in opportunities that provide us with the best risk-adjusted returns. Investment in our retail development pipeline and, potentially, a securities buy-back will drive stronger FFO per security and NTA growth.

Following the completion of these transactions, Vicinity will have three key elements to its strategy which will drive growth:

Market-leading destinations

A portfolio of approximately 50 highly productive market-leading shopping, dining and entertainment destinations in locations with strong fundamentals, trading on average at around $11,000 per sqm in specialty sales on approximately 15.0% specialty occupancy costs. These assets have significant embedded growth potential. The flagship portfolio comprising Chadstone, Australia's largest shopping centre with more than $2.0 billion in annual sales, premium CBD assets and the DFOs, Australia's leading outlet centre portfolio, together represent around 50% of this portfolio. These assets have strong income and long-term capital growth potential. The remainder of this portfolio also has significant potential for further growth, comprising strong Regional and Sub Regional assets, many of which have development, remixing or mixed-use opportunities.

7.5%

growth in specialty store MAT/sqm over FY18

Wholesale funds platform

A wholesale funds management platform that provides significant access to capital, fee streams and potential for expansion.

Mixed-use opportunities

A portfolio of mixed-use development opportunities, with potential value upside of approximately $1.0 billion for Vicinity identified following an early stage assessment.

Vicinity's use of data has enabled significant progress to be made across the business in FY18. Vicinity's infrastructure connects our portfolio and corporate offices to a single high-speed digital network with WiFi throughout. During the year, 12.3 million unique devices were identified on our network. We now have better insights to understand who our customers are, which is assisting us with leasing decisions, retail mix and precinct planning. This is also enabling the collection of real time information on our operations. Moving forward, there is significant scope to connect all of our building management systems to this network, enabling centralised and automated control of many of our

1. 100% interest. Vicinity's share is 50%.
2. Subject to due diligence, definitive documentation and final board approvals of both parties.
3. Assumes no material deterioration in existing economic conditions.
4. Assumes average settlement date of 31 December 2018.

basic operations, particularly in the areas of lighting, cleaning, air conditioning, car parking and security, while providing a broader range of insights and services to our retailers.

Moving forward, we will deliver strong and sustainable growth through focusing our portfolio on market-leading destinations, expanding our wholesale funds management platform and realising mixed-use opportunities across the portfolio. The three strategic initiatives that have been announced will position the company for strong growth. Proceeds from the transactions will be carefully allocated to the best risk adjusted opportunities within our retail development pipeline and, potentially, a securities buy-back. We will also continue to prioritise sustainability across our business. Collectively, there is a clear roadmap to further strengthen Vicinity's portfolio and provide strong long-term growth for our securityholders.

Vicinity's FFO guidance for FY19 is 18.0 to 18.2 cents per security, reflecting comparable growth of 3.4% to 4.6%[3]. The FY19 FFO guidance assumes the completion of $2.0 billion of assets divested from Vicinity's balance sheet[4]. The distribution payout ratio is expected to be at the upper end of the target range of 95% to 100% of adjusted funds from operations (AFFO) or 85% to 90% of FFO, and guidance reflects FY19 maintenance capex and incentives forecast of approximately $80 million to $90 million or approximately 0.60% of gross asset value[3].

It is an exciting period to be part of Vicinity and I look forward to updating you on our progress going forward.

Thank you for your ongoing support.

Grant Kelley
CEO and Managing Director


The Strand Arcade, NSW


Emporium Melbourne, VIC

"There is a clear roadmap to further strengthen Vicinity's portfolio and provide strong long-term growth for our securityholders."

Our Operating and Financial Review

Our strategy and business prospects

Vicinity's strategy is to deliver strong and sustainable growth through focusing our directly-owned portfolio on market-leading destinations, expanding our wholesale funds platform and realising mixed-use opportunities across the portfolio.

We are repositioning our portfolio to destinations that provide market-leading shopping, dining and entertainment experiences. Our core portfolio will consist of approximately 50 highly productive centres in locations with strong fundamentals, that can grow though our proven property and development management expertise. These centres enable us to attract the best retailers and provide products, services and experiences that consumers desire. Our growth will be further enhanced through our retail development pipeline.

Our wholesale funds management platform is strategically important to us as it provides us with significant access to capital and fee streams. The proposed establishment of our $1.0 billion wholesale fund with Keppel Capital expands this platform and we see further growth potential over time.

Mixed-use is a significant opportunity for Vicinity. As cities become denser, well-located retail assets, particularly those close to major transport hubs, can broaden their usage and substantially increase site productivity. Our mixed-use residential opportunities are intended to be undertaken through a capital-light model, providing opportunities to introduce capital partners to these projects through unlisted fund structures.


QueensPlaza, QLD

We have integrated sustainability objectives into our strategy and this guides 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.

This strategy will enable Vicinity to deliver strong and sustainable growth for securityholders.

Our value chain
Pages 02–03

Sustainability strategy
sustainability.vicinity.com.au

FY18 earnings, FY19 guidance and outlook

Over the 12 months to 30 June 2018, Vicinity generated a statutory net profit after tax of $1,218.7 million underpinned by steady underlying performance and strong property valuation gains. Vicinity's funds from operations (FFO) per security was 18.2 cents for the year representing growth of 1.1% on a per security basis. Adjusting for the impact of acquisitions and divestments, comparable FFO per security was up 2.2% reflecting growth delivered by the completed development projects, underlying portfolio performance and capital management activities including the on-market securities buy-back program. The distribution per security declared totalled 16.3 cents (1H: 8.1 cents, 2H: 8.2 cents) which equates to a payout ratio of 99.7% of AFFO.

Vicinity's FFO guidance for FY19 is 18.0 to 18.2 cents per security and assumes $2.0 billion of assets divested in FY19[1]. After adjusting for the impact of portfolio changes[2], this guidance reflects comparable FFO per security growth of 3.4% to 4.6%. Vicinity's distribution payout ratio for FY19 is expected to be at the upper end of our targeted range of 95% to 100% of AFFO, or 85% to 90% of FFO. Maintenance capital expenditure and incentives in total for FY19 are forecast between $80 million and $90 million or approximately 0.6% of gross asset values.

1. Assumes $1.0 billion of non-core assets to be sold in FY19, and the proposed establishment of a wholesale fund planned to be seeded with $1.0 billion of assets from Vicinity's balance sheet with an average settlement date of 31 December 2018. Also assumes no material deterioration to existing economic conditions.
2. Adjusting for all divestments from 1 July 2017 to 30 June 2019.

Places to Meet

We pride ourselves on being community hubs that enrich people's daily lives. Vicinity's destinations are places to meet and catch up with friends and family. Whether coming together for a chat, an event or a movie premiere, the experience is always memorable.

Achievements and focus

Our resources	FY18 achievements	FY19 focus
Real estate investment	• Acquired 50% interests in Queen Victoria Building, The Strand Arcade and The Galeries in exchange for a 49% interest in Chatswood Chase Sydney • Launched major solar investment program – stage one commitment of $28 million to install 11.2MW of solar across five centres in SA and WA • Divested interests in five retail assets for $210 million reflecting a combined 7.2% premium to book values[(a)] • Completed detailed assessment of assets with 'extreme' potential exposure to climate risks and identified adaptation measures to improve resilience	• Divest up to $1.0 billion of assets in FY19 • Commence stage two of solar program to install solar at 17 additional centres for ~$50 million investment • Selectively acquire assets that align with Vicinity's strategy • Assess 100% of centres with 'high' potential exposure to climate change risk, including all developments
Real estate development	• Major redevelopment of Mandurah Forum complete and well received by its community • First two stages of The Glen successfully completed, stage three on track to open October 2018 • Nearing completion of DFO Perth and on track to open in early October 2018 • Construction commenced of MGallery by Sofitel hotel at Chadstone • Fresh food reconfiguration and centre refurbishment of Roselands has commenced	• Complete DFO Perth • Progress construction and leasing of live projects at Chadstone hotel and The Glen • Advance the planning of Galleria, Chatswood Chase Sydney, The Myer Centre Brisbane, Bankstown Central, Box Hill Central and other projects in the shadow pipeline • Progress preparations for selectively introducing mixed-use development across the portfolio
Real estate management	• Portfolio occupancy of 99.7% • Active portfolio remixing, completed 744 leasing deals with an average leasing spread[(b)] of 0.7% • Chadstone is the first shopping centre in Australia to exceed $2 billion MAT, with same-store specialty MAT growth of 12.3% and valuation of $6.1 billion[(c)] • Generated 5.4% growth in ancillary income primarily from Casual Mall Leasing, Vicinity Media, electricity on-selling and managed car parks • Reduced carbon intensity by 4.2% (comparable)[(d)] and achieved a portfolio wide recycling rate of 43%	• Continue to ensure that tenancy mix reflects each centre's consumers' wants and needs across the portfolio • Increase ancillary income from managed car parks, electricity on-sell and retail media • Achieve annual portfolio energy and carbon intensity reduction target of 3% (against FY18) and recycling rate of 45% for FY19 • Implement initiatives to drive further operational efficiencies
Capital	• Bought-back $231 million of securities (2.2% of issued capital) at an average 10.8% discount to June 2018 NTA • Maintained Standard & Poor's 'A/stable' and Moody's Investor Services 'A2/stable' credit ratings • Maintained a strong balance sheet, with gearing of 26.4% • Ranked No.1 retail property company in Australia and Asia Pacific for sustainability, and No.4 globally, by GRESB	• Optimise the cost of debt, while appropriately managing debt diversity, expiry profile and market risk • Launch a new wholesale fund seeded with up to $1.0 billion of Vicinity's assets • Deliver wholesale fund objectives • Actively promote our sustainability approach and credentials with investors and other stakeholders
People	• Continued improvement in engagement score to 73%, with high participation rate • Recognised as one of the most innovative Human Resources teams in Australia by HRD Australia • Received a Highly Commended Award from the Australian Institute for Training and Development (AITD) for leadership program • Significant increase in flexible working arrangements	• Completion of Human Resources Information System roll out • Continuation of leadership development training • Expansion of reward and recognition program • Continue to improve employee engagement

Chadstone, VIC

Our resources	FY18 achievements	FY19 focus
Data and systems	• Developed and deployed a WiFi sign-on and landing page for consumers that supported connecting over 2.2 million devices • Successfully trialled the remote operation of major services at Oakleigh Central • Developed retailer portal to enhance engagement with retailers • Created operational data dashboards for each centre • Launched interactive wayfinding for Chadstone with program for ongoing improvements	• Test promotions and campaigns to increase device connections to the network • Trial remote management of car parks • Introduce web or kiosk wayfinding across selected centres • Significantly extend application of the network through on-sell of services • Introduce digital offer and tourism passport for Leadership centres
Brand and relationships	• Completed stakeholder materiality analysis to further understand issues material to Vicinity and our stakeholders • Launched inaugural 'Light the Way' company-wide fundraising initiative for Beacon Foundation • Centre-level community investment plans implemented to address youth unemployment and disengagement, including jobs fairs and mentoring projects • Spent over $1.4 million on social enterprises in our supply chain • Launched our Reflect Reconciliation Action Plan (RAP)	• Use Vicinity data and insights to tailor centre brands to our consumers • 100% of centres to have community investment plans in place to implement initiatives aligned with youth unemployment and disengagement • Implement all commitments in Vicinity's Reflect RAP

(a) Includes the divestment of Flinders Square, WA, which was contracted for sale in July 2018, settlement expected in August 2018.

(b) The variance between the rent at the end of a lease and the rent received over the same space for a new lease. For leases greater than 18 months duration and excludes project-impacted leasing and divestments.

(c) 100% interest. Vicinity's share is 50%.

(d) FY18 compared to FY17 on a per sqm basis. Excluding acquisitions, divestments and development-impacted centres.

Our performance

Key performance metrics

Performance metric	30-Jun-18	30-Jun-17	Change	Page
Financials				
Statutory net profit after tax[(a)]	**$1,218.7m**	$1,583.6m	Down $364.9m	18
Funds from operations per security[(a)]	**18.2 cents**	18.0 cents	Up 1.1%	18
Distribution per security[(a)]	**16.3 cents**	17.3 cents	Down 5.8%	18
Comparable net property income growth[(a),(c)]	**1.0%**	2.5%	n.a.	19
Total return[(a)]	**11.1%**	15.5%	n.a.	62
Total securityholder return[(a)]	**7.0%**	(17.7%)	n.a.	62
Portfolio				
Number of retail assets[(b)]	**74**	74	-	
Occupancy rate[(b)]	**99.7%**	99.5%	Up 0.2pp	18
Total moving annual turnover	**$16.9b**	$16.2b	n.a.	18
Specialty store MAT[(b),(d)] (per sqm)	**$10,133[e]**	$9,429	Up 7.5%	18
Occupancy cost[(b)]	**14.7%**	14.6%	Up 10 bps	18
Weighted average capitalisation rate[(b)]	**5.36%**	5.61%	Tightened 25 bps	
Balance Sheet				
Total assets[(b)]	**$17.5b**	$16.7b	Up $0.8b	19
Net tangible assets per security[(b)]	**$2.97**	$2.82	Up 5.3%	19
Net asset value per security[(b)]	**$3.13**	$2.97	Up 5.4%	19
Debt				
Gearing[(b),(f)]	**26.4%**	24.7%	Up 170 bps	20
Weighted average cost of debt[(a),(g)]	**4.3%**	4.2%	Up 10 bps	
Debt duration[(b),(h)]	**4.4 years**	5.3 years	Down 0.9 years	
Proportion of debt hedged[(b)]	**86%**	90%	Down 4pp	
People				
Employee engagement score[(b)]	**73%**	71%	Up 2pp	
Women in leadership[(b),(j)]	**35%**	36%	Down 1pp	
Sustainability				
Community investment[(a),(k)]	**$3.0m**	$1.8m	Up 66%	36
Green Star Performance – portfolio rating[(b)]	**3 Stars**	3 Stars	-	36
NABERS Energy rating[(b),(m)]	**3.6 Stars**	3.7 Stars	Down 0.1 Stars	36
NABERS Water rating[(b),(m)]	**3.1 Stars**	3.2 Stars	Down 0.1 Stars	36
Energy intensity[(a),(n)]	**300 MJ**	305 MJ	Improved 2%	36
Carbon intensity (scope 1 and 2)[(a),(n)]	**69.1 kg CO2-e**	70.9 kg CO2-e	Improved 3%	14
Waste diversion rate[(a)]	**43%**	36%	Up 7pp	14

(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.

(d) Comparable. Excludes acquisitions, divestments and development-impacted centres in accordance with Shopping Centre Council of Australia (SCCA) guidelines.

(e) Including Chadstone same-store sales.

(f) 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.

(g) Average for prior 12 months and inclusive of margins, drawn line fees and establishment fees.

(h) Based on facility limits.

(j) Executive Committee, senior leaders and senior managers.

(k) The total community investment spend in FY18 has been calculated using the London Benchmark Group (LBG) framework, and includes 50% of $1.6 million in operational spend made with social enterprises ($1.44 million) and indigenous businesses ($0.13 million).

(m) Based on Vicinity's ownership interest for FY18 and includes 80% of rateable area, up from 42% in FY17. On a like-for-like basis, Vicinity's average NABERS Energy rating increased to 3.8 Stars and average NABERS Water rating increased to 3.2 Stars in FY18. Refer to the Portfolio NABERS Energy and Water Rating – 2018 at sustainability.vicinity.com.au for the list of centres included in the average.

(n) Calculated on a per GLA sqm basis.

Places to Indulge

We tempt the senses and provide an enticing selection of boutique cafes, eateries and restaurants. Whether it's a coffee and a quick bite or an indulgent meal with friends and family, Vicinity Centres has something for everyone. More variety, more flavour, more to love.

Year in review

Vicinity's portfolio spans Australia, primarily concentrated in the metropolitan areas of the major state capital cities of Sydney, Melbourne, Brisbane, Perth and Adelaide. At 30 June 2018, we had 82 retail assets under management, with a combined value of $27.7 billion, which generated $18.2 billion in annual sales from 8,300 leases across 2.8 million sqm of gross lettable area (GLA). Vicinity has an ownership interest in 74 of these assets, bringing the value of its direct portfolio to $16.4 billion. This section focuses on the performance of the direct portfolio which generates the majority of Vicinity's total income.

We made great progress in reshaping Vicinity's portfolio over FY18 with a road map to further portfolio repositioning planned for the year ahead. In April 2018, we completed a strategic swap of premium Sydney assets with GIC, acquiring 50% interests in Queen Victoria Building, The Galeries and The Strand Arcade in exchange for a 49% interest in Chatswood Chase Sydney. We also sold five non-core assets[1], completed the major redevelopment of Mandurah Forum and progressed other projects in our development pipeline.

Vicinity bought back 87.0 million securities at an average price of $2.65 (for total consideration of $230.8 million), representing a 10.8% discount to June 2018 NTA. The buy-back program delivered an estimated benefit to FFO per security for the year of 0.16 cents.

Looking to FY19, we have announced the planned divestment of up to $1.0 billion of non-core assets, a proposal to establish a new wholesale fund to be seeded with approximately $1.0 billion of Vicinity's assets and an extension of the on-market securities buy-back program.

Key highlights and commentary on our operations include:

- **Portfolio occupancy remains high at 99.7%** – Compared to 99.5% reported at June 2017.
- **Specialty store occupancy costs[2,3] of 14.7%** – Up marginally from the 14.6% reported in FY17.
- **Average leasing spread[4,5] of 0.7%** – Down from 1.9% over FY17, in line with a softer sales growth environment. Of the 744 leasing deals completed[5], 48% were replacements as we actively reweight towards higher demand categories.
- **Total MAT of $16.9 billion** – Up 1.2% over the past 12 months[2,3] and up from 0.4% reported over FY17.
- **Specialty store MAT productivity[2] of $10,133/sqm[3]** – Up 7.5% from $9,429 at June 2017, reflecting improvements in portfolio composition and the productivity of specialty stores.
- **Specialty store and mini majors MAT growth[2,3] of 1.6%** – Up from 0.8% over FY17.

Our portfolio
Page 28

Financial performance

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

For the 12 months to:	30-Jun-18 $m	30-Jun-17 $m
Net property income	**894.3**	887.8
Property and funds management income	**76.2**	66.0
Total segment income	**970.5**	953.8
Corporate overheads	**(73.3)**	(74.9)
Net interest expense	**(188.5)**	(166.0)
Funds from operations (FFO)	**708.7**	712.9
Property revaluation increments	**634.7**	906.7
Other items	**(124.7)**	(36.0)
Net profit after tax	**1,218.7**	1,583.6
Weighted average number of securities (m)	**3,892.9**	3,958.6
FFO per security (cents)	**18.20**	18.01
AFFO per security (cents)	**16.26**	16.21
Distribution per security (cents)	**16.30**	17.30
AFFO $m	**633.1**	641.5
Distribution $m	**631.1**	684.8
AFFO payout ratio (Distribution/AFFO)(%)	**99.7**	106.7
FFO payout ratio (Distribution/FFO)(%)	**89.1**	96.1

1. Includes the divestment of Flinders Square, WA. Contracts were exchanged in July 2018, with settlement expected in August 2018.
2. Comparable. Excludes acquisitions, divestments and development-impacted centres in accordance with SCCA guidelines.
3. Includes Chadstone same-store sales.
4. The variance between the rent at the end of a lease and the rent received over the same space for a new lease.
5. For leases greater than 18 months in duration and excludes development-impacted leasing and divestments.

Key commentary on financial performance:

- **Net property income (NPI) up $6.5 million or 0.7%** – driven by development completions and comparable[1] NPI growth offset by the impact of asset disposals. Comparable NPI growth was 1.0% which includes the impact of centres held in the pre-development phase[2], where upcoming development projects prevent optimal leasing outcomes, and is also reflective of the challenging leasing and retail environment. Excluding pre-development centres, which are expected to provide a platform for significant future growth, comparable NPI growth was 1.7%.
- **Corporate overheads down $1.6 million or 2.1%** – Due to continued focus on operational efficiencies.
- **Net interest expense up $22.5 million or 13.6%** – Primarily due to an increase in the average drawn debt balance over the period of $435 million, resulting from continued development capital expenditure incurred as well as the on-market securities buy-back.
- **Asset valuation gains of $634.7 million** – Reflects the strength of investor demand for quality retail assets and income growth. Over the period, Vicinity's weighted average capitalisation rate tightened to 5.36% (30 June 2017: 5.61%). Net valuation gain for the period was $555.1 million.[3]

Segment information
Page 84

Financial position

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

As at	30-Jun-18 $m	30-Jun-17 $m
Cash	**42.1**	42.2
Investment properties held for sale	**-**	33.5
Investment properties	**15,892.7**	15,633.5
Equity accounted investments	**681.1**	88.0
Intangible assets	**594.9**	599.4
Other assets	**270.8**	262.2
Total assets	**17,481.6**	16,658.8
Borrowings	**4,437.6**	3,893.7
Other liabilities	**936.5**	1,017.4
Total liabilities	**5,374.1**	4,911.1
Net assets	**12,107.5**	11,747.7
Net tangible assets per security (NTA)($)	**2.97**	2.82
Net asset value per security (NAV)($)	**3.13**	2.97
Gearing[(a)](%)	**26.4**	24.7

(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.

Key commentary on financial position:

- **Investment properties and equity accounted investments up $852.3 million or 5.4%** – Largely driven by valuation gains and development expenditure, partly offset by the disposal of interests in four[4] assets. Refer to Note 4(b) of the Financial Report for further information.
- **Borrowings up $543.9 million, gearing up 1.7% to 26.4%** – Primarily driven by funding the buy-back of $230.8 million of Vicinity securities and $324.1 million of development and other capital expenditure, offset by $100.1 million of net asset divestment proceeds, working capital and unrealised foreign exchange movements.
- **Net tangible assets per security up 5.3% to $2.97** – Reflective of the revaluation gains of $634.7 million and the accretive impact of the on-market security buy back.

Balance Sheet
Page 79

1. Comparable portfolio excludes acquisitions, divestments and development-impacted centres and is calculated on a like-for-like basis versus the prior corresponding period.
2. Bankstown Central, Chatswood Chase Sydney and Galleria.
3. Net valuation gain excludes statutory accounting adjustments and assets divested during the period.
4. Excludes the divestment of Flinders Square, WA. Contracts were exchanged in July 2018, with settlement expected in August 2018.

Capital management

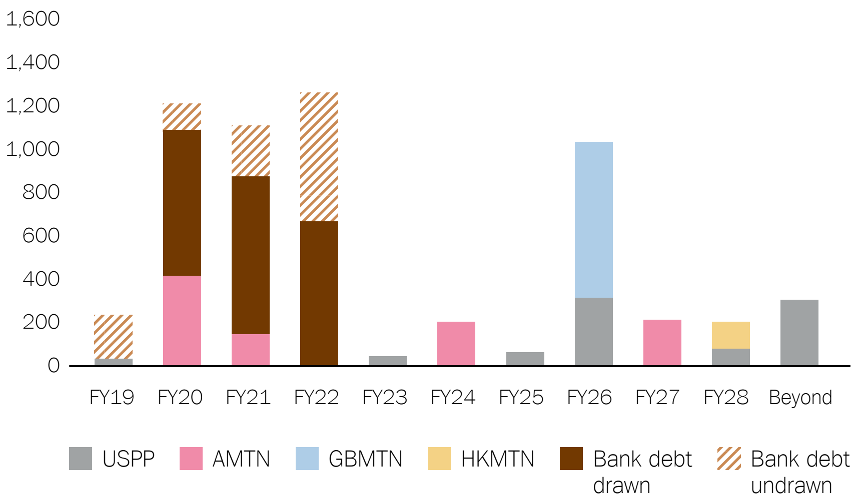
Vicinity has a strong balance sheet, with access to a broad range of funding sources. We continued to actively manage our debt during the year, issuing HKD640 million (equivalent AUD $108 million) of 10-year fixed rate medium term notes under our European Medium Term Note (EMTN) program, repaying FY18 debt expiries, extending the tenor of $450 million[a] of FY19 expiries and establishing $435 million of new bank debt facilities. With access to undrawn debt facilities of $1.1 billion, gearing of 26.4%, and the planned divestment of up to $2.0 billion of assets, Vicinity is well positioned to capitalise on value-accretive development opportunities and other portfolio enhancement initiatives. Vicinity has maintained its credit ratings and outlook (Standard & Poor's A/stable; Moody's A2/stable) during the period.

Tax

Vicinity is active in managing the impact that changes to tax law can have on our capital structure and future returns to our securityholders. Vicinity continues to engage with Federal Treasury in its review of the taxation regime applying to stapled structures and their securityholders.

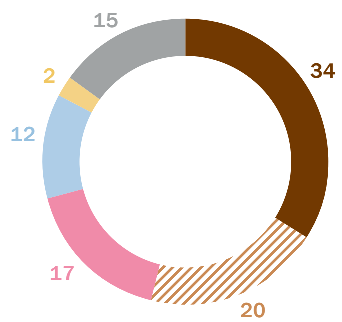
Tax transparency
Pages 48–51

Debt maturity profile ($million)[(a),(b)]



(a) Includes $50 million of bank debt extensions finalised in July 2018.
(b) Based on facility limits.

Sources of debt (%)[(b)]



Places to Shop

With over 7,000 retail stores on offer across 74 locations, Vicinity Centres has everything our customers want at their fingertips. We have the world's best luxury retailers, premium Australian fashion and the latest in entertainment, in addition to a range of services to offer making our centres a unique place to shop.

Our management of risk

The identification, assessment and management of risks and opportunities are core competencies 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 business model is to operate responsibly in taking well understood and well managed risks within the bounds of Vicinity's risk appetite.

Our Board and management recognise that effective risk management and internal controls are an integral part of sound management practice and good corporate governance, and are essential to executing on our strategic focus of delivering long-term value and sustainable growth to our securityholders.

Vicinity has in place an enterprise risk management framework to help identify, assess, manage and report on the material risks that could prevent the achievement of our business objectives. Vicinity also undertakes formal materiality assessments which engage both internal and external stakeholders to help identify our long-term economic, environmental and social issues.

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. Extended periods of subdued retail market conditions, changing consumer behaviour, shopping preferences, digital technology and growth in online retailing have the potential to impact tenant viability, vacancy rates, rental growth, asset values and profitability.	• Vicinity focuses on creating compelling consumer experiences, improving amenities and actively reweighting the tenant mix to higher demand categories, catering for the wants and needs of the local community. These initiatives aim to drive greater consumer visitation which should translate into higher sales and rental growth. • Our centre management, leasing and development teams work together to create a strategic asset plan, a strategic leasing plan and a development master plan for each centre. These plans factor in consumer preferences, development and product opportunities, tenant renewal and replacement strategies and rent or capital requirements. • Improving the quality of our portfolio to ensure that centres reflect consumer and tenant demand. This may involve developments, tenant remixes, divestments and acquisitions. • The development pipeline is focused on ensuring our centres adapt to structural changes and remain relevant to our consumers, retailers and communities. • Vicinity is focused on being a valued partner for tenants and ensuring they are well supported in their operations, by understanding and delivering what is most important to them and utilising their feedback to make improvements to our operations. • Vicinity continues to explore and pursue, where feasible, ancillary income opportunities including Casual Mall Leasing, Vicinity Media, electricity on-selling and managed car parks.	**Development** Page 31 **Intensive asset management** Page 35 **Intelligence platform** 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	Extreme weather events such as heatwaves, cyclones and flooding increase the physical vulnerability of our centres and their communities, which may impact our operational costs, asset values, consumer visitation and retail sales. Transition to a low carbon economy also creates opportunities for investment in onsite renewable energy and helps to protect our business from future energy market uncertainties.	• Commitment to address climate change documented in Vicinity's Climate Policy, and adaptation and mitigation activities implemented through Sustainability strategy. • Climate risk assessments have been completed for each centre with outcomes informing proposed asset and business resilience measures. Climate resilience and adaptation plans have been developed for all of our highest risk rated assets. • Financial impacts to our business from climate risks being investigated through scenario modelling. • Climate risk considerations continue to be integrated and embedded into business processes including operations, development and capital upgrade projects, asset tiering process, capital transactions and risk management. • Vicinity has developed an integrated energy strategy with Australia's largest shopping centre solar investment project launched in April 2018 to lower its carbon emissions.	**Our climate resilience program** Page 36 **Integrated energy strategy** 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 in order 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. Since 2015, we have sold $1.9 billion of assets. The proceeds from the divestments have been reinvested into transformative developments, a securities buy-back and value accretive developments. We have also announced the sale of up to $1.0 billion of non-core Sub Regional and Neighbourhood shopping centres and a further $1.0 billion of assets is planned to be sold into a new wholesale fund. • Development opportunities are assessed and prioritised against set criteria which must meet minimum risk-adjusted financial return hurdles. Vicinity ensures strong governance and oversight of capital allocation decisions through its Property Investment Committee.	**Our Portfolio** Page 28 **Development** Page 31 **Intensive asset management** Page 35 **Intelligence platform** 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.	• 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 tenants, 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 31
People	• Health and Safety • Terrorism/ Hostile Aggressor	Vicinity's operations expose our team, 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 programme, 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 development and asset refurbishment works. • Vicinity adopts the recommendations in the Australian Government's Crowded Places Strategy with further asset hardening measures underway 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 a training and education program across our centres, desktop and simulated emergency management exercises and debriefs or post incident reviews conducted after any significant incident or event, in order to identify and implement 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 awesome 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. • We aim to energise and engage employees through fit for purpose remuneration, benefits, reward and recognition frameworks. • 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.	**Capital management** Page 20
Data and systems	• Information and cyber security	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 has employed technical specialists to improve its information security maturity and drive the implementation of its Information Security Management System. The system includes an Information Security Steering Committee, employee training and awareness, targeted penetration testing activities, assessments of third parties and network security, information security controls such as vulnerability scanning and patching, and incident response plans. • Vicinity's data governance framework has been established to ensure the effective collection and use of its data assets in support of maximising the value of these assets whilst appropriately managing associated risks. The framework includes six pillars of governance including strategy, organisation and culture, policies, processes and standards, education and communication, privacy and security, and measurement and monitoring.	**Intelligence platform** Page 38

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.

We engage with our stakeholders in many ways throughout the year to understand their expectations of Vicinity. In FY18, this included an extensive external and internal stakeholder consultation program we undertook as part of our materiality review.

The following table outlines 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.

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 • Contributing to society	**Development** Page 31 **Intensive asset management** Page 35 **Our intelligence platform** 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 • Strong engagement with centre management • Good marketing and other services to help retailers succeed	**Development** Page 31 **Intensive asset management** Page 35 **Our intelligence platform** Page 38
Securityholders	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	**Financial performance** Page 18 **Our management of risk** Page 22 **Capital management** Page 20 **Our portfolio** Page 28 **Our intelligence platform** Page 38 **Tax Transparency** Page 48 **2018 Corporate Governance Statement** vicinity.com.au
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	**Intensive asset management** Page 35 **Development** Page 31 **Our intelligence platform** Page 38
Our people	Support a highly engaged team that embraces our values, and delivers on our strategy	• 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 • Creating a responsible supply chain and making a positive impact on communities • Embracing innovation	**Shaping better communities** Page 36 **Our suppliers** vicinity.com.au

Places to Refresh

Health and wellbeing is a growing global trend that we know is important to our customers and plays an important role in their happiness. In a fast-paced world we understand the importance of relaxation. From health centres and masseurs to hair and nail salons, we offer a variety of ways for our customers to refresh and recharge.

Our Portfolio

Over FY18, Vicinity continued to build on the successful repositioning strategy executed over the past few years. Since the merger in June 2015, we have sold interests in 24 non-core assets for $1.9 billion, at a 2.4% average premium to book value[1]. The proceeds have been used to pay down debt, and also to reinvest into value-accretive acquisitions, developments and a buy-back of Vicinity securities. Over this time, specialty store MAT/sqm has improved 20%, NTA has increased 21% and gearing has reduced 160 basis points.

Major highlights of our portfolio repositioning for FY18 include:

- a strategic premium Sydney asset swap exchanging a 49% interest in Chatswood Chase Sydney for 50% interests in, and management of, GIC's iconic Sydney CBD retail destinations – Queen Victoria Building, The Galeries and The Strand Arcade.
- divesting interests in five centres for a total of $210 million at a combined 7.2% premium to book value[1], and
- completing Mandurah Forum, a $320 million (Vicinity share 50%) major redevelopment with a new David Jones store, H&M, premium fashion mall, and an exciting outdoor dining precinct.

We have also established a clear path to further enhance our portfolio going forward, including:

- divesting up to $2.0 billion of assets from Vicinity's balance sheet in FY19 – comprising up to $1.0 billion to be divested outright, and up to $1.0 billion to be sold into a new wholesale fund,
- working through our extensive retail development pipeline,
- progressing plans to add mixed-use to selected sites across our portfolio,
- continuing to remix tenants within our centres with a focus towards higher demand categories,
- driving strong net property income through expanding ancillary income streams and optimising the operational performance of our centres, and
- leverage data to optimise our retail mix and assist retailers in driving sales.

99.7%
Occupancy rate

$10,133
Specialty MAT/sqm

7.2%
Premium on FY18 divestments[1]

Emporium Melbourne, VIC

1. Includes the divestment of Flinders Square, WA, which was contracted for sale in July 2018, settlement expected in August 2018.

Chadstone, VIC

Chadstone

Australia's No.1 retail, dining and entertainment destination

Australia's best performing retail centre, Chadstone, continues to deliver high quality results and was ranked as Australia's #1 shopping centre[1] for total turnover for the 17th consecutive year. The 500 premium retail, luxury shopping, dining and entertainment offerings attract approximately 23 million local and international visitors annually to the centre. Annual MAT recently surpassing $2 billion, same-store specialty growth of 12.3% and foot traffic growth of 7.0% over the year places Chadstone amongst the world's leading retail destinations. The strong performance of the centre follows the completion of the major $666 million development in June 2017, which is delivering a stabilised yield of 7%, a terrific result for this large investment.

Works are currently underway on the development of a new hotel as well as major remixes within the centre including a further expansion of the luxury precinct. Master planning at Chadstone also continues and includes the expansion of external dining options and other services to bring new uses to this 28-hectare site and create further opportunities for growth and maintain Chadstone as Australia's leading retail, entertainment and dining centre.

Development
Page 31

Premium CBD assets

Unrivalled premium retail offer across Australia's three largest CBDs

Vicinity has an unrivalled offer of premium retail across Australia's three largest CBDs following the acquisition of three Sydney CBD Centres this year. As busy CBD locations, they benefit from strong growth in their main consumer segments – tourists, office workers and residents – making them amongst Australia's best performing and highly resilient retail centres. The seven assets in this sub portfolio, for which specialty store sales averaged 2.1% growth over FY18 and sit at $18,020 on a per sqm basis, comprise:

- Sydney – Queen Victoria Building, The Galeries and The Strand Arcade
- Melbourne – Emporium Melbourne and Myer Bourke Street
- Brisbane – QueensPlaza and The Myer Centre Brisbane

This gives Vicinity a unique competitive advantage to attract best of class international and domestic retailers to our centres.

DFOs

Australia's No.1 Outlet Centre portfolio

Vicinity is the owner and manager of Australia's #1 outlet centre portfolio. These popular centres offer consumers quality branded products at reduced prices and are very popular with consumers who will often travel long distance to shop at these centres. With DFO Perth opening soon, Vicinity will have six DFO Outlet Centres in the portfolio:

- Melbourne – DFO South Wharf, DFO Essendon and DFO Moorabbin
- Sydney – DFO Homebush
- Brisbane – DFO Brisbane
- Perth – DFO Perth (opening October 2018)

These centres continue to perform very well, generating 4.6% MAT growth over the past 12 months. Specialty store MAT of $9,934 per sqm and occupancy costs of 10.9% continue to drive strong leasing outcomes for these centres.

1. Shopping Centre News Big Guns Survey 2018.

Our portfolio continued

Strategic acquisition – Sydney CBD Centres

In April 2018, Vicinity confirmed its status as Australia's premier CBD retail owner and manager with the strategic exchange of Sydney premium assets with GIC. Vicinity acquired a 50% interest in, and management of, Sydney's Queen Victoria Building, The Galeries and The Strand Arcade for $556 million in exchange for 49% interest in Chatswood Chase Sydney for $562 million.

The Sydney CBD Centres perform very strongly, with average specialty store MAT/sqm of $24,546 and total MAT growth of 4.4% over FY18. With 60 million visitors annually, these iconic Sydney assets are expected to benefit from:

- strong current and future consumer growth from three main segments – tourists, office workers and residents
- transport and infrastructure projects under development – with planned stops of the Sydney light rail (to complete in 2019) and Sydney Metro rail (to complete in 2024) projects adjacent to the centres
- further refinement of the tenant mix
- growing ancillary income streams, and
- operational efficiencies under Vicinity's management.

This transaction expands our strategic partnership with GIC to over $2.0 billion in value across six assets including the co-ownership of Emporium Melbourne and Myer Bourke Street.

The Strand Arcade, NSW

The Galeries, NSW


Queen Victoria Building, NSW

Development

Our extensive development pipeline remains 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 in turn helps to improve the quality of our income streams through increased market share and sales growth.

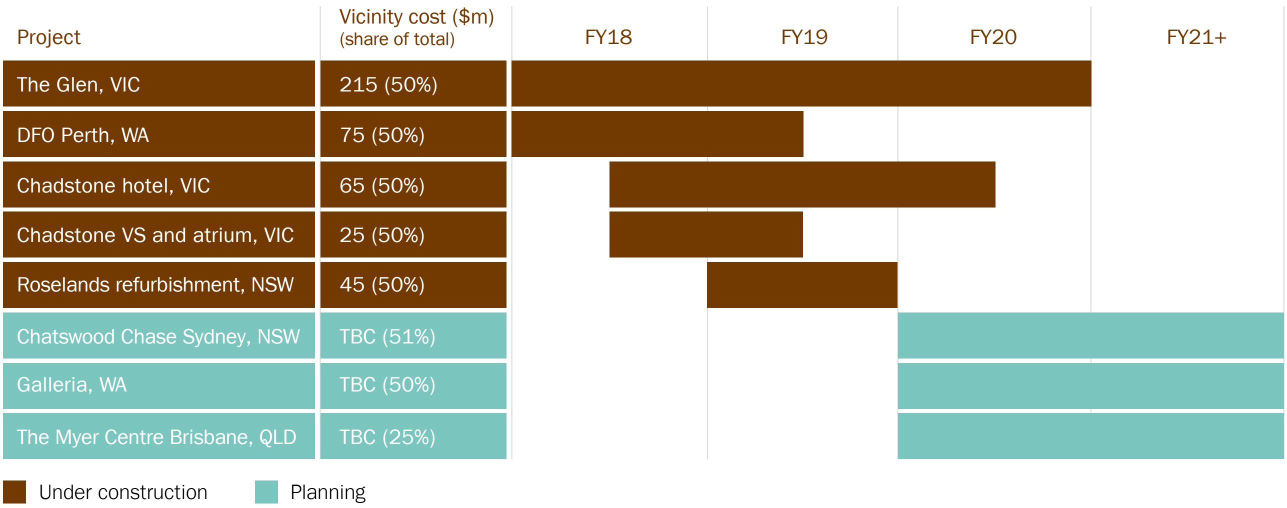
Future-focused development

This year we improved the sustainability of our development practices going forward. As we look to the future of retail development, we have expanded and reshaped how we undertake development and tenancy design. Accordingly, in May 2018, we established a Design Centre of Excellence that will have a focus on human-centred design in our approach to building and tenancy design. In July 2018, we also appointed a General Manager Mixed Use reflecting the significant opportunity across our portfolio in this space.

We also established a sustainable design brief during the year that formally integrates our long term sustainability objectives into our developments, refurbishments and other capital works via a range of environmental and social considerations and requirements. Using the Green Building Council of Australia's (GBCA) Green Star rating tools as a framework, we are able to identify and implement best practice solutions for energy, water, waste, building materials, transport, biodiversity, and health and wellbeing into our projects. During the year:

- the $666 million redevelopment of Chadstone completed in June 2017 was awarded a 5 Star Green Star Design & As Built rating for the office and retail components
- Vicinity's office at Chadstone Tower One was certified 5 Star Green Star Interiors v1.1 rating
- The Glen redevelopment design review certified 4 Star Green Star Design & As Built V1.1.

Development pipeline



Note: Timing and costs of projects are indicative only and may change as projects advance.

Our portfolio continued

Development continued

FY18 completed project

Mandurah Forum

The $320 million[1] transformation of WA's Mandurah Forum is now complete. The centre has been re-invigorated and has truly become the 'heart of the south' since its final stage opening in March 2018. A new David Jones store, H&M, premium fashion retailers and an exciting al fresco dining area provide visitors to the centre with a unique retail experience. This reinvigorated centre has been well received by the local community and retailers at the centre. On completion, the centre recorded a $20 million, or 6.3%, valuation uplift for the six months to 30 June 2018 and the project is expected to deliver a forecast development yield[2] of >6% and IRR of >10%.

Projects under construction

The Glen

Our major redevelopment at The Glen continues with the first two stages opened during the year. Stage one of the $430 million[1] project opened in October 2017 with a new Woolworths and Aldi adding to a vibrant fresh food market hall, perfect for this culturally diverse region of Melbourne. The second stage opened in March 2018 including an exciting casual dining precinct with some new-to-shopping-centre food retailers providing consumers with high quality dining experiences. The outlook over the Dandenong Ranges capitalises on the elevated position of this centre and gives consumers a relaxing space to unwind at The Glen.

The fashion and lifestyle mall (stage three) including H&M and Uniqlo, is set to open in October 2018 and is fully leased, and the final two stages will open through to 2020 and include a new small-format David Jones. The project is expected to deliver a forecast development yield[2] of >7% and IRR of >13%.

The centre is also expected to benefit from over 500 apartments that will be developed by a third-party developer, on the southern end of the site which are expected to be completed in 2021.

The Glen, VIC

DFO Perth, WA – Aritst's impression

DFO Perth

Construction of DFO Perth is well progressed and on track to open in October 2018. This $150 million[1] development is Perth's first DFO outlet centre and has attracted strong interest from retailers. Additional retail development at the Perth Airport site will enhance visitation to this highly anticipated addition to the Perth retail landscape.

Already fully leased, the centre will include international retailers Polo Ralph Lauren, Coach, Furla, Tommy Hilfiger, Calvin Klein M.J.Bale, Kate Spade, Oroton, Skechers, Under Armour, Platypus, Sheridan and Lindt. The project is expected to deliver a forecast development yield[2] of >11% and IRR of >16%.

1. 100% interest. Vicinity's share is 50%.
2. Stabilised.

Places to Dine

Our dining options range from a quick bite on the run to a lavish sit-down meal. Modern, edgy eateries inspired by the world of street food are complemented by some of the finest unique dining experiences available. We are constantly adapting our offering to cater to the diverse tastes and experiences we know our customers desire and love.

Development continued

Projects under construction continued

Chadstone hotel and major remixes

Construction of the $130 million[1] Chadstone hotel project has commenced and is expected to open in 2019. The hotel, to be managed under the AccorHotels Group premium brand MGallery by Sofitel with a 10-year operating lease, will add an exciting new experience to Chadstone. The 13-storey, 250 room hotel will feature conference facilities to host up to 400 people, two restaurants, a lounge bar, pool and a day spa. The hotel will cater to tourists to Melbourne, business travellers to the busy Monash region and visitors to Chadstone. The project is expected to deliver a forecast development yield[2] of >9% and IRR of >12%.

Additional tenant remixes are also underway at Chadstone including new casual dining operators and youth merchandise retailers replacing the atrium food court as well as the addition of Australia's first Victoria's Secret flagship store and an expanded luxury retail precinct.

Future projects

A development at Galleria is in its final planning stage and is currently targeted to commence in 2019.

Already one of Sydney's leading retail centres, Chatswood Chase Sydney is set to become a luxury retail destination with an outstanding dining precinct to cater to Sydney's affluent multi-cultural north shore demographic. Planning is underway for this significant project with commencement expected in FY19.

Mixed-use opportunities

Being a major owner of shopping centres, we have extensive landholdings. As the population of Australia grows so does the need to provide housing, employment and services in convenient locations.

Benefits of mixed-use:

- Drives additional visitation for the retail component
- Captures value not currently recognised in NTA
- Strengthens the site as a destination, leveraging off transport infrastructure
- Potentially generates additional returns and fee streams beyond land value

During the year, we completed a review of the portfolio to evaluate the best use of each of our landholdings. Following an early stage assessment, we identified 12 significant mixed-use projects and potential value upside of approximately $1.0 billion for Vicinity from mixed-use opportunities. Additional uses identified are primarily residential, to be undertaken using a capital-light approach, office and hotel. Although it will take time to realise these mixed-use opportunities across the portfolio, the value they can create for Vicinity is substantial and not reflected in current valuations.

Box Hill Central, VIC – Artist's impression

To capitalise on these opportunities, we have been building capability within our development team and have recently appointed a General Manager Mixed Use Development who has a strong background in residential and office development. In addition, various team members hired over the past two years bring a breadth of experience across office, residential and hotel development.

Two significant opportunities that we have in our portfolio are at Box Hill Central in Melbourne and Bankstown Central in Sydney. Both are key urban centres on large landholdings, adjacent to major railway stations. Based on the respective local councils having already approved a number of high density residential and commercial developments within the surrounding area, each has the potential to support significant non-retail development opportunities. Early pre-development planning works to unlock these opportunities have commenced.

1. 100% interest. Vicinity's share is 50%.
2. Stabilised.

Asset refurbishment projects

The Asset Refurbishment Team (ART) works on minor projects to enhance quality and consumer experience in assets that are not planned for development in the short to medium term. ART projects involve the investment of small amounts of capital in improvements in areas such as mall space, entrances, food courts and amenities to drive consumer visitation, increase sales, enhance leasing demand and create other income opportunities.

In FY18, we completed seven ART projects at a total investment of $12.1 million (Vicinity's share), generating an initial average return of ~10%. The delivered projects have driven centre sales and ongoing feedback from retailers and consumers has been very positive. Additional projects have been scheduled for delivery during FY19 in line with our investment strategy and ongoing focus on improving the experience and offer for our consumers, retailers and local communities.

Intensive asset management

We have 82 shopping centres under management, 74 of which we have an ownership interest in, making us one of Australia's leading retail property groups. This scale enables us to offer our retailers a range of high quality shopping centre spaces. Drawing on our innovative culture, it also provides the opportunity to constantly trial and implement a range of cost, income and experience initiatives to enhance the experiences of our consumers and retailers and also to improve the long-term financial performance of our portfolio.

Chatswood Chase Sydney, NSW

Ancillary income streams

Vicinity is able to generate income from a range of activities that are ancillary to the active management of our portfolio. Over FY18, we were able to drive 5.4% growth in these ancillary income streams, primarily across three areas – Vicinity Media, electricity on-sold to retailers and income incidentally derived through optimised car park management.

Improving the convenience for our consumers is a major focus of Vicinity, particularly around car parks. With many of our shopping centres being located in and around commercial hubs, or major transport networks, commuter parking has been an increasing cause of congestion at our centres. In order to deter commuters, and also to promote the turnover of our customers particularly in our busier centres, we have managed car parking in place at 13 centres, many of which include other state of the art features like ticketless access and parking guidance. Over the next two years, four additional centres will benefit from managed parking.

We have over 50 embedded electricity networks installed across our portfolio providing retailers with discounted electricity rates by leveraging our bulk electricity buying power. Expansion opportunities exist across a further eight centres through to 2020.

Vicinity continues to deploy a range of premium media assets across our portfolio including large format internal and external media screens. We currently have over 90 large-format internal media screens successfully being utilised by brands and retailers to connect with Vicinity's valuable shopper audience. More than 20 additional internal media screens will be rolled out in FY19. We have also identified over 30 potential sites for external digital screens which we have commenced rolling out.

Operational innovations

Innovation is an increasing focus in the operational management of our portfolio and in FY18 we generated $2.4 million of savings. With a portfolio of our scale we are able to test and implement a range of initiatives. Through robotics and automation we are able to improve cleaning and waste management standards while also better utilising labour. We have introduced 29 autonomous cleaning machines that have allowed us to redeploy labour into finer work, enhancing overall presentation standards.

Bankstown Central ART

A complete refurbishment of the food court was undertaken at Bankstown Central in the second half of 2017. The project included new LED lighting, flooring, furniture, an additional 200 seats were added in various formations to suit differing dining requirements, the amenities were revitalised and new income generating media assets and leasing sites were added. State of the art charging stations, improved access to the dining precinct and modern design and decorator elements has resulted in overwhelmingly positive feedback from retailers and customers and turnover is up 10.2% for the past six months since completion compared to FY17.

Bankstown Central, NSW

Intensive asset management continued

Operational innovations continued

We also have compactor bins that significantly reduce the number of pick-up times and notify us when they are full. In total we have trialled and implemented over 150 initiatives over the past two years. Our operations team was internationally recognised this year for the introduction of innovations and technology advancement throughout our centres, winning the Digie Award for the 'Most Intelligent Building – Retail' at the 2018 Realcomm | IBcon Commercial Real Estate Digital Innovation Awards.

Integrated energy strategy

In 2018, we developed an integrated energy strategy to reduce our carbon footprint and reduce our exposure to volatile energy prices through the electricity grid. This includes implementing innovative technologies that improve energy efficiency, fast-tracking solar installations and automating building operations through Vicinity's high-speed digital network.

In May 2018, we announced the largest solar investment in shopping centres with a $28 million solar installation at five centres in South Australia and Western Australia. The 11.2MW project will see approximately 39,000 solar panels installed on rooftops and carpark shades at our centres, along with a large scale commercial battery and will generate upwards of 17.4 gigawatt hours of clean energy each year. Creating the largest carpark solar installation in Australia with more than 2,400 covered bays, will provide additional comfort, enhancing the customer and retailer experience. The renewable energy generated will be used at our centres, reducing reliance on the grid and providing a benefit to our retailers and our business as a buffer from the volatile energy market. This stage is expected to deliver an average year one yield of ~15% and an average IRR of ~12%. Stage two of the solar investment project is expected to cost ~$50 million with installations across the portfolio commencing in FY19 with a similar level of returns as stage one. The overall solar program will be the largest investment and size for Australian property solar, cementing our energy leadership by creating shared value for our customers, retailers, investors as well as the communities where we live and operate.

Environmental efficiency

Our environment improvement program continues to drive year-on-year improvements in resource efficiency across our portfolio, as we continued to reduce our energy and carbon emissions intensity (on a per square metre basis), and also reduce the proportion of waste we send 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. Vicinity remains the largest property portfolio in Australia to achieve a 3 Star Green Star Performance portfolio rating, with a plan underway to lift our managed portfolio rating to 4 Stars by the end of FY19. This year, we also increased our NABERS Energy and Water assessments to over 82 per cent of our rateable portfolio.[1]

Shaping better communities

As key local economic and social hubs, we leverage the unique position that our centres hold to make a meaningful contribution towards issues that impact our local communities. In FY18, Vicinity invested $3.0 million in our communities through partnerships with our retailers, suppliers and national and local community groups.

Our climate resilience program

As a leading owner and manager of property, we are focused on the long-term resilience of our assets, including the potential impacts of climate change. Since 2015, Vicinity has had a program of work underway to improve our understanding of the potential risks and opportunities relating to climate change, and to build our resilience, both at a corporate and an asset level.

To identify potential climate risks for our business, Vicinity has completed a high-level risk assessment across our entire managed portfolio against projected long-term Australian climate variables, and has undertaken detailed risk assessments at high priority centres. Following these assessments, work commenced on integrating climate risk considerations into our key business processes to enhance our resilience and adaptability. During the year, climate risk considerations were further integrated into our approach for development design, our strategic asset planning process, as well as our enterprise and asset-level risk and emergency management processes. We also completed physical risk scenario modelling under two different climate scenarios to gain insight into the range of potential financial impacts climate change might pose to our business and help identify the most significant areas to focus on.

Our integrated energy strategy launched in FY18 (described on this page) helps Vicinity to build the climate resilience of our portfolio by preparing it for climate-related events such as heat waves and disruptions to energy supply, and is also a key part of our progression towards a low carbon future.

Disclosure of Vicinity's climate-related risks, opportunities and strategy is informed by recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Our approach to climate resilience continues to evolve, and we communicate our progress through our sustainability website and annual CDP submissions.

Climate resilience
sustainability.vicinity.com.au

1. Retail assets which cover a GLA of 15,000 sqm or above, which meets the minimum threshold to qualify for a NABERS Rating.

Social procurement meets operational innovation at Chatswood Chase Sydney

At Chatswood Chase Sydney, our waste management practices have been advanced by the introduction of an onsite material recovery facility (MRF), a first in Australia which has improved the centre's recycling diversion rate, to over 70% and heading towards a 90% target. This social procurement initiative is delivered in partnership with House With No Steps, a disability service provider.

The project creates shared value by significantly improving the waste management of Chatswood Chase Sydney, providing both environmental and financial benefits while also delivering meaningful employment for people living with a disability. After this successful trial, a further four sites are being planned.


NAIDOC week celebration at Bayside

This year, we continued work with our corporate community partner Beacon Foundation to deliver Vicinity's community investment program, which focuses on addressing youth unemployment and disengagement in our local communities. For the first time this year, all of our centres and corporate offices came together in a company-wide fundraising initiative Light the Way, raising over $43,000 for Beacon Foundation and increasing community awareness of our partnership and efforts to alleviate youth unemployment and disengagement. We also launched a new work experience program as a part of Vicinity's broader mentoring program to provide students with the opportunity to experience our corporate and centre workplaces and be mentored by Vicinity employees.

Across the portfolio, our centres continued to work with Beacon and other local community partners to implement initiatives that supported local youth. Vicinity hosted successful jobs fairs at four centres, connecting hundreds of local youth with retailers looking to employ. We also implemented a variety of youth related programs aimed at mentoring and further upskilling youths at 22 additional centres.

Social procurement

Social procurement is an important avenue through which we work with our suppliers to make a meaningful impact on our communities.

Over the past two years Vicinity has procured general maintenance work at 15 of our centres in Victoria through the social enterprise YMCA Rebuild. During the year, we expanded this relationship by formalising a partnership with its parent organisation YMCA Bridge Project, which provides support, training and employment for youth within and out of custody to assist their reintegration into the community following release. This partnership includes providing volunteering opportunities for Vicinity employees, direct employment of Bridge Project youth into appropriate roles within Vicinity and exploring opportunities to further expand our social procurement program.

We also have existing partnerships with House With No Steps, Marist Youth Care, Activ Property Care and Orana Incorporated from whom we procure essential maintenance services across our portfolio and who directly employ people from a range of disadvantaged backgrounds. In FY18, Vicinity spent over $1.4 million with social enterprises in our supply chain.

Reconciliation Action Plan

In June 2018, Vicinity launched its first Reflect RAP to begin our reconciliation journey.

The Reflect RAP will support our sustainability and diversity and inclusion objectives – to shape better communities and foster an inclusive workplace that celebrates difference.

As a large landholder, owner and manager of important community spaces, this RAP will help us identify ways in which we can build better relationships with the Traditional Owners and the continuing Custodians of the land upon which we operate, so that we can provide a more inclusive and engaging community experience at our centres.

Our first RAP puts in place the stepping stones to take practical action within our sphere of influence. It focuses on learning and development opportunities to help our people gain knowledge of Australia's Indigenous cultural heritage, developing a plan to increase Indigenous employment within our business, and unearthing new and innovative business opportunities that benefit both Vicinity and Aboriginal and Torres Strait Islander organisations and communities.

Our Reflect RAP
sustainability.vicinity.com.au

Our Intelligence Platform

Vicinity has strategically invested in both technology and internal capability to create an integrated intelligence platform. This proprietary platform will facilitate enhanced productivity through our retailers, smarter building management, better consumer experiences and a team equipped with relevant and timely information. It also provides the foundation for digital innovation that will drive a competitive advantage for Vicinity in the marketplaces it curates.

Data platform

Vicinity has built a best-in-class data environment – designed to facilitate data flows through the Intelligence Platform and to generate proprietary insights. Vicinity's data platform is a flexible, multi-cloud based micro services environment that consists of a data lake, a mediation layer, a data warehouse and visualisation tools.

This platform has been developed internally, utilising the skills and capabilities of Vicinity's data science and data engineering teams, with the goal of creating internal intellectual property value for Vicinity. The platform has been designed to produce actionable insights that support data-driven decisions.

Converged network

In June 2017, Vicinity completed the rollout of a portfolio-wide converged network. Based on a hub and spoke design, this infrastructure supports the connection of, and provides interoperability between, all devices and applications within our centres – connecting both people and things.

Through the same network infrastructure all consumer, retailer services, intelligent building and team activities are linked. Connection to the entire system is possible from any of our centres or offices. By installing common network infrastructure across all our centres we can manage and track activities, benchmark performance, centralise management controls and develop insights to improve our portfolio performance as well as our operational, leasing and development decision making.

Common portfolio-wide WiFi connections have been enabled to allow Vicinity to track activities between centres.

Underpinning this is a robust cyber-security model, which provides high levels of security for connections uniformly across the platform.

The network is significant in size and reach, currently supporting over 2.2 million device connections via the Public WiFi network representing approximately 20% of consumers with devices visiting our malls.

Applications

Retailer portal

A secure online platform available 24x7 for Vicinity and our retailer customers to come together. It is intended to streamline communications and operations, reduce friction and allow both parties to focus on retail outcomes. It is also to be a channel for Vicinity to provide additional insights and valuable services to retailers, aimed at further optimising retail outcomes. Launched in May 2018 with sales performance and other reporting to a selection of major customers, Vicinity will continue to enhance the product with new customers and additional features being added over time.

Intelligent buildings

Vicinity is leveraging internet of things (IoT) technology to better manage our centres. We are digitally connecting all centre operational technology to our converged network to collect data, centralise management and ultimately automate our buildings. During the year, we successfully trialled operating Oakleigh Central remotely and we believe the learnings from this trial will provide significant efficiencies for Vicinity into the future.

First to the Australian market with converged network of this scale

Industry leading data science and engineering capability developing proprietary insights

Vicinity is also exploring new operational technology innovations including tests and trials utilising robotics and artificial intelligence applications.

Wayfinding

Wayfinding is a high engagement touch point for consumers when they visit our centres. Using the converged network and insights from a variety of consumer applications, we are integrating wayfinding across multiple touch points of concierge, web, app and kiosk with the Chadstone mobile-first website sporting the newest version of our interactive wayfinding.

Other applications in the pipeline include the automation and personsalisation of messaging, offers and shopper experiences, targeted media and WiFi network onboarding and consumer survey tools.

Vicinity's integrated technology platform

A whole of business solution

Over 2.2 million consumers registered on the network, engagement equivalent in scale to leading Australian loyalty programs

Connecting operational equipment using internet of things (IoT) technology, such as building management systems

Over 100,000 surveys issued to network users in our centres to date, garnering real-time feedback from our customers

Our People

At Vicinity Centres, we have a highly engaged team creating unique experiences for our customers, delivering value for our retail partners and striving for excellence in everything they do. Vicinity's values enforce the behaviours we believe create a great place to work and provide high quality outcomes for all Vicinity's stakeholders.

Our values

- We always collaborate
- We embrace difference
- We imagine a better way

Our People and Culture team has been recognised as one of Australia's most progressive and innovative HR teams by leading human resource media publisher, HRD Australia. Our Reimagine program focuses on embedding a cultural transformation following the merger in 2015 and creating a workplace that celebrated customer-centric and purpose-driven commercial solutions. The teams' adoption of agile ways of working has helped shape a workplace that values collaboration and communication.

Health and Safety

At Vicinity, we believe everyone has the right to go home safe and healthy. This belief forms the framework to the way we do business. This year, we developed a health and safety strategy which outlines a roadmap for the development of health and safety capabilities across Vicinity. It also outlines our mission of providing safe and healthy environments for our communities. We are pleased with the good practices embraced within Vicinity.

Learning and development

Creating opportunities for growth in our people is important at Vicinity. Our learning and development program, called Discovery, incorporates opportunities for our people to learn, develop and grow. We offer a wide range of programs nationally to promote a growth mindset in our people through face-to-face and blended learning programs, e-learning, mentoring and on-the-job development opportunities.

Diversity and inclusion

Our strategy to support diversity at Vicinity continued throughout 2018, focusing on age, mental health and gender and supported by the enablers of flexibility and inclusive leadership.

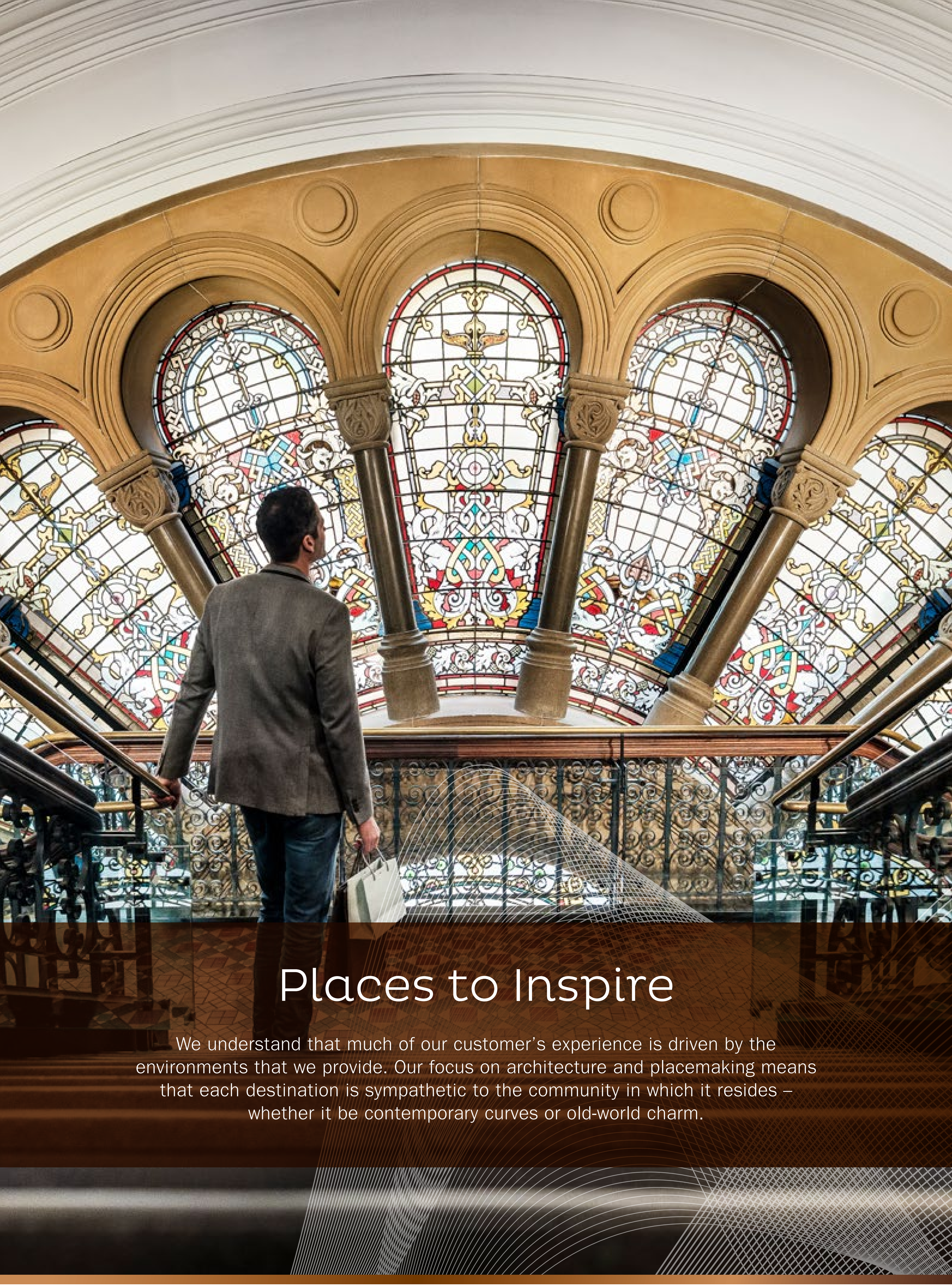
A wide range of initiatives were delivered to support the diversity strategy. These include resources to support team members at different life stages, parental leave coaching, mental health and unconscious bias training and ongoing communication and engagement around flexible work options.

Progress against our diversity and inclusion strategy is measured bi-annually through dedicated diversity and engagement surveys.

Leadership

Leadership development is highly valued at Vicinity. More than 350 of our people leaders have participated in our Everyday Leader program over the past two years – a program which aims to provide leaders with the skills and insights to lead with passion and purpose and to bring Vicinity's values to life.

The Everyday Leader program received a highly commended award from The Australian Institute of Training and Development for the best implementation of a blended learning solution and our online 'learning bytes' received a gold award at the LearnX Summit and Awards for the 'Best Bitesize Learning Solution'.



Places to Inspire

We understand that much of our customer's experience is driven by the environments that we provide. Our focus on architecture and placemaking means that each destination is sympathetic to the community in which it resides – whether it be contemporary curves or old-world charm.

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

Throughout FY18, Vicinity Centres' governance arrangements were consistent with the Corporate Governance Principles and Recommendations (3rd edition) (Principles) published by the ASX Corporate Governance Council.

Our Corporate Governance Statement outlines our approach to governance including the structure and responsibilities of our Board and our executive.

2018 Corporate Governance Statement
vicinity.com.au

Further information

You can find more disclosure on the following topics:

Our strategy
Page 12

Our management of risk
Page 22

Governance
sustainability.vicinity.com.au

Tax transparency
Page 48

Contact us
Page 125

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.

Director: Australian Institute of Company Directors.

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.

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 and Property Council of Australia.

Council Member: Asia Society Policy Institute.

Past Non-executive Directorships
(past three years)

None.

David Thurin (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 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.

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: Nine Entertainment Co Holdings Ltd, Costa Group, Wellcom Worldwide, Placer Property and Melbourne Theatre Company.

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

Karen Penrose
BCOMM (UNSW), CPA, FAICD
Independent Non-executive Director
Appointed June 2015

Background and Experience
Karen Penrose has a strong background and experience in business, finance and investment banking, in both the banking and corporate sectors. Ms Penrose is a full-time non-executive director. Her prior executive career includes 20 years with Commonwealth Bank and HSBC and eight years as a Chief Financial Officer and Chief Operating Officer with two ASX listed companies. Ms Penrose is a member of Chief Executive Women.

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, Future Generation Global Investment Company Limited (pro bono role), Bank of Queensland Limited and Marshall Investments Pty Limited.

Past Non-executive Directorships
(past three years)
UrbanGrowth NSW and AWE Limited.

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.

Our Board continued

Tim Hammon
BCom, LLB

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 consultant to Mutual Trust Pty 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 and leasing and corporate strategy. He was also Managing Partner of various offices of Mallesons Stephen Jaques.

Mr Hammon is Chairman of the Risk and Compliance Committee, 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.

Consultant: Mutual Trust Pty 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 the Remuneration and Human Resources Committee.

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

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, GAICD

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: PMP Limited, JB Hi-Fi Limited, Visit Victoria and the Melbourne Festival.

Past Non-executive Directorships
(past three years)
kikki.K Pty Ltd, Specialty Fashion Group and L'Oréal Melbourne Fashion Festival.

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 nine members outlined on the current page and overleaf
- Investment Committee – includes the CEO, Chief Investment Officer (CIO) (chair), Chief Financial Officer (CFO) and the Executive General Managers (EGM) of Development, Leasing and Shopping Centre Management
- Capital Management Committee – includes the CEO, CFO (chair), CIO, General Manager (GM) Treasury and an external member
- Diversity Forum – includes CEO (chair) and other senior leaders
- Sustainability Committee – includes CEO (chair), CIO, EGMs Development and Shopping Centre Management, GM Sustainability and other senior leaders

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 Director of the Property Council of Australia 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
Executive General Manager
Development

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 a Division Councillor of the Property Council of Australia's Victoria Division, an Advisory Board Member to the Victorian Government's Office of Projects Victoria and Women's Property Initiatives (a not for profit housing provider to women and children at risk of homelessness) as well as a director of the Walter + Eliza Hall Institute of Medical Research and The Big Issue.

David Marcun
Executive General Manager
Business Development

David Marcun 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 the retail property sector, predominantly in finance and operations roles.

Prior to his current appointment, 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.

Justin Mills
Executive General Manager
Shopping Centre Management

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, centre management, asset management, investment management and strategy.

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

Michael O'Brien
Chief Investment Officer

Michael O'Brien joined Vicinity Centres in October 2015 and has 28 years' experience in real estate including shopping centre management and development, real estate funds management and finance.

Prior to his current appointment, Michael held a number of senior roles at The GPT Group including Group Executive – Corporate Development, Chief Operating Officer and Chief Financial Officer, as well as Acting Chief Executive for a period through 2008-09. Previous to this, Michael was at Lend Lease Corporation where he held a variety of funds management and shopping centre management positions, including Chief Executive Officer of Lend Lease Retail.

Michael is a Fellow of the Australian Property Institute and a Director of the Green Building Council of Australia.

Richard Jamieson
Chief Financial Officer

Richard Jamieson joined Vicinity Centres in June 2015 and has more than 25 years' experience in banking and finance roles.

Richard was formerly Chief Financial Officer at Novion Property Group. Prior to this, Richard was Acting General Manager for Superannuation, Marketing & Direct at BT Financial Group after three years as Chief Financial Officer. Previously, Richard was Chief Financial Officer for Westpac New Zealand Limited and Infrastructure Fund Manager and Chief Financial Officer at Colonial First State Global Asset Management (CFSGAM).

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

Simone Carroll
Executive General Manager Digital, Marketing, People and Culture

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.

Stuart Macrae
Executive General Manager Leasing

Stuart Macrae joined Vicinity Centres in June 2015 following the Merger of Federation Centres and Novion Property Group (Novion) and has more than 30 years' experience in property management, development and leasing.

Prior to his current appointment, he was General Manager, Leasing with Novion (formerly CFSGAM Property) since 2002. Stuart also held a number of senior leasing roles within Gandel Retail Management from 1989 to 2002.

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 for the third year, Vicinity aims to continue 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.

Further information
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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.

$291.1m
Total tax contribution

Stapled structures review

Following a year-long review of the use of stapled structures in Australia, Federal Treasury released its package of measures on 27 March 2018 followed by draft legislation on 26 June 2018. The review of stapled structures was originally undertaken at the direction of the Federal Treasurer with a view to protecting the integrity of Australia's corporate tax system. In particular, Federal Treasury was seeking to prevent stapled structures being inappropriately used as a means of re-characterising trading income into passive rental income.

The Government has acknowledged that the measures are targeted at taxpayers that use stapled structures beyond their traditional use in commercial and retail property. As such, Vicinity is not a key target of this review. The review will not materially impact Vicinity's structure or the way in which it carries on business. As a leader in the Australian property industry, Vicinity will continue to operate in a lawful manner with respect to all of its tax obligations, including appropriately conforming with the stapled structures integrity measures.

Vicinity will continue to monitor and engage with Federal Treasury so that the reforms are appropriate for the traditional retail property industry, as well as to enable Vicinity to adapt to the implementation of the reforms, which are to apply from 1 July 2019.

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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 FY18, Vicinity participated in the ATO's Pre-Lodgement Compliance Review (PCR) program. Under the PCR program, Vicinity engages with the ATO on a real-time and transparent basis so that, where possible, new tax issues can be resolved prior to the lodgement of Vicinity's annual income tax returns. As part of the PCR, Vicinity is also participating in the ATO's Justified Trust review. The aim of that review is to assure the community that it can trust that Vicinity is paying the right amount of tax. That review remains ongoing.

The stapled structures review will not materially impact Vicinity's structure or the way in which it carries on business

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 2018 Corporate Governance Statement.

2018 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 FY18) 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.

Taxation of Vicinity 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 has elected into the AMIT regime with effect from 1 July 2017. Details of the impact of the AMIT regime will be included in various fact sheets, available on Vicinity's website in late August 2018.

Further information
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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 $1,179.1 million for FY18. 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 $39.6 million for FY18. Accordingly, the Group recognised a current income tax expense of $11.2 million for FY18 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 FY18, the Vicinity Limited income tax consolidated group generated a tax loss of approximately $11.5 million. This tax loss was primarily driven by the tax deduction (of $48.9 million)[1] for costs associated with the internalisation of management in 2014. FY18 is the final year of this deduction. Accordingly, Vicinity Limited is not required to pay income tax for FY18.

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 nil taxable income and nil income tax payable will be reported in the ATO's Public Disclosure of Entity Information Report for FY18, which is expected to be released in late 2019.

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.

Further information
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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 FY18 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 FY18, 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 2018. 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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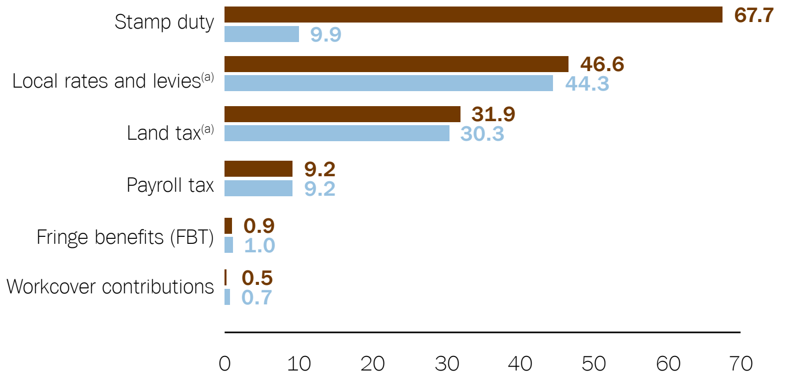
1. Although these costs were paid and recognised as an accounting expense in FY14, the allowable deductions are required to be amortised for tax purposes over five years (refer to Note 3 of the Financial Report for further information).

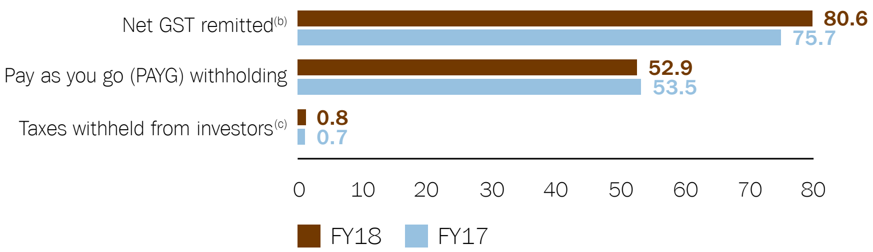
Additionally, as a business that operates in the Australian property industry, Vicinity is subject to various other taxes at the federal, state and local government levels. In FY18, these taxes amounted to approximately $291.1 million and are either borne by Vicinity as a cost of our business, or are remitted by Vicinity as part of our contribution to the administration of the tax system.[1] As can be seen 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.

The information provided below summarises Vicinity's Australian tax contribution for FY18. The most material change between the taxes paid in FY17 and FY18 arose in the area of stamp duty. FY18 stamp duty increased by approximately $57.8 million due to the acquisition of 50% interests in Queen Victoria Building, The Galeries and The Strand Arcade, in addition to the acquisition of the freehold interests in Myer Bourke Street and Emporium Melbourne. These property transactions are described in detail in Note 4 of the Financial Report.

Total taxes borne by Vicinity ($m)
$156.8 million



Total taxes remitted by Vicinity ($m)
$134.3 million



(a) 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 FY17 and FY18 due to timing differences.

(b) Net GST remitted for FY18 is comprised of $180.9 million of GST collected (FY17: $180.2 million) and $100.3 million of GST claimed (FY17: $104.5 million).

(c) This represents taxes withheld from Vicinity's securityholders. 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's tax culture and business practices are driven by our Vision and Values, and are consistent with our purpose of enriching the communities in which we serve.

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
- Treasurer's Media Release – Levelling the playing field for Australian investors: Taxation of Stapled Securities: sjm.ministers.treasury.gov.au/media-release/024-2018/
- Treasury's publication on the tax treatment of stapled structures: treasury.gov.au/publication/p2018-t273732/
- 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, as well as details on the impact of Vicinity Centres Trust group electing into AMIT, will be available in late August 2018 on Vicinity's website: vicinity.com.au/investor-centre/tax-information

1. In this regard, Vicinity includes entities which have been equity accounted in these financial statements.

Sustainability Assurance Statement

EY
Building a better working world

Independent Limited Assurance Statement to the Management and Directors of Vicinity Centres

Our Conclusion

We were engaged by Vicinity Centres to undertake limited assurance as defined by Australian Auditing Standards and below, and hereafter referred to as a 'review', over Vicinity Centres' disclosures of selected sustainability performance data included in Vicinity Centres' 2018 Annual Report and Corporate Governance Statement (CGS) for the year ended 30 June 2018. Based on the work we performed, nothing came to our attention that caused us to believe that the selected sustainability performance data had not been prepared and presented fairly, in all material respects, in accordance with the reporting criteria.

What our review covered

We reviewed a selection of Vicinity Centres' sustainability performance data for the year ended 30 June 2018, as shown in the table below:

Selected sustainability performance data	Annual Report page
Carbon intensity (scope 1 and 2) (kg CO_2-e/sqm)	16
Energy intensity (MJ/sqm)	16
Waste diversion rate (% recovered for recycling)	14, 16
Community investment ($)	3, 16, 36
Diversity (women in leadership, % representation of women by level)	16 (10 and 13 of CGS)
NABERS Energy Rating (portfolio average)	16
NABERS Water Rating (portfolio average)	16

Criteria applied by Vicinity Centres

The following criteria have been applied:

- specific criteria from the Global Reporting Initiative Standards
- Vicinity Centres' own criteria and management methods as set out in its publicly disclosed Sustainability Reporting Criteria, available at: http://sustainability.vicinity.com.au/our-business-and-strategy/sustainability-reporting/learn-more/

Key responsibilities

EY's responsibility and independence

Our responsibility was to express a limited assurance conclusion on the disclosures of selected sustainability metrics.

We were also responsible for maintaining our independence and confirm that we have met the independence requirements of the APES 110 Code of Ethics for Professional Accountants and have the required competencies and experience to conduct this assurance engagement.

Vicinity Centres' responsibility

Vicinity Centres' management was responsible for selecting the Criteria, and preparing and fairly presenting the selected sustainability performance data in accordance with that Criteria. This responsibility includes establishing and maintaining internal controls, adequate records and making estimates that are reasonable in the circumstances.

Our approach to conducting the review

We conducted this review in accordance with the *Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (ASAE 3000), *Assurance Engagements on Greenhouse Gas Statements* (ASAE 3410) and the terms of reference for this engagement to conduct limited assurance over selected sustainability performance data as agreed with Vicinity Centres 28 June 2018.

Summary of review procedures performed

Our procedures included, but were not limited to:

- Gaining an understanding of the processes supporting the development of data for Vicinity Centres' sustainability disclosures
- Conducting interviews with key personnel to understand Vicinity Centres' process for collecting, collating and reporting the selected sustainability performance data during the reporting period
- Checking that the Criteria has been correctly applied in the calculation of the selected sustainability performance data
- Undertaking analytical review procedures to support the reasonableness of the data
- Identifying and testing assumptions supporting calculations
- Testing the calculations performed by Vicinity Centres
- Testing, on a sample basis, underlying source information to check the accuracy of the data
- Reviewing the appropriateness of the presentation of information.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Ernst & Young
Melbourne, Australia

Terence Jeyaretnam
Partner

15 August 2018

Limited Assurance

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.

While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Use of our Assurance Statement

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of Vicinity Centres, or for any purpose other than that for which it was prepared.

Financial Report

For the year ended 30 June 2018

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Directors' Report

The Directors of Vicinity Limited present the Financial Report of Vicinity Centres (Vicinity or the Group) for the year ended 30 June 2018. 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 (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 2017 and up to the date of this report unless otherwise stated:

(i) Chairman

Peter Hay (Independent)

(ii) Non-executive Directors

Charles Macek (Independent) (Retired 16 November 2017)
David Thurin
Debra Stirling (Independent) (Retired 16 November 2017)
Janette Kendall (Independent) (Appointed 1 December 2017)
Karen Penrose (Independent)
Peter Kahan (Independent)[1]
Tim Hammon (Independent)
Trevor Gerber (Independent)
Wai Tang (Independent)

(iii) Executive Director

Angus McNaughton (CEO and Managing Director) (Retired 31 December 2017)
Grant Kelley (CEO and Managing Director) (Appointed 1 January 2018)

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

Company Secretaries

Carolyn Reynolds
Michelle Brady
Rohan Abeyewardene (Appointed 13 February 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 26 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. Mr Kahan previously held the position of Executive Deputy Chairman of The Gandel Group Pty Limited, a substantial securityholder of the Group. With effect from 1 September 2017, Mr Kahan ceased his employment and commercial relationships with The Gandel Group. As disclosed in the Notice of 2017 Annual General Meeting released to the ASX on 11 October 2017 in relation to Mr Kahan's re-election as a Director, the Vicinity Board carefully considered Mr Kahan's prior relationship with The Gandel Group and concluded that, from 1 September 2017, he is an independent Director.

Distributions

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

	Total $m	Cents per stapled security
Interim – 31 December 2017	**313.6**	8.10
Final – 30 June 2018	**317.5**	8.20
Total – year ended 30 June 2018	**631.1**	16.30

The final distribution of 8.2 cents per stapled security is expected to be paid on 29 August 2018.

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	7	7	4	4	-	-	-	-	-	-	2	2
Angus McNaughton	4	4	2	2	-	-	-	-	-	-	-	-
Charles Macek	3	3	2	1	-	-	2	2	-	-	1	1
David Thurin[2]	7	7	4	4	-	-	-	-	4	4	1	1
Debra Stirling	3	3	2	2	-	-	2	2	1	1	-	-
Grant Kelley	3	3	2	2	-	-	-	-	-	-	-	-
Janette Kendall[3]	4	4	2	2	-	-	3	3	-	-	1	1
Karen Penrose	7	7	4	4	5	4	-	-	4	4	-	-
Peter Kahan[4]	7	7	4	4	5	5	5	5	-	-	1	1
Tim Hammon	7	7	4	4	-	-	5	5	4	4	2	2
Trevor Gerber	7	7	4	4	5	5	5	5	-	-	-	-
Wai Tang	7	7	4	4	5	5	-	-	4	4	-	-

1. Special purpose Board meetings were scheduled and convened at short notice to consider special purpose approvals.
2. Dr Thurin joined the Nominations Committee effective from 1 January 2018.
3. Ms Kendall joined the Remuneration and Human Resources Committee and the Nominations Committee effective from 1 January 2018.
4. Mr Kahan stepped down from the Nominations Committee effective 1 January 2018.

Director securityholdings

Director securityholdings as at 30 June 2018 are detailed within the Remuneration Report. There have been no movements in securityholdings between 30 June 2018 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*.

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 2017 by 31 October 2017. The 2018 NGER report will be submitted by the 31 October 2018 submission date. The Group monitors its other environmental legal obligations and is compliant for the reporting period.

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 2018 and at the date of this report, there were 8,137,548 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

On-market securities buy-back

On 23 July 2018, the Group announced an extension of its on-market securities buy-back program. The program will be extended for a further 12 months to 22 July 2019 with up to 5% of ordinary securities on issue at 30 June 2018 able to be acquired. The Group will only continue to purchase securities where doing so is accretive to FFO per security and net tangible assets, while also preserving ample capacity to fund other capital requirements.

Ongoing portfolio enhancement

On 6 August 2018, the Group announced it had entered into a memorandum of understanding (MOU) with Keppel Capital Ventures Pte. Ltd (a subsidiary of Keppel Corporation Limited, a listed Singaporean company) in relation to the establishment of a new wholesale property fund, Vicinity Keppel Australian Retail Fund (VKF or the fund). The establishment of VKF remains subject to due diligence, definitive documentation and final board approval from both parties. Upon establishment of VKF Vicinity would divest approximately $1 billion of retail property assets to the fund and retain an equity investment of up to 10%. Under the terms of the MOU, Vicinity will also provide property management, leasing and development services and establish a 50:50 joint venture with Keppel Capital Ventures Pte. Ltd to manage the fund.

The announcement of VKF is in addition to existing plans for the sale of up to $1.0 billion of Sub Regional and Neighbourhood shopping centres as disclosed in Note 4(b).

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

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 Chairman of the Remuneration and Human Resources Committee

Dear Securityholders,

On behalf of the Board, I am pleased to present our FY18 Remuneration Report for which we will seek your approval at our Annual General Meeting in November 2018. The Remuneration Report is designed to demonstrate the basis of the remuneration and reward structures at Vicinity, and provide you with the necessary information to demonstrate the link between Vicinity's strategy, performance, and the remuneration outcomes for our Executive Key Management Personnel.

In FY18, Vicinity delivered solid financial performance and made strong progress towards our strategic objectives.

In June 2017, former CEO and Managing Director Angus McNaughton announced his intention to retire effective from 31 December 2017. Angus was pivotal in completing the successful integration of the merger between Novion Property Group and Federation Centres in 2015 and created a strong platform for Vicinity's future. During FY18, Angus was focused on ensuring there was a thorough and seamless handover to the incoming CEO.

After an extensive global search, Grant Kelley was appointed as Angus' successor and commenced with Vicinity on 1 January 2018. In his first six months, Grant has transitioned well into his new role and has drawn on his experience to establish ongoing value creation initiatives including expediting the enhancement of the portfolio, plans to expand the funds management platform and establishing a framework for mixed-use and other initiatives to optimise earnings growth and the value of Vicinity's portfolio.

Vicinity has delivered a solid underlying performance in the three years since merger despite the ongoing challenging retail environment. Net Tangible Assets per security (NTA) has grown strongly due to portfolio enhancement initiatives, including acquisitions, development and divestments, together with strong capitalisation rate compression.

Comparable earnings[1] have increased steadily due to improving operational performance, high occupancy levels and operational cost efficiencies. Additionally, through selling non-core assets and reinvesting those proceeds into value-accretive developments and acquisitions, the operational metrics and future sustainable earnings of the Group have been strengthened. This has contributed to funds from operations (FFO) per security of 18.2 cents for FY18 and a Total Return (TR) of 11.1%[2].

We continued to refine our business strategy and evolve our culture, with initiatives to drive process and system improvements, customer centricity and innovation. A focus on leadership, development and collaboration has been well received by the team with our employee engagement score improving from 71% to 73% over the year. We strengthened our community connection through our established partnerships, including a portfolio-wide Light the Way fundraising program with Beacon Foundation, and launching our Reflect Reconciliation Action Plan which acknowledges the significant contribution of Aboriginal and Torres Strait Islander people who live and work in our communities.

73%
Engagement score

With FFO per security in line with target despite the challenging retail environment, an average of 57% of the maximum Short Term Incentive (STI) Plan opportunity available was awarded to Executive KMP. The Long Term Incentive (LTI) Plan achieved a partial vesting of 50%, attributable to the strong TR over the performance period but reflecting the lower relative Total Securityholder Return (TSR), compared to competitors over the past three years.

Once again, to recognise the importance of the contribution by all employees we maintain an Exempt Employee Security Plan (EESP). This enables Vicinity to gift up to $1,000 worth of securities to each eligible employee. During FY18, approximately 1,000 employees benefited from the EESP.

Peter Kahan
Chairman – Remuneration and Human Resources Committee

1. Adjusting for the impact of divestments.
2. Calculated as: (change in NTA during the period + distributions declared)/opening NTA.

Report overview

This remuneration report outlines:

- Vicinity's reward principles and framework;
- Vicinity's performance for the 2018 financial year 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*. 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.

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1. Remuneration framework

1.1 Reward principles and framework

The objective of Vicinity's remuneration framework is to build capability by attracting, retaining and engaging a talented executive team while aligning their actions with securityholder interests. 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 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 a snapshot, linking our reward principles to the components of our remuneration framework and how these components are measured to ensure that executive and securityholder interests are aligned.

Reward principles

Attract, retain and motivate high-performing executives.	Demonstrate link between performance, strategy execution and value creation.	Encourage executives to manage from the perspective of securityholders.

Remuneration framework

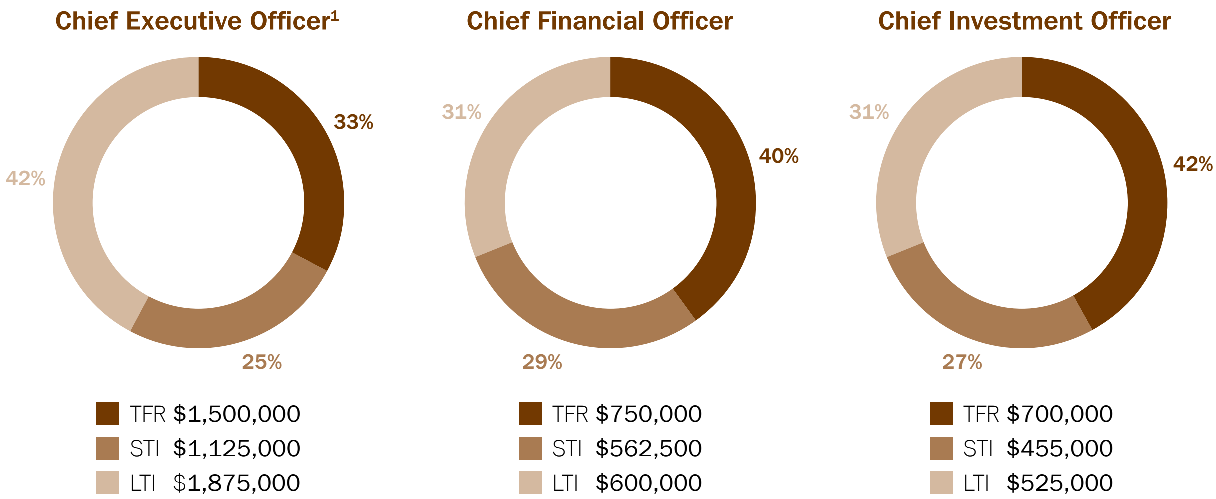
Components	Performance measures	Strategic objective
Total Fixed Remuneration (TFR) *Base salary, superannuation and any salary sacrifice amounts.* Further details are contained in section 3.1. +	• Benchmarked to competitive rates. • Size, scope and complexity of the role. • The relevant job market. • 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.* *Partially paid in cash and partially deferred into equity (24-month deferral for the CEO and Managing Director and 18 months for other Executive KMP).* Further details are contained in section 3.2. +	Measured against three performance categories: • **Financial:** targets include funds from operations, net property income, retail turnover and management expense ratio. • **Strategy and portfolio:** relates to portfolio enhancement, development pipeline (including mixed-use), corporate reputation and sustainability. • **People and leadership:** includes leadership, culture, capability, employee engagement, operational excellence, safety metrics, risk management and diversity and inclusion.	• Financial targets relate to Vicinity's capacity to pay distributions and generate securityholder returns. • Strategic and portfolio measures focus on asset and business planning, development and long-term strategic direction of Vicinity. • People and leadership 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 3.3.	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 and Westfield Corporation (ASX:URW and ASX:WFD).[a]	• Encourages sustainable high performance over the medium to long term and securityholder value creation. • Provides retention element. • TR measures the extent to which Vicinity efficiently manages and extracts value from Vicinity's assets. • Relative TSR hurdle aligns remuneration with Vicinity's long-term return relative to its nominated peer group.

(a) Westfield Corporation (ASX:WFD) merged with Unibail Rodamco to form Unibail Rodamco Westfield (URW) in May 2018. WFD 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 WFD and URW.

1.2 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 relative weightings of the fixed and at risk components of total target remuneration for Executive KMP are detailed in Figure 1.1 below. A higher proportion of the CEO's total remuneration is at risk as he has the greatest scope to influence Vicinity's long-term performance.

Figure 1.1: Target pay mix



1. The weighting of the former CEO's remuneration was TFR $1,500,000 (34%), STI $1,500,000 (33%), LTI $1,500,000 (33%).

1.3 Key Management Personnel (KMP)

The KMP of Vicinity includes 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 summary of Executive KMP during the year and their tenure as KMP is shown in Table 1.2 below.

Table 1.2

Name	Position	Tenure
Current Executive KMP		
Grant Kelley	CEO and Managing Director (CEO)	Part year (appointed 1 January 2018)
Richard Jamieson	Chief Financial Officer (CFO)	Full year
Michael O'Brien	Chief Investment Officer (CIO)	Full year
Former Executive KMP		
Angus McNaughton	CEO and Managing Director (CEO)	Part year (ceased 31 December 2017)

The list of Non-executive Directors during the current and prior years can be found in section 4.2.

2. Company performance and executive remuneration outcomes

2.1 Overview of company performance

Vicinity has continued to deliver on its strategy of ongoing portfolio enhancement and intensive asset management, recording a statutory net profit of $1,218.7 million for the year ended 30 June 2018. The Group's strategy has been consistently applied since the merger in June 2015, and over the past three years, Vicinity has divested 24 non-core assets, for a total consideration of $1.9 billion, at a 2.4% premium to book value[1]. These proceeds have been reinvested into higher quality acquisitions and developments or used to repay borrowings.

Additionally, during the year ended 30 June 2018, the Group bought back 87.0 million securities at an average price of $2.65 (for total consideration of $230.8 million), representing a 10.8% discount to the June 2018 NTA. The buy-back program delivered an approximate benefit to funds from operations (FFO) per security for the year of 0.16 cents. Vicinity's FFO was $708.7 million or 18.2 cents on a per security basis (June 2017: 18.0 cents). Adjusting for the impact of acquisitions and divestments, comparable FFO per security was up 2.2%.

During FY18, Vicinity enhanced its retail offer with a strategic swap of premium Sydney assets resulting in the acquisition of the 50% interests in the highly successful Queen Victoria Building, The Galeries and The Strand Arcade in Sydney's CBD. This transaction provides Vicinity with an unrivalled premium retail offer across Australia's three largest CBDs. Portfolio enhancement during the year also included the completion of a major redevelopment at Mandurah Forum in Western Australia, the successful opening of stages one and two of the transformative development of The Glen in Victoria and the sale of five non-core assets, each at a premium to book value[1]. Additionally, specialty sales performance improved 3.6% to $9,771 per sqm.

Included within the Group's statutory net profit, net revaluation gains[2] of $555.1 million were recognised, reflecting modest income growth and tighter capitalisation rates. The Group has continued to witness limited supply and ongoing strong demand for quality retail assets across Australia. Vicinity's NTA increased by 5.3% to $2.97 at 30 June 2018, with a total return of 11.1%.

In August 2017, the Group announced a revised distribution policy which illustrates a sustainable capital management focus and aligns with broadly accepted market practice. The change in distribution policy was the main contributor to the reduction in distribution per security of 1.0 cent in FY18.

Longer term performance is rewarded through the LTI as outlined in section 2.3. Table 2.1 demonstrates the strong alignment between executive reward and company performance over the longer term. Whilst the change in the distribution policy and portfolio enhancement initiatives have led to lower distributions in the short term, it provides a strong growth platform for future portfolio enhancement. Additionally, over the past three financial years the Group has delivered 21.2%[3] growth in NTA and a total return of 42.2%[4].

Table 2.1 below summarises details of Vicinity's performance for key financial metrics for the current and past four financial years:

Table 2.1

Performance metric	FY14	FY15	FY16	FY17	FY18
Security price as at 30 June ($)	2.49	2.92	3.32	2.57	2.59[a]
Distributions declared per security (cents)	15.7[b]	16.9	17.7	17.3	16.3
Net tangible assets per security ($)	2.37	2.45	2.59	2.82	2.97
Total Return[c]	14.1%	10.6%	12.8%	15.5%	11.1%
TSR of VCX for the year ended 30 June[d]	11.8%	24.4%	20.4%	(17.7)%	7.0%
TSR of the S&P/ASX 200 A-REIT Index[d]	11.1%	20.3%	24.6%	(6.3)%	13.0%

(a) Security price as at 29 June 2018, the last trading day of the financial year.
(b) FY14 includes a 0.4 cent distribution declared post 30 June 2014, relating to FY14.
(c) Calculated as: (change in NTA during the period + distributions declared)/opening NTA.
(d) Total Securityholder Return (TSR) is estimated 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. Includes the divestment of Flinders Square, WA, which was contracted for sale in July 2018, settlement expected in August 2018.
2. The net valuation gain excludes statutory accounting adjustments and assets divested or acquired during the period.
3. Calculated as: change in NTA from 30 June 2015 to 30 June 2018/NTA as at 30 June 2015.
4. Calculated as: change in NTA from 30 June 2015 to 30 June 2018 plus distributions declared/NTA as at 30 June 2015.

2.2 FY18 Short Term Incentive (STI) outcomes

Summary

Vicinity's STI provides employees with the opportunity to be rewarded for achieving a combination of Group financial, strategic and individual 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 is weighted against three performance categories that are outlined in Table 2.2.

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 3.2.

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 2.3 and details of STI awarded are contained in Table 2.4.

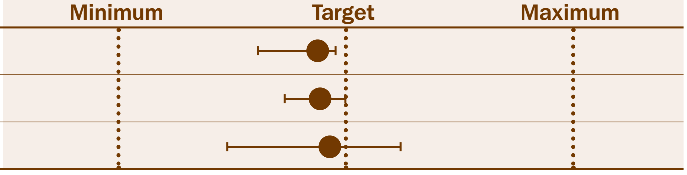
Outcomes

STI outcomes were determined based on actual performance against the performance objectives. Tables 2.2, 2.3 and 2.4 below outline the FY18 STI outcomes.

Table 2.2 below shows the range of outcomes achieved by the current Executive KMP against each performance category relating to FY18.

Table 2.2: FY18 KMP performance level achieved

		Performance level achieved[1]		
Performance category	**Weighting at target**	**Minimum**	**Target**	**Maximum**
Financial	50%			
Strategic	25%–40%			
Portfolio/Other	10%–25%			



1. The line represents that range of outcomes achieved by the KMP. The circles indicate the average outcome. Please refer to Table 2.3 for more detail on business performance against FY18 measures.

2. Company performance and executive remuneration outcomes continued

Table 2.3: KMP business performance against FY18 measures

Performance category and weighting	Performance measure	Reason chosen	Performance outcome
Financial (50%)	Funds from operations (FFO), net property income (NPI) and NPI growth, management expense ratio (MER), sales, and capital management objectives	FFO, NPI and sales are key financial measures of performance, while balance sheet strength is a critical foundation for future success	• Delivered FFO per security of 18.2 cents in line with target • Delivered comparable NPI growth of 1.0% • Below target total and specialty sales • Standard & Poor's credit rating remained at 'A' (stable outlook) • Recorded a reduced MER of 28 bps (1 bps favourable)
Strategic (25%–40%)	Strategy objectives focused on the three core pillars of our Group strategy: Consumer, Retailer and Our Business, including our digital strategy	Developing and implementing Vicinity's key strategic initiatives will underpin future opportunities and growth	• Successfully launched Australia's largest shopping centre solar investment project • Delivery of operational improvements and alternative income stream growth through managed car parks, electricity on-selling and Vicinity Media • Successfully trialled and implemented shopping centre efficiencies including robotic cleaners, bins and automation • Completed a strategic review of the portfolio and identified an additional $1.0 billion of non-core assets to be divested • Net corporate overheads were reduced by 2.1% • Enhancement of operational efficiencies with our people, systems and processes • Delivery of retail portal and ongoing development of consumer experience solutions • Improved ranking in the Australian retail property industry tenant satisfaction monitor (TenSAT) by 1 position
Portfolio/Other (10%–25%)	Objectives centred on portfolio enhancement, delivery of the development pipeline, stakeholder management and our sustainability agenda	Focus on improving portfolio quality, operational efficiency, risk management and sustainability will underpin sustainable performance	• Achieved a portfolio occupancy rate of 99.7% (as at 30 June 2018) • Transformational premium asset swap to acquire 50% interests in three premium Sydney CBD assets providing unrivalled premium retail offer across Australia's three largest CBDs • Divested five non-core assets for $209.7 million at a 7.2% premium to book value[1] • Significant progress across live projects and the shadow pipeline, including: – Recent Chadstone major development was highly successful, delivering higher than projected retail sales and foot traffic – Mandurah Forum project successfully completed – Opened stages one and two of The Glen, and stage three is progressing to plan – DFO Perth construction and leasing progressing to plan – Chadstone Hotel and Roselands refurbishment commenced • Strong engagement and working relationships with co-owners • Improvement in employee engagement score from 71% to 73% • Continued community connection and partnership with Beacon Foundation and launched the Reflect Reconciliation Action Plan

1. Includes the divestment of Flinders Square, WA, which was contracted for sale in July 2018, settlement expected in August 2018.

Table 2.4: FY18 STI outcomes for KMP

	Target STI as % of TFR	Maximum STI opportunity as % of TFR	Actual STI awarded $	% of target STI opportunity awarded	% of maximum STI opportunity awarded	% of maximum STI opportunity forfeited
Executive KMP						
Grant Kelley[1]	75%	100%	516,036	93%	70%	30%
Richard Jamieson	75%	150%	393,750	70%	35%	65%
Michael O'Brien	65%	130%	409,500	90%	45%	55%
Former Executive KMP						
Angus McNaughton[1]	100%	125%	756,164	100%	80%	20%

The maximum STI opportunity as % of TFR is the theoretical maximum the Executive KMP can receive.

1. The FY18 STI payments awarded for Grant Kelley and Angus McNaughton were pro-rated for the period of employment during FY18.

2.3 FY18 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 3.3 for further details of the LTI Plan.

Outcomes

The FY16 LTI grant was tested at 30 June 2018 and the overall vesting level achieved was 50%. 100% was achieved against the total return hurdle and nil vesting was achieved against the relative TSR hurdle.

Details of all current LTI holdings for Executive KMP are contained in section 3.6.

FY18 grants

The FY18 LTI grant was made to the Executive Committee (excluding the CEO) and Senior Leaders with effect from 1 July 2017, with a three-year performance period. A FY18 LTI grant was made to the CEO effective from 2 January 2018.

Table 2.5 shows the number of performance rights granted to the Executive KMP under the FY18 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 2.5 and are calculated in accordance with AASB 2 *Share Based Payments*.

As outlined, these performance rights may 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 during which they cannot be traded. Further details on the hurdle requirements are contained in section 3.3.

2. Company performance and executive remuneration outcomes continued

Table 2.5: FY18 LTI grants

	Number of performance rights[1]	Grant date	Face value of rights on grant date $	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 %
Executive KMP						
Grant Kelley	565,406	2 January 2018	1,562,500	104%	876,379	58%
Richard Jamieson	217,115	12 December 2017	600,000	80%	350,641	47%
Michael O'Brien	189,976	12 December 2017	525,000	75%	306,811	44%
Total	**972,497**		**2,687,500**		**1,533,831**	

1. The grants made to Executive KMP (excluding the CEO) represented their full face value LTI entitlement 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 2017 Annual General Meeting of $2.7635. The number for Grant Kelley represents the number of performance rights granted 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. Calculated based on a fair value per performance right of:

Grant date	TR hurdle $	TSR hurdle $
12 December 2017	2.25	0.98
2 January 2018	2.16	0.94

   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 three-year vesting period.
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.

2.4 Statutory remuneration tables

Table 2.6 details the remuneration received by each Executive KMP during the current and prior years, for the period where they were a KMP. Table 2.7 provides the same information for former Executive KMP. This table has been prepared in accordance with the requirements of the Corporations Act and the relevant Accounting Standards. The figures provided under the performance rights columns are accounting values and do not reflect actual payments received.

Table 2.6: Total Executive KMP remuneration for FY18 and FY17

		Short-term benefits			Other benefits		Share-based payments			Post-employment			
Executive KMP	Period	Base salary[1] $	STI cash[2] $	Non-monetary[3] $	Other $	Leave entitlements[4] $	Sign-on bonus[5] $	Performance rights[6] $	STI deferred[7] $	Superannuation contributions $	Termination benefits $	Total $	% Performance-related[8]
Grant Kelley	**FY18**	**790,737**	**258,018**	**2,623**	**-**	**2,539**	**160,297**	**292,127**	**258,018**	**10,025**	**-**	**1,774,384**	**50%**
(commenced 1 January 2018)	FY17	-	-	-	-	-	-	-	-	-	-	-	-
Richard Jamieson	**FY18**	**741,196**	**196,875**	**3,627**	**-**	**15,187**	**-**	**337,610**	**196,875**	**20,049**	**-**	**1,511,419**	**48%**
	FY17	733,303	267,188	3,305	-	3,469	-	220,730	267,187	25,000	-	1,520,182	50%
Michael O'Brien	**FY18**	**677,314**	**204,750**	**4,459**	**-**	**8,850**	**-**	**288,367**	**204,750**	**20,049**	**-**	**1,408,539**	**50%**
	FY17	677,681	284,375	5,374	-	7,178	-	186,097	284,375	19,616	-	1,464,696	52%
Total Executive KMP	**FY18**	**2,209,247**	**659,643**	**10,709**	**-**	**26,576**	**160,297**	**918,104**	**659,643**	**50,123**	**-**	**4,694,342**	**48%**
	FY17	1,410,984	551,563	8,679	-	10,647	-	406,827	551,562	44,616	-	2,984,878	51%

1. Base salary includes the net movement of annual leave entitlements.
2. The cash component is 50% of the FY18 STI for Executive KMP (including the current CEO) and is scheduled to be paid in September 2018 (following Board approval of the audited FY18 financial statements).
3. Non-monetary benefits include non-cash fringe benefits (including the value of death and total permanent disability insurance premiums paid by Vicinity on behalf of the Executive KMP).
4. Leave entitlements reflect long service leave accrued for the period.
5. Represents the face value of restricted securities granted to the current CEO as outlined in section 3.5.
6. In accordance with the requirements of Australian Accounting Standards (AASB), remuneration includes a proportion of the fair value of the equity compensation granted or outstanding during the year (that is, a portion of performance rights awarded under the LTI that remained unvested as at 30 June 2018). The fair value of the equity instruments is determined as at the grant date and is progressively expensed over the vesting period. 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.
7. The amount presented represents 50% of the FY18 STI that has been deferred into securities for 24 months for the CEO and 18 months for remaining Executive KMP.
8. 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.

2. Company performance and executive remuneration outcomes continued

Table 2.7: Total former Executive KMP remuneration for FY18 and FY17

		Short-term benefits			Other benefits		Share-based payments		Post-employment			
Former Executive KMP	Period	Base salary $	STI cash $[1]	Non-monetary[2] $	Other[3] $	Leave entitlements[4] $	Performance rights[5] $	STI deferred[1] $	Superannuation contributions $	Termination benefits $	Total $	% Performance related[6]
Angus McNaughton	**FY18**	**757,946**	**751,031**	**2,399**	**8,333**	**-**	**268,145**	**-**	**15,966**	**-**	**1,803,820**	**57%**
(ceased 31 December 2017)	FY17	1,463,412	1,611,000	4,277	108,333	-	531,706	-	25,000	-	3,743,728	57%
Total former	**FY18**	**757,946**	**751,031**	**2,399**	**8,333**	**-**	**268,145**	**-**	**15,966**	**-**	**1,803,820**	**57%**
Executive KMP	FY17	1,463,412	1,611,000	4,277	108,333	-	531,706	-	25,000	-	3,743,728	57%

1. Due to the retirement of Mr Angus McNaughton effective 31 December 2017, his FY18 STI was not subject to deferral into securities. His FY18 STI is scheduled to be paid in cash in September 2018 (following Board approval of the audited FY18 financial statements).
2. Non-monetary benefits include non-cash fringe benefits (including the value of death and total permanent disability insurance premiums paid by Vicinity on behalf of Mr Angus McNaughton).
3. Other benefits for Mr Angus McNaughton for FY18 represent a relocation allowance of $8,333.
4. Leave entitlements reflect long service leave accrued for the period. Mr Angus McNaughton was not entitled to long service leave upon retirement given he had not met the seven-year service requirement.
5. In accordance with the requirements of Australian Accounting Standards (AASB), remuneration includes a proportion of the fair value of the equity compensation granted or outstanding during the year (that is, a portion of performance rights awarded under the LTI that remained unvested as at 30 June 2018). The fair value of the equity instruments is determined as at the grant date and is progressively expensed over the vesting period. 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.
6. Represents the sum of STI cash and share-based payments divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year.

2.5 Remuneration received during FY18

During FY18, restricted securities granted to Executive KMP (excluding the former CEO) were released. Equity granted under the FY16 STI Plan was deferred for a period of 24 months for the former CEO and 18 months for other Executive KMP. Restricted securities for the former CEO are due to be released on 22 September 2018. Table 2.8 below details the number of securities released to each Executive KMP during FY18. No current Executive KMP received a release of restricted securities during FY17.

In addition to the Statutory disclosure requirements for remuneration in Tables 2.6 and 2.7, additional information is provided in Table 2.8 and section 3.6 to enable a computation of 'actual' remuneration or 'take home pay' received by the Executive KMP during FY18.

Table 2.8: FY16 Deferred STI for KMP

	Value of deferred equity at time of grant $	Number of restricted securities allocated[1]	Release date	Market value of securities released[2] $
Executive KMP				
Richard Jamieson	383,750	126,931	22 March 2018	305,904
Michael O'Brien	228,867	73,779	22 March 2018	177,807

1. The VWAP used to calculate the number of securities allocated at the time of grant was $3.102.
2. Based on a share price on release date of $2.41.

3. Executive remuneration – further information

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

- Fixed remuneration;
- STI; and
- LTI.

3.1 Fixed remuneration

Fixed remuneration comprises base salary, superannuation contributions and any salary sacrifice amounts (for example, motor vehicle leases). Vicinity aims to provide a competitive level of fixed remuneration that recognises the size, scope and complexity of the role, the relevant job market, and the experience, capability and performance of the incumbent.

3. Executive remuneration – further information continued

3.2 STI

Refer to section 2.2 for a summary of the STI and outcomes for FY18.

STI arrangements

Opportunity	For the current CEO, the FY18 STI opportunity at a target level of performance is 75% of TFR. For other Executive KMP, the STI opportunity at a target level of performance is between 65% and 75% of TFR. Each Executive KMP (other than the CEO) has a theoretical maximum of two times target for exceptional individual and Vicinity's performance. For the CEO, the maximum is limited to 1.33 times target opportunity (100% of TFR).
Performance period	The applicable STI performance 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 occurs at the same time as all others.
Grant date, payment and deferral	STI is provided as a combination of cash and deferred equity payments. Partial payment 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 FY18 audited financial results and the cash component will be paid in September 2018.
Performance targets and measurement	Section 2.2 provides a detailed summary of the performance objectives and measures and the subsequent results for Executive KMP for FY18. Performance objectives for FY18 were finalised by the Board in the case of the CEO and former CEO, and by the CEO and Remuneration and Human Resources Committee (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 determination.

3.3 LTI

Refer to section 2.3 for a summary of the LTI and awards during FY18.

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 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. During the holding lock period, the 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 a 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 FY18 LTI opportunity at a target level of performance is 125% of TFR. For other Executive KMP, the LTI opportunity at a target level of performance is between 75% and 80% of TFR. The number of rights allocated was determined based on the 10-day VWAP of Vicinity securities immediately following the 2017 Annual General Meeting.
Vesting scale	The following vesting scales apply:

TSR

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

TR

Target total return	Percentage vesting
< 9.0%	0%
Between 9.0% and 9.5%	Between 50% and 100%
≥ 9.5%	100%

Following testing, any rights that do not vest, lapse.

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 TSR 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 Westfield Corporation (Unibail Rodamco Westfield from FY19). 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.
2. TR is calculated as the change in Vicinity's NTA during the performance period plus distributions per security made divided by the NTA at the beginning of the performance period.

3.4 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:

- If terminated for cause, any existing 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 will remain on foot, with the balance forfeited. Performance rights may then vest at the end of the performance period subject to meeting the performance measures under the associated plan and will be subject to the holding lock; and
  - 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).

The Board also has the right to reduce future award payments or adjusted 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.

3. Executive remuneration – further information continued

3.5 CEO changeover

A summary of the former CEO, Angus McNaughton's, remuneration arrangements on termination was as follows:

- Deferred securities granted under the FY16 STI offer will be released in September 2018 in the ordinary course of business;
- FY17 STI was not subject to deferral into equity. 75% of the former CEO's FY17 STI was paid in September 2017, with the remaining 25% paid upon termination;
- FY18 STI was pro-rated up to the termination date and will be paid in cash in September 2018;
- Performance rights granted under the FY16 and FY17 LTI offers were pro-rated upon termination. 50% of the remaining FY16 performance rights vested on 30 June 2018 as detailed in section 2.3 and are subject to the additional holding lock. The remaining FY17 performance rights will vest on 30 June 2019 subject to achievement of the performance hurdles and the additional holding lock; and
- No grant to the former CEO was made under the FY18 LTI offer.

Upon commencement, the current CEO, Grant Kelley, received a sign-on bonus in the form of 57,006 restricted securities with a face value of $160,297. The restricted securities will be delivered in two equal tranches with holding locks of 12 months and 24 months respectively from the date of commencement.

3.6 Total LTI holdings

Total performance rights held by Executive KMP including the FY18 LTI grants detailed above are as follows:

	Opening performance rights	Granted as remuneration in FY18	Forfeited/ lapsed during FY18	Vested during FY18[2]	Closing unvested performance rights
Executive KMP					
Grant Kelley[1]	-	565,406	-	-	565,406
Richard Jamieson	409,369	217,115	(98,920)	(98,921)	428,643
Michael O'Brien	345,118	189,976	(80,015)	(80,016)	375,063
Former Executive KMP					
Angus McNaughton	986,052	-	(530,058)	(190,860)	265,134
Total number of performance rights	**1,740,539**	**972,497**	**(708,993)**	**(369,797)**	**1,634,246**

1. The number for Grant Kelley represents the number of performance rights granted that are eligible to vest based on pro-ration to reflect the number of days of the performance period served. Actual number of performance rights granted to Grant Kelley was 678,487.
2. The value of vesting performance rights was $256,205 for Richard Jamieson, $207,241 for Michael O'Brien and $494,327 for Angus McNaughton. This is based on a share price of $2.59 on vesting at 29 June 2018 (last trading day of the financial year). Vested performance rights remain subject to a 12-month holding lock.

3.7 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			
	For cause	**Other**	**Termination by Executive KMP**	**Termination payment**[1]
Grant Kelley	Immediately	6 months	6 months	6 months x TFR
Richard Jamieson	Immediately	6 months	6 months	6 months x TFR
Michael O'Brien	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 2001* (Cth).

4. Non-executive Director remuneration

4.1 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 fees and committee fees were increased by 3% effective from 1 January 2018. 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.

Board and committee fees

FY18 Board and committee fees are outlined in the table below:

Table 4.1: FY18 Board and committee fees

Board/Committee	Role	FY18 fees per annum[1] 1 January 2018 – 30 June 2018 $	FY18 fees per annum[1] 1 July 2017 – 31 December 2017 $
Board	Chairman	463,500	450,000
	Non-executive Director	164,800	160,000
Audit Committee	Chairman	41,200	40,000
	Member	20,600	20,000
Risk and Compliance Committee	Chairman	41,200	40,000
	Member	20,600	20,000
Nominations Committee	Chairman	No additional fee	No additional fee
	Member	No additional fee	No additional fee
Remuneration and Human Resources Committee	Chairman	41,200	40,000
	Member	20,600	20,000

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.

4. Non-executive Director remuneration continued

4.2 Fees and benefits paid

Table 4.2: Non-executive Directors' fees for FY18 and FY17

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 (appointed 11 June 2015)	**FY18**	**436,701**	**-**	**20,049**	**456,750**
	FY17	430,384	-	19,616	450,000
Trevor Gerber (appointed 28 October 2015)	**FY18**	**148,310**	**37,078**	**17,612**	**203,000**
	FY17	146,118	36,530	17,352	200,000
Tim Hammon (appointed 15 December 2011)	**FY18**	**148,310**	**55,617**	**19,373**	**223,300**
	FY17	146,118	54,795	19,087	220,000
Peter Kahan[3] (appointed 11 June 2015)	**FY18**	**151,202**	**46,484**	**15,614**	**213,300**
	FY17	160,000	40,000	-	200,000
Janette Kendall (appointed 1 December 2017)	**FY18**	**87,428**	**9,406**	**9,199**	**106,033**
	FY17	-	-	-	-
Karen Penrose (appointed 11 June 2015)	**FY18**	**148,310**	**55,617**	**19,373**	**223,300**
	FY17	146,118	54,795	19,087	220,000
Wai Tang (appointed 30 May 2014)	**FY18**	**148,310**	**37,078**	**17,612**	**203,000**
	FY17	146,118	36,530	17,352	200,000
David Thurin (appointed 11 June 2015)	**FY18**	**148,310**	**18,540**	**15,850**	**182,700**
	FY17	146,118	18,266	15,616	180,000
Subtotal Current Non-executive Directors	**FY18**	**1,416,881**	**259,820**	**134,682**	**1,811,383**
	FY17	1,320,974	240,916	108,110	1,670,000

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. Up to 31 August 2017, 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 4.2.1: 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					
Richard Haddock AM (ceased as Director on 30 April 2017)	**FY18**	**-**	**-**	**-**	**-**
	FY17	121,765	30,441	14,460	166,666
Charles Macek (ceased as Director on 16 November 2017)	**FY18**	**56,012**	**14,003**	**6,652**	**76,667**
	FY17	146,118	36,530	17,352	200,000
Debra Stirling (ceased as Director on 16 November 2017)	**FY18**	**56,012**	**14,003**	**6,652**	**76,667**
	FY17	146,118	36,530	17,352	200,000
Subtotal Former Non-executive Directors	**FY18**	**112,024**	**28,006**	**13,304**	**153,334**
	FY17	414,001	103,501	49,164	566,666
Total Current and Former Non-executive Directors	**FY18**	**1,528,905**	**287,826**	**147,986**	**1,964,717**
	FY17	1,734,975	344,417	157,274	2,236,666

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.

5. Other remuneration information

5.1 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.

5.2 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 FY18, KPMG was engaged by the Committee and management to provide a number of services. The work undertaken by KPMG in FY18 did not constitute a remuneration recommendation for the purposes of the *Corporations Act 2001* (Cth).

5.3 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.

5.4 Minimum executive securityholdings

A mandatory security ownership policy is in place for executives. This requires Executive KMP and other senior executives to acquire and retain a minimum holding of securities equal to 60% of TFR within five years. Deferred STI and LTI count towards the holding level.

5.5 Minimum NED securityholdings

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

5. Other remuneration information continued

5.6 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 2018. There were no changes in holdings between 30 June 2018 and the date of this report.

	Opening securities[1]	Granted as remuneration	Additions during the year	Other movements	Closing
Non-executive Directors					
Peter Hay	119,791	-	18,500	-	138,291
Trevor Gerber	50,000	-	50,000	-	100,000
Tim Hammon	50,000	-	-	-	50,000
Peter Kahan[2]	-	-	-	-	-
Janette Kendall	-	-	13,206[3]	-	13,206
Charles Macek	50,000	-	-	(50,000)[4]	-
Karen Penrose	40,000	-	7,500	-	47,500
Debra Stirling	10,000	-	-	(10,000)[4]	-
Wai Tang	2,980	-	17,020	-	20,000
David Thurin	13,895,373	-	-	-	13,895,373
Total	**14,218,144**	**-**	**106,226**	**(60,000)**	**14,264,370**
Executive KMP					
Grant Kelley	-	57,006[5]	-	-	57,006
Richard Jamieson	126,931	99,378[6]	-	-	226,309
Michael O'Brien	73,779	105,771[6]	-	-	179,550
Angus McNaughton	399,709	-	-	(399,709)[7]	-
Total	**600,419**	**262,155**	**-**	**(399,709)**	**462,865**

1. Reflects securities balance as at 1 July 2017.
2. Mr 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 Mr Kahan to acquire securities to date.
3. Reflects securities purchased by Janette Kendall during FY18, but prior to her appointment as a Director on 1 December 2017.
4. Reflects securities held at the date Charles Macek and Debra Stirling ceased to be Directors.
5. Reflects restricted securities allocated under Grant Kelley's sign-on bonus.
6. Reflects deferred securities allocated under the FY17 STI Plan.
7. Reflects securities held at the date Angus McNaughton 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 15 August 2018 in accordance with a resolution of the Directors.

Peter Hay
Chairman

Auditor's Independence Declaration

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Auditor's Independence Declaration to the Directors of Vicinity Limited

As lead auditor for the audit of Vicinity Centres for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

David Shewring
Partner
15 August 2018

Statement of Comprehensive Income

for the year ended 30 June 2018

	Note	30-Jun-18 $m	30-Jun-17 $m
Revenue and income			
Property ownership revenue		**1,246.9**	1,235.8
Management fee revenue from strategic partnerships		**82.8**	66.3
Interest and other income		**5.6**	9.4
Total revenue and income		**1,335.3**	1,311.5
Share of net profit of equity accounted investments	5(b)	**26.8**	18.2
Property revaluation increment for directly owned properties	4(b)	**634.7**	906.7
Direct property expenses		**(342.6)**	(332.2)
Borrowing costs	6(c)	**(182.5)**	(154.9)
Employee benefits expense	13	**(97.6)**	(98.7)
Other expenses from ordinary activities		**(36.8)**	(33.0)
Net foreign exchange movement on interest bearing liabilities		**(59.0)**	60.7
Net mark-to-market movement on derivatives		**12.6**	(55.1)
Amortisation of intangible assets	15(a)	**(4.5)**	(3.0)
Integration costs		**-**	(26.7)
Stamp duty	4(b)	**(67.7)**	(9.9)
Profit before tax for the year		**1,218.7**	1,583.6
Income tax expense	3	**-**	-
Net profit for the year		**1,218.7**	1,583.6
Other comprehensive income		**-**	-
Total comprehensive income for the year		**1,218.7**	1,583.6
Total profit/(loss) and total comprehensive income/(loss) for the year attributable to stapled securityholders as:			
Securityholders of Vicinity Limited	18(b)	**39.6**	(12.3)
Securityholders of other stapled entities of the Group		**1,179.1**	1,595.9
Net profit and total comprehensive income for the year		**1,218.7**	1,583.6
Earnings per security attributable to securityholders of the Group:			
Basic earnings per security (cents)	2	**31.31**	40.00
Diluted earnings per security (cents)	2	**31.25**	39.95

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

Balance Sheet

as at 30 June 2018

	Note	30-Jun-18 $m	30-Jun-17 $m
Current assets			
Cash and cash equivalents		**42.1**	42.2
Receivables and other assets	9	**99.6**	88.3
Investment properties held for sale	4(a)	**-**	33.5
Derivative financial instruments	6(e)	**3.2**	-
Financial assets carried at fair value through profit or loss	9	**-**	4.3
Total current assets		**144.9**	168.3
Non-current assets			
Investment properties	4(a)	**15,892.7**	15,633.5
Investments accounted for using the equity method	5(a)	**681.1**	88.0
Intangible assets	15(a)	**594.9**	599.4
Plant and equipment		**13.7**	14.5
Derivative financial instruments	6(e)	**62.5**	68.3
Deferred tax assets	3(c)	**84.3**	84.3
Receivables and other assets	9	**7.5**	2.5
Total non-current assets		**17,336.7**	16,490.5
Total assets		**17,481.6**	16,658.8
Current liabilities			
Interest bearing liabilities	6(a)	**41.6**	-
Distribution payable		**317.5**	340.4
Payables and other financial liabilities	10	**165.3**	209.6
Provisions	11	**77.0**	78.5
Derivative financial instruments	6(e)	**-**	2.3
Total current liabilities		**601.4**	630.8
Non-current liabilities			
Interest bearing liabilities	6(a)	**4,396.0**	3,893.7
Other financial liabilities	10	**204.8**	202.7
Provisions	11	**8.7**	7.8
Derivative financial instruments	6(e)	**163.2**	176.1
Total non-current liabilities		**4,772.7**	4,280.3
Total liabilities		**5,374.1**	4,911.1
Net assets		**12,107.5**	11,747.7
Equity			
Contributed equity	8	**8,262.4**	8,493.2
Share based payment reserve		**7.6**	4.6
Retained profits		**3,837.5**	3,249.9
Total equity		**12,107.5**	11,747.7

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 2018

	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 2016	**481.1**	**4.7**	**(297.1)**	**188.7**	**8,012.1**	**-**	**2,648.2**	**10,660.3**	**10,849.0**
Net (loss)/profit for the year	-	-	(12.3)	(12.3)	-	-	1,595.9	1,595.9	1,583.6
Total comprehensive (loss)/income for the year	**-**	**-**	**(12.3)**	**(12.3)**	**-**	**-**	**1,595.9**	**1,595.9**	**1,583.6**
Transactions with securityholders in their capacity as securityholders:									
Net movements in share based payment reserve	-	(0.1)	-	(0.1)	-	-	-	-	(0.1)
Distributions declared	-	-	-	-	-	-	(684.8)	(684.8)	(684.8)
Total equity as at 30 June 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 securities 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**

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 2018

	Note	30-Jun-18 $m	30-Jun-17 $m
Cash flows from operating activities			
Receipts in the course of operations		**1,474.3**	1,469.5
Payments in the course of operations		**(597.5)**	(591.3)
Distributions and dividends received from equity accounted and managed investments		**9.3**	6.8
Interest and other revenue received		**1.3**	4.6
Interest paid		**(181.3)**	(158.4)
Net cash inflows from operating activities	16	**706.1**	731.2
Cash flows from investing activities			
Payments for capital expenditure on investment properties		**(399.7)**	(398.9)
Payments for acquisition of investment properties		**(557.3)**	(141.3)
Proceeds from disposal of investment properties		**166.2**	436.0
Proceeds from disposal of Chatswood Chase Sydney, net of cash disposed		**558.9**	-
Payments for plant and equipment		**(5.4)**	(6.6)
Integration costs		**-**	(18.4)
Payment to settle other financial liability – Bentons Square acquisition		**-**	(38.3)
Stamp duty paid		**(67.7)**	(9.9)
Net cash outflows from investing activities		**(305.0)**	(177.4)
Cash flows from financing activities			
Proceeds from borrowings		**1,160.9**	1,972.6
Repayment of borrowings		**(670.5)**	(1,946.3)
Proceeds from repayment of loan to Tuggeranong Town Centre Trust		**-**	117.4
Distributions paid to external securityholders		**(654.0)**	(696.7)
On-market securities buy-back		**(230.8)**	-
Debt establishment costs paid		**(2.5)**	(3.8)
Acquisition of shares on-market for settlement of share based payments		**(4.3)**	(7.6)
Net cash outflows from financing activities		**(401.2)**	(564.4)
Net decrease in cash and cash equivalents held		**(0.1)**	(10.6)
Cash and cash equivalents at the beginning of the year		**42.2**	52.8
Cash and cash equivalents at the end of the year		**42.1**	42.2

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.

Operations

1. Segment information
2. Earnings per security
3. Taxes
4. Investment properties
5. Equity accounted investments

Capital structure and financial risk management

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

Working capital

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

Remuneration

12. Key management personnel
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Other disclosures

15. Intangible assets
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17. Auditor's remuneration
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19. Related parties
20. Commitments and contingencies
21. Other Group accounting matters
22. Events occurring after the reporting date

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 15 August 2018. The Directors have the power to amend and reissue the Financial Report.

Although the Group has a net current deficiency of $456.5 million (current liabilities exceed current assets) at reporting date, the Group has sufficient current undrawn borrowing facilities (of $1,078.8 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.

Accounting policies

The Group's accounting policies are contained within the relevant notes to these financial statements. Other accounting policies that relate to the financial statements as a whole, detail of any changes in accounting policies and the impact of new or amended accounting standards are contained in Note 21.

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 and Strategic Partnerships:

- Property Investment: comprises net property income 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).

From 1 July 2017, segment performance has been assessed based on funds from operations (FFO). FFO 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 capital in nature. In addition to FFO, the CEO and CFO also review adjusted funds from operations (AFFO) in assessing the performance of the Group. AFFO represents the Group's FFO adjusted for maintenance capital and static lease incentives paid 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-18 $m	30-Jun-17[1] $m
Property Investment segment		
Net property income	**894.3**	887.8
Strategic Partnerships segment		
Property management, development and leasing fees	**61.0**	56.3
Funds management fees	**15.2**	9.7
Total segment income	**970.5**	953.8
Corporate overheads (net of internal property management fees)	**(73.3)**	(74.9)
Net interest expense	**(188.5)**	(166.0)
Funds from operations	**708.7**	712.9
Adjusted for:		
Maintenance capital expenditure and tenant incentives	**(75.6)**	(71.4)
Adjusted funds from operations	**633.1**	641.5

1. Prior to 1 July 2017, segment performance was assessed based on underlying earnings which was calculated as FFO plus rent lost from undertaking developments. Accordingly, the comparative information for the year ended 30 June 2017 has been restated from underlying earnings to FFO.

The Group also monitors the following metrics:

For the 12 months to:	30-Jun-18	30-Jun-17
FFO per security[1] (cents per security)	**18.20**	18.01
AFFO per security[1] (cents per security)	**16.26**	16.21
Distribution per security (DPS)[2] (cents per security)	**16.30**	17.30
Total distributions declared ($m)	**$631.1**	$684.8
AFFO payout ratio (total distributions declared $m/AFFO $m) (%)	**99.7%**	106.7%
FFO payout ratio (total distributions declared $m/FFO $m) (%)	**89.1%**	96.1%

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-18 $m	30-Jun-17 $m
Net profit after tax	**1,218.7**	1,583.6
Property revaluation increment for directly owned properties[1]	**(634.7)**	(906.7)
Non-distributable gain relating to equity accounted investments[1]	**(15.2)**	(9.1)
Amortisation of static lease incentives[2]	**15.0**	11.3
Amortisation of other project items[2]	**21.3**	16.8
Straight-lining of rent adjustment[3]	**(16.8)**	(16.8)
Stamp duty	**67.7**	9.9
Net mark-to-market movement on derivatives[4]	**(12.6)**	55.1
Net foreign exchange movement on interest bearing liabilities[4]	**59.0**	(60.7)
Integration costs[5]	**-**	26.7
Amortisation of intangible assets[6]	**4.5**	3.0
Other non-distributable items	**1.8**	(0.2)
Funds from operations	**708.7**	712.9

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. Certain payments such as lease incentives relating to investment properties are capitalised to investment properties. Amortisation of these items is then recognised as an expense in accordance with Australian Accounting Standards. Lease incentives paid during the year relating to static (non-development) centres are reflected in the AFFO calculation at Note 1(a) in accordance with the PCA guidelines. Accordingly, amortisation of these static lease incentives and other project items are excluded from FFO.
3. Straight-lining of rental revenue, which is required by Australian Accounting Standards, is an unrealised non-cash amount and excluded from FFO.
4. Net mark-to-market movement on derivatives and net foreign exchange movement on interest bearing liabilities represent non-cash fair value adjustments as required by Australian Accounting Standards and are excluded from FFO.
5. The Group incurred costs in the prior year in relation to integration activities following the merger of Federation Centres and Novion Property Group on 11 June 2015. Further information on the merger can be found in the 30 June 2015 and 30 June 2016 financial statements. There were no integration costs incurred in the current year.
6. FFO excludes non-cash charges relating to intangible assets.

(c) Reconciliation of segment income to total revenue

The following is a reconciliation of total segment income to total revenue and other income in the Statement of Comprehensive Income:

For the 12 months to:	30-Jun-18 $m	30-Jun-17 $m
Total segment income (Note 1(a))	**970.5**	953.8
Adjusted for:		
Net property income from equity accounted investments included in segment income	**(14.7)**	(13.7)
Straight-lining of rent adjustment	**16.8**	16.8
Property-related expenses included in segment income	**387.7**	379.2
Amortisation of static lease incentives and other project items	**(36.3)**	(28.1)
Interest and other revenue not included in segment income	**11.3**	3.5
Total revenue and other income per Statement of Comprehensive Income	**1,335.3**	1,311.5

1. Segment information continued

(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-18 $m	30-Jun-17 $m
Investment properties	4(a)[1]	**15,638.1**	15,410.5
Investment properties included in equity accounted investments	5(c)[2]	**727.1**	138.2
Total interests in directly owned investment properties		**16,365.2**	15,548.7
Assets under management on behalf of strategic partners[3]		**11,365.3**	9,725.3
Total assets under management		**27,730.5**	25,274.0

1. Calculated as total investment properties at Note 4(a) plus investment properties and non-current assets held for sale, 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-18	30-Jun-17
Earnings per security attributable to securityholders of the Group:		
Basic earnings per security (cents)	**31.31**	40.00
Diluted earnings per security (cents)	**31.25**	39.95
Earnings per security attributable to securityholders of the Parent:		
Basic earnings per security (cents)	**1.02**	(0.31)
Diluted earnings per security (cents)	**1.02**	(0.31)

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

For the 12 months to:	30-Jun-18 $m	30-Jun-17 $m
Earnings used in calculating basic and diluted earnings per security of the Group	**1,218.7**	1,583.6
Earnings used in calculating basic and diluted earnings per security of the Parent	**39.6**	(12.3)

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-18 Number (m)	30-Jun-17 Number (m)
Weighted average number of securities used as the denominator in calculating basic earnings per security	**3,892.9**	3,958.6
Adjustment for potential dilution from performance rights on issue	**7.1**	5.0
Weighted average number of securities and potential securities used as the denominator in calculating diluted earnings per security	**3,900.0**	3,963.6

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 Managed Investment Trust withholding rules for non-resident securityholders. 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. 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 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-18 $m	30-Jun-17 $m
Current income tax (expense)/benefit	**(11.2)**	5.9
Deferred income tax benefit/(expense)	**0.3**	(3.5)
Adjustment for current year tax of prior periods	**0.7**	2.1
Decrease/(increase) in off balance sheet deferred tax assets	**10.2**	(4.5)
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. Also included in employee benefits expenses are employment-related taxes such as fringe benefits tax, payroll tax and workcover contributions.

Further details of these taxes 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 as part of receivables and payables in 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 of these taxes can be found in the Tax Transparency section of the Annual Report.

3. Taxes continued

(a) Group taxation continued

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, in the current year the Company has made a tax loss. As a result of recognising 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.

(b) Reconciliation between net profit and income tax (expense)/benefit

For the 12 months to:	30-Jun-18 $m	30-Jun-17 $m
Profit before tax for the year	**1,218.7**	1,583.6
Less: Profit attributed to the Trust and not subject to tax[1]	**1,179.1**	1,595.9
Net profit/(loss) before tax attributable to securityholders of Vicinity Limited	**39.6**	(12.3)
Prima facie income (expense)/benefit at 30%	**(11.9)**	3.7
Tax effect of amounts not taxable in calculating income tax expense:		
Net adjustment relating to acquisition of share based payments	**(1.0)**	(0.2)
Other permanent differences	**2.0**	(1.1)
Prior period adjustments	**0.7**	2.1
Recognition of off balance sheet deferred tax assets (allowable deductions)	**15.4**	4.7
Increase in unrecognised deferred tax assets (tax losses)	**(5.2)**	(9.2)
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.

(c) Movement in temporary differences

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

	Provisions $m	Intangible assets $m	Other $m	Allowable deductions $m[1]	Tax losses $m	Total $m
At 30 June 2016	**17.9**	**(3.3)**	**5.0**	**9.5**	**55.2**	**84.3**
Transfers	-	-	-	(9.5)	9.5	-
Deferred income tax (expense)/benefit	0.3	0.9	(4.7)	-	3.5	-
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**

1. The Group is entitled to tax deductions under s40-880 of the Income Tax Assessment Act 1997, primarily resulting from the termination of funds management contracts in March 2014.

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 $19.6 million at 30 June 2018 (30 June 2017: $29.8 million) comprising:

- Allowable deductions of $1.2 million (30 June 2017: $16.6 million); and
- Tax losses of $18.4 million (30 June 2017: $13.2 million).

4. Investment properties

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

(a) Portfolio summary

	30-Jun-18			30-Jun-17		
Shopping centre type	Number of properties	Value $m	Weighted average cap rate %	Number of properties	Value $m	Weighted average cap rate %
Super Regional	**1**	**3,050.0**	**3.75**	1	2,675.0	4.25
Major Regional	**6**	**2,323.0**	**5.69**	7	3,358.0	5.45
City Centre	**7**	**2,417.5**	**4.66**	4	1,726.7	4.97
Regional	**10**	**2,312.9**	**5.99**	10	2,240.4	6.17
Outlet Centre	**6**	**1,562.0**	**6.04**	6	1,391.7	6.29
Sub Regional	**29**	**3,288.6**	**6.29**	31	3,308.0	6.37
Neighbourhood	**13**	**684.1**	**6.31**	15	728.4	6.51
Planning and holding costs[1]	**-**	**34.5**	**-**	-	21.3	-
Total	**72**	**15,672.6**	**5.38**	74	15,449.5	5.61
Add: Finance lease assets[2]		**220.1**			217.5	
Less: Properties held for sale (current asset)[3]		**-**			(33.5)	
Total investment properties		**15,892.7**			15,633.5	

1. Planning and holding costs relating to potential major development projects are capitalised and carried within the overall investment property balance. These costs are reviewed each period and the status of the project assessed to determine if continued capitalisation of these costs remains appropriate.
2. Refer to Note 21(b) for further detail.
3. Represents the carrying amount of investment properties which the Group has an agreement to sell at year end and are expected to settle within 12 months of balance date. The 30 June 2017 balance represented Terrace Central which settled during the year.

(b) Movements for the year

During the year, the following major investment property transactions have occurred:

Sydney premium asset swap

The Group exchanged a 49% interest in the sub-trust which indirectly owns Chatswood Chase Sydney for 50% interests in GIC Private Limited's (GIC) Queen Victoria Building, The Galeries and The Strand Arcade (together, the Sydney CBD Centres). The change in ownership and corresponding loss of control of the subsidiary sub-trust caused the remaining 51% interest in Chatswood Chase Sydney to be transferred to equity accounted investments (refer Note 5). The stamp duty paid on the acquisition of the Sydney CBD Centres totalled $30.8 million.

Asset divestments

The Group completed the sale of the following investment properties:

- Terrace Central (November 2017) for $33.5 million;
- Toormina Gardens (January 2018) for $41.7 million (50% ownership interest);
- Brandon Park (April 2018) for $67.5 million (50% ownership interest); and
- Goldfields Plaza (June 2018) for $27.5 million.

Additionally, on 4 June 2018, the Group announced plans for the sale of up to $1.0 billion of Sub Regional and Neighbourhood investment properties. These planned divestments are in line with the Group's continuing focus on portfolio enhancement. As at 30 June 2018, no investment properties were required to be classified as held for sale as there were no sale agreements in place.

4. Investment properties continued

(b) Movements for the year continued

Acquisition of freehold interests in Myer Bourke Street and Emporium Melbourne

The Group and its co-owners exercised their option to acquire the freehold interests in Myer Bourke Street and Emporium Melbourne. Previously the only interests the Group held in these investment properties were leasehold. Upon acquisition of the freehold interests, $36.9 million of stamp duty was paid.

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

	30-Jun-18 $m	30-Jun-17 $m
Opening balance at 1 July	**15,449.5**	14,444.5
Acquisitions including associated stamp duty and transaction costs	**588.1**	151.1
Capital expenditure[1]	**386.0**	397.1
Capitalised borrowing costs[2]	**6.3**	8.0
Disposals	**(729.0)**	(436.0)
Non-cash transfer of Chatswood Chase Sydney to equity accounted investments	**(575.8)**	-
Property revaluation increment for directly owned properties	**634.7**	906.7
Stamp duty[3]	**(67.7)**	(9.9)
Amortisation of incentives and leasing costs	**(36.3)**	(28.8)
Straight-lining of rent adjustment	**16.8**	16.8
Closing balance at 30 June	**15,672.6**	15,449.5

1. Includes development costs, maintenance capital expenditure, lease incentives and fit-out costs. The FY18 balance also includes stamp duty of $36.9 million paid upon acquisition of the freehold interests in Myer Bourke Street and Emporium Melbourne.
2. Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 4.4% (30 June 2017: 4.3%).
3. Includes stamp duty of $30.8 million paid on the acquisition of the Sydney CBD Centres and $36.9 million paid on the acquisition of the freehold interest in Myer Bourke Street and Emporium Melbourne.

(c) Portfolio valuation

Process

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

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

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

Methodology

To determine fair value:

- Independent valuations commonly adopt the midpoint of the 'capitalisation of net income' and 'discounted cash flow' (DCF) methods;
- Internal valuations utilise the latest available property financial information in the 'capitalisation of net income' method with a cross-check using the DCF method;
- Both independent and internal valuations employ the 'residual value' method when valuing development properties; and
- Properties that have sale agreements in place by the end of the financial year (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 for a terminal value. This terminal value is calculated by capitalising in perpetuity assumed market net income at the end of the investment period by an appropriate terminal yield, except for leasehold properties where market net income may be capitalised for the remaining ground lease term 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 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 DCF methods require assumptions to be made to determine certain inputs that are not based on observable market data.

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

	30-Jun-18		30-Jun-17		
Unobservable inputs	**Range of inputs**	**Weighted average inputs**	**Range of inputs**	**Weighted average inputs**	**Sensitivity**
Capitalisation rate[1]	**3.75%–7.50%**	**5.38%**	4.25%–7.50%	5.61%	The higher the capitalisation rate, discount rate, terminal yield, and expected downtime due to tenants vacating, the lower the fair value.
Discount rate[2]	**6.25%–8.75%**	**7.17%**	6.75%–8.50%	7.55%	
Terminal yield[3]	**4.00%–7.75%**	**5.64%**	4.50%–7.75%	5.85%	
Expected downtime (for tenants vacating)	**2 months to 9 months**	**5 months**	2 months to 9 months	5 months	
Rental growth rate	**2.18%–4.19%**	**3.40%**	2.27%–4.44%	3.52%	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 regard to comparable market transactions.
2. The discount rate is a required annual total rate of return used to convert a forecast cash flow of an asset into a present value. It should reflect the required rate of return of the property given its risk profile relative to competing uses of capital. The rate is determined with regard 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 regard to comparable market transactions and the expected risk of the asset at the end of the cash flow period.

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

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-18 Valuation type	Carrying value 30-Jun-18 $m	Carrying value 30-Jun-17 $m
Chadstone	50	External	**3,050.0**	2,675.0
Total Super Regional			**3,050.0**	2,675.0

ii. Major Regional

	Ownership interest %	30-Jun-18 Valuation type	Carrying value 30-Jun-18 $m	Carrying value 30-Jun-17 $m
Bankstown Central	50	External	**355.0**	350.0
Bayside	100	External	**630.0**	622.5
Galleria	50	Internal	**380.0**	395.0
Northland	50	External	**490.0**	487.5
Roselands	50	External	**161.7**	179.7
The Glen	50	Internal	**306.3**	202.1
Chatswood Chase Sydney[1]	-	-	**-**	1,121.2
Total Major Regional			**2,323.0**	3,358.0

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

iii. City Centre

	Ownership interest %	30-Jun-18 Valuation type	Carrying value 30-Jun-18 $m	Carrying value 30-Jun-17 $m
Emporium Melbourne[2]	50	External	**685.0**	605.0
Myer Bourke Street[2]	33	Internal	**160.0**	156.2
The Myer Centre Brisbane	25	Internal	**195.0**	195.0
Queen Victoria Building[3]	50	External	**320.0**	-
QueensPlaza	100	External	**774.0**	770.5
The Galeries[3]	50	External	**163.5**	-
The Strand Arcade[3]	50	External	**120.0**	-
Total City Centre			**2,417.5**	1,726.7

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

iv. Regional

	Ownership interest %	30-Jun-18 Valuation type	Carrying value 30-Jun-18 $m	Carrying value 30-Jun-17 $m
Broadmeadows Central	100	External	**330.5**	330.5
Colonnades	50	External	**147.5**	155.6
Cranbourne Park	50	External	**161.3**	153.0
Eastlands	100	Internal	**170.0**	170.0
Elizabeth City Centre	100	External	**380.0**	384.1
Grand Plaza	50	Internal	**220.0**	215.0
Mandurah Forum	50	External	**335.9**	256.5
Mt Ommaney Centre	25	Internal	**105.2**	105.2
Rockingham Centre	50	External	**305.0**	313.0
Runaway Bay Centre	50	External	**157.5**	157.5
Total Regional			**2,312.9**	2,240.4

v. Outlet Centre

	Ownership interest %	30-Jun-18 Valuation type	Carrying value 30-Jun-18 $m	Carrying value 30-Jun-17 $m
DFO Brisbane[4]	100	External	**61.0**	59.0
DFO Essendon[5]	100	Internal	**178.0**	170.0
DFO Homebush	100	Internal	**480.0**	425.0
DFO Moorabbin[6]	100	External	**126.0**	122.0
DFO Perth[7]	50	Internal	**62.0**	17.7
DFO South Wharf[8]	100	Internal	**655.0**	598.0
Total Outlet Centre			**1,562.0**	1,391.7

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

vi. Sub Regional

	Ownership interest %	30-Jun-18 Valuation type	Carrying value 30-Jun-18 $m	Carrying value 30-Jun-17 $m
Altona Gate	100	Internal	**106.5**	102.5
Armidale Central	100	External	**46.0**	46.0
Belmont Village	100	Internal	**51.0**	50.0
Box Hill Central (North Precinct)	100	External	**119.0**	103.0
Box Hill Central (South Precinct)[9]	100	Internal	**217.0**	192.0
Buranda Village	100	Internal	**42.5**	42.5
Carlingford Court	50	Internal	**121.0**	114.0
Castle Plaza	100	Internal	**175.0**	174.0
Corio Central	100	Internal	**130.0**	131.0
Ellenbrook Central	100	Internal	**244.0**	240.0
Gympie Central	100	External	**81.3**	79.0
Halls Head Central	50	External	**57.0**	54.6
Karratha City	50	External	**51.2**	52.5
Kurralta Central	100	Internal	**43.5**	42.0
Lake Haven Centre	100	Internal	**320.0**	298.0
Lavington Square	100	Internal	**58.0**	62.3
Livingston Marketplace	100	Internal	**89.0**	86.0
Maddington Central	100	Internal	**120.0**	122.0
Mornington Central	50	Internal	**37.0**	36.0
Nepean Village	100	Internal	**192.0**	181.0
Northgate	100	External	**110.0**	108.0
Roxburgh Village	100	External	**122.1**	122.1
Sunshine Marketplace	50	External	**61.0**	58.5
Taigum Square	100	External	**101.0**	100.0
Warnbro Centre	100	Internal	**105.0**	125.0
Warriewood Square	50	External	**148.0**	142.5
Warwick Grove	100	Internal	**200.0**	200.0
West End Plaza	100	External	**71.5**	70.0
Whitsunday Plaza	100	Internal	**69.0**	68.0
Brandon Park[10]	-	-	**-**	65.0
Toormina Gardens[10]	-	-	**-**	40.5
Total Sub Regional			**3,288.6**	3,308.0

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

4. Investment properties continued

(d) List of investment properties held

vii. Neighbourhood

	Ownership interest %	30-Jun-18 Valuation type	Carrying value 30-Jun-18 $m	Carrying value 30-Jun-17 $m
Bentons Square	100	Internal	**82.0**	82.0
Currambine Central[11]	100	External	**96.0**	105.0
Dianella Plaza	100	Internal	**89.8**	89.0
Flinders Square	100	Internal	**39.5**	32.5
Kalamunda Central	100	Internal	**42.0**	38.5
Lennox Village	50	External	**39.0**	36.5
Milton Village	100	Internal	**30.3**	27.5
North Shore Village	100	Internal	**27.0**	25.0
Oakleigh Central	100	External	**76.0**	71.6
Oxenford Village	100	External	**33.2**	33.1
Stirlings Central	100	Internal	**48.0**	50.0
The Gateway	100	Internal	**51.2**	46.0
Victoria Park Central	100	External	**30.1**	31.0
Goldfields Plaza[10]	-	-	**-**	27.2
Terrace Central[10]	-	-	**-**	33.5
Total Neighbourhood			**684.1**	728.4

1. As described in Note 4(b), a 49% interest in the sub-trust which indirectly owns Chatswood Chase Sydney was disposed of during the year. The change in ownership and subsequent loss of control caused the remaining 51% interest in the sub-trust which owns Chatswood Chase Sydney to be transferred to equity accounted investments. Refer to Note 5 for equity accounted investment balances.
2. As described in Note 4(b), during the year the Group and its co-owners exercised their option to acquire the freehold interests in Myer Bourke Street and Emporium Melbourne. Previously the only interests the Group held in these investment properties were leasehold.
3 Acquired during the year as part of the Sydney premium asset swap with GIC, refer to Note 4(b). The title to Queen Victoria Building is leasehold and expires in 2083.
4. The right to operate the DFO Brisbane business expires in 2046.
5. The title to this property is leasehold and expires in 2048.
6. The title to this property is leasehold with an option to extend the ground lease to 2034 at the Group's discretion.
7. This property is currently under construction. The title is leasehold and expires in 2047.
8. The title to this property is leasehold and expires in 2108.
9. The title to this property is leasehold with options to extend the ground lease to 2134 at the Group's discretion.
10. Disposed of during the year.
11. The title to this property is leasehold and expires in 2094.

(e) Operating lease receivables

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

	30-Jun-18 $m	30-Jun-17 $m
Not later than one year	**883.6**	861.6
Later than one year and not later than five years	**2,376.9**	2,282.2
Later than five years	**1,166.8**	1,123.9
Total operating lease receivables	**4,427.3**	4,267.7

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-18 %	**30-Jun-17 %**	**30-Jun-18 $m**	**30-Jun-17 $m**
Chatswood Chase Sydney joint venture[1]	**51.0**	-	**591.2**	-
Victoria Gardens Retail Trust joint venture	**50.0**	50.0	**87.6**	86.4
Vicinity Asset Operations (associate)	**40.0**	40.0	**2.3**	1.6
Closing balance			**681.1**	88.0

1. As described in Note 4(b), a 49% interest in the sub-trust which indirectly owns Chatswood Chase Sydney was disposed of on 30 April 2018. The change in ownership and subsequent loss of control caused the remaining 51% interest in the sub-trust which indirectly owns Chatswood Chase Sydney to be transferred to equity accounted investments. The value transferred represented $575.8 million relating to the Chatswood Chase Sydney investment property and $0.9 million relating to the net working capital of the joint venture (total $576.7 million). Investment in joint venture held through CC Commercial Trust.

(b) Movements for the year

	30-Jun-18 $m	**30-Jun-17 $m**
Opening balance	**88.0**	80.5
Non-cash transfer of Chatswood Chase Sydney from investment properties	**576.7**	-
Additional investments made during the year	**0.2**	0.4
Share of net profit of equity accounted investments	**26.8**	18.2
Distributions of net income from equity accounted investments	**(10.6)**	(9.4)
Disposal of ownership in equity accounted investments	**-**	(1.7)
Closing balance	**681.1**	88.0

(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-18 $m	**30-Jun-17 $m**
Investment properties (non-current)	**592.0**	-
Other net working capital	**(1.0)**	-
Net assets	**591.0**	-
Total income[1]	**10.5**	-
Aggregate net profits after income tax[1]	**18.7**	-

1. Results since classification as an equity accounted investment from 30 April 2018.

5. Equity accounted investments continued

(c) Summarised financial information of joint ventures continued

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-18 $m	30-Jun-17 $m
Investment properties (non-current)	**140.3**	138.2
Interest bearing liabilities (non-current)	**(46.7)**	(46.6)
Other net working capital	**(6.0)**	(5.2)
Net assets	**87.6**	86.4
Total income	**10.6**	10.3
Aggregate net profits after income tax	**5.9**	14.8
Interest expense	**(1.9)**	(1.9)

(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 from 30 April 2018 totalled $1,736,545. At 30 June 2018, no amounts remain payable to the Group. The Group also has distributions receivable of $1,065,417 at 30 June 2018.

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 $1,596,281 (30 June 2017: $894,123). At 30 June 2018, no amounts remain payable to the Group (30 June 2017: $551). The Group also has distributions receivable of $6,795,253 at 30 June 2018 (30 June 2017: $5,825,157).

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 $12,774,974 (30 June 2017: $12,464,918). Dividends paid to the Group were $1,569,674 (30 June 2017: $2,715,813). The Group has receivables from VAO of $5,739,656 at 30 June 2018 (30 June 2017: $5,101,446).

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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:

- HKD $640.0 million ($108.2 million) of 10-year HKD Medium Term Notes (HKMTNs) were issued on 17 May 2018. The proceeds of this issue were used for general corporate purposes;
- Net drawdowns of existing facilities have been made throughout the year for the on-market securities buy-back, capital expenditure and asset acquisitions, partially offset by repayments from asset sales;
- Maturities for $400.0 million of bank debt were extended from June 2019 to July 2020; and
- $435.0 million of new bank debt facilities were established ($100.0 million maturing July 2019, $250.0 million maturing July 2021 and $85.0 million maturing May 2021) and $100.0 million were cancelled.

(a) Summary of facilities

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

	30-Jun-18 $m	**30-Jun-17 $m**
Current liabilities		
Unsecured		
US$ Private Placement Notes (USPPs)	**41.6**	-
Total current liabilities	**41.6**	-
Non-current liabilities		
Secured		
AUD Medium Term Notes (AMTNs)	**311.5**	317.4
Unsecured		
Bank debt	**1,888.5**	1,506.3
AMTNs	**646.2**	645.7
GBP European Medium Term Notes (GBMTNs)	**616.6**	588.1
HKMTNs	**110.4**	-
USPPs	**836.7**	852.2
Deferred debt costs[1]	**(13.9)**	(16.0)
Total non-current liabilities	**4,396.0**	3,893.7
Total interest bearing liabilities	**4,437.6**	3,893.7

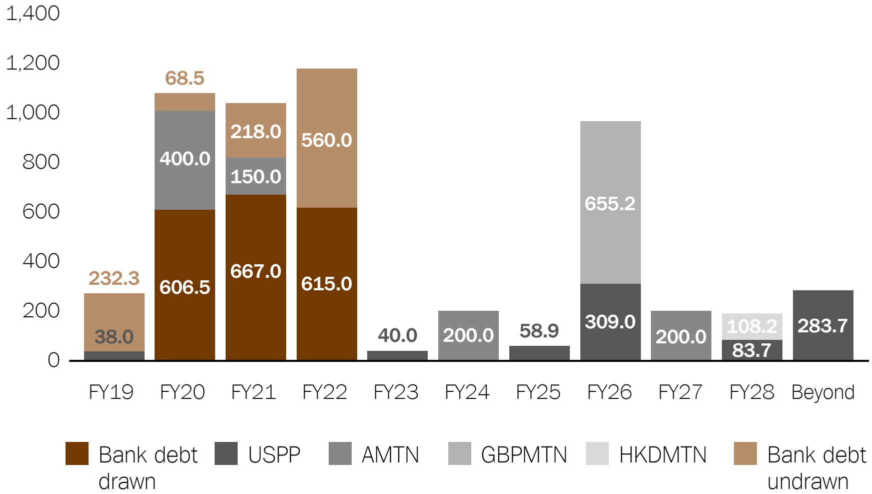
1. Deferred debt costs comprise the unamortised value of borrowing costs on establishment or refinance of debt facilities. These costs are deferred on the Balance Sheet and amortised to borrowing costs in the Statement of Comprehensive Income.

6. Interest bearing liabilities and derivatives continued

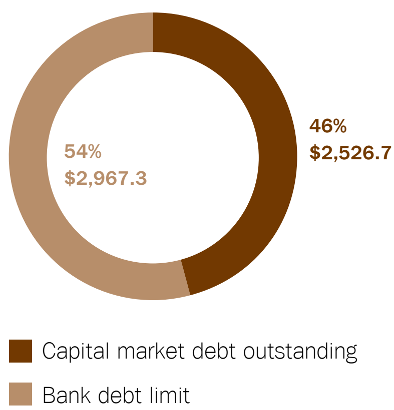
(b) Facility maturity and availability

The charts below outline the maturity of the Group's total available facilities at 30 June 2018 by type and the bank to capital markets debt ratio. Of the $5,494.0 million total available facilities (30 June 2017: $5,050.8 million), $1,078.8 million remains undrawn at 30 June 2018 (30 June 2017: $1,126.0 million).

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



Bank to capital market debt ratio



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 $36.3 million (30 June 2017: -$15.1 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 $13.9 million (30 June 2017: $16.0 million) are not reflected in the amount drawn.
2. Total available bank debt facilities are reduced by bank guarantees drawn against these facilities of $17.7 million (30 June 2017: $17.7 million).

(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-18 $m	30-Jun-17 $m
Interest and other costs on interest bearing liabilities and derivatives	**189.2**	167.4
Amortisation of deferred debt costs	**4.6**	5.2
Amortisation of fair value adjustments relating to discontinuation of hedge accounting	**(2.6)**	(7.9)
Amortisation of AMTN and GBMTN fair value adjustment	**(4.9)**	(5.1)
Finance lease interest	**2.6**	3.3
Capitalised borrowing costs	**(6.4)**	(8.0)
Total borrowing costs	**182.5**	154.9

(d) Defaults and covenants

At 30 June 2018, the Group had no defaults on debt obligations or breaches of lending covenants (30 June 2017: 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. 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. Movements in fair value are recognised directly in profit or loss.

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

	Carrying amount		Notional principal value	
	30-Jun-18 $m	30-Jun-17 $m	30-Jun-18 $m	30-Jun-17 $m
Cross currency swaps (pay AUD floating receive USD fixed)	**3.2**	-	**38.0**	-
Total current assets	**3.2**	-	**n/a**	n/a
Cross currency swaps (pay AUD floating receive USD fixed)	**60.7**	68.3	**302.5**	340.6
Cross currency swaps (pay AUD floating receive HKD fixed)	**1.8**	-	**108.2**	-
Total non-current assets	**62.5**	68.3	**n/a**	n/a
Interest rate swaps (floating to fixed)	**-**	(2.3)	**150.0**	1,187.0
Total current liabilities	**-**	(2.3)	**n/a**	n/a
Cross currency swaps (pay AUD floating receive GBP fixed)	**(48.3)**	(67.5)	**655.2**	655.2
Cross currency swaps (pay AUD floating receive USD fixed)	**(37.9)**	(36.2)	**357.8**	357.8
Interest rate swaps (floating to fixed)	**(77.0)**	(72.4)	**2,575.0**	1,275.0
Total non-current liabilities	**(163.2)**	(176.1)	**n/a**	n/a

The movement in the net carrying amount of derivative financial instruments of $12.6 million was due to mark-to-market fair value adjustments.

(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.

	Current interest bearing liabilities $m	Non-current interest bearing liabilities $m
Opening balance at 1 July 2017	-	3,893.7
Net cash drawdowns of borrowings	-	490.4
Reclassification from non-current to current interest bearing liabilities	38.7	(38.7)
Foreign exchange rate adjustments recognised in profit and loss	3.7	55.3
Payment of deferred debt costs	-	(2.5)
Amortisation of deferred debt costs	-	4.6
Fair value movements, non-cash	(0.8)	(6.8)
Closing balance at 30 June 2018	41.6	4,396.0

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 strategies adopted by the Group to assist in achieving these objectives are set out below:

Risk	Primary source(s)	Explanation and risk management strategy	Details
Interest rate risk	Floating rate borrowings	Interest rate risk represents the potential for changes in market interest rates to impact the total interest expense for the Group. Floating-to-fixed 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 the contracted fixed interest rate and the floating market interest rate calculated by reference to an agreed notional principal amount.	Note 7(a)
Foreign exchange rate risk	Foreign denominated interest bearing liabilities	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 guarantee 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 Note 6(e)

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-18 $m	30-Jun-17 $m
Total interest bearing liabilities (Note 6(a))	**4,437.6**	3,893.7
Add: Deferred debt costs	**13.9**	16.0
Add: Fair value and foreign exchange adjustments to GBMTNs	**38.6**	67.1
Less: Fair value and foreign exchange adjustments to USPPs	**(65.0)**	(38.9)
Less: Fair value adjustments to AMTNs	**(7.7)**	(13.1)
Add: Fair value and foreign exchange adjustments to HKMTNs	**(2.2)**	-
Total drawn debt	**4,415.2**	3,924.8
Less: Fixed rate borrowings	**(1,065.0)**	(1,065.0)
Variable rate borrowings exposed to cash flow interest rate risk	**3,350.2**	2,859.8
Less: Notional principal of outstanding interest rate swap contracts	**(2,725.0)**	(2,462.0)
Net variable rate borrowings exposed to cash flow interest rate risk	**625.2**	397.8
Hedge ratio[1]	**86%**	90%

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 2018 remains unchanged for the next 12 months, would impact the Group's cash interest cost for the next 12 months by $1.6 million (30 June 2017 +/-25 bps: $1.0 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 2018 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $2.8 million (30 June 2017 +/-25 bps: $8.6 million).

This sensitivity analysis should not be considered a projection.

(b) Foreign exchange rate risk

At 30 June 2018, the Group has the following net exposure to foreign currency translation risk arising from GBP, HKD and USD denominated borrowings:

GBP borrowings	30-Jun-18 GBP £m	30-Jun-17 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-18 HKD $m	30-Jun-17 HKD $m
Total interest bearing liabilities in HKD	**640.0**	-
Less: Notional value of cross currency swaps (pay AUD receive HKD)	**(640.0)**	-
Net exposure to HKD translation risk	**-**	-
Hedge ratio for interest bearing liabilities in HKD	**100%**	-

USD borrowings	30-Jun-18 USD $m	30-Jun-17 USD $m
Total interest bearing liabilities in USD	**553.0**	553.0
Less: Notional value of cross currency swaps (pay AUD receive USD)	**(553.0)**	(553.0)
Net exposure to USD translation risk	**-**	-
Hedge ratio for interest bearing liabilities in USD	**100%**	100%

7. Capital and financial risk management continued

(b) Foreign exchange rate risk continued

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 2018 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $12.3 million (30 June 2017 +/- 5.0 cents: $16.5 million).

(c) Liquidity risk

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

30-Jun-18	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m	Carrying amount $m
Bank debt	-	1,273.5	615.0	**1,888.5**	**1,888.5**
AMTNs	-	550.0	400.0	**950.0**	**957.7**
GBMTNs	-	-	695.0	**695.0**	**616.6**
HKMTNs	-	-	116.1	**116.1**	**110.4**
USPPs	40.5	-	829.5	**870.0**	**878.3**
Estimated interest payments and line fees on borrowings	167.9	256.8	424.8	**849.5**	**n/a**
Estimated net interest rate swap cash outflow	25.5	37.4	19.9	**82.8**	**n/a**
Estimated gross cross currency swap cash outflows	97.8	122.8	1,822.3	**2,042.9**	**n/a**
Estimated gross cross currency swap cash (inflows)	(95.1)	(105.1)	(1,833.9)	**(2,034.1)**	**n/a**
Total contractual outflows	236.6	2,135.4	3,088.7	**5,460.7**	**4,451.5**

30-Jun-17	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m	Carrying amount $m
Bank debt	-	1,108.3	398.0	1,506.3	1,506.3
AMTNs	-	400.0	550.0	950.0	963.1
GBMTNs	-	-	694.5	694.5	588.1
HKMTNs	-	-	-	-	-
USPPs	-	39.4	851.9	891.3	852.2
Estimated interest payments and line fees on borrowings	129.9	262.1	485.4	877.4	n/a
Estimated net interest rate swap cash outflow	26.5	40.5	12.3	79.3	74.7
Estimated gross cross currency swap cash outflows	52.6	153.7	1,761.1	1,967.4	35.4
Estimated gross cross currency swap cash (inflows)	(48.6)	(135.9)	(1,761.8)	(1,946.3)	n/a
Total contractual outflows	160.4	1,868.1	2,991.4	5,019.9	4,019.8

(d) Fair value of borrowings

As at 30 June 2018, the Group's debt has a fair value of $4,476.5 million (30 June 2017: $3,987.3 million).

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

(e) Capital risk management

The Group maintains a strong and conservative capital structure with appropriate liquidity, a strong balance sheet and a diversified debt profile (by source and tenor). The 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 the bank facilities to capital markets debt ratio, gearing ratio and interest cover ratio. These metrics are shown below:

Bank facilities to capital market debt

Facility type	30-Jun-18 $m	30-Jun-17 $m
Total bank debt limit[1]	**2,967.3**	2,632.3
Total capital market debt outstanding	**2,526.7**	2,418.5
Total debt facilities available to the Group	**5,494.0**	5,050.8
Bank facilities as a proportion of total debt facilities	**54.0%**	52.1%
Capital market debt as a proportion of total debt facilities	**46.0%**	47.9%

1. Total bank debt facilities are reduced by bank guarantees drawn against these bank debt facilities of $17.7 million (30 June 2017: $17.7 million).

Gearing

	30-Jun-18 $m	30-Jun-17 $m
Total drawn debt (Note 7(a))	**4,415.2**	3,924.8
Drawn debt net of cash	**4,373.1**	3,882.6
Total tangible assets excluding cash, finance lease assets and derivative financial assets	**16,558.8**	15,731.4
Gearing ratio (target range of 25.0% to 35.0%)	**26.4%**	24.7%

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 2018 the interest cover ratio was 4.8 times (30 June 2017: 5.6 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.

	30-Jun-18 Number (m)	30-Jun-17 Number (m)	30-Jun-18 $m	30-Jun-17 $m
Total stapled securities on issue at the beginning of the year	**3,958.6**	3,958.6	**8,493.2**	8,493.2
On-market securities buy-back	**(87.0)**	-	**(230.8)**	-
Total stapled securities at the end of the year	**3,871.6**	3,958.6	**8,262.4**	8,493.2

Working capital

9. Receivables and other assets

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

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

	30-Jun-18 $m	30-Jun-17 $m
Trade debtors	**15.3**	14.8
Accrued income	**16.7**	15.5
Receivables from strategic partnerships	**13.0**	15.6
Distribution receivable from joint ventures and associates	**7.8**	5.8
Less: Provision for doubtful debts	**(6.7)**	(6.0)
Total receivables	**46.1**	45.7
Prepayments	**17.3**	12.9
Land tax levies	**12.0**	13.1
Tenant security deposits held	**0.8**	1.2
Development receivables	**3.2**	-
Other	**20.2**	15.4
Total current receivables and other assets	**99.6**	88.3
Investment in unlisted fund at fair value[1]	**5.2**	-
Investment in related party (Vicinity Enhanced Retail Fund) at fair value	**2.3**	2.5
Total non-current receivables and other assets	**7.5**	2.5

1. Previously classified within current financial assets carried at fair value through profit or loss (carrying value at 30 June 2017 of $4.3 million)

Risk of tenant default

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

Of the $52.8 million trade and related party receivables outstanding (30 June 2017: $51.7 million), $13.7 million, which represents approximately 1.03% of total combined revenue, is considered past due but not impaired at 30 June 2018 (30 June 2017: $12.1 million).

The Group has recognised a loss of $3.9 million (30 June 2017: $5.6 million) in respect of impaired trade receivables during the year. The loss has been included in direct property expenses from ordinary activities in the Statement of Comprehensive Income.

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

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

10. Payables and other financial liabilities

Payables and other financial liabilities represent liabilities for goods and services provided to the 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 2018, the carrying value of payables and other financial liabilities approximated their fair value.

	30-Jun-18 $m	30-Jun-17 $m
Current		
Trade payables and accrued expenses	**62.3**	64.3
Rents received in advance	**27.7**	34.5
Accrued interest expense	**18.7**	16.8
Accrued capital expenditure	**31.6**	70.2
Security deposits	**0.5**	0.6
Finance lease liabilities[1]	**15.3**	14.8
Other	**9.2**	8.4
Total current liabilities	**165.3**	209.6
Non-current		
Finance lease liabilities[1]	**204.8**	202.7
Total non-current liabilities	**204.8**	202.7

1. Refer Note 21(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-18 $m	30-Jun-17 $m
Current		
Current employee entitlements	**51.1**	51.6
Other current provisions	**25.9**	26.9
Total current provisions	**77.0**	78.5
Non-current		
Non-current employee entitlements	**3.9**	3.6
Other non-current provisions	**4.8**	4.2
Total non-current provisions	**8.7**	7.8

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

	30-Jun-17 $m	Arising during the year $m	Paid during the year $m	Other movements $m	30-Jun-18 $m
Current					
Stamp duty	9.0	67.7	(67.7)	-	**9.0**
Land tax levies	13.1	12.0	(13.1)	-	**12.0**
Other	4.8	-	(0.3)	0.4	**4.9**
Total other current provisions	26.9	79.7	(81.1)	0.4	**25.9**
Non-current					
Other	4.2	1.3	-	(0.7)	**4.8**
Total other non-current provisions	4.2	1.3	-	(0.7)	**4.8**

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-18 $'000	30-Jun-17 $'000
Short-term employee benefits – Executive KMP	**4,399**	5,158
Short-term employee benefits – Non-executive KMP	**1,817**	2,079
Share based payments	**2,006**	1,490
Post-employment benefits	**214**	227
Other long-term employee benefits	**27**	11
Total remuneration of KMP of the Group	**8,463**	8,965

13. Employees

Employee benefits expense consists of:

For the 12 months to:	Note	30-Jun-18 $m	30-Jun-17 $m
Salaries and wages		**86.8**	88.1
Share based payments expense	14(a)	**7.3**	7.5
Other employee benefits expense		**3.5**	3.1
Total employee benefits expense		**97.6**	98.7

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 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 three-year performance period. 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. Certain 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.
$1,000 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 were recognised within employee benefits expense and reserves in relation to the share based payment compensation plans.

For the 12 months to:	30-Jun-18 $m	30-Jun-17 $m
Long Term Incentive	**3.0**	2.9
Short Term Incentive[1]	**3.2**	3.6
$1,000 Employee Plan[2]	**0.9**	1.0
Other share based payments	**0.2**	-
Total share based payments	**7.3**	7.5

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 335,008 securities were granted under the $1,000 Employee Plan during the year (30 June 2017: 359,040).

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

	30-Jun-18 Number	30-Jun-17 Number
Opening balance at the beginning of the year	**6,121,419**	4,385,154
Granted	**3,266,880**	3,074,501
Forfeited and lapsed	**(1,250,751)**	(605,374)
Vested[1]	**-**	(732,862)
Outstanding at the end of the year	**8,137,548**	6,121,419
Exercisable at the end of the year	**Nil**	Nil
Weighted average remaining contractual life	**2.12 years**	2.38 years

1. The performance period for the FY16 LTI plan ended on 30 June 2018. Performance hurdles were subsequently tested in August 2018 with 1,116,746 performance rights vesting and 1,116,731 lapsing. These remain subject to a 12-month holding lock period.

14. Share based payments continued

(b) Plan details

Long Term Incentive plan conditions

Features of the LTI performance rights currently on issue are:

Grant years	FY18, FY17 and FY16
Performance period	Three years commencing 1 July of the grant year
Holding lock	12 months after the end of the performance period
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 as: Change in Vicinity's net tangible assets (NTA) value during the performance period plus total distributions made divided by the NTA value at the beginning of the performance period.
TSR Comparator Group	S&P/ASX 200 A-REIT Index excluding Westfield Corporation[2]

1. For the purposes of LTI plan assessment, each performance hurdle operates independently of the other.
2. 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.

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	FY18 Plan	FY17 Plan
Distribution yield	Expected annual distribution rate over the next three years.	**5.7%**	5.9%
Risk-free interest rate	Three-year government bond yields as at grant date.	**1.9%**	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.	**55.0%**	50.0%
Volatility of Vicinity securities	As above.	**17.0%**	21.0%
TSR of Vicinity securities	Performance between the start date of the testing period and the valuation date.	**4.7%**	(9.1%)
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.	**$2.87**	$2.92
Fair value per right – TR		**$2.25**	$2.27
Fair value per right – TSR		**$0.98**	$0.97

Short Term Incentive plan

The number of securities granted and deferred under the STI plan during the year ended 30 June 2018 relating to incentive payments earned in the year ended 30 June 2017 was 1,187,088 (30 June 2017 relating to the year ended 30 June 2016: 1,144,541). The fair value of these securities was $2.69 per security (30 June 2017: $3.29) being the volume weighted average security price of VCX in the 10 trading days prior to the grant date of 28 September 2017.

15. Intangible assets

(a) Background

Intangible asset balances relate to the value of external management contracts and goodwill. The intangible assets were recognised at their fair value at both the date of Novion Property Group's internalisation of management from the Commonwealth Bank of Australia (on 24 March 2014) and the merger of Novion Property Group and Federation Centres (Merger) 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 (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, which is also an operating and reportable segment. Goodwill represents the incremental value created in relation to the Group's investment properties by replacing property management fees with an internalised cost structure (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 year is shown below:

	External management contracts		Goodwill	Total
	Indefinite life $m	Finite life $m	$m	$m
Carrying value 1 July 2016	**164.2**	**11.2**	**427.0**	**602.4**
Amortisation charge	-	(3.0)	-	(3.0)
Carrying value 30 June 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**

15. Intangible assets

(b) Impairment testing continued

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. Summarised below are the results of the Group's annual impairment testing process performed at 30 June 2018.

External management contracts

The recoverable amount of the Strategic Partnerships 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-18	30-Jun-17
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	**6.80%–7.30%**	6.87%–7.37%

Sensitivities to these assumptions have been tested and the Group has determined that no reasonably possible changes would give rise to impairment at 30 June 2018. The future disposal of interests in directly owned or equity accounted investment property assets, where the Group also gives up any future rights under existing finite life or indefinite life contracts, may lead to the derecognition of the associated carrying values of these management contracts, as the Group may no longer be entitled to the management fees under disposal arrangements.

Goodwill

The recoverable amount of the Property Investment CGU is determined using a fair value approach. In order to determine the fair value of the Property Investment CGU as a whole, an enterprise value (EV) and internal management contract DCF valuation were undertaken:

- The DCF is performed on the internal asset management contracts. The key assumptions used are the same as those used in the valuation of the external management contracts, as outlined above.
- The EV approach estimates 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 Strategic Partnerships CGU and capital expenditure requirements. The table below summarises key assumptions used in the EV model:

Key assumption	30-Jun-18	30-Jun-17
Cash flows for forecast FFO and operational capital expenditure	**5 years**	3 years
Terminal growth rate	**2.20%**	2.20%
Pre-tax discount rate range	**7.02%–7.52%**	7.11%–7.61%
Cost of equity range	**7.62%–8.12%**	7.69%–8.19%

The carrying amount of the Property Investment CGU includes the value of the Group's investment properties which are held at fair value. These fair values are determined based on a number of assumptions, as outlined in Note 4(c). As the carrying amount of the Property Investment CGU is equal to its recoverable amount, any reasonably possible change in the assumptions that impact the property valuations and EV model may have a corresponding impact on the carrying amount of the Property Investment CGU, including goodwill.

Process for determination of key assumptions

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

- Relevant discount rates are calculated based on the Capital Asset Pricing Model with reference to the Group's cost of debt, cost of equity and target gearing ratios.
- Terminal growth rates are estimated with reference to macro-economic conditions and the Group's expected long terms earnings growth.
- Forecast FFO, operational 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 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-18 $m	30-Jun-17 $m
Net profit after tax for the financial year	**1,218.7**	1,583.6
Exclude non-cash items and cash flows under investing and financing activities:		
Amortisation of incentives and leasing costs	**36.3**	28.8
Straight-lining of rent adjustment	**(16.8)**	(16.8)
Property revaluation increment for directly owned properties	**(634.7)**	(906.7)
Stamp duty	**67.7**	9.9
Share of net (profit)/loss of equity accounted investments	**(26.8)**	(18.2)
Distributions of net income from equity accounted investments	**10.6**	9.4
Amortisation of non-cash items included in interest expense	**(0.3)**	(4.5)
Net foreign exchange movement on interest bearing liabilities	**59.0**	(60.7)
Net mark-to-market movement on derivatives	**(12.6)**	55.1
Share based payment expense	**7.3**	7.5
Integration costs	**-**	26.7
Amortisation of intangible assets	**4.5**	3.0
Other non-cash items	**3.8**	3.0
Movements in working capital:		
(Decrease) in payables, provisions and other liabilities	**(5.4)**	(6.4)
(Increase)/decrease in receivables and other assets	**(5.2)**	17.5
Net cash inflow from operating activities	**706.1**	731.2

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-18 $'000	30-Jun-17 $'000
Audit and assurance services		
Statutory audit and review of financial reports	**1,087.0**	1,145.0
Other assurance services[1]	**782.1**	627.7
Total audit and assurance services	**1,869.1**	1,772.7
Non-audit-related services		
Taxation compliance services	**525.0**	544.0
Total non-audit-related services	**525.0**	544.0
Total auditor's remuneration	**2,394.1**	2,316.7

1. Other assurance services largely relate to:
   - Audits of tenant outgoings and promotional fund statements (as required by state based legislation);
   - Assurance over sustainability information and disclosures;
   - Compliance audits of Australian Financial Services Licences and Real Estate Trust Bank Accounts; and
   - Contractually required assurance activities under Joint Venture arrangements.

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. Investments in subsidiary entities are accounted for at cost, less any impairment recognised since acquisition. Other accounting policies are consistent with those used for the preparation of the consolidated Financial Report.

	30-Jun-18 $m	30-Jun-17 $m
Balance Sheet		
Current assets	**18.8**	3.3
Total assets	**687.2**	667.1
Current liabilities	**(64.3)**	(65.3)
Total liabilities	**(578.7)**	(584.8)
Net assets	**108.5**	82.3
Equity		
Contributed equity	**451.8**	455.3
Share based payment reserve	**(0.9)**	(4.1)
Accumulated losses	**(342.4)**	(368.9)
Total equity	**108.5**	82.3
Net profit/(loss) for the financial year of Vicinity Limited as parent entity	**26.5**	(2.4)
Total comprehensive income/(loss) for the financial year of Vicinity Limited	**26.5**	(2.4)

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.

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

Vicinity Limited and controlled entities (the Company)	30-Jun-18 $m	30-Jun-17 $m
Operating result of the Company	**44.1**	17.4
Less: Integration and transaction costs incurred by the Company	**-**	(26.7)
Less: Amortisation of intangibles	**(4.5)**	(3.0)
Net profit/(loss) attributable to securityholders of the Company	**39.6**	(12.3)
Net profit attributable to securityholders of Vicinity Centres Trust (as other stapled entities of the Group)	**1,179.1**	1,595.9
Net profit of the Stapled Group	**1,218.7**	1,583.6

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 2018.

(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);
- International Private Equity Real Estate Fund (IPERE) (wound up on 20 December 2017); and
- Australian Investments Trust (AIT).

The transactions with the Wholesale funds, on normal commercial terms, and the balances outstanding at 30 June 2018 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

	Property jointly owned[1]		Funds management fee receivable		Alignment fee payable	
	30-Jun-18 $'000	**30-Jun-17 $'000**	**30-Jun-18 $'000**	**30-Jun-17 $'000**	**30-Jun-18 $'000**	**30-Jun-17 $'000**
Wholesale funds managed by the Group	**-**	528,000	**6,874**	2,140	**304**	285

1. 30 June 2017 value of property jointly owned represented the value of the Group's 50% interest in Grand Plaza and 50% interest in Rockingham Centre which were jointly owned with DPIF-B. DPIF-B disposed of these interests during the year.

An impairment assessment is undertaken each financial year by examining the financial position of the related party to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss. Outstanding related party trade receivables balances at year end are unsecured and settlement occurs in cash. Interest is charged on an arm's length basis on amounts greater than 90 days outstanding. 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-18 $'000	30-Jun-17 $'000
Asset and funds management fee income	**27,708**	19,265
Reimbursement of expenses to the property manager	**4,718**	5,291
Distribution income	**137**	115
Alignment fee expense	**(864)**	(1,137)
Rent and outgoings expenses	**(568)**	(519)

20. Commitments and contingencies

(a) Operating lease commitments

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

	30-Jun-18 $m	30-Jun-17 $m
Not later than one year	**5.2**	5.2
Later than one year and not later than five years	**17.3**	19.7
Later than five years	**4.8**	7.5
Total operating lease commitments	**27.3**	32.4

(b) Capital commitments

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

	30-Jun-18 $m	30-Jun-17 $m
Not later than one year	**122.3**	168.9
Later than one year and not later than five years	**7.0**	52.5
Total capital commitments	**129.3**	221.4

(c) Contingent assets and liabilities

Bank guarantees totalling $51.9 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.

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

21. 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 2018 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.

Revenue and income

Revenue and income is recognised for the following activities:

Property ownership revenue

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

Management fee revenue

Property management and leasing fees are generated from existing properties. Development fees are derived in respect of new developments and redevelopments. Funds management revenue relates to income received for the management of externally-owned properties, wholesale property funds and property mandates. Fees are in accordance with generally accepted commercial terms and conditions.

Fee revenue is recognised on an accruals basis as earned and when it can be reliably measured.

Interest revenue

Interest revenue is recognised using the effective interest method.

Investments in joint operations

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

Impact of new and amended standards

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* became effective as of 1 July 2017 and resulted in updated disclosures in the financial statements (refer Note 6(f)).

There were other new and/or amended standards that became effective as of 1 July 2017 but these did not have a material impact on the financial statements.

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

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

This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It introduces a new approach for classification and measurement; impairment of financial instruments by introducing a forward-looking 'expected loss' impairment model for recording expected credit losses; and hedge accounting. Following an assessment of the requirements of the standard, the Group expects there will not be a material impact upon adoption of these new requirements as:

- **Classification and measurement:** The Group's financial assets, which largely consist of trade and other receivables held at amortised cost and derivative financial instruments held at fair value, are already classified and measured in a manner consistent with the requirements of AASB 9;
- **Impairment of financial assets:** Lifetime expected credit losses will be determined under the simplified approach. These will not be materially different to the amount determined under AASB 139 impairment requirements; and
- **Hedge accounting:** The Group does not have any existing designated hedging relationships for accounting purposes.

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

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

This standard will not have a significant impact on the Group's financial statements as:

- The majority of the Group's revenue and income is base rental income derived from lease agreements with tenants. These agreements are outside the scope of AASB 15; and
- The Group's accounting policies for the recognition of other revenue items derived by the Group, including fee income from strategic partners and other forms of revenue derived is similar to the revenue recognition requirements under AASB 15.

21. Other Group accounting matters continued

(a) Other accounting policies continued

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

AASB 16 Leases (effective for 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. The Group is currently assessing the potential impact of the new lessee requirements, including any additional disclosure requirements. No material impact is expected as the Group does not currently have any significant arrangements where it is a lessee.

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

(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-18 $m			30-Jun-17 $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	**15.3**	**-**	**15.3**	14.8	-	14.8
Later than one but not more than five years	**66.7**	**(14.0)**	**52.7**	64.5	(13.5)	51.0
More than five years	**563.2**	**(411.1)**	**152.1**	580.7	(429.0)	151.7
Total[1]	**645.2**	**(425.1)**	**220.1**	660.0	(442.5)	217.5

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

22. Events occurring after the reporting date

On-market securities buy-back

On 23 July 2018, the Group announced an extension of its on-market securities buy-back program. The program will be extended for a further 12 months to 22 July 2019 with up to 5% of ordinary securities on issue at 30 June 2018 able to be acquired. The Group will only continue to purchase securities where doing so is accretive to earnings per security and net tangible assets, while also preserving ample capacity to fund other capital requirements.

Ongoing portfolio enhancement

On 6 August 2018, the Group announced it had entered into a memorandum of understanding (MOU) with Keppel Capital Ventures Pte. Ltd (a subsidiary of Keppel Corporation Limited, a listed Singaporean company) in relation to the establishment of a new wholesale property fund, Vicinity Keppel Australian Retail Fund (VKF or the fund). The establishment of VKF remains subject to due diligence, definitive documentation and final board approval from both parties. Upon establishment of VKF Vicinity would divest approximately $1 billion of retail property assets to the fund and retain an equity investment of up to 10%. Under the terms of the MOU, Vicinity will also provide property management, leasing and development services and establish a 50:50 joint venture with Keppel Capital Ventures Pte. Ltd to manage the fund.

The announcement of VKF is in addition to existing plans for the sale of up to $1.0 billion of Sub Regional and Neighbourhood shopping centres as disclosed in Note 4(b).

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

Directors' Declaration

In accordance with a resolution of the Directors of Vicinity Limited, we declare that:

(a) in the opinion of the Directors, the financial statements and notes set out on pages 78 to 116 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 2018 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 2018.

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

Peter Hay
Chairman

Melbourne
15 August 2018

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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 Centres, comprising the stapled entities Vicinity Limited, Vicinity Centres Trust and the entities they controlled (collectively the "Group"), which comprises the consolidated balance sheet as at 30 June 2018, 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 financial position of the Group as at 30 June 2018 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
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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 $15,892.7 million at 30 June 2018, which represents 90.9% 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 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 2018 the Group held $594.9 million in goodwill and identifiable intangible assets (relating to indefinite life and finite 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 and finite 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 2018, 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 undertook a significant number of acquisitions and disposals during the year, which had a significant effect on the financial position and results of the group. As outlined in Note 4, these transactions included the exchange of 49% of the Group's units in CC Commercial Trust (which ultimately owns 100% of the Chatswood Chase Shopping Centre); in exchange for 50% of the leasehold interest in GIC Private Limited's Queen Victoria Building, and 50% of the freehold interests in The Galeries and The Strand. Determining the appropriate accounting treatment included assessing the divestment of units, loss of control and the classification of the assets going forward. Refer to Note 4 for the impact of these transactions on Investment Properties and Note 5 for the impact on Equity Accounted Investments.	In performing our audit procedures, we: ▶ Reviewed the sale and purchase agreements and other related documents. ▶ Assessed these transactions against the recognition, derecognition, measurement and classification criteria of the Group's accounting policies set out in Note 4 and Note 5 of the financial report and applicable Australian Accounting Standards. ▶ Assessed the adequacy of the disclosures in Note 4 and Note 5 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 the Group's 2018 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 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 Company's internal control.

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- 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 Company'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 Company 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 2018.

In our opinion, the Remuneration Report of Vicinity Limited for the year ended 30 June 2018, 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
15 August 2018

Summary of Securityholders

as at 13 August 2018

Range	Number of securityholders	Number of securities	% of issued securities
100,001 and over	204	3,680,834,188	95.07
10,001 to 100,000	5,899	128,594,804	3.32
5,001 to 10,000	5,130	37,727,323	0.97
1,001 to 5,000	9,639	21,648,086	0.56
1 to 1,000	6,254	2,804,566	0.07
Total	**27,126**	**3,871,608,967**	**100.00**

The number of securityholders holding less than a marketable parcel of 183 securities ($2.74 on 13 August 2018) is 1,182 and they hold 58,334 securities.

On–market purchase of securities

During FY18, 1,596,7080 Vicinity securities were purchased on-market at an average price per security of $2.6930 by the trustee for the EESP, STI and LTI to satisfy entitlements under these plans. In addition, 87,041,669 Vicinity securities were acquired as part of Vicinity's on-market securities buy-back at an average price per security of $2.6514.

Substantial securityholders

Company name	Effective date	Number of securities
The Gandel Group Pty Ltd and its associates	11 June 2015	682,861,296
BNP Paribas Nominees Pty Limited as Custodian for UniSuper Ltd	9 September 2016	344,450,895
Vanguard Investments Australia Ltd	29 December 2016	294,495,326
BlackRock Group (BlackRock Inc. and its associates)	11 September 2017	268,556,599

20 largest securityholders

Rank	Name	Number of securities held	% of issued securities
1	HSBC Custody Nominees (Australia) Limited	1,189,989,169	30.74
2	J P Morgan Nominees Australia Limited	665,091,560	17.18
3	BNP Paribas Nominees Pty Ltd	397,573,059	10.27
4	Citicorp Nominees Pty Limited	396,693,527	10.25
5	National Nominees Limited	128,735,719	3.33
6	Rosslynbridge Pty Ltd	83,062,778	2.15
7	Besgan No. 1 Pty Ltd	79,856,234	2.06
7	Besgan No. 2 Pty Ltd	79,856,234	2.06
7	Besgan No. 3 Pty Ltd	79,856,234	2.06
7	Besgan No. 4 Pty Ltd	79,856,234	2.06
8	Allowater Pty Ltd	55,755,286	1.44
9	BNP Paribas Noms Pty Ltd	50,095,550	1.29
10	Cenarth Pty Ltd	41,223,461	1.06
11	Braybridge Pty Ltd	39,385,610	1.02
12	Citicorp Nominees Pty Limited	35,486,302	0.92
13	Ledburn Proprietary Limited	33,556,774	0.87
14	Broadgan Proprietary Limited	32,906,624	0.85
15	HSBC Custody Nominees (Australia) Limited	31,869,316	0.82
16	AMP Life Limited	18,797,074	0.49
17	Applebrook Pty Ltd	11,926,250	0.31
17	Jadecliff Pty Ltd	11,926,250	0.31
17	Moondale Pty Ltd	11,926,250	0.31
17	Rosecreek Pty Ltd	11,926,250	0.31
18	Ledburn Proprietary Limited	9,207,633	0.24
19	Bond Street Custodians Limited	8,133,717	0.21
20	National Nominees Limited	8,012,870	0.21
Total 20 largest securityholders		**3,592,705,965**	**92.80**
Balance of register		278,903,002	7.20
Total issued capital		**3,871,608,967**	**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)
Grant Kelley (CEO)
David Thurin (Dr)
Janette Kendall
Karen Penrose
Peter Kahan
Tim Hammon
Trevor Gerber
Wai Tang

Company Secretaries

Carolyn Reynolds
Michelle Brady
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 www.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 Financial Ombudsmen Service (FOS), an external dispute resolution scheme to handle complaints from consumers in the financial system. Effective 1 November 2018, FOS, Credit and Investments Ombudsman, and Superannuation Complaints Tribunal will merge to form the Australian Financial Complaints Authority (ACFA). If you are not satisfied with the resolution of your complaint by the Responsible Entity, you may refer your complaint to ACFA, GPO Box 3, Melbourne, VIC 3001, or by telephone on 1800 931 678.

Key dates[1]

29 August 2018	June 2018 distribution payment
1 November 2018	2018 Annual General Meeting
28 December 2018	Ex-distribution date for December 2018 distribution
31 December 2018	Record date for December 2018 distribution
15 February 2019	FY19 interim results
2 March 2019	December 2018 distribution payment
27 June 2019	Ex-distribution date for June 2019 distribution
28 June 2019	Record date for June 2019 distribution
14 August 2019	FY19 annual results
28 August 2019	June 2019 distribution payment

1. These dates may be subject to change.

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