Vicinity Centres[1]
Appendix 4D - Results for announcement to the market

For the six months ended 31 December 2019

	Six months to 31-Dec-19	Six months to 31-Dec-18	Increase/ (Decrease)	
	$m	$m	$m	%
Revenue from ordinary activities	635.5	659.3	(23.8)	(3.6)
Net profit from ordinary activities after tax attributable to securityholders	242.8	235.3	7.5	3.2
Funds from operations[2]	337.0	349.5	(12.5)	(3.6)

	As at[3] 31-Dec-19	As at[3] 30-Jun-19	Increase/ (Decrease)	
Net tangible assets per security	$ per security	$ per security	$ per security	%
Total	2.90	2.92	(0.02)	(0.7)
Net assets per security	$ per security	$ per security	$ per security	%
Total	3.06	3.07	(0.01)	(0.3)

Distribution per stapled security	Cents[4]	Record date	Payment date
Interim distribution	7.70	31-Dec-19	2-Mar-20

Review of results

For further commentary on the half year results, refer to the following documents released on the ASX today: Half year financial report, FY20 interim results announcement and FY20 interim results presentation.

Details of associates and joint venture entities (equity accounted investments)

Refer to Note 2(e) of the Half Year Financial Report.

The information presented above is based upon the Half Year Financial Report for the six months ended 31 December 2019 which has been reviewed. The independent auditor's report is included within the Half Year Financial Report.

Rohan Abeyewardene **Date: 19 February 2020**
Group Company Secretary

Notes

1. Vicinity Centres is a stapled group comprising Vicinity Limited ABN 90 114 757 783 and Vicinity Centres Trust ARSN 104 931 928 (the **Trust**). The Responsible Entity of the Trust is Vicinity Centres RE Ltd ABN 88 149 781 322.

2. A reconciliation between net profit from ordinary activities attributable to securityholders and fund from operations (FFO) is provided in Note 1(b) of the Half Year Financial Report.

3. Calculated as Balance Sheet net assets less intangible assets, divided by the number of stapled securities on issue at period end. Includes right of use assets and net investments in leases as disclosed in Note 7(c) of the Half Year Financial Report.

4. Details of the full year tax components of distributions will be provided in the Annual Tax Statements which will be sent to securityholders in late August 2020.

Vicinity Centres

Financial report for the half year ended 31 December 2019

Vicinity Centres comprising:
Vicinity Limited – ABN 90 114 757 783
Vicinity Centres Trust – ARSN 104 931 928
and their controlled entities

Contents

Directors' Report

The Directors of Vicinity Limited present the Financial Report of Vicinity Centres (Vicinity or the Group) for the half year ended 31 December 2019.

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

Directors

The Boards of Directors of the Company and Vicinity Centres RE Ltd, as Responsible Entity (RE) of the Trust (together, the Vicinity Board) consist of the same Directors. The following persons were members of the Vicinity Board from 1 July 2019 and up to the date of this report unless otherwise stated:

(i) Chairman

Trevor Gerber (Independent) (appointed as Chairman on 14 November 2019)[1]

Peter Hay (Independent) (resigned 14 November 2019)[2]

(ii) Non-executive Directors

Clive Appleton

David Thurin AM

Janette Kendall (Independent)

Karen Penrose (Independent)

Peter Kahan (Independent)[3]

Tim Hammon (Independent)

Wai Tang (Independent) (resigned 14 February 2019)

(iii) Executive Director

Grant Kelley (CEO and Managing Director)

Company Secretaries

Carolyn Reynolds

Rohan Abeyewardene

Jacqueline Jovanovski (resigned 2 August 2019)

Principal activities

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

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

[1] Mr Trevor Gerber has been a Director of the Board of Vicinity Centres RE Ltd since June 2015 and a Director of the Board of Vicinity Limited since October 2015.

[2] Mr Peter Hay was Chairman of the Vicinity Board until 14 August 2019, from which date he was Acting Chairman until his retirement from the Vicinity Board on 14 November 2019.

[3] As announced on 24 April 2019, Mr Peter Kahan had been appointed as Chairman of the Vicinity Board effective from 14 August 2019. Subsequently in July 2019, Mr Kahan went on a leave of absence due to a health condition. Upon his return from his leave of absence on 1 October 2019 Mr Kahan did not resume the Chairmanship.

Distributions

On 3 December 2019 the Directors declared a distribution for the half year ended 31 December 2019 of 7.70 cents per VCX stapled security, which equates to a total half year distribution payable to securityholders of $289.3 million. The half year distribution is expected to be paid on 2 March 2020.

Review of results and operations

A summary of the Group's operations for the six months to 31 December 2019 is contained within this section. This report should be read in conjunction with the 30 June 2019 Annual Report which provides further information on Vicinity's strategy, operations and risks.

(a) Operational update

Financial results

The Group assesses operating performance based on funds from operations (FFO) and adjusted funds from operations (AFFO). FFO and AFFO are widely accepted measures of real estate operating performance which adjust statutory net profit for fair value movements, certain unrealised and non-cash items (FFO), as well as maintenance capital expenditure and static tenant leasing costs incurred during the period (AFFO). FFO and AFFO are determined with reference to the guidelines published by the Property Council of Australia (PCA).

The table below contains a summary of FFO, AFFO, other related metrics and a summary reconciliation of net profit after tax to FFO[1].

For the six months to:	**31-Dec-19 $m**	**31-Dec-18 $m**
Net property income	438.9	450.0
Property management, development, leasing and funds management fees	31.7	35.3
Corporate overheads (net of internal property management fees)	(34.6)	(37.8)
Net interest expense	(99.0)	(98.0)
Funds from operations (FFO)	**337.0**	**349.5**
Adjusted for:		
Property revaluation decrement for directly owned properties	(52.8)	(71.6)
Other items	(41.4)	(42.6)
Net profit after tax	**242.8**	**235.3**
Funds from operations	**337.0**	**349.5**
Maintenance capital expenditure and static tenant leasing costs	(32.2)	(29.4)
Adjusted funds from operations (AFFO)	**304.8**	**320.1**
FFO per security[2] (cents)	8.95	9.06
AFFO per security[2] (cents)	8.10	8.29
Distribution per security (DPS)[3] (cents)	7.70	7.95

The Group delivered FFO of 8.95 cents per security for the six months ended 31 December 2019. This was down 1.2% on the six months to 31 December 2018, principally due to the divestment of interests in 15 non-core assets over the past 18 months as part of the Group's focus on portfolio enhancement.

On a comparable[4] basis, FFO per security increased 1.5%. This was underpinned by comparable net property income growth of 2.5%[5] and the on-market securities buyback. These items were partly offset by the impact of pre-development centres[6], where upcoming projects prevent optimal leasing outcomes, reduced fee income from development and wholesale funds management and lower surrender payments received from tenants.

Statutory net profit after tax was $242.8 million, an increase of $7.5 million on the six months to 31 December 2018 (31 December 2018: $235.3 million). The increase was primarily due to lower non-cash property revaluation decrements and net foreign exchange losses, partly offset by lower mark to market gains on derivatives and the impact of asset divestments.

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[1] Refer to Note 1(b) to the Half Year Financial Statements for a full reconciliation of net profit after tax to FFO.

[2] The calculation of FFO and AFFO per security for the period uses the basic weighted average number of securities on issue as calculated in Note 6.

[3] Distributions per security are calculated based on actual number of securities outstanding at the time of the distribution record date.

[4] Adjusting for the impact of divestments.

[5] Excludes divestments and development impacted centres and is calculated on a like-for-like basis versus the prior corresponding period.

[6] Pre-development centres comprise Bankstown Central, Chatswood Chase Sydney, The Myer Centre Brisbane and Galleria.

Distribution

The distribution for the six months to 31 December 2019 was 7.70 cents per security, reflecting a payout ratio on AFFO of 94.9% (31 December 2019: 95.2%). Full year distributions are expected to be within the Group's target payout ratio range of 95% - 100% of AFFO.

Portfolio[1]

As part of the Group's strategic portfolio refinement and focus on market leading destinations, the divestment of three non-core assets was completed during the period. Sale proceeds of $227.0 million[2] represented a 0.4% discount to 30 June 2019 book values. Additionally, the acquisition of an Outlet Centre – a 50% interest in Uni Hill Factory Outlets, VIC was announced. This acquisition, which remains subject to Australian Competition and Consumer (ACCC) approval, will further enhance the Group's successful DFO portfolio.

DFO South Wharf, VIC

The value of the Group's directly owned portfolio decreased by $90.9 million[3] over the period due to the asset disposals and a revaluation decrement of $52.8 million, partly offset by spend on the Group's development pipeline. The Flagship portfolio of Chadstone, Premium CBD and DFO assets continued to see income and valuation growth. This was offset by declines on the remainder of the portfolio, particularly in Western Australia, as market conditions remain challenging.

Total comparable moving annual turnover (MAT)[1] growth of 3.2% was achieved, up from 2.7% at 30 June 2019. MAT growth for the combined specialty and mini-majors category was 3.7%, up from 3.1% six months earlier. This was underpinned by solid growth in leisure (+6.8%), retail services (+5.1%), food catering (+5.0%) and apparel and footwear (+4.3%). On a per square metre basis, specialty store MAT increased by 2.9% to $11,403 over the period. The average leasing spread for the portfolio over the six-month period was -4.0%[4].

The table below contains a summary of key portfolio metrics:

	31-Dec-19	30-Jun-19	Commentary on key portfolio metrics
Portfolio MAT growth[1]	3.2%	2.7%	Within this result, specialty and mini major retailers recorded MAT growth of 3.7%. These retailers contribute 69% of total portfolio gross rent. The MAT growth rate for major tenants was 3.0%, up from 2.6% reported at June 2019. Supermarkets, which represent 7% of total portfolio gross rent, recorded MAT growth of 4.3%.
Specialty MAT/sqm[1]	$11,403	11,083	Increased 2.9% to December 2019. The Flagship portfolio continues to perform strongly while the Core portfolio remains soft.
Specialty occupancy cost	15.0%	15.0%	Speciality occupancy cost ratio held at 15.0% for the half year. This remains consistent with Urbis market averages across the portfolio.
Portfolio occupancy	99.5%	99.5%	Leasing activity during the half-year period resulted in occupancy being maintained at 99.5%.
Leasing spreads[4]	(4.0%)	(2.0%)	Strong deal activity was maintained over the period. Total leasing spreads for the six months to 31 December 2019 averaged -4.0% and -2.5% excluding short term leases. The quantum of short term leases was reduced by 39% in the period to 109.

[1] MAT figures are on a comparable basis and exclude divestments and development impacted centres in accordance with Shopping Centre Council of Australia guidelines. Total MAT figures include 53 weeks reporting for some majors tenants for the current and 30 June 2019 reporting periods, compared to 52 weeks in the prior corresponding periods.

[2] Amount excludes transaction costs.

[3] Represents movement in segment investment properties as disclosed at Note 1(d) to the Half Year Financial Statements.

[4] Leasing spreads include all store types other than majors, offices, ATMs and storage, and excludes project-impacted leasing and divestments.

Developments

The six months to 31 December 2019 were an active period in the delivery and progression of the Group's development pipeline. Highlights include:

- Completion of Hotel Chadstone Melbourne, VIC ($65 million Vicinity share) and development applications for an additional five projects to enhance Chadstone lodged.
- Construction of the major retail redevelopment of The Glen, VIC ($215 million Vicinity share) completed in August 2019, with final works currently being completed. Golden Age is also progressing the development of over 500 apartments on site, which are scheduled for completion in 2021.
- Opening of 'The Markets' at Roselands, NSW, transforming the lower ground floor into a modern fresh food market hall.
- Commencement of a $63 million redevelopment at Ellenbrook Central, WA. This project will introduce a Kmart, thee mini majors and 15 specialty stores and is on track for opening in September 2020.
- Significant tenant remixing continues at Emporium Melbourne, VIC. This includes the introduction of Fortress Esports, a large Esports tenancy – the first of its kind in Australia – which will open in the coming months. Additionally, plans continue to advance on introducing co-working into the centre's upper levels.

Hotel Chadstone, VIC

Planning on the major redevelopment of Chatswood Chase Sydney, NSW ($560 million Vicinity share) also progressed, with the project expected to commence in mid-2020.

(b) Financial position

Balance sheet

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

As at:	31-Dec-19 $m	30-Jun-19 $m
Cash and cash equivalents	53.7	34.9
Investment properties	15,303.2	15,351.8
Equity accounted investments	668.8	670.1
Intangible assets	591.2	591.2
Other assets	392.3	345.6
Total assets	**17,009.2**	**16,993.6**
Interest bearing liabilities	4,471.9	4,436.1
Distribution payable	289.3	299.9
Other liabilities	743.3	668.5
Total liabilities	**5,504.5**	**5,404.5**
Net assets	**11,504.7**	**11,589.1**

The table below contains a summary of key balance sheet metrics for the Group.

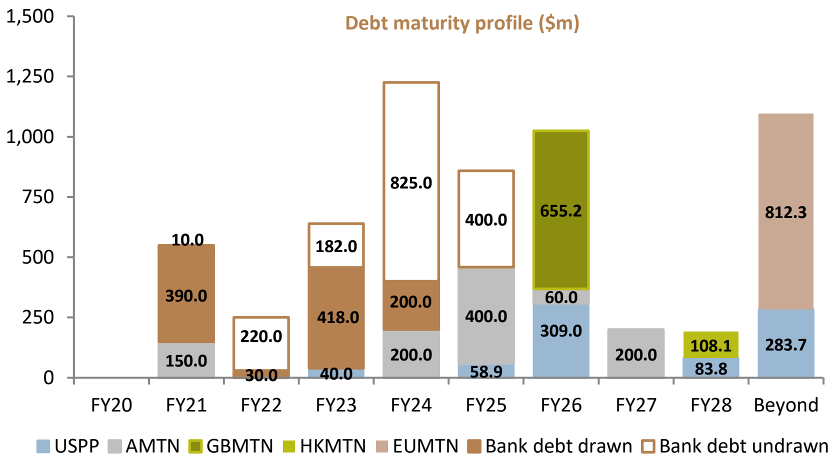
	31-Dec-19	30-Jun-19	Commentary on key financial position metrics
Net tangible assets per security[1]	$2.90	$2.92	NTA per security was down $0.02 to $2.90. The portfolio revaluation decrement of $52.8 million was partially offset by the on-market security buy-back, with securities purchased at an average 14.1% discount to 31 December 2019 NTA.
Segment investment properties[2]	$15,724.3m	$15,815.2m	At 31 December 2019, 36 of the Group's 59 directly owned properties (61.0% by value) were independently valued, with the remaining properties subject to internal valuations. The resulting statutory portfolio revaluation decrement of $52.8 million and divestment of three non-core investment properties for $227.0 million[3] drove a reduction in segment investment properties. This was partly offset by capital expenditure for the period of $199.1 million, primarily relating to developments at Chadstone, The Glen, Roselands and Ellenbrook Central (as outlined in the developments section of the operational update above).
Drawn debt[4]	$4,399.0m	$4,367.1m	The increase in drawn debt during the half was due to development capital expenditure incurred and the on-market security buy-back program, partly offset by the divestment of three non-core investment properties.
Gearing[4]	27.3%	27.1%	Gearing increased by 20 bps during the period due to an increase in drawn debt and reduction in investment properties as described above.

(c) Capital management[5]

It was an active period for capital management including:

- an inaugural issuance of Euro-denominated debt of €500 million (AUD$812 million) of 10-year medium term notes (EUMTNs);
- the extension of $1.7 billion of bank debt facilities by one to two years; and
- a continuation of the on-market securities buy-back program, purchasing 14.5 million securities (0.4% of issued capital) for a total of $36.2 million, at a 14.1% discount to the 31 December 2019 net tangible assets per security (NTA).

Gearing increased marginally to 27.3%[4] (30 June 2019: 27.1%) but remains at the lower end of the 25%-35% target range. This combined with Vicinity's strong investment grade credit ratings (Moody's Investor Services A2/Stable, S&P Global Ratings A/Stable) means the balance sheet is in a strong position for investment into Vicinity's retail development pipeline and other value-accretive opportunities.



[1] Calculated as Balance Sheet net assets less intangible assets, divided by the number of stapled securities on issue at period end. Includes right of use assets and net investments in leases as disclosed in Note 7(c).

[2] Refer to Note 1(d) of the Half Year Financial Statements for the calculation of segment investment properties.

[3] Excludes transaction costs.

[4] Refer to Note 3(d) to the Half Year Financial Statements for the calculation of drawn debt and gearing.

[5] Debt maturity profile amounts are based on facility limits. These exclude lease liabilities and adjustments for fair value items and foreign exchange translation. Refer to Note 3(b) of the Half Year Financial Statements for further information.

The table below contains a summary of key capital management metrics for the Group.

	31-Dec-19	30-Jun-19	Commentary on key capital management metrics
Weighted average interest rate[1]	4.2%	4.5%	The weighted average interest rate decreased due to the maturity of higher rate fixed rate debt and interest rate swaps and a decrease in floating rates for variable rate debt.
Proportion of debt hedged	75%	89%	The proportion of debt hedged decreased due to the maturity of $400.0 million of fixed rate debt and $150.0 million of interest rate swaps.
Debt duration[2]	5.4 years	4.1 years	Increase driven by the issue of the €500.0 million (~AUD$812.0 million) EUMTN and the extension of $1.7 billion of bank debt facilities for one to two years. Maturities of each of the Group's financing facilities are shown within Note 3(b).
Interest coverage ratio	4.4 times	4.4 times	-
Credit ratings - **Moody's** - **S&P**	 A2/stable A/stable	 A2/stable A/stable	-

(d) Outlook

The Group has revised the FY20 FFO guidance range to 17.2 to 17.4 cents per security[3] (previously 17.6 to 17.8 cents per security). This revision takes into account the impact that novel coronavirus is expected to have on variable income at key centres within the portfolio in the second half of FY20.

Since late January 2020 the Group has observed material declines in foot traffic at key centres, particularly where there is a high proportion of international tourists, which in turn is impacting sales. Consequently, the revised FY20 FFO guidance takes into account forecast reductions in percentage rent, ancillary income and hotel bookings.

Events occurring after the end of the reporting period

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

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.

Rounding of amounts

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

Signed in accordance with a resolution of Directors.

Trevor Gerber
Chairman
19 February 2020

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[1] Represents average for the reporting period and is inclusive of margins, drawn line fees and establishment fees.

[2] Based on facility limits.

[3] Assuming no material deterioration to existing economic conditions.

Building a better
working world

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Auditor's Independence Declaration to the Directors of Vicinity Limited

As lead auditor for the review of the financial report of Vicinity Limited for the half year ended 31 December 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 review; and

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

This declaration is in respect of Vicinity Limited and the entities it controlled during the financial period.

Ernst + Young

Ernst & Young

Alison Parker

Alison Parker
Partner
19 February 2020

Statement of Comprehensive Income

for the half year ended 31 December 2019

	Note	31-Dec-19 $m	31-Dec-18 $m
Revenue and income			
Property ownership revenue and income		600.3	621.8
Management fee revenue from strategic partnerships		35.2	37.5
Interest and other income		2.3	2.3
Total revenue and income	5	**637.8**	**661.6**
Share of net (loss) / profit of equity accounted investments		(1.1)	14.8
Property revaluation decrement for directly owned properties	2(b)	(52.8)	(71.6)
Direct property expenses		(167.9)	(182.1)
Borrowing costs	3(c)	(104.0)	(95.3)
Employee benefits expense		(46.5)	(53.3)
Other expenses from ordinary activities		(20.7)	(20.0)
Net foreign exchange movement on interest bearing liabilities		(14.7)	(54.5)
Net mark-to-market movement on derivatives	3(g)	15.2	37.6
Amortisation of intangible assets		-	(1.9)
Depreciation of right of use assets	7(c)	(2.5)	-
Profit before tax for the half year		**242.8**	**235.3**
Income tax expense		-	-
Net profit for the half year		**242.8**	**235.3**
Other comprehensive income		-	-
Total comprehensive income for the half year		**242.8**	**235.3**
Total profit and total comprehensive income for the half year attributable to stapled securityholders as:			
Securityholders of Vicinity Limited		15.3	18.0
Securityholders of other stapled entities of the Group		227.5	217.3
Net profit and total comprehensive income for the half year		**242.8**	**235.3**
Earnings per security attributable to securityholders of the Group:			
Basic earnings per security (cents)		6.45	6.10
Diluted earnings per security (cents)		6.44	6.09

The above consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes. AASB 16 *Leases* has been applied prospectively from 1 July 2019. Refer to Note 7 for further information.

Balance Sheet

as at 31 December 2019

	Note	31-Dec-19 $m	30-Jun-19 $m
Current assets			
Cash and cash equivalents		53.7	34.9
Trade receivables and other assets		102.5	101.1
Derivative financial instruments	3(g)	1.8	4.7
Total current assets		**158.0**	**140.7**
Non-current assets			
Investment properties	2(a)	15,303.2	15,351.8
Investments accounted for using the equity method	2(e)	668.8	670.1
Intangible assets	4(a)	591.2	591.2
Plant and equipment		4.6	10.4
Derivative financial instruments	3(g)	152.7	138.6
Right of use assets and net investments in leases	7(c)	38.3	-
Deferred tax assets		84.3	84.3
Other assets		8.1	6.5
Total non-current assets		**16,851.2**	**16,852.9**
Total assets		**17,009.2**	**16,993.6**
Current liabilities			
Interest bearing liabilities	3(a)	389.8	401.5
Distribution payable		289.3	299.9
Payables		138.3	135.5
Lease liabilities	7(c)	28.6	15.9
Provisions		60.6	72.4
Derivative financial instruments	3(g)	1.8	5.6
Total current liabilities		**908.4**	**930.8**
Non-current liabilities			
Interest bearing liabilities	3(a)	4,082.1	4,034.6
Lease liabilities	7(c)	286.2	207.3
Provisions		4.4	8.2
Derivative financial instruments	3(g)	223.4	223.6
Total non-current liabilities		**4,596.1**	**4,473.7**
Total liabilities		**5,504.5**	**5,404.5**
Net assets		**11,504.7**	**11,589.1**
Equity			
Contributed equity	6	7,970.7	8,006.9
Share based payment reserve		1.4	3.1
Retained profits		3,532.6	3,579.1
Total equity		**11,504.7**	**11,589.1**

The above consolidated Balance Sheet should be read in conjunction with the accompanying notes. AASB 16 *Leases* has been applied prospectively from 1 July 2019. Refer to Note 7 for further information.

Statements of Changes in Equity

for the half year ended 31 December 2019

	Attributable to securityholders of Vicinity Limited				Attributable to securityholders of other stapled entities of the Group				
	Contributed equity $m	Reserves $m	Retained losses $m	Total $m	Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Total equity $m
As at 1 July 2018	**477.6**	**7.6**	**(269.8)**	**215.4**	**7,784.8**	**-**	**4,107.3**	**11,892.1**	**12,107.5**
Net profit for the half year	-	-	18.0	18.0	-	-	217.3	217.3	235.3
Total comprehensive income for the half year	**-**	**-**	**18.0**	**18.0**	**-**	**-**	**217.3**	**217.3**	**235.3**
Transactions with securityholders in their capacity as securityholders:									
On-market securities buy-back	(1.9)	-	-	(1.9)	(104.3)	-	-	(104.3)	(106.2)
Net movements in share based payment reserve	-	(1.1)	-	(1.1)	-	-	-	-	(1.1)
Distributions declared	-	-	-	-	-	-	(304.6)	(304.6)	(304.6)
Total equity as at 31 December 2018	**475.7**	**6.5**	**(251.8)**	**230.4**	**7,680.5**	**-**	**4,020.0**	**11,700.5**	**11,930.9**
As at 1 July 2019	**473.1**	**3.1**	**(250.6)**	**225.6**	**7,533.8**	**-**	**3,829.7**	**11,363.5**	**11,589.1**
Net profit for the half year	-	-	15.3	15.3	-	-	227.5	227.5	242.8
Total comprehensive income for the half year	**-**	**-**	**15.3**	**15.3**	**-**	**-**	**227.5**	**227.5**	**242.8**
Transactions with securityholders in their capacity as securityholders:									
On-market securities buy-back	(0.7)	-	-	(0.7)	(35.5)	-	-	(35.5)	(36.2)
Net movements in share based payment reserve	-	(1.7)	-	(1.7)	-	-	-	-	(1.7)
Distributions declared	-	-	-	-	-	-	(289.3)	(289.3)	(289.3)
Total equity as at 31 December 2019	**472.4**	**1.4**	**(235.3)**	**238.5**	**7,498.3**	**-**	**3,767.9**	**11,266.2**	**11,504.7**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes. AASB 16 *Leases* has been applied prospectively from 1 July 2019. Refer to Note 7 for further information.

Cash Flow Statement

for the half year ended 31 December 2019

	Note	31-Dec-19 $m	31-Dec-18 $m
Cash flows from operating activities			
Receipts in the course of operations		731.2	747.3
Payments in the course of operations		(308.5)	(323.1)
Distributions and dividends received from equity accounted and managed investments		7.7	11.9
Net operating cash flows retained by equity accounted entities		8.9	7.1
Interest and other revenue received		0.4	0.6
Interest paid		(103.6)	(95.4)
Net cash inflows from operating activities – proportionate[1]		336.1	348.4
Less: net operating cash flows retained by equity accounted entities		(8.9)	(7.1)
Net cash inflows from operating activities		**327.2**	**341.3**
Cash flows from investing activities			
Payments for capital expenditure on investment properties		(206.1)	(211.4)
Deposit paid on acquisition of investment property		(3.4)	-
Proceeds from disposal of investment properties	2(b)	224.9	655.0
Proceeds from disposal of plant and equipment		1.8	-
Payments for plant and equipment		(0.9)	(0.7)
Net cash inflows from investing activities		**16.3**	**442.9**
Cash flows from financing activities			
Proceeds from borrowings		1,504.9	488.0
Repayment of borrowings		(1,477.5)	(823.0)
Payment of lease liabilities		(4.0)	-
Distributions paid to external securityholders		(299.9)	(317.5)
On-market securities buy-back		(35.5)	(106.2)
Debt establishment costs paid		(6.9)	(2.4)
Acquisition of securities on-market for settlement of share based payments		(5.8)	(7.3)
Net cash outflows from financing activities		**(324.7)**	**(768.4)**
Net increase in cash and cash equivalents held		**18.8**	**15.8**
Cash and cash equivalents at the beginning of the half year		**34.9**	**42.1**
Cash and cash equivalents at the end of the half year		**53.7**	**57.9**

1. Proportionate cash flows from operating activities includes total operating cash flows from consolidated and equity accounted entities.

The above Cash Flow Statement should be read in conjunction with the accompanying notes. AASB 16 *Leases* has been applied prospectively from 1 July 2019. Refer to Note 7 for further information.

Notes to the Financial Statements

About this report

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

Basis of preparation

The condensed consolidated financial report for the half year ended 31 December 2019 (the Financial Report):

- has been prepared in accordance with the *Corporations Act 2001* (Cth), Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements. The accounting policies adopted are consistent with those of the previous financial year except for the impact of the new and amended accounting standards described below;
- does not include all the notes of the type normally included in an annual financial report unless otherwise stated. Accordingly, this report is to be read in conjunction with the 30 June 2019 Annual Report and any public announcements issued during the half year in accordance with the continuous disclosure requirements of the Corporations Act 2001 (Cth) and the Listing Rules of the ASX;
- 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 19 February 2020. The Directors have the power to amend and reissue the Financial Report.

Although the Group has a net current deficiency of $750.4 million (current liabilities exceed current assets) at reporting date, the Group has sufficient current undrawn borrowing facilities (of $1,637.0 million, refer to Note 3(b)) and generates sufficient operating cash flows to meet its current obligations as they fall due. Accordingly, the Financial Report has been prepared on a going concern basis.

Impact of new and amended accounting standards

The new accounting standard AASB 16 *Leases* became effective for the Group on 1 July 2019. The impact of the adoption of AASB 16 and changes in the Group's accounting policies are disclosed in Note 7.

The Group has also adopted Australian Interpretation 23 *Uncertainty Over Income Tax Treatments* and other new and/or amended standards as of 1 July 2019. These did not have a material impact on the financial statements of the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Critical accounting judgements and estimates

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

These are based on historical experience and other factors considered to be reasonable under the circumstances, but which are inherently uncertain, the results of which form the basis of the carrying value of certain assets and liabilities. Consequently, future actual results could differ from these estimates. There are no new key judgements, estimates or assumptions for the half year ended 31 December 2019 not already noted in the 30 June 2019 Annual Report.

Updates on the following key judgements and estimates are contained in this half year Financial Report:

Judgement or estimate	Reference
Valuation of investment properties	Note 2
Recoverability of intangible assets	Note 4

1. Segment information

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

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

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

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

(a) Segment results

For the six months to:	31-Dec-19 $m	31-Dec-18 $m
Property Investment segment		
Net property income	438.9	450.0
Strategic Partnerships segment		
Property management, development and leasing fees	29.9	32.8
Funds management fees	1.8	2.5
Total segment income	**470.6**	**485.3**
Corporate overheads (net of internal property management fees)	(34.6)	(37.8)
Net interest expense	(99.0)	(98.0)
Funds from operations	**337.0**	**349.5**
Adjusted for:		
Maintenance capital and static tenant leasing costs	(32.2)	(29.4)
Adjusted funds from operations	**304.8**	**320.1**

The Group also monitors the following metrics:

For the six months to:	31-Dec-19	31-Dec-18
FFO per security[1] (cents)	8.95	9.06
AFFO per security[1] (cents)	8.10	8.29
Distribution per security (DPS)[2] (cents)	7.70	7.95
Total distributions declared[2] ($m)	$289.3	$304.6
AFFO payout ratio (total distributions declared $m/AFFO $m) (%)	94.9%	95.2%
FFO payout ratio (total distributions declared $m/FFO $m) (%)	85.9%	87.2%

1. The calculation of FFO and AFFO per security for the period uses the basic weighted average number of securities on issue as calculated in Note 6.
2. Distributions per security and the total distribution declared are calculated based on actual number of securities outstanding at the time of the distribution record date.

1. Segment information (continued)

(b) Reconciliation of net profit after tax to FFO

For the six months to:	31-Dec-19 $m	31-Dec-18 $m
Net profit after tax	**242.8**	**235.3**
Property revaluation decrement for directly owned properties[1]	52.8	71.6
Non-distributable loss relating to equity accounted investments[1]	16.5	1.3
Amortisation of incentives and leasing costs[2]	27.2	20.6
Straight-lining of rent adjustment[3]	(4.8)	(5.6)
Net mark-to-market movement on derivatives[4]	(15.2)	(37.6)
Net foreign exchange movement on interest bearing liabilities[4]	14.7	54.5
Amortisation of intangible assets[4]	-	1.9
Other non-distributable items	3.0	7.5
Funds from operations	**337.0**	**349.5**

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

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

(c) Reconciliation of segment income to total revenue

Refer to Note 5 for a reconciliation of total segment income to total revenue and income in the Statement of Comprehensive Income.

(d) Segment assets and liabilities

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

	Note	31-Dec-19 $m	30-Jun-19 $m
Investment properties[1]	2(a)[1]	15,001.2	15,096.4
Investment properties included in equity accounted investments[2]		723.1	718.8
Total interests in directly owned investment properties		**15,724.3**	**15,815.2**
Assets under management on behalf of strategic partners[3]		10,578.2	10,819.1
Total assets under management		**26,302.5**	**26,634.3**

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

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

2. Investment properties

The Group's investment properties represent freehold and leasehold interests in land and buildings held either to derive rental income or for capital appreciation, or both. They are initially measured at cost, including related transaction costs. Subsequently, at each reporting period, they are carried at their fair values based on the market value determined by independent (external) valuers or internal valuations. These valuations include the cost of capital works in progress on development projects. Further detail on the Group's valuation process and valuation methods is provided in the 30 June 2019 Annual Report.

(a) Portfolio summary

Shopping centre type	31-Dec-19			30-Jun-19		
	Number of properties	Value $m	Weighted average cap rate %	Number of properties	Value $m	Weighted average cap rate %
Super Regional	1	3,375.0	3.75	1	3,250.0	3.75
Major Regional	7	2,491.3	5.65	7	2,564.2	5.66
City Centre	7	2,505.2	4.63	7	2,466.0	4.65
Regional	8	1,735.0	6.32	9	1,865.6	6.28
Outlet Centre	6	1,827.7	5.78	6	1,737.7	5.82
Sub Regional	24	2,846.3	6.28	25	2,961.4	6.33
Neighbourhood	4	220.7	6.24	5	251.5	6.31
Planning and holding costs[1]	-	29.0	-	-	32.2	-
Total	**57**	**15,030.2**	**5.27**	**60**	**15,128.6**	**5.32**
Add: Investment property leaseholds[2]		273.0			223.2	
Total investment properties		**15,303.2**			**15,351.8**	

1. Planning and holding costs relating to planned major development projects are capitalised and carried within the overall investment property balance. The status of each project is reviewed each period to determine if continued capitalisation of these costs remains appropriate.
2. During the half year, the Group adopted AASB 16 *Leases* and reassessed the assumed lease term relating to several of the Group's long-term investment property leasehold arrangements. This resulted in an increase in the value of investment property leaseholds (and related liabilities) as detailed in Note 7.

(b) Movements for the period

The sale of the following investment properties occurred during the period:

- Corio Central (December 2019) for $101.0 million[1];
- Lennox Village (December 2019) for $31.5 million[1]; and
- Mt Ommaney Centre (November 2019) for $94.5 million[1].

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

For the six months to:	31-Dec-19 $m	31-Dec-18 $m
Opening balance at 1 July	15,128.6	15,672.6
Capital expenditure[2]	199.1	199.0
Capitalised borrowing costs[3]	1.7	3.7
Disposals	(224.9)	(655.0)
Property revaluation decrement for directly owned properties[5]	(51.9)	(71.6)
Amortisation of incentives and leasing costs[4]	(27.2)	(20.6)
Straight-lining of rent adjustment[4]	4.8	5.6
Closing balance at 31 December	**15,030.2**	**15,133.7**

1. Amounts exclude transaction costs.
2. Includes development costs, maintenance capital expenditure, lease incentives and fit-out costs.
3. Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 4.3% (31 December 2018: 4.6%).
4. For leases where Vicinity is the lessor in the lease arrangement.
5. The property revaluation decrement of $51.9 million is before the addition of investment property leaseholds. The $52.8 million revaluation decrement presented within the Statement of Comprehensive Income includes a $0.9 million revaluation decrement of investment property leaseholds held at fair value.

2. Investment properties (continued)

(c) Portfolio valuation

Key inputs and sensitivities

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

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

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

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

	31-Dec-19		30-Jun-19		
Unobservable inputs	**Range of inputs**	**Weighted average inputs**	**Range of inputs**	**Weighted average inputs**	**Sensitivity**
Capitalisation rate[1]	3.75% - 7.75%	5.27%	3.75% - 7.75%	5.32%	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%	6.82%	6.00% - 8.75%	6.88%	
Terminal yield[3]	4.00% - 8.00%	5.47%	4.00% - 8.00%	5.53%	
Expected downtime (for tenants vacating)	3 months to 12 months	6 months	3 months to 12 months	6 months	
Rental growth rate	2.33% - 3.81%	3.25%	2.43% - 4.07%	3.33%	The higher the rental growth rate, the higher the fair value.

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

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

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

2. Investment properties (continued)

(d) List of investment properties held

i. Super Regional

	Ownership interest %	31-Dec-19 Valuation type	Carrying value 31-Dec-19 $m	Carrying value 30-Jun-19 $m
Chadstone	50	Internal	3,375.0	3,250.0
Total Super Regional			**3,375.0**	**3,250.0**

ii. Major Regional

	Ownership interest %	31-Dec-19 Valuation type	Carrying value 31-Dec-19 $m	Carrying value 30-Jun-19 $m
Bankstown Central	50	Internal	330.0	337.5
Bayside	100	External	554.6	591.4
Galleria	50	External	292.5	337.5
Mandurah Forum	50	External	272.5	275.0
Northland	50	External	481.0	494.1
Roselands	50	External	170.2	167.7
The Glen	50	External	390.5	361.0
Total Major Regional			**2,491.3**	**2,564.2**

iii. City Centre

	Ownership interest %	31-Dec-19 Valuation type	Carrying value 31-Dec-19 $m	Carrying value 30-Jun-19 $m
Emporium Melbourne	50	Internal	732.5	705.0
Myer Bourke Street	33	External	166.7	164.0
Queen Victoria Building[1]	50	External	332.0	330.0
QueensPlaza	100	Internal	795.0	790.0
The Galeries	50	External	176.5	170.0
The Myer Centre Brisbane	25	External	167.5	180.0
The Strand Arcade	50	External	135.0	127.0
Total City Centre			**2,505.2**	**2,466.0**

Refer to footnotes at the end of Note 2(d).

2. Investment properties (continued)

(d) List of investment properties held (continued)

iv. Regional

	Ownership interest %	31-Dec-19 Valuation type	Carrying value 31-Dec-19 $m	Carrying value 30-Jun-19 $m
Broadmeadows Central	100	Internal	311.4	324.2
Colonnades	50	External	133.5	126.8
Cranbourne Park	50	Internal	148.0	152.0
Eastlands	100	External	173.0	173.0
Elizabeth City Centre	100	External	366.6	368.1
Grand Plaza	50	External	210.0	217.5
Rockingham Centre	50	External	257.5	270.0
Runaway Bay Centre	50	Internal	135.0	142.5
Mt Ommaney Centre[8]	-	-	-	91.5
Total Regional			**1,735.0**	**1,865.6**

v. Outlet Centre

	Ownership interest %	31-Dec-19 Valuation type	Carrying value 31-Dec-19 $m	Carrying value 30-Jun-19 $m
DFO Brisbane[2]	100	Internal	65.0	64.0
DFO Essendon[3]	100	External	180.0	178.0
DFO Homebush	100	External	605.2	540.0
DFO Moorabbin[4]	100	Internal	125.0	125.2
DFO Perth[5]	50	External	117.5	110.5
DFO South Wharf[6]	100	External	735.0	720.0
Total Outlet Centre			**1,827.7**	**1,737.7**

Refer to footnotes at the end of Note 2(d).

2. Investment properties (continued)

(d) List of investment properties held (continued)

vi. Sub Regional

			Carrying value	
	Ownership interest %	**31-Dec-19 Valuation type**	**31-Dec-19 $m**	**30-Jun-19 $m**
Altona Gate Shopping Centre	100	External	108.8	106.5
Armidale Central	100	Internal	42.0	44.0
Box Hill Central (North Precinct)	100	Internal	128.0	126.5
Box Hill Central (South Precinct)[7]	100	External	240.0	234.0
Buranda Village	100	External	42.0	42.0
Carlingford Court	50	External	121.0	123.5
Castle Plaza	100	External	173.7	173.4
Ellenbrook Central	100	External	249.7	244.0
Gympie Central	100	Internal	74.7	77.5
Halls Head Central	50	Internal	47.5	47.5
Karratha City	50	Internal	47.5	47.5
Kurralta Central	100	External	44.2	44.6
Lake Haven Centre	100	External	315.0	323.4
Livingston Marketplace	100	External	92.0	90.0
Maddington Central	100	External	107.0	109.0
Mornington Central	50	External	36.5	36.0
Nepean Village	100	External	212.0	207.0
Northgate	100	Internal	100.0	100.0
Roxburgh Village	100	Internal	111.9	122.6
Sunshine Marketplace	50	External	63.3	62.4
Taigum Square	100	Internal	94.2	99.7
Warriewood Square	50	Internal	150.0	150.0
Warwick Grove	100	Internal	180.0	180.0
Whitsunday Plaza	100	Internal	65.3	65.3
Corio Central[8]	-	-	-	105.0
Total Sub Regional			**2,846.3**	**2,961.4**

Refer to footnotes at the end of Note 2(d).

2. Investment properties (continued)

(d) List of investment properties held (continued)

vii. Neighbourhood

	Ownership interest %	31-Dec-19 Valuation type	Carrying value 31-Dec-19 $m	Carrying value 30-Jun-19 $m
Dianella Plaza	100	External	75.1	80.0
Milton Village	100	External	35.6	31.7
Oakleigh Central	100	Internal	81.5	79.8
Victoria Park Central	100	Internal	28.5	28.5
Lennox Village[8]	-	-	-	31.5
Total Neighbourhood			**220.7**	**251.5**

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 leasehold to 2034 at the Group's discretion.
5. The title to this property is leasehold and expires in 2047.
6. The title to this property is leasehold and expires in 2108.
7. The title to this property is leasehold with options to extend the leasehold to 2134 at the Group's discretion.
8. Disposed during the period.

(e) Equity accounted investments

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

The Group holds the following investments that are equity accounted:

	Ownership 31-Dec-19 %	Ownership 30-Jun-19 %	Carrying value 31-Dec-19 $m	Carrying value 30-Jun-19 $m
Chatswood Chase Sydney (Joint Venture)[1]	51.0	51.0	575.8	579.5
Victoria Gardens Retail Trust (Joint Venture)	50.0	50.0	92.2	89.2
Vicinity Asset Operations Pty Ltd (Associate)	40.0	40.0	0.8	1.4
Closing balance			**668.8**	**670.1**

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

3. 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 period end with the gain or loss attributable to exchange rate movements recognised in profit or loss in the Statement of Comprehensive Income.

During the period, the following financing activities have occurred:

- €500.0 million (equivalent to approximately AUD $812.0 million) 10-year fixed rate bonds were issued on 7 November 2019 under the European Medium Term Note (EMTN) programme. The proceeds of this issue were used to repay existing bank debt;
- Maturities for a number of bank debt facilities totalling $1.7 billion were extended by one to two years and bank facilities totalling $200.0 million were cancelled; and
- Net drawdowns of $27.4 million were made throughout the period for capital expenditure and the on-market securities buy-back, partly offset by the proceeds from investment property divestments.

(a) Summary of facilities

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

	31-Dec-19 $m	30-Jun-19 $m
Current liabilities		
Secured		
AUD Medium Term Notes (AMTNs)[1]	-	151.8
Unsecured		
Bank debt	390.0	-
AMTNs	-	250.0
Deferred debt costs[2]	(0.2)	(0.3)
Total current liabilities	**389.8**	**401.5**
Non-current liabilities		
Secured		
AMTNs[1]	152.9	153.6
Unsecured		
Bank debt	648.0	1,418.5
AMTNs[3]	856.4	856.1
GBP European Medium Term Notes (GBMTNs)	658.0	629.2
HKD European Medium Term Notes (HKMTNs)	117.0	116.7
US Private Placement notes (USPPs)	872.7	873.5
EUR European Medium Term Notes (EUMTNs)	794.1	-
Deferred debt costs[2]	(17.0)	(13.0)
Total non-current liabilities	**4,082.1**	**4,034.6**
Total interest bearing liabilities	**4,471.9**	**4,436.1**

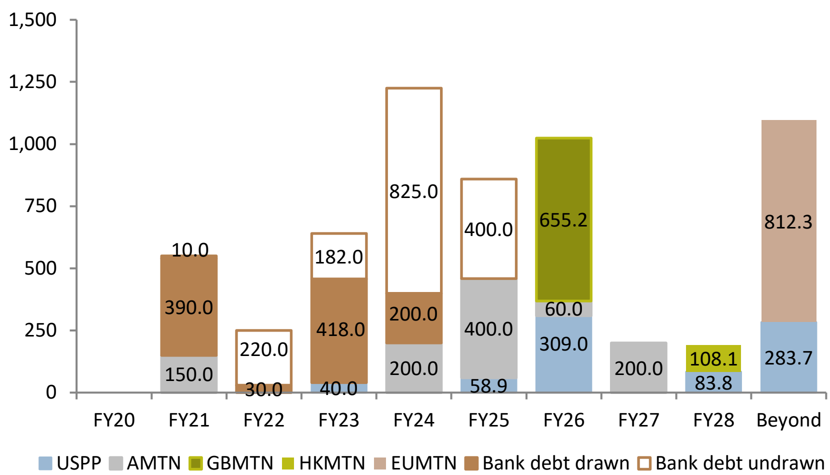
1. Secured by a first charge over certain of the Group's investment properties with a carrying value of $3,493.8 million (30 June 2019: $3,639.4 million).
2. Deferred debt costs comprise the unamortised value of borrowing costs paid on establishment or refinance of debt facilities. These costs are deferred on the Balance Sheet and amortised to borrowing costs in the Statement of Comprehensive Income.
3. Non-current unsecured AMTNs include AUD $60.0 million issued under the Group's EMTN programme.

3. Interest bearing liabilities and derivatives (continued)

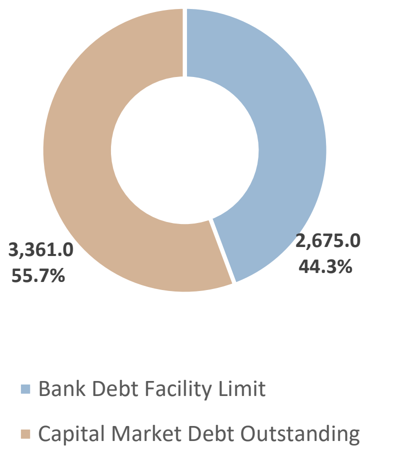
(b) Facility maturity and availability

The charts below outline the maturity of the Group's total available facilities at 31 December 2019 by type and the bank to capital markets debt ratio. Of the $6,036.0 million total available facilities (30 June 2019: $6,033.6 million), $1,637.0 million remains undrawn at 31 December 2019 (30 June 2019: $1,666.5 million).

Available facilities expiry profile ($m)[1]



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



1. The carrying amount of the USPPs, GBMTNs, HKMTNs, EUMTNs and AMTNs in the Balance Sheet is net of adjustments for fair value items and foreign exchange translation of $90.1 million (30 June 2019: $82.3 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 $17.2 million (30 June 2019: $13.3 million) are not reflected in the amount drawn.

(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. Borrowing costs also include finance charges on lease liabilities.

For the six months to:	31-Dec-19 $m	31-Dec-18 $m
Interest and other costs on interest bearing liabilities and derivatives	97.0	99.2
Amortisation of deferred debt costs	3.0	2.6
Amortisation of fair value adjustments relating to discontinuation of hedge accounting	(0.6)	(1.5)
Amortisation of AMTN, GBMTN and EUMTN fair value adjustment	(1.8)	(2.5)
Interest charge on lease liabilities	9.2	2.0
Capitalised borrowing costs	(2.8)	(4.5)
Total borrowing costs	**104.0**	**95.3**

3. Interest bearing liabilities and derivatives (continued)

(d) Capital risk management

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

Gearing

	31-Dec-19 $m	30-Jun-19 $m
Total interest bearing liabilities (Note 3(a))	**4,471.9**	**4,436.1**
Add: deferred debt costs	17.2	13.3
Add: fair value and foreign exchange adjustments to GBMTNs	(2.8)	26.0
Less: fair value and foreign exchange adjustments to USPPs	(97.4)	(98.3)
Less: fair value adjustments to AMTNs	0.7	(1.5)
Less: foreign exchange adjustments to HKMTNs	(8.8)	(8.5)
Less: fair value and foreign exchange adjustments to EUMTNs	18.2	-
Total drawn debt	**4,399.0**	**4,367.1**
Drawn debt net of cash	4,345.3	4,332.2
Total tangible assets excluding cash, right of use assets, net investments in leases, investment property leaseholds and derivative financial assets	15,898.5	16,001.0
Gearing ratio (target range of 25.0% to 35.0%)	**27.3%**	**27.1%**

Interest cover ratio

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

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

At 31 December 2019 the interest cover ratio was 4.4 times (31 December 2018: 4.6 times).

(e) Fair value of interest bearing liabilities

As at 31 December 2019, the Group's interest bearing liabilities had a fair value of $4,633.7 million (30 June 2019: $4,565.1 million). The carrying amount of these interest bearing liabilities was $4,471.9 million (30 June 2019: $4,436.1 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.

(f) Defaults and covenants

At 31 December 2019, the Group had no defaults on debt obligations or breaches of lending covenants (30 June 2019: Nil).

3. Interest bearing liabilities and derivatives (continued)

(g) Derivatives

Derivative instruments are held to hedge against the interest rate risk and foreign currency risk of the Group's borrowings. Derivatives are initially recognised at fair value and subsequently remeasured to their fair value at each reporting period. The fair value of these derivatives is 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	
	31-Dec-19 $m	30-Jun-19 $m	31-Dec-19 $m	30-Jun-19 $m
Interest rate swaps (pay floating / receive fixed)	1.8	4.7	300.0	400.0
Total current assets	**1.8**	**4.7**	**n/a**	**n/a**
Cross currency swaps (pay AUD floating receive USD fixed)	119.7	116.6	660.3	660.3
Cross currency swaps (pay AUD floating receive GBP fixed)	13.1	-	655.2	-
Cross currency swaps (pay AUD floating receive HKD fixed)	14.8	16.4	108.2	108.2
Interest rate swaps (pay floating / receive fixed)	5.1	5.6	100.0	100.0
Total non-current assets	**152.7**	**138.6**	**n/a**	**n/a**
Interest rate swaps (pay fixed / receive floating)	(1.8)	(5.6)	300.0	550.0
Total current liabilities	**(1.8)**	**(5.6)**	**n/a**	**n/a**
Cross currency swaps (pay AUD floating receive GBP fixed)	-	(16.4)	-	655.2
Cross currency swaps (pay AUD floating receive EUR fixed)	(25.0)	-	812.3	-
Interest rate swaps (pay fixed / receive floating)	(198.4)	(207.2)	2,525.0	2,525.0
Total non-current liabilities	**(223.4)**	**(223.6)**	**n/a**	**n/a**
Total net carrying amount of derivative financial instruments[1]	**(70.7)**	**(85.9)**	**n/a**	**n/a**

1. The movement in the net carrying amount of derivative financial instruments of $15.2 million was due to mark to market fair value adjustments.

4. Intangible assets

(a) Background

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

Goodwill

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

External management contracts

External management contracts reflect the right to provide asset management services to strategic partners who co-own assets with the Group. The value of these contracts is allocated to the Strategic Partnerships cash-generating unit (SP CGU) which is also an operating and reportable segment. As the management contracts do not have termination dates they are considered to have indefinite lives and are not amortised.

Goodwill and external management contract balances are shown in the table below:

	31-Dec-19 $m	30-Jun-19 $m
Goodwill	427.0	427.0
External management contracts	164.2	164.2
Carrying value	**591.2**	**591.2**

(b) Impairment testing

The Group performs impairment testing for goodwill and indefinite life intangible assets on an annual basis (at 30 June each year) or when there are other indicators of impairment. At 31 December 2019 the Group's net asset value was greater than its market capitalisation which was considered a potential indicator of impairment. Further details of the resulting impairment testing undertaken are summarised below. No impairment was required to either the SP CGU or PI CGU.

Goodwill

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

Key assumption	31-Dec-19	30-Jun-19
Cash flows for forecast FFO and operational capital expenditure	5 years	5 years
Terminal growth rate	2.10%	2.20%
Pre-tax discount rate range	6.50% - 7.00%	6.76% - 7.26%

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

Sensitivity considerations

The table below provides changes to key assumptions that would result in the recoverable amount of the PI CGU being equal to its carrying value. These changes are reasonably possible. These sensitivities assume that all other assumptions remain constant; however, as discussed below, changes in these assumptions may be accompanied by changes in assumptions used to determine the carrying value of the Group's investment properties.

Key assumption – sensitivity resulting in recoverable amount of PI CGU being equal to carrying value	31-Dec-19	30-Jun-19
Cash flows for forecast FFO and operational capital expenditure	(1.4%)	(1.9%)
Terminal growth rate	(7 bps)	(10 bps)
Pre-tax discount rate range	6 bps	9 bps

4. Intangible assets (continued)

(b) Impairment testing (continued)

Goodwill (continued)

Sensitivity considerations (continued)

Relationship between valuation of the PI CGU and valuation of investment properties

Given that a substantial component of the carrying amount of the PI CGU is represented by the Group's investment properties, the cash flows that are used in the valuation of the PI CGU largely relate to these investment properties. Therefore, movements in market-based assumptions used in determining the fair value of these investment properties (as outlined in Note 2(c)), and consequently the carrying value of the PI CGU, may also indicate that there should be a corresponding movement in the assumptions applied in determining the recoverable amount of the PI CGU.

To the extent that the assumptions applied to both the valuation of investment properties and the PI CGU change in tandem, the recoverable amount of the PI CGU may continue to exceed its carrying value. For example:

- Increases in investment property discount rates and capitalisation rates may also be indicative of increases in market-based pre-tax discount rates in the assumptions applied in the valuation of the PI CGU (and vice versa).
- Decreases in investment property cash flows and growth rate assumption may also be indicative of decreases in the cash flows and terminal growth rates applied in the valuation of the PI CGU (and vice versa).

DCF cross check of internal asset management contracts

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

External management contracts

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

Key assumption	31-Dec-19	30-Jun-19
Post-tax external management contract cash flows	5 years	5 years
Terminal growth rates	2.10% - 2.60%	2.20% - 2.70%
Post-tax discount rate range	6.38% - 6.88%	6.51% - 7.01%

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

Sensitivity considerations

Sensitivities to the key assumptions within the external management contracts DCF were also tested and the Group has determined that no reasonably possible changes would give rise to impairment at 31 December 2019. The future disposal of interests in directly owned or equity accounted investment property assets, where the Group also gives up any future management rights under existing finite life or indefinite life contracts, may lead to the derecognition of the associated carrying values of these management contracts, as the Group may no longer act as the asset manager and therefore no longer be entitled to the asset management fees.

Process for determination of key assumptions

Key assumptions used in determining the recoverable amount of the SP CGU and PI CGU were determined as follows:

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

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

5. Revenue and income

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

For the six months to:	31-Dec-19 $m			31-Dec-18 $m		
	Property Investment segment	Strategic Partnerships segment	Total	Property Investment segment	Strategic Partnerships segment	Total
Recovery of property outgoings[1]	102.3	-	**102.3**	104.7	-	**104.7**
Other property related revenue[1]	56.6	-	**56.6**	63.1	-	**63.1**
Property management and development fees[2]	-	33.4	**33.4**	-	35.0	**35.0**
Funds management fees[2]	-	1.8	**1.8**	-	2.5	**2.5**
Total revenue from contracts with customers	**158.9**	**35.2**	**194.1**	**167.8**	**37.5**	**205.3**
Lease rental income[1]	441.4	-	**441.4**	454.0	-	**454.0**
Interest and other income	2.3	-	**2.3**	2.3	-	**2.3**
Total income	**443.7**	**-**	**443.7**	**456.3**	**-**	**456.3**
Total revenue and income	**602.6**	**35.2**	**637.8**	**624.1**	**37.5**	**661.6**
Reconciliation to segment income						
Property-related expenses included in segment income	(200.2)	-	**(200.2)**	(204.8)	-	**(204.8)**
Net property income from equity accounted investments included in segment income	16.5	-	**16.5**	17.7	-	**17.7**
Straight-lining of rent adjustment	(4.8)	-	**(4.8)**	(5.6)	-	**(5.6)**
Amortisation of static lease incentives and other project items	27.2	-	**27.2**	20.6	-	**20.6**
Interest and other revenue not included in segment income	(2.4)	(3.5)	**(5.9)**	(2.0)	(2.2)	**(4.2)**
Total segment income	**438.9**	**31.7**	**470.6**	**450.0**	**35.3**	**485.3**

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

6. Contributed equity

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

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

The number of ordinary securities of the Group is shown in the table below. All ordinary securities are fully paid. During the period the Group continued its on-market security buy-back program purchasing 14.5 million securities for a total of $36.2 million representing an average price of $2.49 per security.

	31-Dec-19 Number (m)	30-Jun-19 Number (m)	31-Dec-19 $m	30-Jun-19 $m
Total stapled securities on issue at the beginning of the period	3,771.8	3,871.6	8,006.9	8,262.4
On-market securities buy-back	(14.5)	(99.8)	(36.2)	(255.5)
Total stapled securities on issue at the end of the period	**3,757.3**	**3,771.8**	**7,970.7**	**8,006.9**

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

For the six months to:	31-Dec-19 Number (m)	31-Dec-18 Number (m)
Weighted average number of securities used as the denominator in calculating basic earnings per security	3,763.6	3,859.3
Adjustment for potential dilution from performance rights granted	6.1	6.8
Weighted average number of securities and potential securities used as the denominator in calculating the diluted earnings per security	**3,769.7**	**3,866.1**

7. Adoption of AASB 16 *Leases*

The new accounting standard AASB 16 *Leases* became effective for the Group on 1 July 2019. AASB 16 replaces AASB 117 *Leases* and other lease related interpretations. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model (with limited exceptions). Lessor accounting under AASB 16 is substantially unchanged, other than in respect of sub-leases for which lease classification is performed by reference to the right of use asset, rather than the underlying asset, so lessors will continue to classify leases as either operating or finance leases (applying similar principles as those within AASB 117).

This note explains the impact of the adoption of AASB 16 on the Group's financial statements upon transition and for the six-month period.

(a) Transition

Transition approach

The Group adopted AASB 16 using the modified retrospective approach with no cumulative adjustment recognised in retained earnings. Right of use assets recognised were equal to the value of lease liabilities recognised adjusted by the amount of any prepaid or accrued lease payments. Lease liabilities were measured at the present value of the remaining lease payments at 1 July 2019, discounted using the lessee's incremental borrowing rate.

In applying the modified retrospective approach, the Group has used the following practical expedients permitted by the standard;

- Relied on its assessment of whether leases were onerous immediately before the date of initial application.
- Leases with a remaining term of twelve months or less from 1 July 2019 have been accounted for as short-term leases and not recognised on the balance sheet.
- Lease contracts for which the underlying asset is of low value have not been recognised on the balance sheet.

7. Adoption of AASB 16 *Leases* (continued)

(a) Transition (continued)

Impact of adoption

The Group has lease arrangements where it is a lessee which were required to be recognised on balance sheet upon adoption of AASB 16. These primarily related to commercial office space (including sub leases of commercial offices where the Group is the intermediate lessor), office equipment and shopping centre offices. There was no significant impact on the net deferred tax balances recognised as a result of adopting AASB 16.

Commercial offices, office equipment, sub leases and shopping centre offices

The Group recognised right of use assets and lease liabilities for these lease arrangements which were previously classified as operating leases. In respect of commercial office leases:

- The Group also has certain sub lease arrangements in place. For these leases, lease classification was reassessed by reference to the right-of-use asset arising from the head lease. Where the sub leases met the definition of a finance lease under AASB 16, the Group derecognised the right of use asset for the head lease and recognised a net investment in the lease based on the present value of lease payments receivable by the Group. The Group also recognised lease liabilities at the head lease level.
- The Group applied the practical expedient to offset onerous contract provisions previously recognised as a liability to commercial office right of use assets (where applicable).

The above items resulted in the following impacts on the Group's financial statements on 1 July 2019:

- Commercial offices:
  - right of use assets of $35.6 million and corresponding lease liabilities of $35.6 million were recognised;
  - existing onerous contract provisions of $4.2 million were offset against commercial office right of use assets, reducing the right of use assets recognised to $31.4 million; and
  - for sub lease arrangements which met the definition of a finance lease, right of use assets of $3.7 million were derecognised and an $3.8 million net investment in the lease was recognised.
- Office equipment, shopping centre offices and other lease arrangements: right of use assets of $9.9 million and corresponding lease liabilities of $9.9 million were recognised.

The weighted average rate applied to these lease arrangements was 4.25%.

The difference between the operating lease commitments disclosed at 30 June 2019 discounted using the weighted average incremental borrowing rate at 1 July 2019 and the balance of the Other lease liabilities recognised at 1 July 2019 post transition (total of $45.5 million as shown in the table at Note 7(c) below) is largely due to adjustments as a result of reassessing lease extension and termination options.

Investment property leaseholds

As disclosed in the footnotes to Note 2(d), a number of the Group's investment properties are held under long term leasehold arrangements. As per market practice, external and internal valuations performed to determine the fair value of these properties at reporting date have deducted the estimated lease payments from the valuation cash flows.

AASB 16 did not change the requirement to recognise assets and liabilities in respect of the Group's leasehold arrangements. Investment property leaseholds meet the definition of investment property and are presented within investment property.

However, as a result of applying AASB 16, the Group has reassessed the lease term for certain investment property leaseholds. This resulted in the Group recognising additional liabilities (and assets) amounting to $37.0 million.

(b) Updated accounting policies

The following revised accounting policies relating to leases have been applied by the Group since adoption of AASB 16 on 1 July 2019.

All leases are accounted for by recognising a right of use asset and a lease liability except for:

- Leases of low value assets; and
- Short term leases.

7. Adoption of AASB 16 *Leases* (continued)

(b) Updated accounting policies (continued)

Lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term (which includes any extension option periods assessed as reasonably certain to be exercised). The discount rate applied is determined by reference to the interest rate implicit in the lease unless (as is typically the case) this is not readily determinable, in which case the lessee's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate, initially measured using the index or rate as at the commencement date. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to exercise that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from modification, a change in an index or rate, when there is a change in the assessment of the term of any lease or a change in the assessment of purchasing the underlying asset.

Right of use assets

Right of use assets are initially measured at the amount of the lease liability recognised, adjusted for any prepaid or accrued lease payments, initial direct costs incurred and an estimate of costs to be incurred by the lessee in restoring the site on which it is located.

Subsequent to initial measurement, right of use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term. Right of use assets are also subject to assessment for impairment.

Right of use assets and lease net investments and lease liabilities are presented separately in the balance sheet. Right of use assets relating to investment properties are included within the investment property balance.

(c) Impact for six months ended 31 December 2019

The table below show the movements in the Group's lease related balances for the period:

	Assets	Lease liabilities	
For the six months to 31 December 2019	**Right of use assets $m**	**Investment property leaseholds $m**	**Other leases $m**
Opening balance - 1 July 2019	41.4[2]	(260.2)[1]	(45.5)[2]
Interest charge on lease liabilities	-	(8.3)	(0.9)
Lease (receipts)/payments[3]	(0.6)	9.2	4.6
Commencement of new lease	-	(11.0)	-
Market rent reassessment	-	(2.7)	-
Depreciation	(2.5)	-	-
Closing balance[4]	**38.3**	**(273.0)[5]**	**(41.8)**

1. Includes amounts recognised upon reassessment of the lease term for certain investment property leasehold arrangements.
2. Includes amounts recognised upon transition for commercial offices, office equipment, sub leases and shopping centre offices.
3. Lease payments (net of sub lease receipts) includes $4.0 million in principal repayments and $9.2 million in interest charges on lease liabilities.
4. Total lease liabilities of $314.8 million represents $28.6 million of current lease liabilities and $286.2 million of non-current lease liabilities.
5. As disclosed in Note 2(d) and Note 7(a), a number of the Group's investment properties are held under long term leasehold arrangements. The lease liabilities in relation to these investment property leaseholds meet the definition of investment property and are presented within investment property in Note 2(a).

Adopting AASB 16 has resulted in no significant impact on statutory net profit and earnings per share for the six-month period. The Group also recognised variable lease payments of $13.3 million during the period.

8. Events occurring after the reporting date

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

Directors' Declaration

In the Director's opinion:

(a) the half year financial statements and notes of Vicinity Centres (the Group) set out on pages 10 to 33 are in accordance with the *Corporations Act 2001* (Cth), including:

i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements; and

ii. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half year ended on that date; and

(b) there are reasonable grounds to believe that the Group will be able to pay their debts as and when they become due and payable.

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

Trevor Gerber
Chairman
19 February 2020

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Independent Auditor's Review Report to the Members of Vicinity Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Vicinity Limited (the "Company"), and the entities it controlled (collectively "Vicinity Centres" or the "Group"), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vicinity Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Building a better
working world

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

Alison Parker
Partner

Michael Collins
Partner

Melbourne
19 February 2020