Vicinity Centres Trust

Financial Report for the year ended
30 June 2019

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

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

Contents

Directors' Report

The Directors of Vicinity Centres RE Ltd, the responsible entity (RE) of Vicinity Centres Trust (the Trust or VCT), present the financial report of Vicinity Centres Trust and its controlled entities (VCT Group or the Trust Group) for the year ended 30 June 2019.

The Trust is stapled to Vicinity Limited to form the stapled Group, Vicinity Centres (the Vicinity Centres Group), which is traded collectively on the Australian Securities Exchange (ASX) under the code 'VCX'. Accordingly, the financial report for Vicinity Centres Trust should be read in conjunction with the financial report of Vicinity Centres available at vicinity.com.au.

Responsible Entity

The RE of the Trust is Vicinity Centres RE Ltd. The registered office and principal place of business of Vicinity Centres RE Ltd is Level 4, Chadstone Tower One, 1341 Dandenong Road, Chadstone, Victoria 3148.

Directors

The following persons were members of the Vicinity Centres RE Ltd Board from 1 July 2018 and up to the date of this report unless otherwise stated:

(i) Chairman

Peter Hay (Independent) [1]

(ii) Non-executive Directors

Clive Appleton (appointed 1 September 2018)

David Thurin AM

Janette Kendall (Independent)

Karen Penrose (Independent)

Peter Kahan (Independent)[1]

Tim Hammon (Independent)

Trevor Gerber (Independent)

Wai Tang (Independent)

(iii) Executive Director

Grant Kelley (CEO and Managing Director)

Company Secretaries

Carolyn Reynolds

Jacqueline Jovanovski (appointed 24 September 2018, resigned 2 August 2019)

Rohan Abeyewardene

Michelle Brady (resigned 24 September 2018)

Principal activities

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

The principal activity of the Trust Group during the year was property investment.

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

Review of results and operations

A detailed review of the results and operations for the Vicinity Centres Group is contained in the Directors' Report in the Vicinity Centres Group 30 June 2019 Annual Report which is available at vicinity.com.au. Key highlights of the results and operations of the Trust are outlined below:

(a) Financial performance

The statutory net profit after tax of the Trust Group for the year ended 30 June 2019 was $319.4 million, a decrease of $856.2 million on the prior year. This decrease was primarily due to a $239.3 million revaluation decrement on directly owned investment properties ($629.1 million increment in the prior period). Statutory result highlights for the current year included:

- Total revenue and income of $1,232.7 million;
- Positive operating cash flows of $592.2 million;
- Property revaluation decrement of $239.3 million;
- Basic earnings per unit of 8.34 cents; and
- Distributions per unit of 15.9 cents.

(b) Financial position

At 30 June 2019 the Trust Group's net assets were $11,401.9 million, down $536.1 million from $11,938.0 million at 30 June 2018. This movement was largely due to:

- Property revaluation decrements of $239.3 million;
- Continuation of the Vicinity Centres Group on-market security buy-back program with 99.8 million Trust units purchased for a total of $251.0 million representing an average price of $2.56 per unit; and
- Net foreign exchange movements on interest bearing liabilities.

During the period the Trust's property holdings[1] decreased by $582.1 million due to the divestment of twelve investment properties for net proceeds of $683.1 million and net revaluation decrements, partially offset by development and other capital expenditure, most notably at Chadstone, The Glen, Roselands, QueensPlaza and DFO Perth Airport.

(c) Capital management

During the year, the following financing activities have occurred:

- AUD $460.0 million bonds ($60.0 million 7-year and $400.0 million 6-year bonds) were issued under the European Medium Term Note (EMTN) and Australian Medium Term Note (AMTN) programs;
- A 5-year AUD $300.0 million bank debt facility was established with a new lender;
- Maturities for a number of bank debt facilities totalling $1.25 billion were extended by twelve to thirteen months;
- USD $30.0 million USD Private Placement Notes (USPPs) matured on 7 February 2019;
- Net repayments of $48.6 million were made throughout the year with proceeds from investment property divestments, partially offset by drawdowns for the on-market unit buy-back program and capital expenditure.

Significant matters

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

Distributions

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

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

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

[1] Includes investment properties and investments accounted for using the equity method.

Director-related information

Meetings of Directors of the RE held during the year

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

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

Remuneration and unitholdings of Directors
The Directors of the RE receive remuneration in their capacity as Directors of the RE. These amounts are paid directly by Vicinity Limited, the parent entity of the Vicinity Centres Group. The Trust pays the RE a fee to cover the management of the Trust Group, as disclosed in Note 12 to these financial statements. Amounts paid to and details of stapled securities held by Directors (and Key Management Personnel), can be found in the Remuneration Report within the Vicinity Centres Group 30 June 2019 Annual Report available at vicinity.com.au.

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

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

Directors' information
Information on the qualifications, experience and responsibilities of Directors are presented in the Directors' report in the Vicinity Centres Group 30 June 2019 Annual Report available at svicinity.com.au.

Auditor-related information

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

Indemnification of the auditor
To the extent permitted by law, the Vicinity Centres Group has agreed to indemnify EY, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). The indemnity does not apply to any loss arising out of any breach of the audit engagement 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.

Auditor-related information (continued)

Non-audit services

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

Details of the amounts paid or payable to EY for audit and assurance and non-audit services provided to the Vicinity Centres Group during the year are set out in Note 14 to the financial statements.

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

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

Auditor's independence declaration

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

Environmental regulation

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

Options over unissued securities

As at 30 June 2019 and at the date of this report, there were 7,793,688 unissued ordinary securities of the Vicinity Centres Group under option in the form of performance rights. Refer to Note 14 of the Vicinity Centres Group 30 June 2019 financial statements available at vicinity.com.au for further details.

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

Events occurring after the end of the reporting period

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

Rounding of amounts

The Trust Group 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.

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

Peter Hay
Chairman

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

As lead auditor for the audit of the financial report of Vicinity Centres Trust for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

David Shewring
Partner
14 August 2019

Statement of Comprehensive Income

for the year ended 30 June 2019

	Note	30-Jun-19 $m	30-Jun-18 $m
Revenue and income			
Property ownership revenue and income		1,203.8	1,229.3
Interest and other income		28.9	41.1
Total revenue and income	19	**1,232.7**	**1,270.4**
Share of net profit of equity accounted investments	5(b)	17.6	24.5
Property revaluation (decrement)/increment for directly owned properties	4(b)	(239.3)	629.1
Direct property expenses		(406.8)	(391.5)
Borrowing costs	6(c)	(187.8)	(182.3)
Responsible entity fees	12	(56.8)	(58.5)
Other expenses from ordinary activities		(1.1)	(2.0)
Net foreign exchange movement on interest bearing liabilities		(57.9)	(59.0)
Net mark-to-market movement on derivatives		15.8	12.6
Stamp duty		3.0	(67.7)
Profit before tax for the year		**319.4**	**1,175.6**
Income tax expense	3	-	-
Net profit for the year		**319.4**	**1,175.6**
Other comprehensive income		-	-
Total comprehensive income for the year		**319.4**	**1,175.6**
Earnings per unit attributable to unitholders of the Trust Group:			
Basic earnings per unit (cents)	2	8.34	30.20
Diluted earnings per unit (cents)	2	8.32	30.15

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

Balance Sheet

as at 30 June 2019

	Note	30-Jun-19 $m	30-Jun-18 $m
Current assets			
Cash and cash equivalents		27.2	35.2
Trade receivables and other assets	9	96.9	79.1
Derivative financial instruments	6(e)	4.7	3.2
Total current assets		**128.8**	**117.5**
Non-current assets			
Investment properties	4(a)	15,309.6	15,881.6
Investments accounted for using the equity method	5(a)	668.7	678.8
Derivative financial instruments	6(e)	138.6	62.5
Other assets	9	484.6	521.9
Total non-current assets		**16,601.5**	**17,144.8**
Total assets		**16,730.3**	**17,262.3**
Current liabilities			
Interest bearing liabilities	6(a)	401.5	41.6
Distribution payable		299.9	317.5
Payables and other financial liabilities	10	135.7	175.7
Provisions	11	20.2	25.5
Derivative financial instruments	6(e)	5.6	-
Total current liabilities		**862.9**	**560.3**
Non-current liabilities			
Interest bearing liabilities	6(a)	4,034.6	4,396.0
Other financial liabilities	10	207.3	204.8
Derivative financial instruments	6(e)	223.6	163.2
Total non-current liabilities		**4,465.5**	**4,764.0**
Total liabilities		**5,328.4**	**5,324.3**
Net assets		**11,401.9**	**11,938.0**
Equity			
Contributed equity	8	7,533.8	7,784.8
Retained profits		3,868.1	4,153.2
Total equity		**11,401.9**	**11,938.0**

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

Statement of Changes in Equity

for the year ended 30 June 2019

	Attributable to unitholders of the Trust		
	Contributed equity $m	**Retained profits $m**	**Total $m**
As at 1 July 2017	**8,012.1**	**3,608.7**	**11,620.8**
Net profit for the year	-	1,175.6	1,175.6
Total comprehensive income for the year	**-**	**1,175.6**	**1,175.6**
Transactions with unitholders in their capacity as unitholders:			
On-market unit buy-back	(227.3)	-	(227.3)
Distributions declared	-	(631.1)	(631.1)
Total equity as at 30 June 2018	**7,784.8**	**4,153.2**	**11,938.0**
Net profit for the year	-	319.4	319.4
Total comprehensive income for the year	**-**	**319.4**	**319.4**
Transactions with unitholders in their capacity as unitholders:			
On-market unit buy-back	(251.0)	-	(251.0)
Distributions declared	-	(604.5)	(604.5)
Total equity as at 30 June 2019	**7,533.8**	**3,868.1**	**11,401.9**

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

Cash Flow Statement

for the year ended 30 June 2019

	Note	30-Jun-19 $m	30-Jun-18 $m
Cash flows from operating activities			
Receipts in the course of operations		1,357.2	1,365.5
Payments in the course of operations		(618.2)	(531.6)
Distributions and dividends received from equity accounted and managed investments		19.4	7.8
Interest and other revenue received		20.9	38.0
Interest paid		(187.1)	(181.1)
Net cash inflows from operating activities	13	**592.2**	**698.6**
Cash flows from investing activities			
Payments for capital expenditure on investment properties		(393.5)	(407.0)
Payments for acquisition of investment properties		-	(556.0)
Proceeds from disposal of investment properties		683.1	166.2
Proceeds from disposal of Chatswood Chase Sydney, net of cash disposed		-	558.2
Stamp duty paid		-	(67.7)
Net cash inflows/(outflows) from investing activities		**289.6**	**(306.3)**
Cash flows from financing activities			
Proceeds from borrowings		1,327.4	1,160.9
Repayment of borrowings		(1,376.0)	(670.5)
Proceeds received from Vicinity Limited		89.8	59.3
Funds advanced to Vicinity Limited		(53.5)	(54.2)
On-market unit buy-back		(251.0)	(227.3)
Distributions paid to external unitholders		(622.1)	(654.0)
Debt establishment costs paid		(4.4)	(2.5)
Net cash outflows from financing activities		**(889.8)**	**(388.3)**
Net (decrease)/increase in cash and cash equivalents held		**(8.0)**	**4.0**
Cash and cash equivalents at the beginning of the year		**35.2**	**31.2**
Cash and cash equivalents at the end of the year		**27.2**	**35.2**

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.

About this Report

The financial report includes financial statements of the consolidated entity consisting of Vicinity Centres Trust (the Trust) and its controlled entities (collectively the Trust Group). The Trust is a for-profit entity that is domiciled and operates wholly in Australia.

The Trust is stapled to Vicinity Limited (the Company) to form the stapled group Vicinity Centres (the Vicinity Centres Group). Accordingly the financial report for Vicinity Centres Trust should be read in conjunction with the Vicinity Centres 30 June 2019 Annual Report available at vicinity.com.au.

Basis of preparation

This general purpose financial report:

- Has been prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards (AASBs) issued by the Australian Accounting Standards Board. Compliance with AASBs ensures compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- Is presented in Australian dollars ($) and rounded to the nearest tenth of a million dollars ($m) in accordance with ASIC Legislative Instrument 2016/191 (unless otherwise stated);
- Has been prepared in accordance with the historical cost convention, except for certain financial assets and liabilities, and investment properties which have been recognised at fair value; and
- Was authorised for issue by the Board of Directors on 14 August 2019. The Directors have the power to amend and reissue the Financial Report.

Although the Trust Group has a net current deficiency of $734.1 million (current liabilities exceed current assets) at reporting date, the Trust Group has sufficient current undrawn borrowing facilities (of $1,666.5 million, refer to Note 6(b)) and generates sufficient operating cash flows to meet its current obligations as they fall due. Accordingly, this Financial Report has been prepared on a going concern basis.

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

Impact of new and amended accounting standards

The new accounting standards AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* became effective for the Trust Group on 1 July 2018. Further details relating to the adoption of these accounting standards are contained in Note 18.

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

Critical accounting judgements and estimates

The preparation of financial statements requires the Trust Group to make judgements, estimates and assumptions.

These are based on historical experience and other factors considered to be reasonable under the circumstances, but which are inherently uncertain, the 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
Valuation of investment properties	Note 4
Valuation of derivatives	Note 6

Operations

1. Segment information

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

As a result of this stapled structure, management does not report the individual results of the Trust Group to the Chief Operating Decision Makers (which for the Vicinity Centres Group were the CEO and Managing Director and the Chief Financial Officer (CFO)). Rather management reports the results for the stapled Vicinity Centres Group. Consequently, the Trust Group is considered to have only one operating segment as represented in the Statement of Comprehensive Income and Balance Sheet.

2. Earnings per unit

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

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

Diluted earnings per unit adjusts the weighted average number of units for the weighted average number of performance rights on issue.

Basic and diluted earnings per unit are as follows:

For the 12 months to:	30-Jun-19	30-Jun-18
Earnings per unit attributable to unitholders of the Trust Group:		
Basic earnings per unit (cents)	8.34	30.20
Diluted earnings per unit (cents)	8.32	30.15

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

For the 12 months to:	30-Jun-19 $m	30-Jun-18 $m
Earnings used in calculating basic and diluted earnings per unit of the Trust Group	319.4	1,175.6

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

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

3. Taxes

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 unitholders in accordance with the Attribution Managed Investment Trust Regime. The Trust's unitholders pay tax at their marginal tax rates, in the case of Australian resident unitholders, or through the Managed Investment Trust withholding rules for non-resident unitholders. As a result, the Trust has zero income tax expense recognised in respect of the Trust's profit.

Refer to Note 3 of the Vicinity Centres 30 June 2019 Group financial statements available at vicinity.com.au for further details of taxes paid by the Vicinity Centres Group.

4. Investment properties

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

(a) Portfolio summary

Shopping centre type	30-Jun-19			30-Jun-18		
	Number of properties	Value $m	Weighted average cap rate %	Number of properties	Value $m	Weighted average cap rate %
Super Regional	1	3,250.0	3.75	1	3,050.0	3.75
Major Regional	7	2,564.2	5.66	7	2,658.9	5.64
City Centre	7	2,466.0	4.65	7	2,417.5	4.66
Regional	9	1,865.6	6.28	9	1,977.0	6.12
Outlet Centre	6	1,737.7	5.82	6	1,562.0	6.04
Sub Regional	25	2,961.4	6.33	29	3,288.6	6.29
Neighbourhood	5	251.5	6.31	13	684.1	6.31
Planning and holding costs[1]	-	32.2	-	-	34.5	-
Less: Property holdings by Vicinity Limited[2]		(42.2)			(11.1)	
Total	**60**	**15,086.4**	**5.32**	**72**	**15,661.5**	**5.38**
Add: Finance lease assets[3]		223.2			220.1	
Total investment properties		**15,309.6**			**15,881.6**	

1. Planning and holding costs relating to planned major development projects are capitalised and carried within the overall investment property balance. These costs are reviewed each period and the status of the project assessed to determine if continued capitalisation of these costs remains appropriate.
2. Certain equipment which forms part of the individual fair values of the Trust Group's investment properties is held by Vicinity Limited.
3. Refer to Note 20(b) for further detail.

4. Investment properties (continued)

(b) Movements for the year

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

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

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

	30-Jun-19 $m	30-Jun-18 $m
Opening balance at 1 July	**15,661.5**	15,443.9
Acquisitions including associated stamp duty and transaction costs	-	586.8
Capital expenditure[2]	383.1	397.8
Capitalised borrowing costs[3]	6.3	6.3
Disposals	(683.1)	(729.0)
Non-cash transfer of Chatswood Chase Sydney to equity accounted investments	-	(575.8)
Property revaluation (decrement)/increment for directly owned properties	(239.3)	629.1
Stamp duty	-	(67.7)
Amortisation of incentives and leasing costs	(57.2)	(46.7)
Straight-lining of rent adjustment	15.1	16.8
Closing balance at 30 June	**15,086.4**	**15,661.5**

1. Amounts exclude transaction costs. Amount for the portfolio sale of ten assets also excludes a rental guarantee of up to $8.0 million available to the purchaser which expires during November 2020.
2. Includes development costs, maintenance capital expenditure, lease incentives and fit-out costs.
3. Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 4.6% (30 June 2018: 4.4%).

(c) Portfolio valuation

Process

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

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

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

The valuation process is governed by the Responsible entity Board and the internal management Investment Committee, with input from key executives as required. The process is reviewed periodically to take into account any regulatory changes, changes in market conditions and any other requirements that would need to be adopted. As outlined below, the determination of an investment property valuation requires assumptions to be made to determine certain inputs that are not based on observable market data. This means the valuation of an investment property is a significant judgement.

4. Investment properties (continued)

(c) Portfolio valuation (continued)

Methodology

To determine fair value:

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

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

Key inputs and sensitivities

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

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

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

4. Investment properties (continued)

(c) Portfolio valuation (continued)

Key inputs and sensitivities (continued)

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

	30-Jun-19		30-Jun-18		
Unobservable inputs	**Range of inputs**	**Weighted average inputs**	**Range of inputs**	**Weighted average inputs**	**Sensitivity**
Capitalisation rate[1]	3.75% - 7.75%	5.32%	3.75% - 7.50%	5.38%	The higher the capitalisation rate, discount rate, terminal yield, and expected downtime due to tenants vacating, the lower the fair value.
Discount rate[2]	6.00% - 8.75%	6.88%	6.25% - 8.75%	7.17%	
Terminal yield[3]	4.00% - 8.00%	5.53%	4.00% - 7.75%	5.64%	
Expected downtime (for tenants vacating)	3 months to 12 months	6 months	2 months to 9 months	5 months	
Rental growth rate	2.43% - 4.07%	3.33%	2.18% - 4.19%	3.40%	The higher the rental growth rate, the higher the fair value.

1. The capitalisation rate is the required annual yield of net market income used to determine the value of the property. The rate is determined with regards to comparable market transactions.
2. The discount rate is a required annual total rate of return used to convert the forecast cash flow of an asset into present value terms. It should reflect the required rate of return of the property given its risk profile relative to competing uses of capital. The rate is determined with regards to comparable market transactions.
3. The terminal yield is the capitalisation rate used to convert forecast annual income into a forecast asset value at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to comparable market transactions and the expected risk inherent in the cash flows at the end of the cashflow period. Leasehold properties with tenure less than 20 years (at the end of the 10-year investment horizon) have been excluded from this sensitivity for comparative reasons given the terminal value calculation can differ to take into account the finite term remaining on the ground lease at that time.

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

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

4. Investment properties (continued)

(d) List of investment properties held

i. Super Regional

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

ii. Major Regional

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

iii. City Centre

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

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

4. Investment properties (continued)

(d) List of investment properties held (continued)

iv. Regional

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

v. Outlet Centre

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

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

4. Investment properties (continued)

(d) List of investment properties held (continued)

vi. Sub Regional

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

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

4. Investment properties (continued)

(d) List of investment properties held (continued)

vii. Neighbourhood

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

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

(e) Operating lease receivables

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

	30-Jun-19 $m	30-Jun-18 $m
Not later than one year	879.1	883.6
Later than one year and not later than five years	2,330.7	2,376.9
Later than five years	1,025.1	1,166.8
Total operating lease receivables	**4,234.9**	**4,427.3**

1. Refer to Note 19 for the proportion of revenue earned relating to the recovery of property outgoings.

5. Equity accounted investments

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

(a) Summary of equity accounted investments

	Ownership		Carrying value	
	30-Jun-19 %	**30-Jun-18 %**	**30-Jun-19 $m**	**30-Jun-18 $m**
Chatswood Chase Sydney (Joint venture) [1]	51.0	51.0	579.5	591.2
Victoria Gardens Retail Trust (Joint venture)	50.0	50.0	89.2	87.6
Closing balance			**668.7**	**678.8**

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

(b) Movements for the year

	30-Jun-19 $m	**30-Jun-18 $m**
Opening balance	678.8	86.4
Non-cash transfer of Chatswood Chase Sydney from investment properties	-	576.7
Additional investments made during the year	1.6	0.2
Share of net profit of equity accounted investments	17.6	24.5
Distributions of net income declared by equity accounted investments	(29.3)	(9.0)
Closing balance	**668.7**	**678.8**

(c) Summarised financial information of joint ventures

Chatswood Chase Sydney

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

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

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

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

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

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

At 30 June 2019, no amounts are payable to the Trust Group (30 June 2018: $nil). Distribution income from the Trust Group's investment in Chatswood Chase Sydney was $24,002,946 (30 June 2018: $4,329,417) with $11,808,356 remaining receivable at 30 June 2019 (30 June 2018: $1,065,417).

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

At 30 June 2019, no amounts are payable to the Trust Group (30 June 2018: $nil). Distribution income from the Trust Group's investment in Victoria Gardens Retail Trust was $5,317,152 (30 June 2018: $4,720,097) with $7,762,405 remaining receivable at 30 June 2019 (30 June 2018: $6,795,253).

Capital structure and financial risk management

6. Interest bearing liabilities and derivatives

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Foreign currency denominated notes are translated to AUD at the applicable exchange rate at year end with the gain or loss attributable to exchange rate movements recognised in profit or loss in the Statement of Comprehensive Income.

During the year, the following financing activities have occurred:

- AUD $460.0 million bonds ($60.0 million 7-year and $400.0 million 6-year bonds) were issued under the European Medium Term Note (EMTN) and Australian Medium Term Note (AMTN) program;
- A 5-year AUD $300.0 million bank debt facility was established with a new lender;
- Maturities for a number of bank debt facilities totalling $1.25 billion were extended by twelve to thirteen months;
- USD $30.0 million USD Private Placement Notes (USPPs) matured on 7 February 2019;
- Net repayments of $48.6 million were made throughout the year with proceeds from investment property divestments, partially offset by drawdowns for the on-market unit buy-back program and capital expenditure.

(a) Summary of facilities

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

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

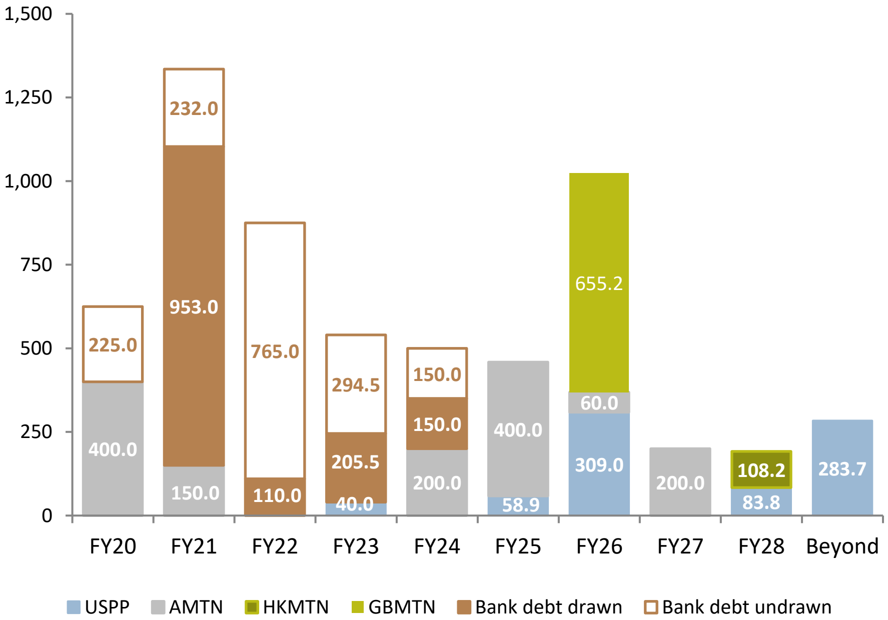
1. The Trust Group has entered into a 'back-to-back' related party loan agreement with Vicinity Centres Finance Pty Ltd (VCFPL), a subsidiary of Vicinity Limited. The related party loan agreement between the Trust Group and VCFPL was secured and on the same terms and conditions as VCFPL's AMTNs over certain of the Trust Group's investment properties with a carrying value of $3,639.4 million (30 June 2018: $4,470.9 million).
2. Deferred debt costs comprise the unamortised value of borrowing costs on establishment or refinance of debt facilities. These costs are deferred on the Balance Sheet and amortised to borrowing costs in the Statement of Comprehensive Income.
3. Non-current unsecured AMTNs include AUD $60.0 million issued under the Trust Group's EMTN program.

6. Interest bearing liabilities and derivatives (continued)

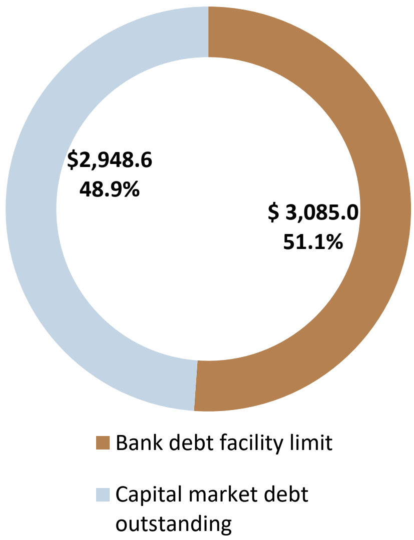
(b) Facility maturity and availability

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

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



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



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

(c) Borrowing costs

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

For the 12 months to:	30-Jun-19 $m	30-Jun-18 $m
Interest and other costs on interest bearing liabilities and derivatives	194.8	189.0
Amortisation of deferred debt costs	5.0	4.6
Amortisation of fair value adjustments relating to discontinuation of hedge accounting	(2.2)	(2.6)
Amortisation of AMTN, GBMTN and secured related party borrowing fair value adjustment	(5.0)	(4.9)
Finance lease interest	3.1	2.6
Capitalised borrowing costs	(7.9)	(6.4)
Total borrowing costs	**187.8**	**182.3**

(d) Defaults and covenants

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

6. Interest bearing liabilities and derivatives (continued)

(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 Trust Group's borrowings. Derivatives are initially recognised at fair value and subsequently remeasured to their fair value at each reporting period. The fair value of these derivatives are estimated using valuation techniques, including referencing to the current fair value of other instruments that are substantially the same or calculation of discounted cash flows. These valuation techniques use observable Level 2 inputs, mainly interest rates and interest rate curves as well as foreign currency rates and foreign currency curves. In respect of derivative financial instruments within the Statement of Comprehensive Income:

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

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

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

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

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

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

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

7. Capital and financial risk management

The Vicinity Centres Group treasury team is responsible for the day to day management of the Trust Group's capital requirements and financial risk management. These activities are overseen by the internal management Capital Management Committee (CMC), operating under 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 Vicinity Centres Group has funds available to meet all financial obligations, working capital and committed capital expenditure requirements;
- Monitor and ensure compliance with all relevant financial covenants under the Vicinity Centres Group's debt facilities;
- Reduce the impact of adverse interest rate or foreign exchange movements on the Vicinity Centres Group using approved financial risk management instruments;
- Diversify banking counterparties to mitigate counterparty credit risk; and
- Ensure the Vicinity Centres Group treasury team operates in an appropriate control environment with effective systems and procedures.

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

Risk	Primary source(s)	Explanation and risk management strategy	Details
Interest rate risk	Floating rate borrowings	Interest rate risk represents the potential for changes in market interest rates to impact the total interest expense for the Vicinity Centres Group. Interest rate swaps[1] are used to manage this risk. None of the Vicinity Centres Group's derivatives are currently in designated hedge relationships. Under the terms of these swaps, the Vicinity Centres Group agrees to exchange, at specified intervals, amounts based on the difference between fixed interest rates and the floating market interest rate calculated by reference to an agreed notional principal amount.	Note 7(a)
Foreign exchange rate risk	Foreign denominated interest bearing liabilities	Foreign exchange risk refers to the risk that cash flows arising from a financial commitment, asset or liability, denominated in a foreign currency, will fluctuate due to changes in a foreign exchange rate. This risk is managed through the use of cross currency swaps[1], which swap the foreign currency interest payments into Australian Dollars and fix the exchange rate for the conversion of the principal repayment. None of these derivatives are currently in designated hedge relationships.	Note 7(b)
Liquidity risk	Interest bearing liabilities	Liquidity risk represents the risk that the Vicinity Centres Group will be unable to meet financial obligations as they fall due. To manage this risk, sufficient capacity under the Vicinity Centres Group's financing facilities is maintained to meet the needs arising from the Board approved short-term and medium-term business strategy. This is achieved through 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 Vicinity Centres Group. To mitigate tenant credit risk, an assessment is performed taking into consideration the financial background of the tenant and the amount of any guarantee or bank guarantee provided as collateral under the lease. To mitigate credit risk in relation to derivative counterparties and bank deposits, the Vicinity Centres Group has policies to limit exposure to any one financial institution. The maximum exposure to credit risk at the balance date is the carrying amount of the Vicinity Centres Group's financial assets.	Note 9

1. Derivative financial instruments such as interest rate swaps and cross currency swaps are not permitted to be entered into for speculative purposes under the Vicinity Centres Group's hedging policy. Limits are in place in respect of their use to hedge cash flows subject to interest rate and foreign exchange risk.

7. Capital and financial risk management (continued)

(a) Interest rate risk

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

	30-Jun-19 $m	30-Jun-18 $m
Total interest bearing liabilities (Note 6(a))	4,436.1	4,437.6
Add: deferred debt costs	13.3	13.9
Add: fair value and foreign exchange adjustments to GBMTNs	26.0	38.6
Less: fair value and foreign exchange adjustments to USPPs	(98.3)	(65.0)
Less: fair value adjustments to AMTNs and secured related party borrowings	(1.5)	(7.7)
Less: foreign exchange adjustments to HKMTNs	(8.5)	(2.2)
Total drawn debt	**4,367.1**	**4,415.2**
Less: Fixed rate borrowings	(1,290.0)	(1,065.0)
Variable rate borrowings exposed to cash flow interest rate risk	**3,077.1**	**3,350.2**
Less: Notional principal of outstanding interest rate swap contracts	(2,575.0)	(2,725.0)
Net variable rate borrowings exposed to cash flow interest rate risk	**502.1**	**625.2**
Hedge ratio[1]	**88.5%**	**86%**

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

Sensitivity to interest rates

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

The fair values of derivatives used by the Trust Group are also sensitive to interest rates. A shift in the forward interest rate curve of +/- 25 bps, assuming the net exposure to fair value interest rate risk as at 30 June 2019 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $7.8 million (30 June 2018 +/-25 bps: $2.8 million).

This sensitivity analysis should not be considered a projection.

(b) Foreign exchange rate risk

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

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

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

7. Capital and financial risk management (continued)

(b) Foreign exchange rate risk (continued)

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

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

(c) Liquidity risk

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

30-Jun-19	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m
Bank debt	-	1,063.0	355.5	1,418.5
AMTNs	250.0	-	860.0	1,110.0
GBMTNs	-	-	659.2	659.2
HKMTNs	-	-	118.1	118.1
Related party borrowings	150.0	150.0	-	300.0
USPPs	-	-	847.7	847.7
Estimated interest payments and line fees on borrowings	144.2	215.4	397.1	756.7
Estimated net interest rate swap cash outflow	43.4	88.7	80.9	213.0
Estimated gross cross currency swap cash outflows	46.8	88.2	1,660.7	1,795.7
Estimated gross cross currency swap cash (inflows)	(54.2)	(108.1)	(1,767.4)	(1,929.7)
Total contractual outflows	**580.2**	**1,497.2**	**3,211.8**	**5,289.2**

30-Jun-18	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m
Bank debt	-	1,273.5	615.0	1,888.5
AMTNs	-	250.0	400.0	650.0
GBMTNs	-	-	695.0	695.0
HKMTNs	-	-	116.1	116.1
Related party borrowings	-	300.0	-	300.0
USPPs	40.5	-	829.5	870.0
Estimated interest payments and line fees on borrowings	167.9	256.8	424.8	849.5
Estimated net interest rate swap cash outflow	25.5	37.4	19.9	82.8
Estimated gross cross currency swap cash outflows	97.8	122.8	1,822.3	2,042.9
Estimated gross cross currency swap cash (inflows)	(95.1)	(105.1)	(1,833.9)	(2,034.1)
Total contractual outflows	**236.6**	**2,135.4**	**3,088.7**	**5,460.7**

7. Capital and financial risk management (continued)

(d) Fair value of borrowings

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

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

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

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

(e) Capital risk management

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

Gearing

	30-Jun-19 $m	30-Jun-18 $m
Total drawn debt (Note 7(a))	**4,367.1**	**4,415.2**
Drawn debt net of cash	4,339.9	3,854.9
Total tangible assets excluding cash, finance lease assets and derivative financial assets	16,336.6	16,941.3
Gearing ratio (target range of 25.0% to 35.0%)	**26.6%**	**25.9%**

Interest cover ratio

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

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

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

8. Contributed equity

An ordinary stapled security of the Vicinity Centres Group comprises one share in the Company and one unit in the Trust. Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Vicinity Centres Group (if enacted) in proportion to the number of securities held. Ordinary stapled securities are classified as equity.

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

The number of units of the Trust Group is shown in the table below. All units are fully paid. During the year the Trust Group continued its on-market unit buy-back program purchasing 99.8 million units for a total of $251.0 million representing an average price of $2.56 per unit.

	30-Jun-19 Number (m)	30-Jun-18 Number (m)	30-Jun-19 $m	30-Jun-18 $m
Total units on issue at the beginning of the year	3,871.6	3,958.6	7,784.8	8,012.1
On-market unit buy-back	(99.8)	(87.0)	(251.0)	(227.3)
Total units on issue at the end of the year	**3,771.8**	**3,871.6**	**7,533.8**	**7,784.8**

Working capital

9. Receivables and other assets

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

	30-Jun-19 $m	30-Jun-18 $m
Trade debtors	17.3	14.4
Accrued income	18.0	16.7
Less: allowance for expected credit losses	(7.3)	(6.7)
Total trade receivables[1]	**28.0**	**24.4**
Distributions receivable from joint ventures and associates	19.5	7.8
Prepayments	11.8	12.6
Land tax levies	14.2	12.0
Tenant security deposits held	0.6	0.8
Development receivables	-	1.6
Related party interest receivable	6.1	-
Other	16.7	19.9
Total other assets	**68.9**	**54.7**
Total trade receivables and other assets	**96.9**	**79.1**
Loan to Vicinity Limited	478.1	514.4
Investment in unlisted fund at fair value	5.6	5.2
Investment in related party (Vicinity Enhanced Retail Fund) at fair value	0.9	2.3
Total non-current receivables and other assets	**484.6**	**521.9**

1. Includes receivables relating to lease rental income, property outgoings recovery revenue and other property related revenue. Refer to Note 19 for an analysis of the Trust Group's revenue and income by type.

Credit risk

Receivable balances are continually monitored with the Trust Group considering receivables that have not been paid for 30 days after the invoice date as past due. Of the $35.3 million trade and related party receivables outstanding (30 June 2018: $31.1 million), $13.7 million, which represents approximately 1.11% of total combined revenue, is considered past due but not impaired at 30 June 2019 (30 June 2018: $13.7 million).

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

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

The maximum exposure to credit risk at the balance date is the carrying amount of each class of receivables outlined above. There are no significant concentrations of credit risk with any tenant or tenant group.

9. Receivables and other assets (continued)

Allowance for expected credit losses

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

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

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

10. Payables and other financial liabilities

Payables and other financial liabilities represent liabilities for goods and services provided to the Trust Group prior to the end of the financial year and that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition, excluding finance lease liabilities. Trade and other payables are carried at amortised cost and are not discounted due to their short-term nature. At 30 June 2019, the carrying value of payables and other financial liabilities approximated their fair value.

	30-Jun-19 $m	30-Jun-18 $m
Current		
Trade payables and accrued expenses	53.0	49.4
Lease rental income and property outgoings recovery revenue received in advance[1]	16.8	27.7
Accrued interest expense	18.3	18.7
Accrued capital expenditure	24.0	23.8
Security deposits	0.3	0.5
Related party payables	4.6	36.5
Finance lease liabilities[2]	15.9	15.3
Other	2.8	3.8
Total current liabilities	**135.7**	**175.7**
Non-current		
Finance lease liabilities[2]	207.3	204.8
Total non-current liabilities	**207.3**	**204.8**

1. Largely represents amounts received in advance relating to the following month's lease rental income and property outgoings recovery revenue.
2. Refer Note 20(b).

11. Provisions

Provisions comprise liabilities for stamp duty obligations, levies and other items for which the amount or timing of the settlement is uncertain as it is outside the control of the Trust 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 movements for the year in other current provisions are as follows:

	30-Jun-18 $m	Arising during the year $m	Paid during the year $m	Other movements $m	30-Jun-19 $m
Stamp duty	9.0	-	-	(3.0)	6.0
Land tax levies	12.0	14.2	(12.0)	-	14.2
Other	4.5	-	-	(4.5)	-
Total current provisions	**25.5**	**14.2**	**(12.0)**	**(7.5)**	**20.2**

Other disclosures

12. Remuneration of the Responsible Entity and Employees

The Trust Group is required to have an incorporated responsible entity (RE) to manage its activities. The RE provides Key Management Personnel for the Trust Group. The total RE fee recognised by the Trust Group for the year was $56,787,000 (30 June 2018: $58,535,000). At 30 June 2019 no RE fees remained payable to the RE (30 June 2018: $29,150,492).

The Trust Group is not required to prepare a Remuneration Report as the Directors and other Key Management Personnel are employed by the RE or its related entities. The Remuneration Report for the Vicinity Centres Group can be found in the 30 June 2019 Vicinity Centres Annual Report at vicinity.com.au.

13. Notes to the Cash Flow Statement

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

For the 12 months to:	**30-Jun-19 $m**	**30-Jun-18 $m**
Net profit after tax for the financial year	**319.4**	**1,175.6**
Exclude non-cash items and cash flows under investing and financing activities:		
Amortisation of incentives and leasing costs	57.2	46.7
Straight-lining of rent adjustment	(15.1)	(16.8)
Property revaluation decrement/(increment) for directly owned properties	239.3	(629.1)
Stamp duty	(3.0)	67.7
Share of net (profit)/loss of equity accounted investments	(17.6)	(24.5)
Distributions of net income from equity accounted investments	29.3	9.0
Amortisation of non-cash items included in interest expense	0.9	(0.3)
Net foreign exchange movement on interest bearing liabilities	57.9	59.0
Net mark-to-market movement on derivatives	(15.8)	(12.6)
Other non-cash items	(0.5)	0.4
Movements in working capital:		
(Decrease)/Increase in payables, provisions and other liabilities	(39.9)	28.6
(Increase) in receivables and other assets	(19.9)	(5.1)
Net cash inflow from operating activities	**592.2**	**698.6**

14. Auditor's remuneration

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

For the 12 months to:	30-Jun-19 $'000	30-Jun-18 $'000
Vicinity Centres Group statutory audit and review of financial reports	**1,187**	**1,087**
Required regulatory audit services		
Outgoings and promotional fund audits *(independent audit required by retail tenancy law)*	103	231
Real Estate Trust account audits *(independent audit required by retail tenancy law)*	47	61
Responsible Entity compliance plan audits *(independent audit required for Australian Financial Service Licence holders)*	45	44
Required regulatory audit services	**195**	**336**
Total – statutory and required regulatory audit services	**1,382**	**1,423**
Other assurance services	438	446
Taxation compliance services	336	525
Total – other assurance and taxation compliance services	**774**	**971**
Total auditor's remuneration	**2,156**	**2,394**

15. Parent entity financial information

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

	30-Jun-19 $m	30-Jun-18 $m
Balance Sheet		
Current assets	1,190.0	1,348.6
Total assets	**15,045.3**	**15,577.7**
Current liabilities	(1,376.2)	(1,396.5)
Total liabilities	**(5,185.2)**	**(5,269.6)**
Net assets	**9,860.1**	**10,308.1**
Equity		
Contributed equity	12,969.7	13,220.6
Accumulated losses	(3,109.6)	(2,912.5)
Total equity	**9,860.1**	**10,308.1**
Net profit for the financial year of Vicinity Centres Trust as parent entity	**407.4**	**604.8**
Total comprehensive profit for the financial year of Vicinity Centres Trust	**407.4**	**604.8**

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 17(c) and predominantly relate to fulfilling capital requirements under Australian Financial Services Licences held by these subsidiaries.

16. Related parties

(a) Background

The parent entity of the Trust Group is Vicinity Centres Trust which is domiciled and incorporated in Australia. The deemed parent entity of the Vicinity Centres Group under AASB 3 *Business Combinations* is Vicinity Limited.

(b) Information on related party transactions and balances

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

For the 12 months to:	30-Jun-19 $'000	30-Jun-18 $'000
Ultimate parent		
Interest income on loan to Vicinity Limited	25,377	36,880
Other related parties		
Revenue and income		
Distribution revenue	90	137
Rent and outgoings revenue and income	18,748	21,073
Expenses and reimbursements		
Borrowing costs on secured related party borrowings	(16,769)	(16,740)
Asset management fees	(88,394)	(86,896)
Reimbursement of expenses	(55,945)	(57,258)

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

	30-Jun-19 $'000	30-Jun-18 $'000
Ultimate parent		
Interest receivable on loan to Vicinity Limited	6,124	-
Other related parties		
Interest payable on secured related party borrowings	(1,145)	(1,124)
Capital expenditure payable[1]	(94)	(3,427)
Other payables	(4,488)	(2,785)
Borrowing costs receivable on secured related party borrowings	649	993
Other receivables	2,619	5,740

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

17. Commitments and contingencies

(a) Operating lease commitments

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

	30-Jun-19 $m	30-Jun-18 $m
Not later than one year	-	0.7
Later than one year and not later than five years	-	1.0
Later than five years	-	0.7
Total operating lease commitments	**-**	**2.4**

(b) Capital commitments

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

	30-Jun-19 $m	30-Jun-18 $m
Not later than one year	87.7	105.8
Later than one year and not later than five years	-	7.0
Total capital commitments	**87.7**	**112.8**

(c) Contingent assets and liabilities

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

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

18. Adoption of new accounting standards

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

(a) AASB 9 Financial Instruments

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

Impact of adoption

Classification and measurement of financial instruments (excluding derivatives)

Financial assets

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

Financial asset	Carrying amount 30-Jun-18 ($m)	Classification and measurement AASB 139	Classification and measurement AASB 9
Cash and cash equivalents	35.2	Loans and receivables measured at amortised cost	Financial assets measured at amortised cost
Receivables and other assets (current)	79.1	Loans and receivables measured at amortised cost	Financial assets measured at amortised cost
Receivables and other assets (non-current)	514.4	Loans and receivables measured at amortised cost	Financial assets measured at amortised cost
Other assets (non-current)	7.5	Financial asset designated as fair value through profit or loss (FVTPL)	Equity instrument (financial asset) measured at FVTPL

18. Adoption of new accounting standards (continued)

(a) AASB 9 Financial Instruments (continued)

Impact of adoption (continued)

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

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

Impairment of financial assets

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

Hedge accounting and classification and measurement of derivative financial instruments

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

Accounting policies

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

Classification and measurement

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

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

Impairment

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

(b) AASB 15 Revenue from contracts with customers

This standard replaces AASB 118 *Revenue* and other revenue-related standards and interpretations. Under AASB 15 an entity recognises revenue related to the transfer of promised goods or services when control of those goods or services passes to customers. The amount of revenue recognised should reflect the consideration to which the Trust Group expects to be entitled in exchange for those goods or services and is either recognised 'over time' or 'at a point in time'.

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

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

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

18. Adoption of new accounting standards (continued)

(b) AASB 15 Revenue from contracts with customers (continued)

Impact of adoption

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

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

Accounting policies

Refer to Note 19 for the Trust Group's accounting policies relating to revenue and income.

19. Revenue and income

Property ownership revenue and income

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

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

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

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

A summary of the Trust Group's revenue and income included within the Statement of Comprehensive Income is shown below:

For the 12 months to:	30-Jun-19 $m	30-Jun-18 $m
Lease rental income[1]	912.4	931.8
Recovery of property outgoings[1]	209.2	214.8
Other property related revenue[1]	82.2	82.7
Total property ownership revenue and income	**1,203.8**	**1,229.3**
Interest income	27.0	38.0
Other income	1.9	3.1
Interest and other income	**28.9**	**41.1**
Total revenue and income	**1,232.7**	**1,270.4**

1. Included within 'Property ownership revenue and income' in the Statement of Comprehensive Income.

20. Other accounting matters

(a) Other accounting policies

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

Principles of consolidation

These consolidated financial statements comprise the assets and liabilities of all controlled entities at 30 June 2019 and the results of all controlled entities for the financial year unless otherwise stated. Controlled entities are:

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

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

Investments in joint operations

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

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

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

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

For existing investment properties already accounted for as finance leases in accordance with the requirements of AASB 140 *Investment Properties* (refer Note 20(b)), the adoption of AASB 16 will require a reassessment of the assumed lease term. This is also not expected to have a significant impact as any reassessment will impact the recognised lease asset and lease liability equally.

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

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

20. Other accounting matters (continued)

(b) Finance lease liabilities

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

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

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

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

	30-Jun-19 $m			30-Jun-18 $m		
	Minimum lease payments	**Future finance charges**	**Present value of payments**	**Minimum lease payments**	**Future finance charges**	**Present value of payments**
Not later than one year	15.9	-	15.9	15.3	-	15.3
Later than one but not more than five years	68.6	(14.3)	54.3	66.7	(14.0)	52.7
More than five years	547.3	(394.3)	153.0	563.2	(411.1)	152.1
Total[1]	**631.8**	**(408.6)**	**223.2**	**645.2**	**(425.1)**	**220.1**

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

21. Events occurring after the reporting date

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

Directors' Declaration

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

(a) in the opinion of the Directors, the financial statements and notes set out on pages 8 to 41 are in accordance with the *Corporations Act 2001* (Cth), including:

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

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

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

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

(c) the Directors have been given the Declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* (Cth) for the financial year ended 30 June 2019.

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

Peter Hay
Chairman

Melbourne
14 August 2019

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Independent Auditor's Report to the Unitholders of Vicinity Centres Trust

Report on the Audit of the Financial Report

Opinion

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

In our opinion:

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

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

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

Basis for Opinion

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

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

Key Audit Matters

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

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

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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 $15,309.6 million at 30 June 2019, which represents 91.5% of total assets of the Group. The valuation of the property portfolio, which includes properties in a development phase and jointly held investments, is based on a number of assumptions, such as capitalisation rates, discount rates and terminal yields, which require significant estimation and judgement. This also includes the estimations for costs to complete and an allowance for developer's risk and profit and stabilisation for properties in the development phase. Minor adjustments to certain assumptions can lead to significant changes in the valuation of the retail property assets. As outlined in Note 4, the Group determined the valuation of the portfolio based upon valuations sourced from suitably qualified independent valuation experts and internal valuations. Refer to Note 4 for a description of the accounting policy, overview of the valuation methodology, process for valuation (including the use of independent expert valuers and internal valuations), significant assumptions and the relative sensitivity of the valuation to changes in these assumptions.	In performing our audit procedures, on a sample basis, we: ► Assessed the competence and qualifications of valuers, as well as the objectivity of external valuers, and appropriateness of the scope and methodology of the valuation commissioned for the purposes of the financial report. ► Assessed the key inputs and assumptions adopted in the valuation methodologies including comparing capitalisation rates to those derived from relevant transactions and other external market sources. ► Compared the data used in the valuation to the actual and budgeted financial performance of the underlying properties. ► For properties under development, we compared the costs incurred to date plus the estimated costs to complete to the expected value of the completed project, as advised by the valuers. ► Discussed key developments in progress with representatives of the Group responsible for managing developments. ► Assessed the effectiveness of controls surrounding the development process and tested a sample of development spend on major projects to progress billing reports. ► Reviewed the portfolio assets with reference to external market data and portfolio performance in order to identify and investigate items that were outside of our audit expectations. ► Assessed the disclosures included in Note 4 of the financial report. Our real estate valuation specialists were involved in the conduct of these procedures where appropriate.

2. Property Portfolio Transactions

Why significant	How the matter was addressed in the audit
The Group disposed of twelve properties during the year ended 30 June 2019 for proceeds totalling $683.1m, which had a significant effect on the financial statements. Refer to Note 4 for the impact of the disposals on Investment Properties.	In performing our audit procedures, we: ► Considered the terms of the sale agreements and other related documents. ► Assessed whether these transactions were accounted for in accordance with Australian Accounting Standards, which are reflected in the Groups' accounting policies set out in Notes 4 and 5 of the financial report. Assessed the adequacy of the disclosures in Note 4 of the financial report.

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Information Other than the Financial Report and Auditor's Report Thereon

The Directors of Vicinity Centres RE Ltd, the Responsible Entity of the Trust (the "RE") are responsible for the other information. The other information comprises the information included in the Vicinity Centres Trust Financial Report for the year ended 30 June 2019, 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.

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the Directors of the RE are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors of the RE either intend to liquidate the Group or 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the RE.
- Conclude on the appropriateness of the Directors of the RE's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the RE 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 of the RE 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 of the RE, 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.

Ernst & Young

David Shewring
Partner
Melbourne
14 August 2019

Alison Parker
Partner