Essential to our communities

Annual Report 2020

VICINITY CENTRES

Inside

2020 Integrated Annual Report

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

About this report

This annual report is a summary of Vicinity Centres' operations, activities and financial position as at 30 June 2020. In this report references to 'Vicinity', 'Group', 'Company', 'we', 'us' and 'our' refer to Vicinity Centres unless otherwise stated.

References in this report to a 'year' and 'FY20' refer to the financial year ended 30 June 2020 unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

This Annual Report discloses Vicinity's financial and non-financial performance for FY20 and has been prepared using elements of the International Integrated Reporting Council (IIRC) Integrated Reporting <IR> framework. More information, particularly latest company announcements and detailed sustainability reporting, can be found on Vicinity's website.

Vicinity is committed to reducing the environmental footprint associated with the production of the annual report and printed copies are only posted to securityholders who have elected to receive a printed copy.

This report is printed on environmentally responsible paper manufactured under IAO 14001 environmental standards.

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

References additional information within this Annual Report

References additional information available on Vicinity's websites

Disclaimer

This report contains forward-looking statements, including statements, indications and guidance regarding future performance. The forward-looking statements are based on information available to Vicinity Centres as at the date of this report (19 August 2020). These forward-looking statements are not guarantees or predictions of future results or performance expressed or implied by the forward-looking statements and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the control of Vicinity Centres. The actual results of Vicinity Centres may differ materially from those expressed or implied by these forward-looking statements, and you should not place undue reliance on such forward-looking statements. Except as required by law or regulation (including the ASX Listing Rules), we do not undertake to update these forward-looking statements.

Cover image: The Glen, VIC

Spread image: Chadstone, VIC

Our centres play an essential role and we take this responsibility seriously to ensure that our communities can continue to access what they need or want from our centres.

In response to COVID-19, we have had a heightened focus on health and safety as well as the long-term success of Vicinity and our retailers.

Highlights

No.1

Chadstone, VIC has Australia's highest moving annual turnover (MAT) for the 19th consecutive year[1]

400 million

Consumer visits annually

A/A2

Investment grade credit ratings affirmed from S&P Global (Stable outlook) and Moody's (Negative outlook)

Climate A-list

Included in CDP's 2019 Climate A-list

Largest solar program

Australia's largest shopping centre solar platform with 25.2MW installed across the managed portfolio

€500 million

Issued inaugural European medium term notes (MTNs) with €500m (A$812m) of 10-year notes at attractive pricing

Transactions

Acquired 50% interest in Uni Hill Factory Outlets

Divested three non-core assets for $227m

Community support

Contributed $5.6m to community investment, including $730,000 towards national bushfire relief and recovery[2]

1. Big Guns Survey 2020.
2. Includes direct cash donations to impacted communities and organisations supporting bushfire relief and recovery, in-kind contributions such as staff time and mall space, and foregone revenue.

Our Value Chain

Our values

Creating a high-performance culture

We always collaborate	We embrace difference	We imagine a better way

Our resources

We evolve and optimise our resources to deliver on our strategy

- $14b in real estate
- $9b invested from 15 capital partners
- 1,000+ team members
- 400m consumer visits
- 6,800+ retail partners
- Leading data capabilities and systems
- Growing and diverse communities
- Strong governance, brand and relationships

Engaging Our Stakeholders
Page 24

Data and Analytics
Page 30

Our People
Page 34

Our operating environment

We embrace opportunities and manage material risks present in our operating environment

- Prevailing economic conditions
- Access to capital and investment opportunities
- Changing consumer preferences
- Retail market performance and structural changes
- Technological advancements and cyber security
- Environmental and social factors including climate change and COVID-19

Our Management of Risk
Page 20

Our business model

Leveraging 400 million consumer visits to more than 6,800 tenants across our Direct Portfolio to create long-term value for our stakeholders

Our Strategy and Business Prospects
Page 12

Our FY20 outcomes

Delivering on strategy

Curate

- Completed three developments: Hotel Chadstone, The Glen and Roselands
- Lodged major mixed-use development applications (DAs) for Box Hill Central and Bankstown Central and advanced planning on other key projects
- Completed asset enhancement projects at Northland, Victoria Gardens and Altona Gate
- Optimising and enhancing our retail mix

Operate

- Launched inaugural European MTNs with €500m 10-year issuance
- Maintained A and A2 credit ratings
- Included in CDP's 2019 Climate A-list
- Announced Net Zero carbon target by 2030 for wholly-owned retail assets
- Delivering $22 of external value annually per $1 invested in Beacon Foundation programs since 2017

Transact

- Divested three non-core assets
- Acquired 50% interest in Uni Hill Factory Outlets

Capital Management
Page 19

Our Portfolio
Page 26

Our Communities
Page 32

Our People
Page 34

Improving Our Environment
Sustainability.vicinity.com.au

Our COVID-19 response

Consolidating Vicinity's financial position while supporting our stakeholders

Our financial position

- Raised $1.2b of equity
- Deferred all non-essential capital expenditure
- Total corporate and net property cost savings of $40m
- $950m of bank debt negotiations to enhance liquidity

Our people

- Focused on temporary stand-downs not redundancies
- Provided access to a wide range of personal development activities, as well as physical, financial and mental health services
- Facilitated extensive remote working
- Created Financial Hardship Committee
- Accessed JobKeeper subsidy

Our communities

- Provided uninterrupted access to essential goods and services
- Driving high standards of hygiene and safety principles across our centres
- Established 12 COVID-19 testing clinics in centre car parks
- Created heat-mapping program to automatically trigger crowding alerts to centre teams

Our retailers

- ~1,700 short-term lease variations agreed in-principle to waive or defer rent, and negotiations continue on other leases
- Proactively assisted SCCA, which worked with government and industry, to develop the SME Code and COVID-19 Retail Recovery Protocol
- Created COVID-19 Retailer Handbook to assist with safe trading
- Reduced centre hours during government restrictions to assist retailers
- Regular communications on centre traffic, changes to operations and government assistance available

Chairman/CEO Review
Page 04

Our Management of Risk
Page 20

Our Portfolio
Page 26

Chairman's Review

Dear Securityholders,

It is my pleasure to present to you Vicinity Centres (Vicinity's) 2020 Annual Report.

Building on the success of portfolio enhancement in prior years, our operational and financial performance continued to improve in the first half of FY20, and Vicinity entered the second half in good shape. However, early in 2020 we identified some impact on our centres from COVID-19 that was spreading into Australia. COVID-19 has created a major health, economic and social crisis and is impacting many businesses, including Vicinity.

For the 12 months to 30 June 2020, Vicinity reported a statutory net loss after tax of $1,801.0 million compared to a $346.1 million statutory net profit after tax for FY19. This result comprised primarily of funds from operations (FFO)[1] of $520.3 million, down from $689.3 million in FY19, offset by a property valuation loss of $1,717.9 million (FY19: $237.1 million) and an impairment of goodwill of $427.0 million.

On a per security basis, FY20 FFO was 13.7 cents, compared to 18.0 cents for FY19. FFO was impacted in the period by the effects of COVID-19, which included anticipated rental waivers to be provided to tenants, partly offset by cost saving initiatives implemented as part of Vicinity's response to the pandemic.

A range of corporate costs were reduced in the period, including temporarily standing down team members, cancellation of the FY20 Short Term Incentive award for all team members, and a reduction of Directors' fees and Executive Committee salaries by 20% for three months.

Distribution per security was 7.7 cents for FY20, compared to 15.9 cents in the prior year. The Board determined that no distribution would be paid for the six months to 30 June 2020 due to the uncertain impacts of COVID-19.

As a leading Australian shopping centre owner and manager, with 400 million visitors to our 60 centres annually, our primary focus during the pandemic has been the health, safety and wellbeing of our employees, customers, and tenants, and the communities in which we operate.

I am proud of the efforts of our centre teams to mobilise quickly to maintain COVID-safe centres and stay abreast of the latest health advice to limit community transmission. We recognise the critical role our centres have in their communities, and the importance of maintaining safe and clean centres in order that customers may visit us with confidence. Our centres have remained open for customers to access essential goods and services safely, and enabling our retailers to continue to operate their businesses safely.

During this year, we have focused on supporting our retail partners, using the principles of the SME Code[2] to negotiate a combination of waivers and deferrals of rent for affected SME tenants. We have been negotiating in good faith with both our SME and non-SME retailers who have been impacted by COVID-19 to 'share the burden' and support them through these difficult times, while balancing the need to secure future cash flows for Vicinity.

Vicinity was an active participant in the shopping centre industry response, with a priority focus on the safety of the community and measures to ensure the long-term success of the retail industry.

We are grateful to have had access to the Federal Government's JobKeeper wages subsidy programme, which has provided our business with a buffer to meet the unfolding challenges of 2020 relating to COVID-19. We also established Vicinity's Financial Hardship Committee to help team members and their families through this challenging period.

1. For a reconciliation of FFO to statutory net profit, refer to Note 1(b) to the Financial Statements. FFO is a non-IFRS measure.
2. Federal Government's SME Commercial Code of Conduct and Leasing Principles During COVID-19. SME = Small to medium sized enterprise.

Roselands, NSW

Vicinity continues to be recognised as one of the most sustainable retail REITs globally. In January 2020, Vicinity was included in CDP's 2019 Climate A-List, which recognises leading action on climate change. Vicinity was one of a small number of companies globally, and one of only four listed companies in Australia, to achieve this ranking.

During the year, we continued to improve environmental efficiency across the portfolio, achieving a 12% reduction in energy intensity, and a 17% reduction in carbon intensity compared to our prior year performance[3]. Solar panel installations were completed across eight projects during the year, and we continue to meet our interim objectives towards our Net Zero 2030 carbon target[4].

During the year, we completed a comprehensive review of our procurement processes to understand how environmental, social and governance (ESG) considerations could be more deeply embedded. Based on this, we have a clear action plan aiming to reduce ESG risk in our supply chain, with a focus on modern slavery. We also continue to support social enterprises and Indigenous businesses, via procurement agreements and the provision of training, skills and employment opportunities to disadvantaged members in our communities.

During August and September 2019, Vicinity held its second national jobs fair programme at 19 centres across our portfolio. These programmes have provided valuable job readiness training, interviewing and presentation skills to young people seeking roles in the retail sector.

I would like to offer my heartfelt condolences to the family of Wai Tang, a Vicinity Director since the merger, who passed away during the year. Wai was a well-respected member of the Board and significantly contributed to the Board's deliberations.

Lastly, I want to thank Peter Hay, who retired as Chairman of Vicinity in November 2019, for his enormous contribution to Vicinity. Peter has been instrumental in Vicinity's success and chaired the company since the merger in 2015.

I am pleased to be working with such an exceptional Board and management team, and we are determined to succeed in an evolving retail environment in creating long-term value and sustainable returns for our securityholders.

The 2020 Annual General Meeting will be held on 12 November 2020.

Trevor Gerber
Chairman

In January 2020, Vicinity was included in CDP's 2019 Climate A-List, which recognises leading action on climate change. Vicinity was one of a small number of companies globally, and one of only four listed companies in Australia, to achieve this ranking.

3. Across comparable portfolio. Energy and carbon intensity reductions were 4% and 8% respectively for non COVID-19 impacted performance period (12 months to 29 February 2020), surpassing FY20 targeted 3% reduction for both energy and carbon intensity.
4. For our wholly-owned retail assets. Consistent with global carbon measurement standards, this applies to common mall areas.

CEO and Managing Director's Review

Dear Securityholders,

I am pleased to present the results and highlights for FY20.

FY20 has been an extraordinary year, marked by two remarkably different halves.

In the first half, Vicinity achieved solid financial and operating performance and continued to strengthen the quality of the portfolio. The majority of the second half was significantly impacted by the effects of COVID-19 on our business and industry.

We continued nonetheless to enhance our portfolio throughout the year, divesting three non-core assets at a 0.4% discount to their combined book values; adding to our leading DFO portfolio with the acquisition of a 50% interest in Uni Hill Factory Outlets; completing development projects at The Glen and Roselands; and opening Vicinity's first hotel at Chadstone.

While retailers in our centres performed well over the first half of FY20, the COVID-19 pandemic significantly impacted both the second half and full-year sales results. Government mandated and voluntary temporary closures of stores resulted in the store open rate falling to a low of 42% in early April 2020, during the initial peak of the pandemic, and this has affected the comparability of some sales reporting figures. Total moving annual turnover (MAT) growth[1] was -7.0% (FY19: +2.7%) and specialty and mini majors MAT growth was -10.3% (FY19: +3.1%).

Specialty store productivity was $9,770 (FY19: $11,083) and portfolio occupancy was 98.6% (June 2019: 99.5%).

Our national portfolio is recovering from COVID-19 to varying degrees. Customer visitation excluding Victoria and NSW, at the time of writing, is approaching pre-pandemic levels. This provides us with confidence in the eventual normalisation of visitation across all states. However, our near-term portfolio performance will be impacted significantly by the constraints on international and domestic travel, and the Stage 3 and 4 restrictions currently in place in Victoria.

During the year, we made solid progress on two major mixed-use developments. First, we announced the master plan for a 5.5 hectare site in Box Hill in Victoria; three Development Applications (DAs) were lodged, including plans for a new town centre, 25-level office tower and 48-level residential tower. Second, at Bankstown Central in NSW, together with our co-owner Challenger, we released the master plan for an 11 hectare site in Bankstown's CBD. Five DAs were lodged, including plans for two office buildings, a café and restaurant precinct, and 320 car spaces. Both the Box Hill and Bankstown master plans will be developed on a demand-led basis.

$2.1b liquidity

Well capitalised to respond to COVID-19 and the evolving retail landscape

25.5% gearing

Gearing at 30 June 2020 is at the lower end of our 25% to 35% target range

50% interest

Acquired of Uni Hill Factory Outlets adding to our leading DFO portfolio

1. Sales growth is reported on a comparable basis, which excludes divestments and development-impacted centres in accordance with Shopping Centre Council of Australia (SCCA) guidelines.

The Glen, VIC

The final stage of the major redevelopment at The Glen was completed in October 2019, and the construction of three luxury residential towers on site by Golden Age Group is now close to completion. Settlement with residential purchasers is on track for December 2020, with the influx of new residents expected to be a meaningful contributor to future retail sales growth for the centre. Learnings from the integration of residential and retail uses will be used to enhance other mixed-use opportunities across our portfolio.

Due to the uncertainty arising from the COVID-19 pandemic, we have reviewed and reprioritised our development pipeline, and will follow this revised plan until economic conditions stabilise. This has resulted in the deferral of some projects, including the major redevelopment of Chatswood Chase Sydney.

Vicinity's 60 directly-owned retail properties were all independently valued as at 30 June 2020, for the six-month period. This resulted in a net valuation decline of $1.8 billion[2] or 11.4%. This principally reflects the impact of COVID-19, including increased allowances for vacancy, downtime and leasing capital, and lower market rental growth. The Flagship portfolio, which includes Chadstone, Premium CBD assets and DFOs, recorded a lower 9.1% net valuation decline, with the Core portfolio recording a valuation decrease of 13.7%.

Despite the valuation decline across the portfolio, Vicinity's balance sheet remains strong, due to a range of key measures which have been implemented. These include the $1.2 billion equity raising[3] in early June 2020, $950 million of new and extended bank facilities, and the deferral or reduction in operating and capital expenditure. Gearing at 30 June 2020 is 25.5%, at the lower end of our 25% to 35% target range, we have total liquidity of $2.1 billion, and well-diversified funding sources. We have retained our strong investment-grade credit ratings of A/stable (Standard & Poor's) and A2/negative (Moody's). Collectively, these initiatives mean we are well placed to respond in FY21 as economic conditions evolve.

We are not in a position to provide earnings and distribution guidance for FY21 as it would not be reliable given the current uncertain circumstances. We will continue monitoring trading conditions and will provide further updates to the market as appropriate.

Our highest priority during these challenging times, is the health, safety and wellbeing of everyone who works in or visits our centres, our broader team and our communities.

Our highest priority through these challenging times, is the health, safety and wellbeing of everyone who works in or visits our centres, our broader team and our communities.

2. 30 June 2020 valuations and valuation movements reflect independent valuations as announced to ASX on 24 July 2020, less $24.5 million of additional allowances made for Victorian assets as a result of the increase in COVID-19 cases observed in Victoria in late June 2020. Refer to Note 4(c) to the Financial Statements for further information. Vicinity ownership interest. Net valuation movements, which exclude statutory accounting adjustments.
3. Comprised of a $1.2 billion institutional placement (Placement) and a securities purchase plan (SPP) which raised an additional $32.6 million.

CEO and Managing Director's Review continued

I would like to thank the entire Vicinity team for their exceptional effort this year. It has not been easy. We regret the full or partial stand down of many Vicinity team members during this challenging time, and look forward to the resumption of regular working arrangements.

Nick Schiffer joined us as Chief Financial Officer in September 2019. As a former investment banker, Nick's skills have been invaluable including for our successful equity raising in June 2020.

We also welcome Tanya Southey who commenced as Chief People and Culture Officer in October 2019. With her extensive experience in human resources, transformation and executive coaching we are pleased to have attracted someone of Tanya's calibre to Vicinity.

We are confident our centres will continue to be focal points within their respective communities. Our team is working hard to ensure Vicinity is well positioned to provide long-term sustainable growth for our securityholders.

I would like to take this opportunity to thank Peter Hay, who retired as Vicinity's Chairman in November 2019, for his counsel and outstanding contribution to Vicinity since its formation in 2015.

I would also like to thank our Chairman, Trevor Gerber, for his invaluable contribution to Vicinity. I look forward to working with Vicinity's Board and team in successfully navigating the current uncertain times. I remain confident in the long-term outlook for Vicinity and our continued ability to adapt to an ever-changing retail environment.

Grant Kelley
CEO and Managing Director

Chadstone, VIC

We are confident our centres will continue to be focal points within their respective communities. Our team is working hard to ensure Vicinity is well positioned to provide long-term sustainable growth for our securityholders.

Northland, VIC

Our Operating and Financial Review

We are pleased to present our operating and financial review for the 2020 financial year (FY20). It sets out Vicinity's strategy, achievements, objectives and outlook. It also outlines the key risks and opportunities for our business model in the context of Vicinity's value chain.

About Vicinity

Vicinity's real estate portfolio spans Australia, being primarily concentrated in the metropolitan areas of the major state capital cities of Sydney, Melbourne, Brisbane, Perth and Adelaide. At 30 June 2020, we had 64 retail assets under management, with a combined value of $23.6 billion, which generated $15.9 billion in annual sales from 7,300 tenants across 2.6 million sqm of gross lettable area (GLA). Vicinity has an ownership interest in 60 of these assets, taking the value of its Direct Portfolio to $14.1 billion. The operating and financial review principally focuses on the performance of the Direct Portfolio, which generates the majority of Vicinity's total income.

Impact of COVID-19

COVID-19 has had, and continues to have, a significant and broad-reaching impact on communities and businesses globally.

Measures implemented by government authorities to combat COVID-19 have impacted Vicinity's operating and financial performance during FY20 and are expected to continue to impact Vicinity's operating and financial performance. These government measures including 'stay at home' directives and mandatory closure of some retail stores led to a reduction of foot traffic across Vicinity's portfolio during FY20, prompting significant voluntary retail store closures and adversely impacting Vicinity's income and portfolio valuations for that period.

In addition, there are macro-economic factors related to the COVID-19 recovery which are beyond the control of Vicinity that may affect its financial performance: unemployment, underemployment and lack of wages growth, low consumer confidence and retail spend, domestic and international travel restrictions and policy changes to immigration intake. Subsequent outbreaks that are not contained by localised management might further impact Vicinity's business operations.

As restrictions have lifted and the level of new COVID-19 infections has declined across most states, there has been a progressive uplift in customer visitation in Vicinity's centres, but this still remains below pre-COVID-19 levels. The potential for further spikes in infections and subsequent government measures in response to those infections, as evidenced in Victoria in July and August 2020, remain a key factor that could influence Vicinity's operating performance throughout FY21 and beyond.

Vicinity continues to negotiate short-term waivers and deferrals of rent payable by eligible SME tenants in accordance with the principles set out in the Federal Government's *Commercial Code of Conduct and Leasing Principles During COVID-19* (the 'SME Code'), as legislated by each of the jurisdictions within which Vicinity operates, and to negotiate with affected non-SME tenants based on their individual circumstances. Where rental relief is being negotiated, lease extensions are also sought where appropriate. Vicinity expects rental receipts to improve as stores re-open and foot traffic increases and lease negotiations are concluded; however, the timing of the stabilisation of rental income remains uncertain and continues to be influenced by the level of COVID-19 infections and government response at state and federal level. Again, the conclusion of these short-term lease variations and rental receipts will be impacted by circumstances such as those observed in Victoria in July and August 2020.

COVID-19 has also seen a deterioration in the financial position of many retailers and while there are positive signs of recovery across many states, the potential remains for increased rental arrears, retailer restructures, administrations, vacancies and changes in leased areas of stores.

Vicinity has undertaken a number of measures to reduce its operating costs and to strengthen its balance sheet to navigate the uncertain and evolving retail landscape. These measures include reduction or deferral of variable or non-critical capital and operating expenditure, stand-down of employees, cancellation of the FY20 Short Term Incentive awards for all team members, extension of bank facilities and the raising of additional equity capital.

The safety, health and wellbeing of our team members, customers, retailers and the broader community remains Vicinity's highest priority and operational measures have been implemented throughout COVID-19 to try and minimise the impact of the virus, in line with government directives.

Financial Review
Page 15

Our Management of Risk
Page 20

Our Portfolio
Page 26

Our Data and Analytics
Page 30

Our People
Page 34

Queen Victoria Building, NSW

Strategy and business prospects

Vicinity's strategy remains focused on delivering long-term sustainable growth from a portfolio of market-leading destinations, realising retail-led mixed-use development opportunities and leveraging third-party capital.

Vicinity's business is directly influenced by its external environment and FY20 was a year of two distinct halves. Vicinity delivered solid results in the first half through continued execution of strategy, while the second half has been materially impacted by the COVID-19 pandemic. Our focus in the second half has been to address the immediate and likely impacts of COVID-19 on our business, our retailers and our communities.

While the full future impact of COVID-19 remains uncertain, Vicinity is well positioned with a clear strategy and flexibility over the method and timing of its delivery. In June 2020, Vicinity took decisive action to raise $1.2 billion in equity in order to:

- strengthen Vicinity's balance sheet, and
- provide the flexibility to respond to the uncertainty caused by COVID-19 and the evolving retail landscape.

Our strategy is underpinned by a Direct Portfolio of high-quality destination assets which deliver 400 million consumer visits annually to our more than 6,800 tenants. Our destinations play an essential role in their communities, providing a wide range of non-discretionary and discretionary retail, dining, leisure, entertainment and services to deliver engaging experiences for our consumers.

Our deep experience in asset management and data analytics enables us to operate efficiently and to curate our assets to create an attractive offering for our consumers.

We own key assets located in prime CBD and metropolitan areas, with many close to major transport links and on significant land parcels. A number of these assets have significant opportunities to add alternate property uses on site. In line with metropolitan planning strategies, developing mixed-use destinations will help to create communities of the future where the many facets of life including work, shopping, education, health and social time, are likely to be undertaken closer to home. In addition to realising direct value for securityholders, mixed-use additions may also enhance the performance of the existing retail offer on site.

Leveraging third-party capital enables us to efficiently execute our strategy and to use our leading asset and funds management capabilities to generate fees while delivering on the mandates of our like-minded partners.

Our sustainability objectives are integrated into everything we do. They guide how we invest in our communities and help build a low-carbon and climate-resilient portfolio. Through this approach we aim to create sustainable destinations and shape better communities.

Our Value Chain
Page 02

Our Business and Strategy
sustainability.vicinity.com.au

FY20 achievements and FY21 focus

	FY20 achievements	FY21 focus
Real estate	• Divested three non-core assets for $227 million at a 0.4% discount to book value • Acquired 50% interest in Uni Hill Factory Outlets for $68 million • Completed major redevelopment at The Glen, Hotel Chadstone and fresh food market hall at Roselands • Lodged major mixed-use DAs for Box Hill Central and Bankstown Central • Introduced Australian-first Fortress Esports at Emporium Melbourne • Completed strategic remixing and ambience upgrades at Victoria Gardens, Altona Gate and Colonnades • Enacted crisis management protocols and actively responded to evolving health authority advice on public space management during COVID-19 • Reached in-principle agreement for approximately 1,700 COVID-19 related short-term lease variations • Announced Net Zero carbon target by 2030[a] • Completed NABERS Energy and Water ratings for entire rateable portfolio • Reduced portfolio carbon intensity by 17% from previous year[b],[c] • Achieved portfolio waste recycling rate of 49% (surpassing target of 47%)	• Complete remaining short-term lease amendments for impacted tenants and stabilise rental income • Remain responsive to changing environment through COVID-19 • Complete expansion at Ellenbrook Central including new Kmart store • Complete luxury remix at QueensPlaza • Progress planning on retail and mixed-use development projects to prepare for commencement when appropriate • Achieve FY21 environmental efficiency targets, including a 3% reduction in energy/carbon intensity and 51% recycling rate
Capital	• Inaugural Euro issuance of €500 million (A$812 million) of 10-year medium term notes at attractive pricing • Negotiated $2.7 billion of new and extended bank debt facilities • Deferred all non-essential capital expenditure • Raised $1.2 billion in equity to strengthen balance sheet and respond to COVID-19 and the evolving retail landscape • Investment-grade credit ratings of 'A' from S&P and 'A2' from Moody's affirmed with stable and negative outlooks respectively • Included in CDP's 2019 Climate A-list, recognising leading action on climate change	• Optimise the cost of debt, while appropriately managing debt diversity and market risk • Given limited near-term expiries, managing the expiry profile post FY22

	FY20 achievements	FY21 focus
People	• Commenced delivery of high-performance culture framework and initiatives • Provided a 'people first' approach to COVID-19, which included safety, wellbeing and increased communications, engagement and support, and which resulted in a company confidence score of 82% (June 2020) • Overall employee engagement score of 64% • Adopted an early and agile approach to working options during COVID-19, including remote working and the use of scaled back staffing arrangements at our centres • Regularly surveyed our people during our response to COVID-19 • Reduced immediate impact of COVID-19 on our workforce through access to JobKeeper subsidy	• Continued focus on delivery of high-performance culture • Efficiency and alignment between functions through enhanced ways of working • Delivery of a future workplace strategy • Increased focus on talent and capability • Focus on diversity, inclusion and belonging in particular with COVID-19 impacting working arrangements
Data and systems	• Retailer recommendation tool[d] developed and rolled out across portfolio for all new leasing deals • Daily reporting and analysis of traffic and store opening data informing decision-making during COVID-19 • Created industry-first automated heat-mapping program to trigger low, medium and high traffic alerts for centre teams to be able to adhere to social distancing in real-time • Delivery of an Analytics and Insights platform for our retail partners • With more people working from home, increased communications and phishing testing to strengthen Vicinity's cyber security during COVID-19	• Ongoing development of the retailer recommendation tool including capture of value for adjacent applications across Vicinity • Deeper analysis of our consumer database to develop bespoke shopper categories to better tailor our engagement with them • Capturing and analysing building management system data to drive further efficiencies in centre operations • Create automated and machine learning tools to replace manual or inefficient processes
Community	• Invested $5.6 million in our communities, including $730,000 contributed to support bushfire relief and recovery • Progressed commitments to indigenous community under our Innovate Reconciliation Action Plan (RAP) • $4.0 million spent with social enterprises over a three-year period to June 2020[e], surpassing our cumulative target of $3.9 million • Kept portfolio effectively fully open to maintain access to essential goods and services for our communities • Established 12 COVID-19 testing clinics in centre car parks	• Maintain heightened health and safety protocols across our portfolio • Review our corporate partnerships through which to deliver our community investment program focus on disengaged and unemployed youth • Implement FY21 Innovate RAP initiatives
Governance, brand and relationships	• Established and commenced implementation of Responsible Procurement Action Plan with a focus on modern slavery • Increased frequency of meetings of Board and crisis management, communications and finance teams throughout COVID-19 • Proactively assisted SCCA, which worked with government and industry, to develop the SME Code and COVID-19 Retail Recovery Protocol • Created COVID-19 Retailer Handbook to support retailers in reactivating their businesses post closures and to trade safely and in line with government directives	• Maintaining strong relationships with our retailers and our communities • Continue to implement the Responsible Procurement Action Plan • Continue to support our retailers through COVID-19 and the recovery phase

(a) For our wholly-owned retail assets. Consistent with global carbon measurement standards, this applies to common mall areas.
(b) Per sqm on a comparable portfolio basis (excluding acquisitions, divestments and development-impacted centres).
(c) Carbon intensity reduction was 8% for non COVID-19 impacted performance period (12 months to 29 February 2020) surpassing target of 3%.
(d) Refer to Our Data and Analytics on page 30 for more information.
(e) The spend reported for FY18 and FY19 has been adjusted to include outstanding invoices paid to suppliers for work completed during those periods.

Our Operating and Financial Review continued

Our performance

Key performance metrics

	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	Page
Financials						
Statutory net profit/(loss) after tax ($m)[(a)]	**(1,801.0)**	346.1	1,218.7	1,583.6	960.9	16
Funds from operations per security (cents)[(a),(c)]	**13.7**	18.0	18.2	18.0	19.1	16
Distribution per security (cents)[(a)]	**7.7**	15.9	16.3	17.3	17.7	16
Comparable net property income growth (%)[(a),(d)]	**n.r.**[(p)]	1.5	1.0	2.5	3.5	
Total return (%)[(a)]	**(18.9)**	3.7	11.1	15.5	12.8	60
Total securityholder return (%)[(a)]	**(39.9)**	0.6	7.0	(17.7)	20.4	60
Portfolio						
Number of retail assets[(b)]	**60**	62	74	74	81	26
Occupancy rate (%)[(b)]	**98.6**	99.5	99.7	99.5	99.4	26
Total moving annual turnover MAT[(a)] ($b)	**15.0**	16.5	16.9	16.2	16.7	26
Specialty MAT/sqm[(b),(e)] ($)	**9,770**	11,083	10,133	9,429	8,865	26
Occupancy cost (%)[(b)]	**n.r.**[(p)]	15.0	14.7	14.6	14.6	
Weighted average capitalisation rate (%)[(b)]	**5.47**	5.30	5.36	5.61	5.95	91
Net promoter score	**31**[(q)]	33	39	n.r.	n.r.	
Balance sheet						
Total assets ($b)[(b)]	**15.2**	17.0	17.5	16.7	15.8	18
Net tangible assets per security ($)[(b),(f)]	**2.29**	2.92	2.97	2.82	2.59	18
Net asset value per security ($)[(b)]	**2.33**	3.07	3.13	2.97	2.74	18
Debt						
Gearing (%)[(b),(g)]	**25.5**	27.1	26.4	24.7	25.9	18
Weighted average cost of debt (%)[(a),(h)]	**3.6**	4.5	4.3	4.2	4.0	
Debt duration (years)[(b),(i)]	**5.2**	4.1	4.4	5.3	5.3	19
Proportion of debt hedged (%)[(b)]	**89**	89	86	90	91	
People						
Employee engagement score (%)[(b),(j)]	**64**	68	73	71	66	
Women in leadership (%)[(b),(k)]	**45**	37	35	36	31	
Sustainability						
Community investment ($m)[(a),(l)]	**5.6**	3.1	4.3	3.7	1.7	
Green Star – Performance portfolio rating (Stars)[(b),(m)]	**4**	4	3	3	2	
NABERS Energy rating (Stars)[(n)]	**3.9**	3.5	3.6	3.7	3.4	
NABERS Water rating (Stars)[(n)]	**3.4**	3.1	3.1	3.2	2.9	
Energy intensity (MJ)[(a),(o)]	**270**	298	300	305	323	33
Carbon intensity (kg CO2-e)[(a),(o)]	**58.5**	67.9	69.1	70.9	77.0	33
Waste diversion rate (%)[(a)]	**49**	45	43	36	35	33

Note: Data reported for prior years in the table is as disclosed in prior annual reporting, unless otherwise noted.
Sustainability Reporting Criteria available here: sustainability.vicinity.com.au/section-menus/learn-more/

(a) For the 12 months to 30 June.
(b) As at 30 June.
(c) Refer to the Financial year in review section on page 15 for the definition of FFO which is a non-IFRS measure.
(d) Excludes acquisitions, divestments and development-impacted centres and is calculated on a like-for-like basis versus the prior corresponding period.
(e) Comparable. Excludes divestments and development-impacted centres in accordance with SCCA guidelines.
(f) Calculated as Balance Sheet net assets less intangible assets, divided by the number of stapled securities on issue at period end. Includes all right of use assets and net investments in leases.
(g) Calculated as drawn debt at Note 8(a) of the Financial report, net of cash and cash equivalents, divided by total tangible assets excluding cash and cash equivalents, right of use assets, net investments in leases, investment property leaseholds and derivative financial assets.
(h) Average for prior 12 months and inclusive of margins, drawn line fees and establishment fees.
(i) Based on facility limits.
(j) The FY20 employee engagement score was sourced as part of an unattributed COVID-19 pulse survey open for four business days during which time 67% of the employee population was either partially or fully stood down.
(k) FY20 includes female 'other executives/general managers', 'senior managers' and 'other managers' as aligned to Workplace Gender Equality Agency (WGEA) categories, whereas prior periods do not include the 'other managers' category. Including the 'other managers' WGEA category in FY19 would take 'Women in leadership' for that period to 43%.
(l) The total community investment spend has been calculated using the London Benchmark Group (LBG) framework and includes foregone revenue and fund-raising activities.
(m) Managed portfolio.
(n) Based on Vicinity's ownership interest as at 31 December 2019. Includes 86% of rateable area for energy and 85% of rateable area for water. FY20 ratings covering 100% of our rateable portfolio will be reported via sustainability.vicinity.com.au when available.
(o) Calculated on a per sqm basis and reported for the full 12 months to 30 June. Reduced operating hours due to COVID-19 during March to June 2020 has impacted performance. Energy intensity was 290 MJ/sqm and carbon intensity was 63.5 kg CO2-e for non COVID-19 impacted performance period (12 months to 29 February 2020).
(p) Not reported. Deemed not comparable for reporting due to COVID-19 impact.
(q) Surveyed in October 2019.

The Galeries, NSW

In response to the impacts of COVID-19 and to assist with managing the uncertainty of its future impacts, Vicinity undertook a range of initiatives to enhance liquidity and reduce operating costs.

Financial year in review

Funds from operations (FFO) and adjusted funds from operations (AFFO) are two key measures Vicinity uses to measures its operating performance. FFO and AFFO are widely accepted measures of real estate operating performance. Statutory net profit is adjusted for fair value movements and certain unrealised and non-cash items to calculate FFO. FFO is further adjusted for maintenance capital expenditure and static tenant leasing costs incurred during the period to calculate AFFO. FFO and AFFO are determined with reference to the guidelines published by the Property Council of Australia (PCA) and are non-IFRS measures.

Impact of and response to COVID-19

COVID-19 has had a significant impact on Vicinity's financial position and performance during FY20.

As COVID-19 case numbers began to increase across Australia, centre visitation reduced across our portfolio and the Federal Government introduced a number of public health initiatives in March and April 2020. These included 'stay at home' directives, mandatory business closures (including some tenants within Vicinity's portfolio) and social distancing and travel limitations. These measures also caused a large number of tenants to voluntarily cease trading from March 2020, and the number of stores across the portfolio continuing to trade reached a low of 42% in early April 2020.

As COVID-19 appeared to be contained, in April 2020, restrictions started to ease, closed retailers started to re-open and centre visitation improved. Continued restrictions on domestic and international travel, and workers delaying return to CBD offices, resulted in a prolonged recovery profile for assets more reliant on these consumer segments, principally Chadstone, the DFOs and our Premium CBD assets. Other Vicinity assets had retail activity return to, or close to, pre-COVID levels towards the end of the financial year. A resurgence in COVID-19 cases in Victoria from late June 2020 will have a material impact on the performance of Vicinity's Victorian assets into FY21.

In response to the impacts of COVID-19 and to assist with managing the uncertainty of its future impacts, Vicinity undertook a range of initiatives to enhance liquidity and reduce operating costs. These included:

- raising equity, comprising a $1.2 billion Placement and $32.6 million SPP (finalised July 2020)
- negotiated $950 million of new and extended bank debt facilities during the early stages of COVID-19 to increase short-term liquidity
- deferred all non-critical capital expenditure including development projects
- reduced hours for 70% of team members from 21 April to 30 June 2020
- reduced Directors' fees and Executive Committee salaries by 20%, effective 1 April to 30 June 2020
- cancelled the FY20 Short Term Incentive award, and
- reduced or deferred variable and non-critical operating expenses.

In addition to the public health initiatives, as part of its economic response, the Federal Government introduced the SME Code. The SME Code contains principles for landlords and certain SME tenants affected by COVID-19 to negotiate rental waivers and deferrals. Vicinity has also been negotiating short-term lease variations with impacted non-SME retailers in good faith with a focus on the long-term success of Vicinity and its retailers.

Financial performance

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

	1H FY20 $m	2H FY20 $m	FY20 $m	FY19 $m
Net property income	**438.9**	**244.8**	**687.3**	887.6
Property and funds management income	**31.7**	**23.0**	**54.7**	63.0
Total segment income	**470.6**	**267.8**	**738.4**	950.6
Corporate overheads	**(34.6)**	**(7.6)**	**(42.2)**	(68.3)
Net interest expense	**(99.0)**	**(79.6)**	**(175.9)**	(193.0)
Funds from operations (FFO)	**337.0**	**183.3**	**520.3**	689.3
Adjusted for:				
Property revaluation decrement	**(52.8)**	**(1,665.1)**	**(1,717.9)**	(237.1)
Impairment and amortisation of intangible assets	**-**	**(427.0)**	**(427.0)**	(3.7)
Other items	**(41.4)**	**(135.0)**	**(176.4)**	(102.4)
Net (loss)/profit after tax	**242.8**	**(2,043.8)**	**(1,801.0)**	346.1
Weighted average number of securities (m)			**3,807.8**	3,829.5
FFO per security (cents)	**8.95**	**4.71**	**13.66**	18.00
AFFO per security (cents)	**8.10**	**2.86**	**10.96**	15.82
Distribution per security (cents)	**7.70**	**-**	**7.70**	15.90
Distribution $m	**289.3**	**-**	**289.3**	604.5
FFO payout ratio (Distribution $m / FFO $m) (%)	**85.9**	**-**	**55.6**	87.7
AFFO payout ratio (Distribution $m / AFFO $m) (%)	**94.9**	**-**	**69.3**	99.8

Financial performance during FY20 was characterised by solid performance in the first half of the year, and a second half that was materially impacted by the COVID-19 pandemic, as discussed above.

Over the six months to 31 December 2019, FFO per security was 8.95 cents. On a comparable[2] basis this represented an increase of 1.5%. This was underpinned by comparable net property income growth of 2.5%[3] and the on-market securities buy-back. These items were partly offset by the impact of pre-development centres[4], where upcoming projects prevented optimal leasing outcomes, reduced fee income from development and wholesale funds management and lower surrender payments received from tenants.

In the second half of the year, FFO per security was reduced to 4.71 cents (as compared to 8.94 cents in the second half of FY19). This reflected reduced NPI as the impacts of COVID-19 on Vicinity's tenants and the introduction of the SME Code saw a significant reduction in expected rent collections. Reduced centre visitation also impacted ancillary income streams, particularly car parking and digital media. To mitigate the reduced revenues, Vicinity implemented a number of cost-saving measures encompassing:

- NPI operating costs – Savings to centre operations which also partially benefitted tenants through reductions in centre outgoing costs.
- Corporate overheads – Including the cancellation of the STI program, the temporary stand-downs of employees and Board and Executive pay reductions.
- Net interest expense – Realised through the reset of interest rate swaps to market interest rates.

The statutory net loss after tax of $1,801.0 million (30 June 2019: net profit of $346.1 million) incorporated FFO of $520.3 million, offset by significant property revaluation decrements on directly owned ($1,717.9 million) and equity accounted investment properties and an impairment to the goodwill balance of $427.0 million, which were in part driven by the forecast impacts of COVID-19 on future operating performance.

Segment Information
Page 83

1. Refer to Note 1(b) to the Half Year Financial Statements and Note 1(b) to the full year financial statements for a full reconciliation of net profit after tax to FFO.
2. Adjusting for the impact of divestments.
3. Excludes divestments and development impacted centres and is calculated on a like-for-like basis versus the prior corresponding period.
4. Pre-development centres comprise Bankstown Central, Chatswood Chase Sydney, The Myer Centre Brisbane and Galleria.

QueensPlaza, QLD

Our Operating and Financial Review continued

Financial position

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

As at	30-Jun-20 $m	30-Jun-19 $m
Cash	**227.4**	34.9
Investment properties	**13,801.4**	15,351.8
Equity accounted investments	**527.6**	670.1
Intangible assets	**164.2**	591.2
Other assets	**518.8**	345.6
Total assets	**15,239.4**	16,993.6
Borrowings	**3,929.8**	4,436.1
Other liabilities	**750.0**	968.4
Total liabilities	**4,679.8**	5,404.5
Net assets	**10,559.6**	11,589.1
Net tangible assets per security (NTA)[a] ($)	**2.29**	2.92
Net asset value per security (NAV) ($)	**2.33**	3.07
Gearing[b] (%)	**25.5**	27.1

(a) Calculated as Balance Sheet net assets less intangible assets, divided by the number of stapled securities on issue at period end. Includes all right of use assets and net investments in leases.

(b) Calculated as drawn debt at Note 8(a) of the Financial report, net of cash and cash equivalents, divided by total tangible assets excluding cash and cash equivalents, right of use assets, net investments in leases, investment property leaseholds and derivative financial assets.

Uni Hill Factory Outlets, VIC

Key items which have impacted the balance sheet during FY20 include:

- **Investment properties and equity accounted investments down $1.7 billion or 10.6%** – Primarily due to June 2020 valuation decrement which was partly driven by the forecast impacts of COVID-19 and the divestment of three non-core assets for $227 million at a 0.4% discount to book value. This was partly offset by the acquisition of a 50% interest in Uni Hill Factory Outlets for $68 million and capital expenditure during the year. Refer to Note 4(c) of the Financial Report for further information on asset valuations.
- **Borrowings down $506.3 million** – Proceeds from the Placement and non-core asset divestments were partially offset by development and other capital expenditure, the reset of interest rate swaps and securities purchased through the on-market buy-back program.
- **Intangible assets down $427.0 million** – Impairment of goodwill principally driven by the forecast impacts of COVID-19 on the property portfolio and internal property management business, as well as an increase in the Group pre-tax discount rate.
- **Gearing down 1.6% to 25.5%** – At the low end of target range of 25% to 35%, benefiting from the $1.2 billion Placement in June 2020, which has reinforced Vicinity's strong balance sheet.

Balance Sheet
Page 77

The Strand, NSW

Capital management

Vicinity takes a proactive approach to debt capital management, with a focus on maintaining its investment-grade credit ratings. During the first half, we continued to diversify the debt profile by launching Vicinity's inaugural European MTN program with €500 million (A$812 million) of 10-year notes issued at attractive pricing. We also extended the duration of $1.7 billion of bank debt facilities.

The onset of COVID-19 had a material impact on earnings and consequently valuations. In March 2020, Vicinity implemented a range of measures to enhance liquidity, including the execution of $950 million of new or extended bank debt facilities. As the potential for a significant decline in investment property valuations at June 2020 became evident, Vicinity executed an equity raising comprising a $1.2 billion Placement in June 2020, followed by an SPP which raised $32.6 million in July 2020. Gearing at 30 June 2020 was reduced to 25.5%, at the lower end of our target range of 25% to 35%.

Moody's and Standard and Poor's affirmed Vicinity's A2 and A credit ratings, but revised their outlook from stable to negative in March and April 2020 respectively. Following the Placement, Standard and Poor's revised its outlook for Vicinity back to stable.

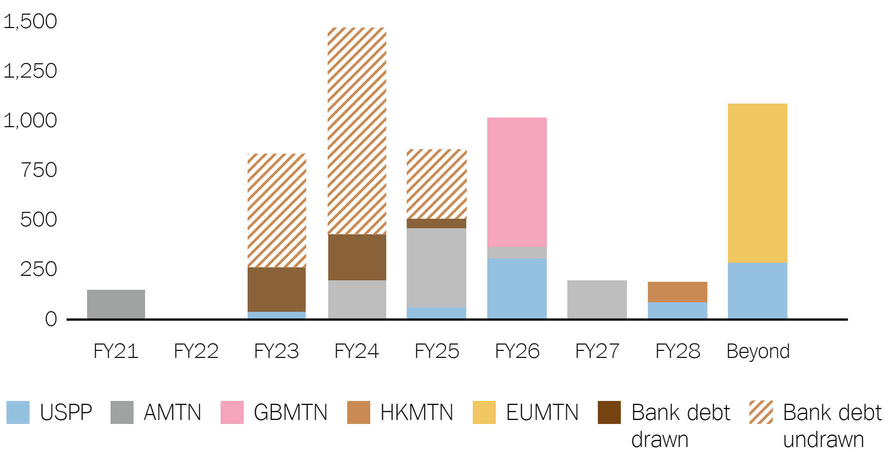
FY21 outlook

Retail trading conditions in FY21 are expected to be negatively impacted by:

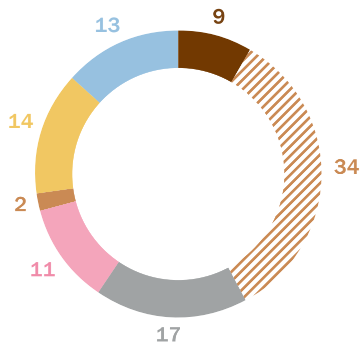
- restricted domestic and international tourism
- workers delaying return to CBD offices
- a second wave of COVID-19 cases in Victoria
- the potential for significant outbreaks of COVID-19 in other areas of Australia, and
- subdued economic conditions and consumer confidence while the extent and duration of the COVID-19 pandemic remains unknown.

Vicinity cannot presently provide earnings and distribution guidance for FY21 as it would not be reliable in the current uncertain circumstances. We will continue to monitor trading conditions, and will provide further updates as appropriate.

Debt maturity profile ($m)



Sources of debt (%)



Our management of risk

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

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

The table below outlines the key risks and opportunities that may affect Vicinity's ability to create value over the short, medium and long term; their potential impacts and how Vicinity is managing them. As noted previously in the Operating and Financial Review, COVID-19 has had a significant impact on Vicinity's operating performance. Vicinity's risk profile will continue to evolve as the longer-term impacts of COVID-19 on the global and domestic economy, and structural changes in the industry, become clearer.

Our resources	Risks and opportunities	Potential impact on value creation	How Vicinity manages the risks and opportunities	More information
Real estate	• Economic conditions and rapidly evolving markets	Vicinity's financial performance depends heavily on rental income generated from its property assets, which is closely linked to customer foot traffic and expenditure in its centres. Adverse economic conditions, a subdued retail market, evolving customer preferences, growth in online sales and disruptive innovations may restrict growth opportunities and impact Vicinity's ability to compete appropriately without significant changes to its strategy and/or business model. These have the potential to influence retailer viability, vacancy rates, rent structures, rental growth, profitability and asset values. Measures implemented by government, regulatory and health authorities to combat COVID-19 have impacted and will continue to impact the operating and financial performance and prospects of Vicinity. Requirements for temporary closure of some businesses, combined with restrictions on non-essential activities, gatherings and travel have reduced patronage at shopping centres. This has resulted in lower retail activity and sales, particularly in centres weighted towards discretionary spend or in CBD locations. It has also resulted in a change in consumer behaviour, shopping preferences and growth in online retailing and has also reduced Vicinity's ancillary income opportunities over the short term with reduced demand for casual mall leasing, retail media, car parking and other services. The pandemic has also seen a deterioration in the financial position of many retailers and their ability to pay rent. This may result in increases to rental arrears, retailer administrations and vacancies, which can result in lower rents and impacts on lease negotiations. Vicinity may choose, or in the case of SMEs be required, to provide temporary waivers and/or deferrals of rent to tenants suffering financial stress or hardship. The ability for Vicinity to manage retailer performance has been adversely affected by moratorium legislation and is compounded by market uncertainty, which makes it considerably harder to fill vacancies.	• Vicinity has a clear strategy to deliver long-term growth through its focus on market-leading destinations, realising retail-led mixed-use opportunities and expanding its funds management platform. • Vicinity focuses on creating compelling consumer experiences, improving amenities and seeks to provide a diversity of retailers in centres actively tailored to consumer demand in the catchment. These initiatives, along with the exploration and incubation of new retail concepts, aim to drive greater consumer visitation, which should translate into higher sales and rental growth over the longer term. • Vicinity takes a 'Retailer First' approach, supporting retailers with tools and information, and enabling their channel strategies. • Vicinity pro-actively monitors retailer financial health and its major debtors, and actively manages risks/replacement. With the impact of COVID-19, Vicinity has increased its focus on the monitoring and management of retailer debt, as well as exploring opportunities for utilisation of retail space for non-retail use. • Vicinity actively explores and pursues ancillary income opportunities including casual mall leasing, retail media, electricity services and car parking. A number of these opportunities have been adversely impacted by COVID-19 but remain part of Vicinity's strategy and focus over the longer term. • Vicinity has implemented a number of additional measures to manage COVID-19 impacts, which include: – Negotiating in good faith with eligible SME tenants in accordance with the SME Code and as legislated by the various states, and with affected non-SME tenants depending on their individual circumstances. – Cancelling the FY20 STI program, reducing or deferring non-critical capital and operating expenditure, reducing hours for team members and temporarily reducing Directors' fees and Executive Committee salaries for the final quarter of FY20 to reduce operating costs and preserve liquidity. – Negotiating $950 million of new and extensions to bank facilities, and raising $1.2 billion of equity to strengthen its balance sheet in response to the uncertainty caused by COVID-19 and the evolving retail landscape.	Our Strategy and Business Prospects Page 12 Our Portfolio Page 26 Our Data and Analytics Page 30

Our resources	Risks and opportunities	Potential impact on value creation	How Vicinity manages the risks and opportunities	More information
Real estate continued	• Achievement of target portfolio composition	There is the potential that acquisition, divestment and development opportunities may be limited and/or not deliver the intended financial results. In particular, while the global economy is impacted by COVID-19, transaction markets are likely to remain dislocated and challenging development fundamentals will mean that some projects may be delayed or not proceed.	• Vicinity continues to focus on identifying acquisition opportunities, which included the acquisition of Uni Hill Factory Outlets in FY20. • Vicinity has clear investment criteria for evaluating assets and regularly assessing asset quality and prospective performance using both qualitative and quantitative factors. This information is used to inform capital allocation and investment decisions. • Vicinity seeks to optimise its portfolio by divesting assets which are not expected to meet its investment objectives, or offer future value accretive opportunities. Divestment proceeds are a source of funds for reinvestment into developments or value accretive acquisitions. • Development opportunities are assessed and prioritised against set criteria which must meet minimum risk-adjusted financial return hurdles. Vicinity provides strong governance and oversight of capital allocation decisions through its Investment Committee and Board approval processes. • Vicinity has deferred non-essential capital expenditure post COVID-19, but continues to advance development applications, particularly for retail-led mixed-use developments.	**Our Portfolio** Page 26
	• Climate change	Having a robust approach to managing physical and transition risks related to climate change is important for Vicinity, to ensure it operates a resilient portfolio which can withstand acute weather events and chronic climate impacts, realise opportunities related to transitioning to a low carbon economy, and meet investor and community expectations around climate risk management and mitigation.	• Vicinity's Sustainability Strategy addresses both the physical and transition risks related to climate change through creating low carbon, smart assets and increasing the climate resilience of its centres. • Vicinity's Net Zero carbon emissions by 2030 target for common areas in its wholly-owned retail assets, to be delivered through a combination of industry-leading solar and energy efficiency program(s), sets out a longer-term strategy and roadmap for minimising the Company's contribution to climate change. • At an asset level, climate adaptation plans and energy efficiency programs continue to be implemented across the entire managed portfolio, through management, design and development, and upgrades of centres. • Vicinity's approach to climate change management and disclosure is aligned with the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD).	**Our Portfolio** Page 26 **Our Communities** Page 32 **Climate Resilience** sustainability.vicinity.com.au

Our resources	Risks and opportunities	Potential impact on value creation	How Vicinity manages the risks and opportunities	More information
People	• Health and safety • Security and intelligence	Vicinity's operations expose team members, contractors, retailers and customers to the risk of injury or illness. Management of COVID-19 requires increased vigilance around health and sanitation measures. COVID-19 cases linked to Vicinity's operations, a lack of visibility around safety measures, a failure to adhere to social distancing requirements or a perceived threat to the safety and wellbeing of centre stakeholders could also erode confidence, impact Vicinity's reputation, and/or drive lower customer traffic and sales. An act of high impact civil disturbance, terror, active armed offender or other hostile aggressor activity would also have significant consequences.	• Vicinity has a comprehensive and mature Health and Safety Management System (H&SMS) that is supported by high levels of awareness, an audit program and a strong safety culture. • Vicinity has implemented a number of additional measures across its centres to minimise the spread of COVID-19 including: – promoting social distancing and the wearing of masks (where mandated) through prominent signage, regular public announcements and supplier and retailer communications. This included releasing a COVID-19 Retailer Handbook to assist retailers in managing COVID-19 risks, and to trade safely and in line with government directives – enhanced cleaning regimes, and hygiene awareness for customers, retailers and team members, and – actively monitoring the number of customers in centres utilising traffic counters and digital heat-mapping technology to identify busy zones and manage these areas before they reach customer density thresholds. • Vicinity has implemented the Australian Government's Crowded Places Strategy recommendations, including developing Counter Terror Plans for all assets and focusing on education, awareness and routine exercises. • An asset hardening program based on external reviews has been implemented for higher risk assets. • Vicinity's community investment program focuses on addressing youth disengagement and unemployment in the communities in which it operates and helps to alleviate youth-related safety and security concerns at its centres.	**Our Portfolio** Page 26 **Our Communities** Page 32 **Our People** Page 34
	• People	Vicinity's succession challenges and ability to attract and retain top talent (including as a result of COVID-19) may limit its ability to achieve operational targets. Loss of talent also impacts Vicinity's ability to execute within target timeframes.	• Vicinity's People Strategy focuses on supporting the change required across the organisation to deliver its strategic goals. • Vicinity encourages an inclusive workplace where diversity is valued and leveraged. • A range of learning and development programs are in place to build talent and capability across the organisation. • Throughout the pandemic, Vicinity has maintained an open and transparent communication process with team members and increased the frequency and channels of communication. A range of initiatives have also been implemented that have been informed by regular employee COVID-19 Pulse surveys, and designed to provide additional support to team members during the pandemic. These include additional wellbeing programs, learning and development opportunities and if required, financial support. Vicinity has consciously balanced business needs, critical roles and key person risks while managing costs, business impacts and impacts on customers.	**Our Portfolio** Page 26 **Our Communities** Page 32 **Creating a Great Place to Work** sustainability.vicinity.com.au

Our resources	Risks and opportunities	Potential impact on value creation	How Vicinity manages the risks and opportunities	More information
People continued	• Conduct and culture	A failure to promote a healthy culture, including where employees feel able to speak up, could adversely impact business performance and reputation. Vicinity's culture will be influenced by broader COVID-19 impacts, which include prolonged working from home arrangements and general employee wellbeing, which includes mental health and financial wellbeing.	• Vicinity's Code of Conduct (the Code) sets clear behavioural standards and ethical expectations. • Employees are assessed against the values and behavioural standards outlined in the Code as part of the annual performance review process. • Vicinity has had a continued focus on culture in FY20 and is actively working towards the delivery of its desired culture state. • A cross-functional team has been formed to define Vicinity's workplace strategy post COVID-19, which includes a focus on culture. The work includes the definition of high-performance, how feedback will be improved and enhanced, how cross-functional goals will be assessed and aligned, and what the culture to support high-performance will include.	**About us/ corporate governance** vicinity.com.au **2020 Corporate Governance Statement** vicinity.com.au
Capital	• Funding and investment opportunities	Access to funding or capital at the appropriate price and in the required timeframes or deployed into investment opportunities for an acceptable risk/return trade-off is crucial to Vicinity's ability to create value over time. COVID-19 has led to the deterioration of the income derived from and value of Vicinity's portfolio. This puts pressure on Vicinity's credit ratings and compliance with financial covenants. A significant downgrade in Vicinity's credit ratings could adversely affect its cost of funds and access to capital markets. An event of default would occur if Vicinity fails to comply with its financial covenants.	• Vicinity adopts a prudent capital management philosophy. Key attributes of this philosophy are the maintenance of a strong balance sheet with moderate gearing, preservation of an investment grade credit rating, targeted weighted average debt maturity, and diversification of financing sources and expiries. • Vicinity has a Capital Management and Investment Committee that oversees balance sheet management and investment decisions. • Vicinity negotiated $950 million of new and extensions to bank facilities and raised $1.2 billion of equity to strengthen its balance sheet in response to the uncertainty caused by COVID-19 and the evolving retail landscape. • Vicinity has strong relationships with financiers and actively monitors compliance with its financial covenants. Vicinity has long-standing relationships with its main banking panel, who have been supportive of it during the COVID-19 impacted period, as illustrated by the provision of the new and extended bank facilities.	**Capital Management** Page 19
Data and systems	• Information security • Adoption of data analytics and technological advancements	The inability to adequately protect Vicinity's systems from cyber-attack, theft or other malicious or accidental act (from internal or external sources) could damage its brand, operations and cause a loss of customer trust. This threat is heightened in the COVID-19 environment, particularly with prolonged and large-scale remote working arrangements. The inability to adapt and adopt technological advancements and adequately utilise data analytics and 'big data' to achieve market intelligence may significantly affect Vicinity's ability to unlock its strategic and operational potential or impact Vicinity's competitiveness. This includes the effective management of legacy technologies as they become unsupported, decommissioned and/or replaced.	• Vicinity has information security and data governance frameworks in place that include training and awareness, shopping centre security, network protection, vulnerability management including patch management of hardware and software and penetration testing, third party/ supply chain management, anti-virus/anti-malware, incident response, access controls, secure development life cycle, data loss prevention and remote working security. • Vicinity's technology and data strategy enables Vicinity to capture information in a consistent way empowering Vicinity to realise greater operational and strategic benefits across the portfolio and reduce risk. Vicinity continues to develop its data capability and technical architecture across the broader business to gain a more sophisticated and deeper understanding of its consumers, retailers and business. • Vicinity's investment in technological infrastructure and data analytics has enabled it to rapidly respond to COVID-19, e.g. large scale working from home arrangements, digital heat-mapping technology to support social distancing requirements, monitoring of foot traffic and sales data.	**Our Data and Analytics** Page 30

Engaging with our stakeholders

Strong relationships with our stakeholders are paramount to operating our business successfully and delivering our strategy.

We engage with our stakeholders proactively and on an ongoing basis to understand their wants and needs, gain better insights into material business risks, and also identify opportunities to create shared value for both Vicinity and our stakeholders.

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

Stakeholder materiality

Stakeholder	Our objectives	Material interests of stakeholders	Our response
Consumers and communities	Create unique and relevant shopping centre experiences and shape better communities	• Providing convenient and engaging shopping experiences • Ensuring safety, particularly during COVID-19 • Monitoring and responding to consumer satisfaction • Appropriate tenant mix to service consumers wants and needs • Community hubs, events and consumer experience • Accessibility and social cohesion • Cyber security, data privacy and use • Supporting local communities through targeted community investment • Responsible supply chain including addressing modern slavery • Environmental sustainability initiatives including recycling, energy use and solar	**Our Portfolio** Page 26 **Development** Page 28 **Our Data and Analytics** Page 30 **Our Communities** Page 32
Retailers	Deliver compelling destinations and value that support the success of retail operations	• Monitoring and responding to retailer satisfaction • Increasing consumer visitation and dwell time by creating engaging centre experiences • Community hubs and consumer experience • Strong engagement with centre management • Marketing and other services to help retailers succeed • Support through COVID-19 • Waste management and recycling • Responsible supply chain including addressing modern slavery • Cyber security and data privacy • Retail trading conditions and trading hours • Data and performance insights • Development and centre ambience	**Our Portfolio** Page 26 **Development** Page 28 **Our Data and Analytics** Page 30
Securityholders	Create long-term value and sustainable growth	• Maintaining a strong financial position • Executing on strategy and creating value • Focus on health, safety and wellbeing of all stakeholders through COVID-19 • Strengthening portfolio composition • Creation of community hubs and experiences that respond to changing consumer trends and retail conditions • Relative attractiveness to retailers of trading online in comparison to, or in conjunction with, a physical store • Disciplined delivery of our development pipeline • Regular and transparent disclosure • Managing material non-financial risks and opportunities such as climate change, modern slavery, data privacy and cyber security • Corporate governance • Tenant engagement and retention	**Financial Performance** Page 16 **Capital Management** Page 19 **Our Management of Risk** Page 20 **Our Portfolio** Page 26 **Our Data and Analytics** Page 30 **2020 Corporate Governance Statement** vicinity.com.au

Stakeholder	Our objectives	Material interests of stakeholders	Our response
Strategic partners	Ensure stable and growing returns	• Deliver stable and growing returns • Focus on health, safety and wellbeing of all stakeholders through COVID-19 • Responding to changing consumer trends and retail conditions • Alignment in strategy and objectives and transparency in reporting • Delivering on investment objectives • Tenant engagement and retention • Retail trading conditions • New business and innovation • Managing material non-financial risks and opportunities such as climate change, modern slavery, data privacy and cyber security	Our Portfolio Page 26 Development Page 28 Our Data and Analytics Page 30
Our people	Support a highly engaged team that embraces our values, and delivers on our strategy	• Having an innovative and collaborative culture • Improving employee engagement • Learning and development opportunities • Flexibility to balance professional and personal needs to ensure health and wellbeing • Create diverse and inclusive culture that promotes equal opportunities and meaningful experiences • Workforce impact of Vicinity's business response to COVID-19	Our People Page 34
Suppliers	Create long-term relationships, and make a positive impact on our communities	• Building collaborative and mutually beneficial partnerships • Fair and ethical business practices • Promote responsible sourcing and supply chain, including modern slavery • Embracing innovation • Social cohesion and integration • Appropriately managing the supply chain impact of Vicinity's business response to COVID-19	Our Communities Page 32 Our Suppliers vicinity.com.au

Emporium Melbourne, VIC

Our portfolio

During the first half of the year, Vicinity continued to enhance portfolio quality with the divestment of three non-core assets, the acquisition of a 50% interest in Uni Hill Factory Outlets, completing a number of asset enhancement projects and continuing to focus on creating the best tenant mix in line with consumer preferences. Specialty store MAT/sqm in the period increased 2.9% to $11,403 and specialty store and mini major MAT growth improved from 3.1% to 3.7%.

In the second half of the year, COVID-19 impacted Vicinity's portfolio in a number of ways. As infection rates rose in Australia, the Federal Government mandated the closure of cinemas, gyms and some health and beauty-related stores. Reduced centre visitation led to an increase in voluntary store closures with our Flagship assets, particularly the premium CBD assets, most impacted.

As COVID-19 appeared to be contained, restrictions started to ease in April 2020 on a state by state basis. Voluntarily closed retailers started to re-open and, outside of Victoria and New South Wales, new COVID-19 infections moved towards zero and retail conditions started to improve in non-CBD locations.

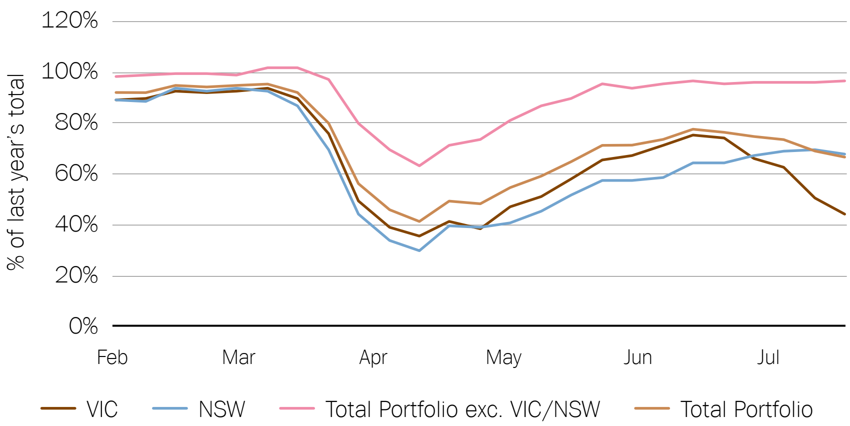
From July 2020, a significant second wave of COVID-19 cases materialised in the Melbourne metropolitan area, which resulted in Stage 3 restrictions being reinstated. Then in early August 2020, as case numbers continued to rise, this extended to Stage 4 restrictions being introduced. Stage 4 restrictions allowed essential retailers to remain open including supermarkets, fresh food (butchers, bakeries and other groceries), post offices, newsagents, banks, pharmacies and medical services, as well as cafes and restaurants for delivery and take-away only. All other stores were only permitted to operate contactless click and collect or delivery services. A curfew was also put in place across Melbourne from 8pm to 5am resulting in changed trading hours for supermarkets, pharmacies and medical centres. It is likely to take some time for key segments of the economy to return to full capacity like domestic and international tourism, and city office workers are likely to continue some form of remote working. As a result, Vicinity's assets in Melbourne and in premium CBD locations are expected to experience a prolonged recovery period.

The disruption caused by COVID-19, particularly with the temporary closure of many retailers, has impacted on the comparability of a number of portfolio metrics at 30 June 2020.

Key portfolio statistics	Jun-20	Dec-19	Jun-19
Number of centres in Direct Portfolio	**60**	59	62
Occupancy (%)	**98.6**	99.5	99.5
Specialty MAT[a]/sqm ($)	**9,770**	11,403	11,083
Total MAT[a] growth (%)	**(7.0)**	3.2	2.7
Specialty and mini majors MAT[a] growth (%)	**(10.3)**	3.7	3.1

(a) Excludes divestments and development-impacted centres in accordance with SCCA guidelines. Store closures during the period due to COVID-19 have impacted the comparability of sales reporting for Jun-20.

2020 customer visitation by state[b]
Weekly traffic as % of prior year



(b) Excludes centres deemed non-comparable – The Glen, QueensPlaza, The Myer Centre Brisbane, DFO Perth, DFO Brisbane and Roselands.

Centre operations during COVID-19

Vicinity's response to COVID-19 has been aligned to the advice of Safework Australia, the Australian Department of Health and the World Health Organisation who have all published recommendations for places of mass gathering like shopping centres. The advice given is predominantly focused on social distancing, hygiene and sanitisation.

In the initial phases of the COVID-19 pandemic, centre operations teams were quick to respond and adapt to COVID-19 across Vicinity's portfolio. Increased cleaning of customer touchpoints and provision of hand sanitising stations, as well as measures such as the removal of food court furniture and social distancing signage, meant that we were on the front foot with our operational responses as the situation evolved throughout March and April. Since then, Vicinity has maintained a heightened focus on hygiene and social distancing practices across the portfolio as restrictions have started to ease on a state by state basis across Australia. Measures implemented were also informed by customer feedback, including feedback gathered through a customer survey.

In early July 2020, Stage 3 restrictions were reinstated across Melbourne and included the mandatory wearing of face masks. Vicinity has assisted its team members to meet this requirement by providing face masks for their use, and has reinforced the masking requirement for retailers and visitors through updated health signage, regular public address announcements, and monitoring by Vicinity team members and security personnel. With Stage 4 restrictions mandated in early August 2020, the operations of our Melbourne shopping centres were adjusted to enable our consumers to safely access essential retailers or for other retailers to operate take-away, delivery or contactless click and collect services.

Queen Victoria Building, NSW

Retail Recovery Protocol

Vicinity was actively involved through the SCCA, which together with Australia's key retail industry groups developed the COVID-19 Retail Recovery Protocol (the Protocol). The Protocol provides a consistent, practical and public-health led guide for shopping centres and retailers on how to operate and trade safely in a post COVID-19 environment. Vicinity has aligned its operational response to implement measures equal to or at a higher standard than those outlined in the Protocol.

COVID-19 Retailer Handbook

In May 2020, Vicinity released the COVID-19 Retailer Handbook (the Handbook) containing important information to support retailers to get their business reactivated post COVID-19 closures and to ensure that their return to trade is done safely and in line with government directives and advice, and industry best practice. We continue to monitor government and regulator advice, as well as experience within our centres and the Handbook is revised and reissued as appropriate.

Looking to the future

With activity levels within our centres continuing to pick up towards pre-COVID levels, there will be ongoing challenges and opportunities for Vicinity. While the future is uncertain, we will continue to work with retailers and follow government directives to provide a safe environment for our team members, our retailers and the broader community.

Development

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

With many of our centres surrounded by significant parcels of land, in major metropolitan locations with great transport links, our portfolio has significant opportunities to create value from mixed-use development. Adding mixed-uses like residential, office, health, education, serviced apartments and hotels to our sites will create value for our securityholders and create communities of the future. These alternative property uses will likely enhance the performance of the existing retail offer on site, and importantly, will be demand-led – that is they will be delivered as the demand from the market evolves.

In March 2020, we announced the deferral of all non-essential capital expenditure due to the uncertainty around COVID-19. We remain cautious around future development expenditure, and have reviewed our internal criteria required to commence a development project. Accordingly, we have decided to defer and review the planned major redevelopment of Chatswood Chase Sydney.

We continue to progress the planning of major retail and mixed-use developments, so that we can commence these projects at the appropriate time.

Completed projects

The Glen, VIC

Construction of the $430 million[1] major redevelopment of The Glen completed in October 2019. The project transformed the centre to include the newest format David Jones, an outdoor dining precinct, international fashion retailers including Uniqlo and H&M, a vibrant fresh food precinct anchored by Coles and a new Woolworths and Aldi and an indoor casual dining precinct that overlooks the Dandenong Ranges.

Hotel Chadstone, VIC

Construction is well progressed on three luxury residential towers atop of the retail centre by Golden Age. The addition of more than 500 new residences on site will increase sales productivity and drive income for the centre when construction is completed in 2021. Learnings from integration of residential with the operations of the shopping centre will be used to progress other mixed-use opportunities across our portfolio.

Hotel Chadstone, VIC

Hotel Chadstone opened in November 2019. The $130 million[1] hotel is located adjacent to Chadstone's retail centre and has 250 rooms, conference facilities, a ballroom, two restaurants, spa facilities and a rooftop bar and lounge. The hotel is operated as MGallery by Sofitel and caters to business travellers to the busy Monash region and visitors to Chadstone.

Once certified by the Green Building Council of Australia, Hotel Chadstone will be the first 5 star Australian hotel to receive a 5 Star Green Star Design & As Built rating.

Occupancy at the hotel has been materially impacted by COVID-19. However, we believe it is a great addition to Australia's leading retail, dining and entertainment destination, and in the longer term will benefit from the centre and region's strong local, interstate and international visitation.

Roselands, NSW

At Roselands, NSW, a transformation of the lower ground floor created 'The Markets', a fresh food precinct anchored by Coles and new Woolworths and Aldi stores, and included 20 new specialty retailers. The project opened in September 2019 and provided a strong foundation for future development of the centre.

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

Projects under construction

Ellenbrook Central, WA

The $59 million development at Ellenbrook Central is nearing completion with a new 6,600 sqm Kmart, which opened in July 2020. The project also includes three mini majors and 16 specialty retailers, the opening of which has been prolonged by COVID-19. The majority of new stores are scheduled to open in the December quarter 2020.

The redevelopment has been certified 5 Star Green Star – Design & As Built (Design Review) rating, which represents Australian Excellence in sustainable design.

Future retail and mixed-use projects

Box Hill Central, VIC

In May 2020, Vicinity announced its 10-year vision for the 5.5 hectare site it owns in the heart of Box Hill in Victoria which could realise up to 260,000 sqm of additions to the site. As one of Melbourne's busiest rail and bus transport hubs with nearby health and education facilities, the site is prime for mixed-use development. The first stage of development applications have been submitted for creation of a town square, a 25-level 42,000 sqm office tower and 48-level residential tower featuring 366 apartments, 10,000 sqm of office space and ground level retail.

Box Hill Central, VIC – Artist's impression

Celebrating Aboriginal history and culture at Ellenbrook redevelopment

Ellenbrook Central's expansion saw a number of initiatives supporting and celebrating the centre's local Aboriginal history and culture, helping to deliver our Innovate Reconciliation Action Plan.

A Welcome to Country and a smoking ceremony were held by local Senior Whadjuk Marmun (man), Vaughn McGuire in September 2019, as part of our sod turn event. During the ceremony, Indigenous artefacts were buried, including Darp (knives), Goorch (axes), Gidgee (spear heads) and Warangka Boorn (singing sticks) wrapped up in Koomoor/Bwoka (possum fur).

During the opening of our first stage in July 2020, a plaque was unveiled commemorating the location of the buried artefacts, signifying our acknowledgement of how the land was once used by the traditional owners and to merge the past, present and future.

During NAIDOC Week 2020 the centre will unveil new centre entry names, after the six Aboriginal seasons, coupled with artwork by local Indigenous artist Marcia McGuire.

The expansion of Ellenbrook Central also saw more than 500 new solar generating car park shades installed and new complimentary electric vehicle charging stations connected to the centre's expansive rooftop solar system. Vicinity's Indigenous supply partner Wilco Electrical was engaged to undertake electrical work for the solar car park shades. Operational cleaning supplies for the centre are sourced from Wirrpanda Supplies. A proportion of the profits of this Indigenous-owned business are donated to the Wirrpanda Foundation, which supports young people to complete training and transition to employment.

Bankstown Central, NSW

Joint owners Vicinity and Challenger released plans for our 11 hectare Bankstown Central site in the middle of Bankstown CBD in July 2020. The plan takes advantage of the major bus interchange, future T3 metro station and Western Sydney University's new campus all within 100 metres of the centre. The plan for the site sees up to 330,000 sqm of space across 16 development sites to be developed over the next 30 years, the staging of which to be aligned with market demand. The first two development applications include: two office towers, a new café and restaurant precinct, relocating the bus interchange, a large landscaped public open space and basement parking for 320 cars.

Our Data and Analytics

Over the past four years Vicinity has developed a Data Science team, set up infrastructure to acquire and store a variety of data sources and has used advanced data analytics to drive better decision-making and improve business outcomes.

Competitive advantage through data analytics

Vicinity's multi-year investment in data science has created a significant internal pool of data (data lake). Executives and team members often require access to multivariate data sets in order to properly understand our operating environment and maximise commercial decision-making outcomes. A vast array of internal and external market data is now centralised in the data lake and provides a competitive advantage for Vicinity. We are able to combine the extensive skill of our team, with a huge amount of data, to generate meaningful and actionable insights from a single source of truth. Data is applied consistently across all aspects of our business on a daily basis, forming a key part of our digital and data roadmap and allows Vicinity to realise efficiency benefits in collating relevant information quickly.

Throughout the year, Vicinity trialled the use of a Retailer Recommendation Tool (the Tool) – a bespoke in-house developed tool that uses advanced statistical models to provide insights into which retailer is likely to perform well in a given store location (and centre). The Tool considers the audience of the centre, the past performance of the retailer, and the retailer's projected future performance in relation to its reliance on foot traffic past its specific location. The Tool's positive reception by the trial group has resulted in the application being broadened to the entire Vicinity Leasing team to assist them throughout the COVID-19 period.

Supporting our retailers via data analytics insights

Our retailers have told us they want access to data that helps them improve their performance, in response Vicinity has created a Retailer Insights Platform. This digital platform provides access to store analytics and centre insights retailers can use to determine their optimal store network and improve sales performance and profitability. The platform has been created based on input and feedback from a trial group of retailers and utilises the building blocks of data that Vicinity has developed to generate and support its own insights.

Data analytics and Vicinity's COVID-19 response

Vicinity has an agile data and analytics environment enabling us to early identify the impact of COVID-19 on centre foot traffic. In response to the evolving impact on our business, having an internal data capability enabled value to be created through quickly and accurately applying insight to enhance decision-making processes across the business.

Store trading status

As stages of government restrictions were introduced, including the mandated closing of some stores, centre traffic declined and reporting of voluntary store closures on a daily basis was required. An application to do this was delivered within a week, providing the current trading status of each retailer on a daily basis and automated reporting that informed operational decisions such as trading hours and daily cost management.

Consumer research

Vicinity regularly surveys its shoppers in order to gain feedback on how it is delivering on the retail experience in our centres. In order to help ensure that COVID-19 safety measures implemented by Vicinity were in line with what our consumers needed in order to feel safe, Vicinity surveyed approximately 2,000 shoppers. The research enabled Vicinity to confirm that safety measures being implemented included the key concerns of our consumers.

Our retailers have told us they want access to data that helps them improve their performance, in response Vicinity has created a Retailer Insights Platform.

Compliance with social distancing

In line with government instruction, social distancing was introduced to reduce the spread of COVID-19. Vicinity created an industry-first program that utilises real-time data on consumer movements from its WiFi systems to assist with compliance with the recommended measures. With our real-time insights into foot traffic and consumer behaviour, Vicinity was able to monitor social distancing in centre and automatically trigger low, medium and high range alerts to centre teams who are able to respond in real-time.

The benefit of data analytics in an uncertain world

Given a more volatile and dynamic retail trading environment, Vicinity is now in a strong position to leverage the intellectual property and data infrastructure we have built over the past four years to help drive commercial value. Market-leading advanced analytics, machine learning and automation capabilities will combine to help Vicinity optimise business performance over the short, medium and long term.

The Myer Centre Brisbane, QLD

Broadmeadows Central, VIC

Our Communities

Our centres hold a unique position as local hubs in communities across Australia. Our strategy is to leverage this position to make a positive impact in our communities.

Social Return on Investment

During FY20, we completed the third year of our national community partnership with Beacon Foundation, through which we deliver our community investment program focused on unemployed and disengaged youth.

This year, for the first time, we had an external assessment undertaken to evaluate the Social Return on Investment (SROI) of our partnership with Beacon Foundation. The SROI measured the external value created as a result of Vicinity's funding of Beacon Foundation's programs over the previous three years, including enhanced education outcomes, improved employment chances and better life outcomes for the participating youth.

The analysis found that for every $1 Vicinity has invested in Beacon's programs since January 2017, there has been a positive ongoing economic benefit to the community of more than $22 each year, an exceptional outcome for the young people participating and for society more broadly.

The partnership has also benefited Vicinity team member engagement and productivity levels, and there is increased local community awareness of the broader benefits of the Vicinity/Beacon partnership.

The SROI has assisted us to better understand and quantify our social impact through our Beacon partnership and identify opportunities to further improve our positive impact on unemployed and disengaged youth in the future.

Galleria, WA

Supporting communities during the bushfires

During the Australian bushfire emergency in summer 2019/2020, Vicinity organised and implemented a wide range of initiatives to lend our support to bushfire-affected communities across Australia.

Our contributions to the bushfire relief stand at more than $730,000 in value and main activities include:

- immediate direct cash donation of $250,000, split between the Salvation Army and the Foundation for Rural and Regional Renewal, with the aim of supporting the immediate response and the longer-term rebuilding of impacted communities
- collection of more than $13,000 in donations via a national fundraiser on behalf of the Salvation Army and state-based fire authorities in Victoria, New South Wales and South Australia, through our customer service desks
- matched more than $48,000 donations made by Vicinity employees
- supporting the retailer-led bushfire fundraising campaign 'All In' via a donation of $18,000 to the Salvation Army, which is equivalent to one day's rent of participating retailers with tenancies in our centres, and
- undertook a *Thank You* campaign to enable members of the community to express their appreciation towards fire fighters and first responders.

Northland, VIC – Jobs Fair


Northland, VIC – Jobs Fair

National jobs fair program

After the initial success of a jobs fair held at the Northland Shopping Centre in 2016, a national jobs fair program was established and piloted across 14 centres in 2018 to support local employment and assist our retailers to more easily onboard staff to support retail peaks associated with the Christmas period. This initiative recognises that the retail sector is a key entry point for people into the workforce, and our centres are uniquely positioned to connect local job seekers with our retailers.

During August and September 2019, Vicinity held its second national jobs fair program at 19 centres across our portfolio, attracting thousands of jobs seekers. A number of jobs fairs were coupled with job readiness workshops, delivered in partnership with local community groups, which provided valuable job readiness training, interviewing and presentation skills to young people transitioning into the workforce and seeking roles in the retail sector.

Due to COVID-19, we have suspended the jobs fairs for the immediate future, particularly in Victoria, but look forward to reinstating them as soon as we are able as they bring significant and broad benefits to our retailers and our communities.

Environmental efficiency

We are tracking well towards our Net Zero 2030 carbon target, having reduced our energy intensity by 20%[2] since June 2016 and continue to progress our on-site solar program across our wholly-owned retail assets, demonstrating we are well placed to achieve the total reduction required to achieve our Net Zero pathway.

Across our managed portfolio, we continued to make improvements in environmental efficiency, achieving a 12% reduction in energy intensity and 17% reduction in carbon intensity from the previous year[3], and achieving a 49% recycling rate.

Our industry-leading solar program continues. We have installed 25.2MW of solar across our managed portfolio at the end of FY20, completing installations at Castle Plaza, Elizabeth City Centre, Altona Gate, Victoria Gardens, DFO Homebush, Ellenbrook Central and Livingston Marketplace during the year.

This year we have also completed NABERS Energy and Water ratings across our entire rateable portfolio. These ratings allow us to continually benchmark and improve the sustainability performance of our assets.

Vicinity included in CDP's Climate A-List

In January 2020, Vicinity Centres was included in CDP's prestigious Climate A-List, which recognises leading action on climate change. Vicinity was one of a small number of companies globally, and one of only four in Australia, to achieve this top ranking. The result reflects Vicinity's significant efforts to increase the climate resilience of our portfolio and transition to a low carbon economy.

Vicinity has established a target of Net Zero carbon emissions by 2030[1], which will be achieved through our industry-leading on-site solar program and implementing innovative technologies that improve energy efficiency across the portfolio. Vicinity has in place a robust Climate Resilience Program, which focuses on increasing the resilience of our centres to extreme weather events, and which was recognised with an Australian Business Award for Sustainability in 2019.

Sustainable procurement

During the year, we completed a comprehensive review of our procurement processes to understand how environmental, social and governance (ESG) considerations could be more deeply embedded into our processes. Based on this review, we have developed a Responsible Procurement Action Plan, identifying a prioritised set of initiatives to ensure we are appropriately managing ESG risk in our supply chain, including considering modern slavery as a priority.

Vicinity is a founding member of a consortium of Australian property companies, which together with the Property Council of Australia, established and launched a supplier platform for Modern Slavery reporting in October 2019. The initiative aims to engage suppliers to the industry via a common modern slavery questionnaire, and achieve greater consistency, efficiency and transparency in reporting. Vicinity has invited our key suppliers across our highest risk categories to disclose their labour management practices via the tool, which will allow us to deepen our understanding of modern slavery risk in our supply chain and identify areas for further supplier engagement.

During the year, we also continued our focus on procuring from social enterprises and Indigenous businesses, with the aim of providing training, skills and jobs to address areas of disadvantage. From FY18 to FY20, we have spent approximately $4.0 million[4] with social enterprises, exceeding our target of $3.9 million. We have also achieved a cumulative spend of approximately $1.0 million[4] with Indigenous suppliers during this period, helping us to deliver the commitments within our Innovate Reconciliation Action Plan.

1. For our wholly-owned retail assets. In line with Zero Carbon measurement recommendations, this applies to common mall areas.
2. 12 months to 29 February 2020 (excluding COVID-19 impacted performance period from 1 March 2020).
3. Across comparable portfolio. Energy and carbon intensity reductions were 4% and 8% respectively for non COVID-19 impacted performance period (12 months to 29 February 2020), surpassing FY20 targeted 3% reduction for both energy and carbon intensity.
4. The spend reported for FY18 and FY19 has been adjusted to include outstanding invoices paid to suppliers for work completed for those periods.

Our People

Through the challenges of FY20, including extensive bushfires along Australia's east coast and the COVID-19 pandemic, more than ever, the health, safety and wellbeing of our people, retailers, consumers and their communities remained our highest priority.

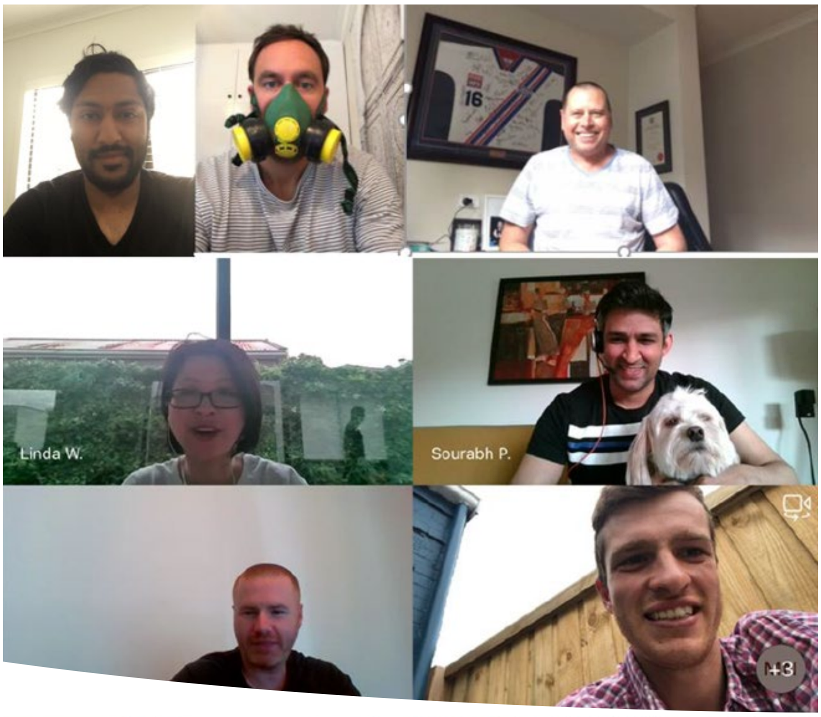
Our response to COVID-19

The resilience of our people has been instrumental as we faced the challenges brought on by COVID-19. The dedication of the team and their commitment to our business has meant we have been able to respond quickly, adapting to new and ever-changing conditions and enabling our centres to continue to operate and play their essential role to our communities.

As COVID-19 began to impact the economy and our business, we introduced several people-related measures to reduce cost. Implementing these measures were made in the long-term interest of the business and with careful consideration of the outcomes. Measures to reduce costs included:

- a 20% pay cut of both Directors' fees and Executive Committee salaries for the three months to 30 June 2020
- cancelling the FY20 Short Term Incentive award, and
- temporary workforce reductions through full or partial stand-downs.

During times of uncertainty, we understand managing finances becomes particularly important, but can also be difficult and sometimes stressful to work through. We wanted all team members to know, that no matter what the circumstances, they are not alone and support is available.



Throughout the stand-down period, team members have had a range of options available to support them with minimising financial impacts, including access to accrued annual and long service leave at full or half pay or, utilising up to four weeks' annual leave in advance. In addition, our benefits program offers team members a contribution towards professional financial advice. A Financial Hardship Committee was established in April 2020 to review specific team member situations to determine whether additional support may be available to them.

Vicinity's eligibility for the initial JobKeeper scheme, which runs from 1 April to 27 September 2020, provided additional support to the business and enabled us to retain team members whose roles were impacted by COVID-19.

We have maintained an open dialogue and transparent process with our people as we have responded to the challenges and uncertainty of COVID-19, this included increasing our frequency and channels of communication. We introduced regular COVID-19 'pulse check' surveys to gauge the sentiment of our team members and provide an additional avenue for feedback. Through these surveys, we have listened and responded to the needs of our team members during the pandemic. This enables us to respond and quickly deliver several people -focused initiatives, including:

- providing additional support for our team members to adapt to remote working
- a voluntary return to office locations in states where restrictions were lifted and ensuring compliance with COVID-safe guidelines

International Women's Day

QueensPlaza, QLD – Pride

- enabling flexibility for all our team members to manage work and caring responsibilities
- additional focus on mental, physical and financial wellbeing, and
- launching our Domestic Violence Guidelines and Mental Health Guidelines.

As part of our COVID-19 'pulse check' survey, we also measured our team members' levels of company confidence. In the surveys run between March and June 2020, our people reported a level of company confidence of 92% in March, 78% in April and 82% in June, reflecting favourably on our response to the pandemic.

Our culture

In FY20, we continued progressing our program of work to create a high-performance culture at Vicinity. As part of this program, in the first half of FY20, we invited over 300 team members nationally to participate in culture, values and behaviours workshops to gain insight into our current culture state and what shifts are required to drive further performance at Vicinity. These insights, when coupled with insights from our employee engagement, risk and diversity surveys, have provided the foundation for our work on driving a high-performance culture at Vicinity, which will continue into FY21.

Talent and capability

We continue to support the development of our people through a range of internal and external learning and development initiatives which include face-to-face and online learning, mentoring and coaching programs. In FY20, we continued our focus on promoting internal talent within Vicinity, with 65% of appointments made from internal candidates.

Diversity, inclusion and belonging

We believe in the strength of a diverse workforce where the unique backgrounds, perspectives and experience of all our people will help us drive performance. In line with our purpose of 'enriching community experiences', in FY20 we commenced work to align our approach to diversity and inclusion to include a much stronger focus on inclusion and belonging, which will unlock the value of our diverse teams and deliver strong, innovative business outcomes.

We are fortunate to have team members from diverse backgrounds, religions and cultures which is reflective of the communities in which we operate. We acknowledge many days of significance which are aligned to our Diversity, Inclusion and Belonging Strategy and to our team members' cultures and beliefs.

Gender diversity continues to be a focus for Vicinity, and we have supported this through a range of initiatives including hosting the Property Council of Australia's networking event '500 Women in Property' and sponsoring all our female Senior Leaders through the Chief Executive Women's Leadership Program.

Safety

The health, safety, and wellbeing of our people remains a top priority and has never been more critical than throughout the COVID-19 pandemic. For most corporate team members, working from home became the normal and necessary way of working to reduce the risk of the transmission of COVID-19. As our shopping centres were required to stay open, we moved to an 'A' and 'B' team model, alternating working days for team members and deep cleaning offices overnight, to try to operate our centres efficiently while also trying to minimise the risk to our centre teams.

Prior to the government-mandated physical distancing measures, Vicinity had already made available a range of flexible working arrangements, including various forms of remote working, supported by the necessary technological tools. Vicinity also provides a home office ergonomic self-assessment to help guide optimal set-up for people working remotely.

As we prepared for our corporate teams to return to their offices, additional measures were implemented. Signage on safe physical distancing was installed, hand sanitiser stations feature at all entry points and other higher-use areas such as kitchens, and heightened cleaning efforts focused on sanitisation and high-contact surfaces.

Our Board

Our Board is committed to the high standards of corporate governance. Our corporate governance platform is integral to supporting our strategy, protecting the rights of our securityholders and creating sustainable growth.

Corporate governance

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

2020 Corporate Governance Statement
vicinity.com.au

Further information

You can find more disclosure on the following topics:

Our Strategy and Business Prospects
Page 12

Our Management of Risk
Page 20

Governance
sustainability.vicinity.com.au

Tax Transparency
Page 42

Contact Us
Page 137

Trevor Gerber
BACC, CA, SA

Independent non-executive Chairman

Appointed June 2015

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

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

Mr Gerber was elected as Vicinity's Chairman effective from the conclusion of the 2019 Annual General Meeting on 14 November 2019.

Mr Gerber is a member of Chartered Accountants Australia and New Zealand.

Current Listed Directorships

Chairman: Sydney Airport Holdings (since 2015, Director since 2002).

Director: Tassal Group Limited (since 2012).

Past Listed Directorships (past three years)

CIMIC Group Limited (held from 2014 to 2019) and Regis Healthcare Limited (held from 2014 to 2017).

Grant Kelley
LLB, MSc Econ, MBA (Harvard)

CEO and Managing Director

Appointed January 2018

Grant Kelley has over 30 years of global experience in real estate investment, corporate strategy, funds management and private equity.

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

Mr Kelley is Chairman of the Adelaide 36ers, Chairman of Holdfast Assets, a Director of the Shopping Centre Council of Australia, a Governor of the Pulteney Grammar School, a Council Member of the Asia Society Policy Institute and the Premier's Economic Advisory Council (South Australia).

Current Listed Directorships

Nil.

Past Listed Directorships (past three years)

Nil.

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

Non-executive Director

Appointed September 2018

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

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

Mr Appleton was also previously a Non-executive Director of the Company and the RE from December 2011 to the time of the merger of Federation Centres and Novion Property Group in June 2015.

Mr Appleton is also Chairman of Aspen Group and Pancare Foundation, Deputy Chairman of The Gandel Group Pty Limited, and a Director of APN Property Group Limited, Perth Airport Pty Ltd and Perth Airport Development Group Pty Ltd.

Current Listed Directorships

Chairman: Aspen Group (since 2012).

Director: APN Property Group Limited (since 2004).

Past Listed Directorships (past three years)

Nil.

Tim Hammon
BCOMM, LLB, MAICD

Independent non-executive Director

Appointed December 2011

Tim Hammon has extensive wealth management, property services and legal experience.

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

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

Mr Hammon is also Chairman of The Pacific Group of Companies Advisory Board and a Director of EQT Holdings Limited.

Current Listed Directorships

EQT Holdings Limited (since 2018).

Past Listed Directorships (past three years)

Nil.

Peter Kahan
BCOMM, BACC, CA, MAICD

Independent non-executive Director

Appointed June 2015

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

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

Mr Kahan is also a Director of Dexus Wholesale Property Limited.

Current Listed Directorships

Nil.

Past Listed Directorships (past three years)

Charter Hall Group (held from 2009 to 2016).

Janette Kendall
BBUS MARKETING, FAICD

Independent non-executive Director

Appointed December 2017

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

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

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

Ms Kendall is also a Director of Costa Group, KM Property Funds, Melbourne Theatre Company, Australian Venue Co and Visit Victoria.

Current Listed Directorships

Costa Group (since 2016).

Past Listed Directorships (past three years)

Nine Entertainment Co Holdings Ltd (held from 2017 to 2018) and Wellcom Worldwide (held from 2016 to 2019).

Our Board continued

Karen Penrose
BCOMM (UNSW), CPA, FAICD

Independent non-executive Director

Appointed June 2015

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

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

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

Ms Penrose is a Director of Bank of Queensland Limited, Estia Health Limited, Marshall Investments Pty Ltd and Ramsay Health Care.

Current Listed Directorships

Bank of Queensland Limited (since 2015), Estia Health Limited (since 2018) and Ramsay Health Care (since 2020).

Past Listed Directorships (past three years)

AWE Limited (held from 2013 to 2018), Future Generation Global Investment Company Limited (pro bono role) (held from 2015 to 2018) and Spark Infrastructure Group (held from 2014 to 2020).

Dr David Thurin AM
MBBS, DIP RACOG, FRACGP, MS in Management, MAICD

Non-executive Director

Appointed June 2015

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

Dr Thurin is Chairman and Chief Executive Officer of Tigcorp Pty Ltd, a Director of Melbourne Football Club, and a member of the World Presidents' Organisation and the Australian Institute of Company Directors.

Current Listed Directorships

Nil.

Past Listed Directorships (past three years)

Nil.

Our Executive Committee

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

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

Management committees

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

- **Executive Committee** – comprised of nine members outlined on the current page and overleaf
- **Investment Committee** – includes CEO, Chief Financial Officer (CFO) (Chair), Chief Development Officer (CDO), Chief Strategy Officer (CSO) and the Chief Operating Officer (COO)
- **Capital Management Committee** – includes CEO, CFO (Chair), CDO, Director Financial Operations and the General Manager Corporate Finance
- **Sustainability Committee** – includes CEO (Chair), CSO, CDO, COO and a number of management representatives

Grant Kelley
CEO and Managing Director

Grant Kelley joined Vicinity Centres in January 2018 and has over 30 years of global experience in real estate investment, corporate strategy, funds management and private equity.

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

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

Grant is Chairman of the Adelaide 36ers, Chairman of Holdfast Assets, a Director of the Shopping Centre Council of Australia, a Governor of the Pulteney Grammar School, a Council Member of the Asia Society Policy Institute and the Premier's Economic Advisory Council (South Australia).

Peter Huddle
Chief Operating Officer

Peter Huddle joined Vicinity Centres in March 2019 and has over 20 years' experience in Real Estate Development and Asset Management. As Chief Operating Officer (COO), Peter is responsible for leading the teams on all aspects within our shopping centres including Management, Operations, Leasing, Development and Marketing.

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

Our Executive Committee continued

Nicholas Schiffer
Chief Financial Officer

Nicholas (Nick) Schiffer joined Vicinity Centres in September 2019 and has over 20 years' experience in investment banking. Nick is an experienced corporate finance executive who has been a trusted advisor to a range of Australian and global investors on strategy development, M&A execution and debt and equity financings.

Prior to joining Vicinity, Nick was Chief Financial Officer at Spark Infrastructure, an ASX 100 investor in electricity networks and renewable energy. Previous to this, Nick was Managing Director at Credit Suisse, with responsibility for investment banking within the energy, transport and general infrastructure sectors.

At Vicinity, Nick is responsible for leading the finance team including, Investment Management, Treasury and Capital Transactions functions, in addition to Vicinity's wholesale funds and Strategic Partnerships business.

Nick is a Certified Practicing Accountant and a member of the Australian Institute of Company Directors.

Carolyn Reynolds
General Counsel

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

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

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

Carolyn Viney LLB, BA
Chief Development Officer

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

Prior to her current appointment, Carolyn was with Grocon where she held a number of senior roles over a 13-year period, including CEO, Deputy CEO and Head of Development.

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

David Marcun
Director Financial Operations

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

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

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

Ian Padgham
Acting Chief Information Officer

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

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

Justin Mills
Chief Strategy Officer

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

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

Tanya Southey
Chief People & Culture Officer

Tanya Southey joined Vicinity Centres in October 2019 and has more than 25 years' experience in Human Resources. Prior to joining Vicinity Centres, Tanya held Executive Human Resources roles at General Electric, Jetstar and Carlton and United Breweries (CUB). In addition, Tanya has consulted within the Human Resources strategy space.

During her career Tanya has been involved in major cultural transformations, including due diligences, acquisitions, building employee value propositions and creating high-performance cultures. In her time at CUB, Tanya was involved in the global transaction to sell SABMiller to AB Inbev, a US$106 billion deal which was the largest in the history of the London Stock Exchange. Tanya has worked in the United States of America, South Africa and Australia and has been accountable for Human Resources teams across the Asia-Pacific in multiple roles.

Tanya has been on the Victorian Board for The Hunger Project, a global organisation which aims to end world hunger through the empowerment of people in developing countries.

Tax Transparency

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

Australian tax transparency

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

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

Further Information
Page 45

Vicinity's group structure

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

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

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

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

Stapled structures legislation

Following the review of stapled structures in Australia by Federal Treasury which began in 2017, legislation has been enacted which introduced integrity measures aimed at addressing the inappropriate use of stapled structures and limiting the access for foreign investors to concessions for passive income. In particular, the legislation prevents stapled structures from re-characterising trading income into passive income. Effective from 1 July 2019, unless transitional arrangements apply, the managed investment trust (MIT) withholding tax rate of 30% applies to amounts which fall within the definition of non-concessional MIT income.

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

Further Information
Page 45

Our approach to tax

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

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

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

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

Vicinity applies the Framework across its business to integrate the assessment of the tax implications of transactions, projects and business initiatives into day-to-day business. In this way, Vicinity can assess the tax implications of all transactions before committing to them and mitigate any tax risks that might arise.

The Group can then also put in place adequate processes to efficiently manage our ongoing tax compliance obligations.

Vicinity values having a good relationship with all external regulatory bodies, including the ATO. Vicinity continues to engage with the ATO directly in a co-operative manner. During FY20, the ATO finalised the Top 100 Tax Assurance Review of Vicinity Centres group for the 2017 income year with no adjustments made to tax calculations. Following the Review, Vicinity is no longer considered a Top 100 public and multinational taxpayer under the ATO's framework. Instead, Vicinity has transitioned to the Top 1,000 taxpayer program and going forward, the ATO's engagement with Vicinity will be based on a more streamlined assurance review approach.

Under the ATO's Justified Trust program, Vicinity has worked with the ATO to assist with the ATO's understanding of:

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

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

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

Further information on Vicinity's corporate governance is available in its 2020 Corporate Governance Statement.

2020 Corporate Governance Statement
vicinity.com.au

Taxation of Vicinity

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

As described above, Vicinity is a stapled group that consists of companies and trusts. Under Australian tax law, companies are subject to income tax at the applicable corporate tax rate (30% for FY20) on their taxable income. Trusts, in comparison, are generally taxed on a flow-through basis, meaning that a trust's taxable income is taxed in the hands of the beneficiaries (or in the case of Vicinity, its securityholders) at their applicable tax rates.

Vicinity Limited

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

Vicinity Centres Trust

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

Reconciliation of accounting profit to income tax paid and payable

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

Vicinity Centres Trust

The accounting net loss that was attributable to securityholders of Vicinity Centres Trust and its controlled entities was $1,830.70 million for FY20. Despite the net accounting loss, Vicinity Centres Trust has derived a taxable income which will be attributed to the securityholders under the AMIT rules and taxed accordingly in the hands of securityholders, as described above.

Vicinity Limited

The Vicinity Limited consolidated group generated an accounting profit before tax of $42.3 million for FY20. The Group recognised a current income tax expense of $7.8 million and deferred income tax expense of $4.4 million for FY20. After the adjustment for current year tax of prior periods and the utilisation of off balance sheet deferred tax assets, the total income tax expense for FY20 was $12.1 million.

With respect to its tax position for FY20, the Vicinity Limited Income Tax Consolidated Group generated taxable income of approximately $27.8 million[1], which was fully offset by its carry-forward tax losses and franking credit tax offsets. Accordingly, Vicinity Limited is not required to pay income tax for FY20.

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

It is noted that Vicinity Limited's taxable income and income tax payable will be reported in the ATO's Public Disclosure of Entity Information Report for FY20, which is expected to be released in late 2021.

The summary below provides a reconciliation from accounting net profit before tax to income tax payable for the Vicinity Limited Income Tax Consolidated Group for the 2019 tax return. The total income, taxable income and tax payable amounts disclosed below are anticipated to reconcile to the ATO's Public Disclosure of Entity Information Report for FY19 (ATO Tax Transparency Disclosure), which is expected to be available in December 2020.

The tax payable will not reconcile to the income tax expense at Note 3(b) of the Financial Report as the tax payable calculation includes tax temporary differences such as movements in provisions and the adjustments are stated at their gross values (not tax effected). Income tax expense also includes items which are not included in income tax payable for a year such as prior period adjustments.

Effective tax rate

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

Further Information
Page 45

Given that Vicinity Centres Trust does not pay income tax (rather, tax is paid by Vicinity's securityholders), it has no income tax expense and therefore a zero ETR. As described above, Vicinity Limited has an income tax expense of $12.1 million in FY20 and an ETR of 28.6%.

Reconciliation to ATO Tax Transparency Disclosure

Vicinity Limited Income Tax Consolidated Group	30-Jun-19 $m
Total income	231.1
Total expenses	(205.4)
Profit before income tax	**25.7**
Net adjustments relating to acquisition of share based payments	4.4
Other adjustments	3.4
Tax losses utilised	(30.2)
Total taxable income/(loss)	**3.3**
Income tax of 30% on taxable income	1.0
Less tax offsets	(1.0)
Tax payable	**0.0**

1. Prior to the recoupment of prior year tax losses and the utilisation of tax offsets.

Contributions to the Australian tax system

Vicinity Centres Trust's flow-through tax status means that Vicinity securityholders pay income tax directly on Vicinity's property investments income. For FY20, Vicinity's securityholders will pay income tax on the taxable components of the cash distribution paid or attributed to them. The taxable components of the distribution will be communicated to securityholders and uploaded onto the Vicinity website, along with the Fund Payment notice for MIT withholding purposes, in late August 2020. As the majority of our non-resident securityholders hold their interests indirectly (for example through custodians), the Fund Payment notice informs these third parties of the amount of tax to withhold from our distribution.

Further Information
Page 45

Additionally, as a business that operates in the Australian property industry, Vicinity is subject to various other taxes at the federal, state and local government levels. In FY20, these taxes amounted to approximately $223 million and are either borne by Vicinity as a cost of our business, or are remitted by Vicinity as part of our contribution to the administration of the tax system[2]. The taxes remitted include pay as you go (PAYG) withholding taxes paid by our employees and goods and services tax (GST) we collect from our retailers who rent space in our centres, net of GST claimed by Vicinity on its own purchases.

The information provided adjacent summarises Vicinity's Australian tax contribution for FY20.

As part of State Governments' response to COVID-19, land tax relief and deferrals have been announced across all states. Vicinity is still working through the eligibility criteria and application process for each state. No land tax relief and deferrals have been recognised within the 2020 financial statements or in the chart adjacent.

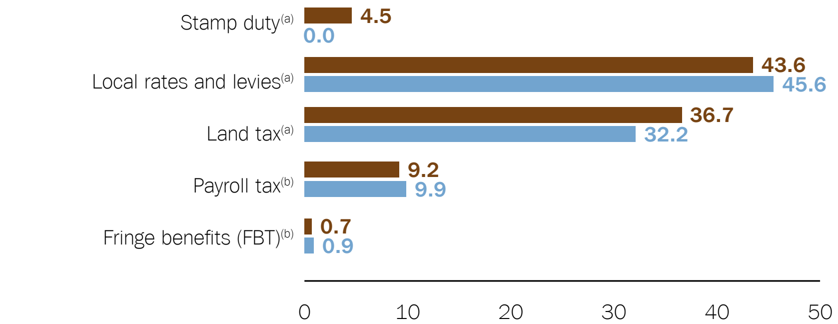
Basis of preparation

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

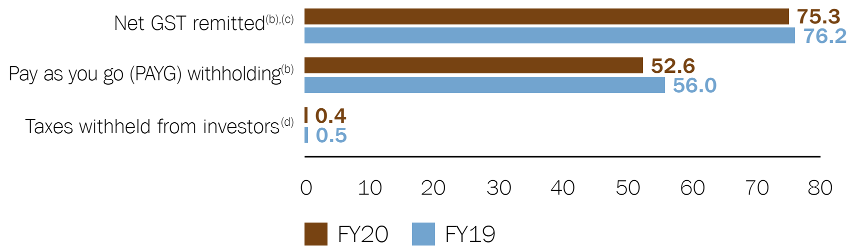
Further information

- Vicinity Limited taxes paid information is published by the ATO in its Report of Entity Information published on: data.gov.au/dataset/corporate-transparency
- ATO's webpage on the enactment of the Stapled Structures legislation: ato.gov.au/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-businesses/Stapled-structures/
- ATO's webpage on tax transparency for corporate tax entities, including background information and explanations: ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Tax-transparency--reporting-of-entity-tax-information
- A breakdown of the taxable components that securityholders receive via their annual taxation statements will be available in late August 2020 on Vicinity's website: vicinity.com.au/investor-centre/tax-information

Total taxes borne by Vicinity ($m)
$94.7 million



Total taxes remitted by Vicinity ($m)
$128.3 million



(a) Stamp duty, land tax, and local rates and levies data have been reported on the same basis as they are recognised for financial statement purposes, and therefore may vary from the actual taxes paid in FY19 and FY20 due to timing differences.

(b) Payroll tax, FBT, GST and PAYG withholding data has been reported based on the amounts paid in respect of tax returns or notices of assessment issued to Vicinity for FY20 from the respective revenue authorities.

(c) Net GST remitted for FY20 is comprised of $160.7 million of GST collected (FY19: $171.1 million) and $85.3 million of GST claimed (FY19: $94.9 million).

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

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

Sustainability Assurance Statement

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

Conclusion

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the Selected Sustainability Performance Data included in Vicinity Centres PM Pty Ltd's 2020 Annual Report, which has been prepared by Vicinity Centres PM Pty Ltd (Vicinity) in accordance with the Criteria for the year ended 30 June 2020.

Information Subject to Assurance

Vicinity Centres engaged KPMG to perform a limited assurance engagement in relation to Vicinity Centre's 2020 Annual Report. The 2020 Annual Report covers Vicinity Centre's operations for the year ended 30 June 2020 unless otherwise indicated. KPMG's scope of work included limited assurance over the following Selected Sustainability Performance Data on pages 12, 13, 14 and 33 of the Annual Report:

Selected Sustainability Performance Data
Carbon intensity: scope 1 and 2 greenhouse gas (GHG) emissions (kg tCO2-e)
Carbon intensity: scope 1 and 2 greenhouse gas (GHG) emissions (kg tCO2-e) (COVID-19 impact removed)
Energy intensity (MJ/sqm)
Energy intensity (MJ/sqm) (COVID-19 impact removed)
Energy intensity reduction since June 2016 (%) (COVID-19 impact removed) for 100% owned portfolio
Waste diversion rate (% recycled)
Community investment ($m)
Women in leadership (%)
NABERS Energy rating (portfolio average)
NABERS Water rating (portfolio average)
Total social procurement spend from FY18 to FY20 ($m)
Total indigenous procurement spend from FY18 to FY20 ($m)

Criteria Used

The Selected Sustainability Performance Data have been prepared in accordance with Vicinity's "Sustainability Reporting Criteria FY2020", available on Vicinity's website ("the Criteria").

Basis for Conclusion

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

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

Summary of Procedures Performed

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

- gaining an understanding of the reporting processes supporting the business activities related to the Selected Sustainability Performance Data;

1

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

How the Standard Defines Limited Assurance and Material Misstatement

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

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

Use of this Assurance Report

This report has been prepared for the Directors of Vicinity Centres PM Pty Ltd for the purpose of providing an assurance conclusion on the Selected Sustainability Performance Data within the Vicinity 2020 Annual Report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Vicinity Centres PM Pty Ltd, or for any other purpose than that for which it was prepared.

Management's responsibility

Management are responsible for:

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

Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the Selected Sustainability Performance Data for the year ended 30 June 2020, and to issue an assurance report that includes our conclusion.

Our Independence and Quality Control

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

KPMG

KPMG
Melbourne
19 August 2020

Adrian King

Adrian King
Partner

2

DFO Moorabbin, VIC

Financial Report

For the year ended 30 June 2020

Inside

Directors' Report

The Directors of Vicinity Limited present the Financial Report of Vicinity Centres (Vicinity or the Group) for the year ended 30 June 2020. Vicinity Centres is a stapled group comprising Vicinity Limited (the Company) and Vicinity Centres Trust (the Trust). Although separate entities, the Stapling Deed entered into by the Company and the Trust ensures that shares in the Company and units in the Trust are 'stapled' together and are traded collectively on the Australian Securities Exchange (ASX), under the code 'VCX'.

Directors

The Boards of Directors of the Company and Vicinity Centres RE Ltd, as Responsible Entity (the RE) of the Trust (together, the Vicinity Board) consist of the same Directors. The following persons were members of the Vicinity Board from 1 July 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 2020)

(iii) Executive Director

Grant Kelley (CEO and Managing Director)

Further information on the background and experience of the Directors is contained on pages 36 to 38 of this report.

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 year continued to be property investment, property management, property development, leasing and funds management.

Review of results and operations

The Operating and Financial Review is contained on pages 10 to 29 of this report.

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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.

Significant changes in state of affairs

COVID-19 pandemic

The Group's operations were significantly impacted in the second half of the financial year by the COVID-19 pandemic. In January, customer traffic numbers began to slow at centres in key locations and those with a higher proportion of international visitors. In March, government initiatives to contain COVID-19 included 'stay-at-home' directives and mandatory closure of some stores. This saw customer traffic continue to slow, prompting significant voluntary store closures. In April, with restrictions starting to ease, closed retailers started to re-open and traffic growth started to pick up. By the end of the financial year, the majority of retailers across the Group's portfolio were open. This was impacted after 30 June by the reintroduction of Stage 3 and then Stage 4 lockdown restrictions in Melbourne, which is discussed further in the 'Events occurring after the end of the reporting period' section below.

COVID-19 is expected to continue to impact the Group's operations for some time however the duration and extent of the pandemic and its impacts on the economy, consumers and investment markets are unknown. As a result:

- There is the significant uncertainty as to how the pandemic will impact on the Group's financial position and performance in future periods.
- A number of significant judgements, estimates and assumptions have been made in determining the carrying value of certain assets and liabilities at 30 June 2020. These are further discussed in the 'About this Report' section of the financial statements.

Further information on the impact of the pandemic and the Group's response can be found in the Operating and Financial Review.

Security Placement

As part of the response to the uncertainty caused by COVID-19 and to provide the Group with future balance sheet flexibility, on 1 June 2020 the Group announced a $1.2 billion fully underwritten security placement (Placement) to institutional securityholders. Subsequently, on 2 June 2020 the Placement was completed and on 4 June 2020 810.8 million new Vicinity stapled securities were issued at a price of $1.48. In conjunction with the Placement the Group also announced a Security Purchase Plan. This closed on 6 July 2020 as discussed in the 'Events occurring after the end of the reporting period' section below.

Distributions

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

	Total $m	Cents per stapled security
Interim – 31 December 2019	289.3	7.70
Final – 30 June 2020	nil	nil
Total – year ended 30 June 2020	**289.3**	**7.70**

The Group will not declare a final distribution for 30 June 2020 in line with previous announcements.

Director-related information

Meetings of Directors held during the year

	Board		Special Purpose Board[1]		Audit Committee		Remuneration and Human Resources Committee		Risk and Compliance Committee		Nominations Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Trevor Gerber	6	6	15	15	4	4	6	6	-	-	1	1
Peter Hay	2	2	1	1	-	-	-	-	-	-	-	-
Clive Appleton	6	6	15	14	-	-	-	-	-	-	-	-
David Thurin AM[2]	6	6	15	15	-	-	-	-	2	2	-	-
Grant Kelley	6	6	15	15	-	-	-	-	-	-	-	-
Janette Kendall[3]	6	6	15	15	-	-	6	6	2	2	-	-
Karen Penrose	6	6	15	15	4	4	-	-	4	4	-	-
Peter Kahan[4]	6	5	15	15	4	3	6	5	-	-	1	1
Tim Hammon	6	6	15	15	-	-	6	6	4	4	1	1
Wai Tang	3	2	2	2	3	2	-	-	2	2	-	-

1. Special purpose Board meetings were scheduled and convened to consider a range of special purpose matters, including Vicinity's response to COVID-19.
2. Dr Thurin AM retired from the Risk and Compliance and Nominations Committees effective 3 December 2019.
3. Ms Kendall joined the Risk and Compliance Committee and retired from the Nominations Committee each effective 3 December 2019.
4. Mr Kahan joined the Nominations Committee effective 3 December 2019.

Director security holdings

Director security holdings are detailed within the Remuneration Report.

Indemnification and insurance of Directors and Officers

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

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

Auditor-related information

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

Indemnification of the auditor

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

Non-audit services

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

Details of the amounts paid or payable to EY for audit and assurance and non-audit services provided during the year are set out in Note 18 to the financial statements.

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

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

Auditor's independence declaration

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

Environmental regulation

The Group is subject to the reporting obligations under the *National Greenhouse and Energy Reporting (NGER) Act 2007* (Cth). This requires the Group to report annual greenhouse gas emissions, energy use and production for all assets under management for years ending 30 June. The Group met this obligation by submitting its NGER report to the Department of the Environment and Energy for the year ended 30 June 2019 by 31 October 2019. The 2020 NGER report will be submitted by the 31 October 2020 submission date.

Corporate governance

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

Options over unissued securities

As at 30 June 2020 and at the date of this report, there were 8,169,800 unissued ordinary securities under option in the form of performance rights. Refer to the Remuneration Report for further details of the options outstanding for Key Management Personnel.

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

Events occurring after the end of the reporting period

Completion of Security Purchase Plan (SPP)

The Group announced the SPP on 1 June 2020. This provided retail securityholders the opportunity to acquire up to $30,000 of new Vicinity stapled securities. The SPP offer closed on 6 July 2020 with subscriptions totalling $32.6 million. Subsequently, on 13 July 2020 22.6 million new Vicinity stapled securities were issued at a price of $1.44. These securities began trading alongside existing Vicinity securities on 14 July 2020.

Melbourne Stage 3 and Stage 4 lockdowns

Stage 3 lockdown restrictions were announced by the Victorian Premier for Melbourne and Mitchell Shire on 7 July 2020 (effective from 9 July 2020) and Stage 4 announced on 2 August 2020. Approximately 52% of the Group's retail investment property portfolio (by value) is located within Victoria. These announcements and any future further restrictions will unfavourably impact the Group's rental collections and financial performance in FY21.

Additionally, as disclosed in Note 4(c) to the financial statements, the Group considered the impact of an additional Stage 3 type lockdown of up to eight weeks in determining investment property fair values at 30 June 2020. An escalation to Stage 4 restrictions was not envisaged and therefore the announcement on 2 August 2020 would unfavourably impact the 30 June 2020 fair value of investment properties had it been considered at that time.

Rental assistance negotiations

As disclosed in Note 10 to the financial statements due to the impacts of COVID-19 on retail trade, the Group is in the process of negotiating rental assistance and/or changes to lease terms with a significant number of tenants across the portfolio. The Group estimates that rental assistance will be provided for approximately 84% of lease agreements. As at 10 August 2020, the terms of rental assistance had been agreed in-principle with approximately 43% of tenants.

COVID-19 pandemic

The duration and extent of the pandemic and related financial, social and public health impacts of the COVID-19 pandemic are uncertain. Disclosures have been included in Note 2, Note 3, Note 4 and Note 10 to the financial statements on the impact that this uncertainty has had on the reported amounts of relevant revenues, expenses, assets and liabilities for the year ended 30 June 2020 and the potential impacts that this uncertainty may have on revenues, expenses, assets and liabilities in future periods.

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

Rounding of amounts

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

Remuneration Report

Letter from the Chairman of the Remuneration and Human Resources Committee

Dear Securityholders,

On behalf of the Board, I am pleased to introduce Vicinity's Remuneration Report for the 12 months to 30 June 2020 (FY20). The Remuneration Report outlines Vicinity's remuneration framework and is designed to demonstrate the link between Vicinity's strategy, performance and the remuneration outcomes for our Executive Key Management Personnel – executives who are deemed to have authority and responsibility for planning, directing and controlling the activities of Vicinity (Executive KMP).

Our approach

The Remuneration and Human Resources Committee's (the Committee) overarching aim is to ensure our remuneration framework provides remuneration outcomes with a clear link to company and individual performance, and to Vicinity's long-term strategy and values. We were pleased to again receive strong support for our Remuneration Report at the 2019 Annual General Meeting, with close to 98% votes 'for' the Remuneration Report and an average of over 98% support over the last three years.

Executive changes during FY20

Our new Chief Financial Officer (CFO), Nicholas (Nick) Schiffer who is an Executive KMP, joined the Executive Committee on 2 September 2019 and our new Chief People & Culture Officer, Tanya Southey, joined the Executive Committee on 24 October 2019.

FY20 performance and remuneration

We achieved solid first half results for FY20; however, our business was impacted in the second half of FY20 by COVID-19, which impacted the full year business outcomes materially. Significant remuneration related actions in response to COVID-19 included:

- a 20% decrease in Total Fixed Remuneration (TFR) and fees respectively for the Executive Committee and Non-executive Directors for the period 1 April to 30 June 2020
- cancelling the FY20 Short Term Incentive (STI) awards for all team members
- stand-downs and work schedule reductions for approximately 70% of the workforce
- no increases to TFR for the Executive Committee for FY21

There was also no vesting of performance rights granted under the FY18 (FY18-20) Long Term Incentive (LTI) Plan as the Total Return (TR) and Total Securityholder Return (TSR) hurdles were not achieved.

These decisions resulted in remuneration for the CEO and Managing Director (CEO), Grant Kelley, being lower than FY19. Remuneration for the COO, Peter Huddle, was higher than FY19, because FY20 reflects Peter's first full year as COO with FY19 representing only remuneration for the period from 25 March 2019 to 30 June 2019. On a pro-rata basis Peter's remuneration was also lower due to the remuneration decisions relating to COVID-19.

COVID-19 and our people

Through broad stand-downs, extensive short-term lease variation negotiations and our in-centre teams dealing with public health and safety, COVID-19 has had a material impact on our people. The Board and Executive Committee are cognisant of the challenges faced by our team members and their significant efforts during this time. Our focus for team members has been regular communication from senior executives, a focus on temporary stand-downs not redundancies, processing the JobKeeper top-up payments for eligible team members, facilitating extensive remote working, providing access to leave in advance, establishing a Financial Hardship Committee, actively promoting our employee assistance program and providing access to a wide range of personal development activities, as well as physical, financial and mental health services.

Remuneration framework for FY20

As noted last year, we made some changes to our remuneration framework for FY20. For the STI, we reduced the maximum opportunity for the Executive Committee members from 200% to 150% of target (the maximum opportunity for the CEO remained unchanged at 133% of target). We also amended the STI deferral period for Executive Committee members from the previous 18 months to two equal amounts payable in 12 months and 24 months (the deferral period for the CEO remained unchanged at 24 months).

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

Exempt Employee Security Plan

The Committee believes that all employees should be given the opportunity to become securityholders in our business, and that share plans help engage, retain and motivate employees over the long term. Our Exempt Employee Security Plan (EESP) enables Vicinity to gift up to $1,000 worth of securities to each eligible employee and in December 2019, 1,052 employees benefited from the EESP.

Summary

Our business performance for FY20 was materially impacted by circumstances outside of the control of executives. The executive remuneration outcomes for FY20 reflect strong alignment with our financial results and securityholder experience in a challenging and uncertain environment.

Due to the unprecedented circumstances presented by COVID-19, we are currently facing some significant remuneration-related challenges; however, we are very cognisant of the need to balance securityholder experience with executive retention and motivation.

We are currently reviewing aspects of our remuneration framework for FY21 to ensure it continues to support the execution of our strategies to increase securityholder value as well as the retention and motivation of key talent. These are critical requirements as we navigate through this challenging period.

We look forward to ongoing dialogue with, and the support of, our securityholders, and welcome your feedback and comments on any aspect of this Report.

Peter Kahan
Chairman – Remuneration and Human Resources Committee

Contents

1. Remuneration Report overview

This Remuneration Report outlines:

- Vicinity's reward principles and framework
- Vicinity's performance for the 12 months to 30 June 2020 (FY20) and the remuneration outcomes for Executive KMP
- remuneration received by Directors and Executive KMP

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

1.1 Key Management Personnel (KMP)

Vicinity's KMP include all Non-executive Directors (NEDs) as listed in section 5.2 and those executives who are deemed to have authority and responsibility for planning, directing and controlling the activities of Vicinity (Executive KMP). A KMP assessment is completed annually to determine which members of the Executive Committee should be disclosed as Executive KMP for the financial year. A summary of Executive KMP during FY20 and FY19 is shown in Table 1.1 below.

Table 1.1: Executive KMP

Name	Position	FY20	FY19
Current Executive KMP			
Grant Kelley	CEO and Managing Director (CEO)	✓	✓
Peter Huddle	Chief Operating Officer (COO)	✓	Part-year (commenced 25 March 2019)
Nick Schiffer	Chief Financial Officer (CFO)	Part-year (commenced 2 September 2019)	×
Former Executive KMP			
Richard Jamieson	Chief Financial Officer (CFO)	×	Part-year (ceased 31 January 2019)
Michael O'Brien	Chief Financial Officer (CFO) Chief Investment Officer (CIO)	×	Part-year (4 December 2018 to 10 May 2019) Part-year (1 July 2018 to 3 December 2018)

✓ KMP for full year

× not a KMP during the year

The list of Non-executive Directors during the current and prior year can be found in section 5.2.

2. Remuneration framework

2.1 Reward principles and framework

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

The diagram below provides an overview of how our reward principles are linked to the components of our remuneration framework and how these components are measured to ensure that executive and securityholder interests are aligned.

Reward principles

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

Remuneration framework

Components	Performance measures	Strategic objective
Total Fixed Remuneration (TFR) *Base salary, superannuation and any salary sacrifice amounts.* Further details are contained in section 4.1. +	• Benchmarked to competitive rates. • Size, scope and complexity of the role. • The relevant job market. • Individual experience, capability and performance.	• Remuneration set at competitive levels, to attract, retain and engage key talent.
Short Term Incentive (STI) *Annual bonus opportunity, 12-month performance period subject to performance targets.* *50% paid in cash and 50% deferred into equity (24-month deferral for the CEO and two equal amounts payable in 12 months and 24 months respectively for other Executive KMP).* Further details are contained in section 4.2. +	Measured against three performance categories: • **Financial:** measures include funds from operations, net property income, and corporate cost management. • **Strategy and portfolio enhancement:** measures relate to portfolio enhancement, the development pipeline (including mixed-use), funds management, capital management, alternative income streams and improvements to leasing processes. • **Leadership, governance and operational excellence:** measures relate to corporate reputation and sustainability, people, organisational capability, innovation, diversity and inclusion and risk and compliance management.	• Financial measures relate to Vicinity's capacity to pay distributions and generate securityholder returns. • Strategy and portfolio enhancement measures focus on asset and business performance, development projects and the long-term strategic direction of Vicinity. • Leadership, governance and operational excellence measures aim to promote a culture and behaviours that drive Company performance, operational excellence, innovation and reflect our long-term objectives.
Long Term Incentive (LTI) *Performance rights, four-year performance period for awards granted from and including FY20.* Further details are contained in section 4.3.	The performance rights vest subject to achievement of an: • internal hurdle based on Total Return (TR) • external hurdle based on Total Securityholder Return (TSR) relative to the S&P/ASX 200 A-REIT (Australian Real Estate Investment Trust) Index, excluding Unibail Rodamco Westfield (ASX:URW)	• Encourages sustainable high-performance over the medium to long term and securityholder value creation. • Provides a retention element. • TR measures the extent to which Vicinity efficiently manages and extracts value from Vicinity's assets and alignment with underlying growth in securityholder value. • Relative TSR hurdle aligns remuneration with Vicinity's long-term return relative to the nominated peer group.

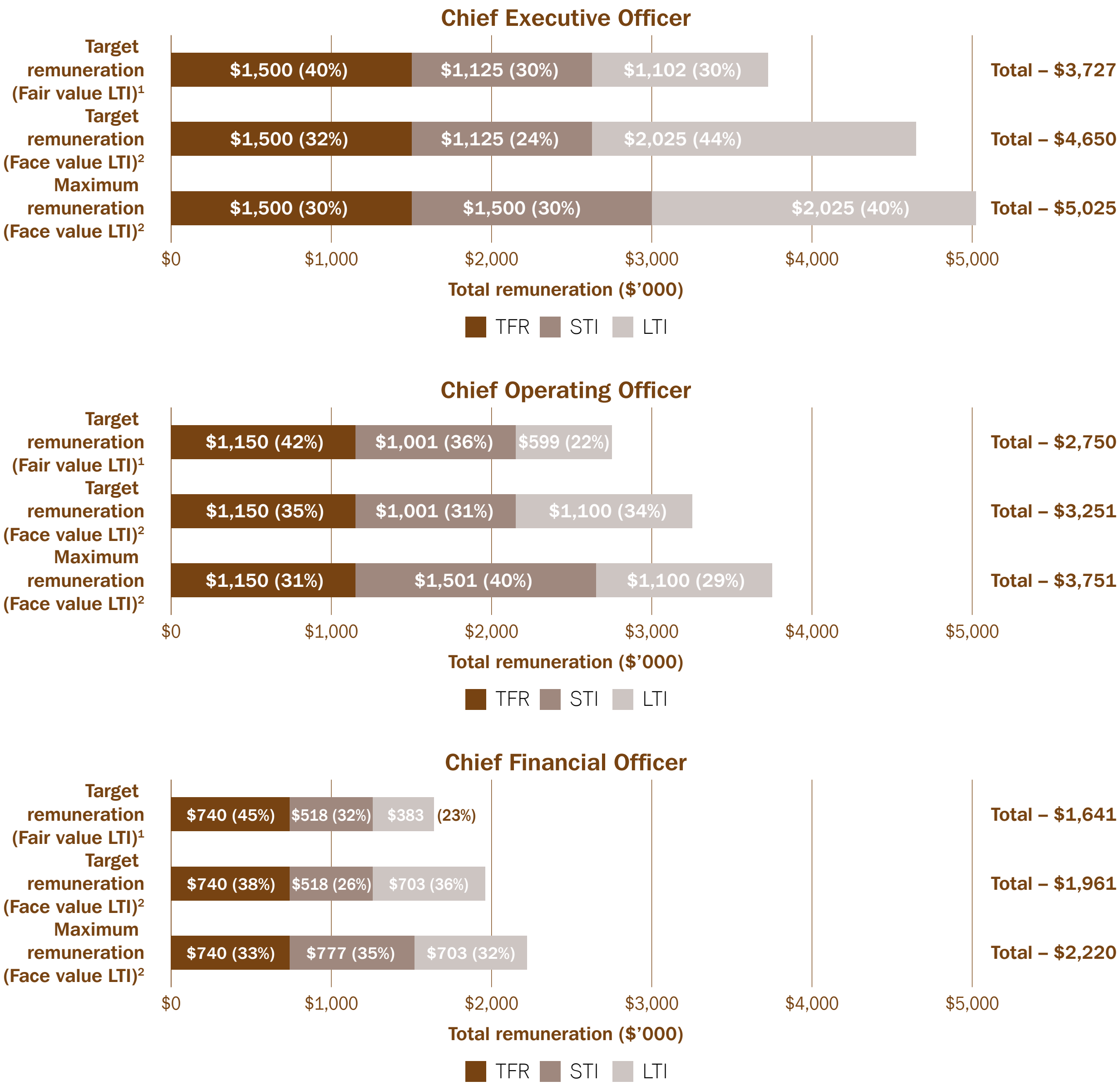
2. Remuneration framework continued

2.2 Pay mix

A significant component of executive remuneration is linked to short and long-term Company performance to assist in aligning executive interests with those of securityholders. The components of total remuneration and the relative weightings of the fixed and at-risk components of total target remuneration (using fair value and face value of the LTI granted on 10 December 2019) and total maximum remuneration (using face value of the LTI) for the Executive KMP are detailed in Figure 2.1 below. These values do not reflect the FY20 outcomes as the STI for FY20 was nil and TFR was reduced by 20% for the period 1 April – 30 June 2020.

The LTI fair value is the value of the LTI calculated in accordance with AASB 2 *Share Based Payments* and takes into account the probability of performance hurdles being achieved for the TSR rights and the time value of the four-year vesting period for the TR rights. The LTI face value has not been adjusted for the probability of performance targets being achieved or potential changes in security price.

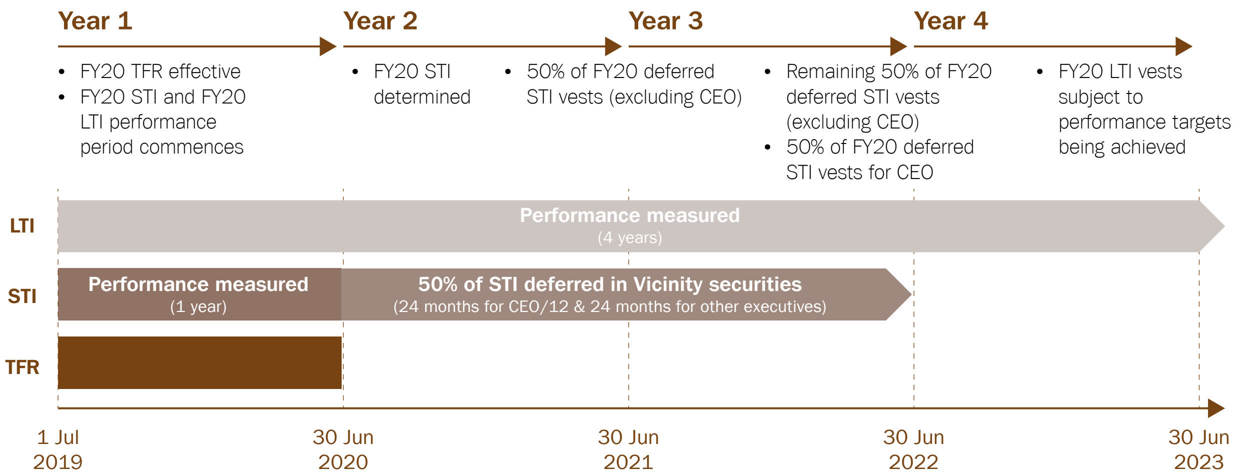
Figure 2.1: Pay mix



1. Includes LTI based on the fair value of the FY20 performance rights awarded at the time of grant calculated in accordance with AASB 2 *Share Based Payments*.
2. Includes LTI based on the face value of the FY20 performance rights awarded at the time of grant which differs from the fair values which are calculated in accordance with AASB 2 *Share Based Payments*.

2.3 When remuneration is delivered

The diagram below provides a timeline of when remuneration is delivered, using FY20 as an example.



3. Company performance and executive remuneration outcomes

3.1 Overview of Company performance

During the year, Vicinity's performance was characterised by a solid performance in the first half, and a second half where COVID-19 materially impacted rental collections, income and valuations.

Key achievements during the year included acquiring 50% of Uni Hill Factory Outlets in Victoria, divesting three non-core assets at a 0.4% discount to book value, completing three development projects, progressing planning and approvals on a number of retail-led mixed-use projects and enhancing our sustainability leadership amongst retail peers globally with our commitment to Net Zero carbon emissions by 2030 and being included in CDP's Climate A-list.

Over the first half of FY20, FFO per security was 8.95 cents. Sales continued to improve, with mini majors and specialty store MAT growth of +3.7%, up from +3.1% to June 2019, and specialty MAT/sqm was up 2.9% over the six-month period. Comparable NPI growth was +2.5%, compared to +1.5% for FY19, boosted by the strong performance of Chadstone and DFOs; however, leasing spreads of -4.1% for the period was down compared to -2.0% for FY19.

In the second half of FY20, FFO per security was reduced to 4.71 cents (as compared to 8.94 cents in the second half of FY19). This reflected the impacts of COVID-19 on the Group's tenants and the introduction of the SME Code, which saw a significant reduction in expected rent collections and ancillary income streams, particularly car parking and digital media, which are in part driven by customer visitation. FFO per security for the full year was 13.66 cents (as compared to 18.00 cents for FY19).

The statutory net loss after tax of $1,801.0 million for FY20 (30 June 2019: profit of $346.1 million) incorporated FFO of $520.3 million, offset by significant property revaluation decrements on directly owned and equity accounted investment properties of approximately $1.9 billion and an impairment to the goodwill balance of $427.0 million.

In response to the impacts of COVID-19 and to assist with managing the uncertainty of its future impacts, Vicinity undertook a range of initiatives to enhance liquidity and reduce operating costs. These included:

- raising equity, comprising a $1.2 billion Placement and $32.6 million Security Purchase Plan (finalised July 2020)
- negotiated $950 million of new and extended bank debt facilities during the early stages of COVID-19 to increase short-term liquidity
- deferred all non-critical capital expenditure including development projects
- reduced hours for 70% of team members from 21 April to 30 June 2020
- reduced TFR and fees respectively for the Executive Committee and Non-executive Directors by 20% for the period 1 April to 30 June 2020
- cancelled the FY20 STI awards for all team members
- reduced or deferred variable and non-critical operating expenses

The impact of COVID-19 is further discussed in detail on page 10 of the Annual Report.

3. Company performance and executive remuneration outcomes continued

Table 3.1 highlights key FY20 business performance metrics and executive remuneration outcomes. Further detail on these metrics and achievements is contained in Table 3.4.

Table 3.1: Company performance and executive remuneration overview

What Vicinity achieved	What executives received
FY20 performance	
• We achieved solid first half results for FY20; however, the business was impacted in the second half of FY20 by COVID-19, which impacted full year outcomes materially. • FFO was $520.3 million or 13.66 cents on a per security basis (FY19: 18.0 cents per security), significantly below the revised guidance range of 17.2 – 17.4 cents per security announced in February 2020. • Progressed strategic and portfolio enhancement objectives, including acquiring 50% of Uni Hill Factory Outlets, divesting three non-core assets, completing three development projects, advancing planning on three major retail and mixed-use development projects, and being included in CDP's Climate A-list. • Refer to further commentary within Table 3.4.	**FY20 TFR** • TFR for Executive KMP and all other members of the Executive Committee was reduced by 20% for the period 1 April to 30 June 2020. **FY20 STI outcomes** • Executive KMP and all other team members received no STI award for FY20. • Additional information is provided in section 3.3.
Three-year performance period (1 July 2017 – 30 June 2020)	**FY18 LTI outcomes**
• Relative TSR for the three-year period to 30 June 2020 was -30.5%, which was below the level required for threshold vesting. The TSR over FY20 had a significant impact on the TSR over the performance period. • A compound annual TR of -2.1% per annum was achieved over the performance period[(a)], which was below the level required for threshold vesting. Asset devaluations at 30 June 2020 had a significant impact on the TR over the performance period.	• The overall vesting of the FY18 LTI was nil. • Additional information is provided in section 3.4.

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

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

Table 3.2

After strong TR performance in recent years, the outbreak of COVID-19 in the second half of FY20 has impacted valuations and earnings. Discretionary retail has been impacted the most in the short term, while non-discretionary retail has performed relatively well. TSR for FY20 was in line with our most direct peer, but was below the broader TSR comparator group. Vicinity performed broadly in line with the unlisted property funds retail sector index during FY20.

Securityholder performance metrics	FY16	FY17	FY18	FY19	FY20
Security price as at 30 June ($)[(a)]	3.32	2.57	2.59	2.45	**1.43**
Net tangible assets per security ($)[(b)]	2.59	2.82	2.97	2.92	**2.29**
Distributions declared per security (cents)	17.7	17.3	16.3	15.9	**7.7**
TR[(c)]	12.8%	15.5%	11.1%	3.7%	**(18.9%)**
TSR of VCX for the year ended 30 June[(d)]	20.4%	(17.7%)	7.0%	0.6%	**(39.9%)**
TSR of the S&P/ASX 200 A-REIT Index[(d)]	24.6%	(6.3%)	13.0%	19.3%	**(21.3%)**

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

(b) 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.

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

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

3.2 Fixed Remuneration outcomes

Summary

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

Outcomes

In FY20, the fixed remuneration for the CEO and all members of the Executive Committee remained unchanged. TFR for Executive KMP and all other members of the Executive Committee was reduced by 20% for the period 1 April to 30 June 2020.

3.3 FY20 Short Term Incentive (STI) outcomes

Summary

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

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

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

Further detail on the assessment of each performance measure is contained in Table 3.4 and details of STI awarded are contained in Table 3.5.

Outcomes

While the decision was made to cancel the FY20 STI awards in April, as part of the measures to preserve liquidity and reduce operating costs in response to COVID-19, tables 3.3, 3.4 and 3.5 outline performance against FY20 measures, which were set prior to the COVID-19 outbreak.

Table 3.3: FY20 Executive KMP performance level achieved

Most objectives included in the strategy and portfolio category have financial milestones and budgets and will significantly impact financial performance. The combined financial and strategic and portfolio enhancement category weightings for each Executive KMP was 75%.

		Performance level achieved[1]		
Performance category	**Weighting at target**	**Minimum**	**Target**	**Maximum**
Financial	35%	●		
Strategic and portfolio enhancement	40%		●	
Leadership, governance and operational excellence	25%		●	

1. The circles represent the average outcome achieved by the Executive KMP. Please refer to Table 3.4 for more detail on business performance against FY20 measures.

3. Company performance and executive remuneration outcomes continued

Table 3.4: Executive KMP performance against FY20 measures

Performance category and weighting	Performance measure	Reason chosen	Performance outcome
Financial (35%)	Funds from operations (FFO), net property income (NPI) and corporate cost efficiencies.	FFO and NPI are key financial measures of performance, while a focus on corporate cost efficiencies is important following recent divestment activities.	• Financial-related metrics were solid in the first half and were materially impacted by COVID-19 in the second half. • Full year FFO per security was 13.66 cents, materially impacted by COVID-19. • NPI was significantly below target primarily due to the impact of COVID-19 on rent receivable for FY20. • Specialty store and mini majors MAT growth improved to 3.7% to December 2019 (up from 3.1% to June 2019) and fell to -8.4% for the year to June 2020. • Specialty MAT/sqm of $11,403 at December 2019 (up 2.9% from June 2019) and fell to $9,770 at June 2020. • Maintained investment grade credit ratings of 'A' from Standard & Poor's and 'A2' from Moody's with stable and negative outlooks respectively. • Negotiated $950 million of new and extended bank debt facilities during the early stages of COVID-19 to increase short-term liquidity. • Raised equity, comprising a $1.2 billion Placement and $32.6 million Security Purchase Plan (finalised July 2020) in response to the impacts of COVID-19 and to assist with managing the uncertainty of its future impacts. • Reduced operating expenses and deferred non-critical capital expenditure.
Strategy and portfolio enhancement (40%)	Portfolio enhancement, the development pipeline (including mixed-use), funds management, capital and cost management, improvements to leasing processes and alternative income.	Developing and implementing Vicinity's key strategic initiatives will underpin future value creation opportunities and growth. Focus on improving portfolio quality and operational efficiency, will underpin sustainable performance.	• Acquired 50% interest in Uni Hill Factory Outlets, expanding Vicinity's leading Outlet Centre portfolio. • Divested three non-core assets at a 0.4% discount to book value. • Significant progress across live developments, including: – opened Hotel Chadstone in November 2019 – completed major retail development of The Glen – Roselands development completed – Ellenbrook Central Kmart expansion continues, although leasing has been impacted by COVID-19 • Advanced master-planning, preparatory works and approvals on a number of sites with mixed-use potential: – lodged several development applications (DAs) for major mixed-use projects at Box Hill Central and Bankstown Central – lodged and gained approval for five DAs at Chadstone – acquired land parcel and tenant remix and ambience upgrade underway at Victoria Gardens – DA submitted for retail expansion and serviced apartments at Sunshine Marketplace

Performance category and weighting	Performance measure	Reason chosen	Performance outcome
Leadership, governance and operational excellence (25%)	Corporate reputation and sustainability, people, organisational capability, innovation, diversity and inclusion, and risk and compliance management.	Non-financial objectives underpin growth and sustainability of our business.	• Maintained strong relationships with our co-owners. • Sustainability objectives progressed and Vicinity recognised in CDP's Climate A-list, recognising leading action on climate change. • Provided a 'people first' approach to COVID-19, which included safety, wellbeing and increased communications, engagement and support. • Implemented a range of initiatives informed by regular COVID-19 'pulse check' surveys and designed to provide additional support to team members during the pandemic. The overall level of confidence in Vicinity's responses to COVID-19 measured through these surveys was 82% in June 2020. • No material compliance or safety events and a strong safety culture continued to be demonstrated.

Table 3.5: FY20 STI outcomes for Executive KMP

Executive KMP	Target STI as % of TFR	Maximum STI opportunity as % of TFR[1]	Actual STI awarded ($)	% of target STI opportunity awarded	% of maximum STI opportunity awarded	% of maximum STI opportunity forfeited
Grant Kelley	75%	100%	nil	0%	0%	100%
Peter Huddle	87%	130.5%	nil	0%	0%	100%
Nick Schiffer	70%	105%	nil	0%	0%	100%

1. The maximum STI opportunity as % of TFR is the theoretical maximum the Executive KMP can receive. The maximum STI opportunity as a percentage of the target opportunity is 1.33 times and 1.5 times respectively for the CEO and other Executive KMP.

3.4 FY20 Long Term Incentive (LTI) outcomes

Summary

The LTI provides an annual opportunity for the CEO, Executive Committee and other senior executives (Senior Leaders) to receive an equity award (through performance rights), subject to the achievement of performance hurdles over three years and a further 12-month holding lock (for awards made from FY20, the performance period is four years and there is no holding lock). The LTI aligns a significant portion of overall remuneration to securityholder value over the longer term.

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

Outcomes

The FY18 LTI grant was tested at 30 June 2020. The compound annual TR per annum achieved over the performance period was below the level of 9.0% required for threshold vesting. The TR outcome was impacted significantly by asset devaluations during FY20, mainly due to the impacts of COVID-19. The relative TSR ranking over the performance period against the TSR comparator group (comparator group) resulted in nil vesting against this measure (the target required for full vesting against this measure was a ranking of greater than or equal to the 75th percentile), with COVID-19 impacting discretionary retail more significantly than other property asset classes. The combined vesting outcome for the FY18 LTI was therefore nil.

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

FY20 grants

The FY20 LTI grant was made to the Executive Committee and Senior Leaders with effect from 1 July 2019, with a four-year performance period. Table 3.6 shows the number of performance rights granted to the Executive KMP under the FY20 LTI. The number of performance rights granted was allocated using the 'face value' methodology. The fair value of the performance rights at grant date are also included in Table 3.6. Fair values are calculated in accordance with AASB 2 *Share Based Payments*.

As outlined, these performance rights may vest in four years' time provided TSR and TR hurdles are met. Further details on the hurdle requirements are contained in section 4.3.

3. Company performance and executive remuneration outcomes continued

Table 3.6: FY20 LTI grants

Executive KMP	Grant date	Face value of rights on grant date ($)	Number of performance rights[1]	LTI face value as a percentage of TFR at grant date (%)	Fair value of rights on grant date[2] ($)	LTI fair value as a percentage of TFR at grant date (%)
Grant Kelley	10 December 2019	2,025,000	762,941	135%	1,102,450	73.5%
Peter Huddle	10 December 2019	1,100,000	414,437	95.65%	598,861	52.1%
Nick Schiffer	10 December 2019	703,000	264,863	95%	382,727	51.7%
Total		**3,828,000**	**1,442,241**		**2,084,038**	

1. The grants made to Executive KMP represent the full face value LTI opportunity with effect from 1 July 2019. The security price used in the calculation is the volume weighted average price (VWAP) of Vicinity's securities 10 trading days immediately following the 2019 Annual General Meeting of $2.6542.
2. Calculated based on a fair value per performance right of:

Grant date	TR hurdle ($)	TSR hurdle ($)	Overall fair value of LTI grants ($)	Overall fair value of LTI grants as a % of face value
10 December 2019	2.08	0.81	1.445	54.4

The fair value per performance right was calculated by independent consultants as at the grant date identified above. The valuation of the TSR performance rights incorporates the probability of achieving market conditions whereas the valuation of TR performance rights does not. This results in a lower fair value for TSR performance rights than for TR performance rights. Further details on assumptions used to determine the fair value of the performance rights and the accounting for expenses relating to performance rights are included in Note 15 to the Financial Report The minimum total value of the grant to the Executive KMP is nil should none of the applicable performance conditions be met.

3.5 Statutory remuneration tables

Table 3.7 below details the remuneration received by each current Executive KMP during the current and prior year, for the period where they were a KMP. Table 3.7.1 provides the same information for former Executive KMP. These tables have been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) and relevant Australian Accounting Standards. The figures provided under the performance rights and STI deferred columns are accounting values and do not reflect actual payments received or the full value of future deferred entitlements awarded during the year.

Table 3.7: Current Executive KMP remuneration for FY20 and FY19

		Short-term benefits			Other benefits		Share based payments		Post-employment			
Current Executive KMP	Period	Base salary[1] ($)	STI cash[2] ($)	Non-monetary[3] ($)	Other[4] ($)	Leave entitlements[5] ($)	Performance rights[6] ($)	STI deferred[7] ($)	Superannuation contributions ($)	Termination benefits ($)	Total ($)	% Performance-related[8]
Grant Kelley	**FY20**	**1,381,031**	**-**	**6,319**	**-**	**29,198**	**(10,402)**	**140,881**	**21,003**	**-**	**1,568,030**	**8%**
	FY19	1,485,142	421,875	5,647	-	10,955	181,694	140,497	20,531	-	2,266,341	33%
Peter Huddle	**FY20**	**1,094,266**	**-**	**3,086**	**-**	**8,709**	**41,962**	**75,862**	**21,003**	**-**	**1,244,888**	**9%**
	FY19	328,274	134,313	809	58,088	1,036	-	20,313	5,133	-	547,966	28%
Nick Schiffer (commenced 2 September 2019)	**FY20**	**518,525**	**-**	**2,634**	**-**	**2,024**	**26,817**	**-**	**18,633**	**-**	**568,633**	**5%**
	FY19	-	-	-	-	-	-	-	-	-	-	-
Total current Executive KMP	**FY20**	**2,993,822**	**-**	**12,039**	**-**	**39,931**	**58,377**	**216,743**	**60,639**	**-**	**3,381,551**	**8%**
	FY19	1,813,416	556,188	6,456	58,088	11,991	181,694	160,810	25,664	-	2,814,307	32%

1. Base salary includes annual leave entitlements.
2. The cash component is 50% of the STI awarded for Executive KMP (including the CEO) and where applicable is paid in September following the end of the financial year. No STI amount is payable with respect to FY20.
3. Non-monetary benefits include death and total permanent disability and salary continuance insurance premiums paid by Vicinity on behalf of the Executive KMP.
4. Other benefits for Peter Huddle for FY19 represent relocation assistance provided to relocate Peter and his dependent family members from California, USA to Melbourne, Australia.
5. Leave entitlements reflect long service leave accrued for the period.
6. Under Australian Accounting Standards the remuneration expense for performance rights is based on their grant date fair value calculated in accordance with AASB 2 *Share Based Payments*. For TSR performance rights, the fair value determined is progressively expensed over the vesting period of four years, regardless of the ultimate vesting outcome. For TR performance rights, the fair value is also progressively expensed over the vesting period; however, is reassessed and adjusted to reflect the amount ultimately expected to vest. In the current period a reassessment of the likelihood of TR threshold for the FY19 LTI being met has resulted in the reversal of expenses recognised in prior periods and a negative expense recognised for Mr Kelley. The amount included as remuneration is not related to or indicative of the benefit (if any) that Executive KMP may ultimately realise should the performance rights vest.
7. 50% of the STI is deferred into restricted securities. For the CEO, the deferred securities vest 24 months following the date of deferral. For other Executive KMP, deferred securities awarded prior to FY20 vest 18 months following the date of deferral and any deferred securities awarded from and including FY20, vest equally 12 and 24 months following the date of deferral. There was no STI awarded for FY20 and accordingly there were no deferred STI restricted securities granted for FY20. The value of STI deferred into securities (and as reported in this table) has been expensed over the relevant vesting period.
8. Represents the sum of STI cash, performance rights and STI deferred divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year.

Table 3.7.1: Former Executive KMP remuneration for FY20 and FY19

Former Executive KMP	Period	Short-term benefits: Base salary[1] ($)	Short-term benefits: STI cash[2] ($)	Short-term benefits: Non-monetary[3] ($)	Other benefits: Other ($)	Other benefits: Leave entitlements[4] ($)	Share based payments: Performance rights[5] ($)	Share based payments: STI deferred[6] ($)	Post-employment: Superannuation contributions ($)	Termination benefits[7] ($)	Total ($)	% Performance-related[8]
Richard Jamieson (ceased 31 January 2019)	**FY20**	-	-	-	-	-	-	-	-	-	-	-
	FY19	322,027	165,668	2,926	-	(39,865)	64,863	-	11,977	556,458	1,084,054	21%
Michael O'Brien (ceased 10 May 2019)	**FY20**	-	-	-	-	-	-	-	-	-	-	-
	FY19	535,849	-	4,702	-	(16,028)	(560,615)	(204,750)	17,110	108,501	(115,231)	-
Total former Executive KMP	**FY20**	-	-	-	-	-	-	-	-	-	-	-
	FY19	857,876	165,668	7,628	-	(55,893)	(495,752)	(204,750)	29,087	664,959	968,823	-
Total current and former Executive KMP	**FY20**	**2,993,822**	**-**	**12,039**	**-**	**39,931**	**58,377**	**216,743**	**60,639**	**-**	**3,381,551**	**8%**
	FY19	2,671,292	721,856	14,084	58,088	(43,902)	(314,058)	(43,940)	54,751	664,959	3,783,130	10%

1. Base salary includes annual leave entitlements.
2. Richard Jamieson's FY19 STI was not subject to deferral into securities and was paid in cash in September 2019. Michael O'Brien did not receive a FY19 STI award.
3. Non-monetary benefits include death and total permanent disability and salary continuance insurance premiums paid by Vicinity on behalf of on behalf of the Former Executive KMP.
4. Leave entitlements reflect long service leave accrued for the period. Richard Jamieson and Michael O'Brien were not entitled to long service leave upon cessation of employment given they had not met the seven-year service requirement and as such the expense recognised in previous financial years was reversed in FY19.
5. Under Australian Accounting Standards the remuneration expense for performance rights is based on their grant date fair value calculated in accordance with AASB 2 *Share Based Payments*. For TSR performance rights, the fair value determined is progressively expensed over the vesting period of four years, regardless of the ultimate vesting outcome. For TR performance rights, the fair value is also progressively expensed over the vesting period; however, is reassessed and adjusted to reflect the amount ultimately expected to vest. Michael O'Brien forfeited his deferred STI securities on termination and as such the expense related to his FY18 STI deferral was reversed in FY19.
6. 50% of the STI is deferred in securities which vest 18 months following the date of deferral. Michael O'Brien forfeited his deferred STI securities on termination and as such the expense related to his FY18 STI deferral was reversed in FY19.
7. Termination payments for Richard Jamieson in FY19 included base salary and other benefits received between the date he stepped down from the Executive Committee and his termination date ($144,968) and a payment In lieu of notice of 17.33 weeks TFR ($243,151) and a severance payment of 12 weeks TFR ($168,339). Termination payments for Michael O'Brien in FY19 included base salary paid between the date he stepped down from the Executive Committee up to his termination date ($108,501).
8. Represents the sum of STI cash, performance rights and STI deferred divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year.

3.6 Non-statutory remuneration

Table 3.8 Actual remuneration table

The table below details the value of 'actual' remuneration or 'take home pay' received by the current Executive KMP during the current and prior year, for the period where they were a KMP. The figures in the table differ from those in the statutory remuneration table (table 3.7), which is prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) and Australian Accounting Standards, because the statutory table spreads the value of all equity grants (including STI deferred awards) across the relevant performance/vesting periods and includes long service leave accrued for the period. The 'actual' remuneration table has been included this year as this is the first year that any current Executive KMP has had a component of remuneration that was previously deferred become unconditional or unrestricted. These amounts therefore represent 'actual' remuneration for FY20, even though they were awarded in prior financial years.

		Base salary and other benefits					Share based payments				
Current Executive KMP	Period	Base salary[1] ($)	Superannuation contributions[1] ($)	Non-monetary benefits[1] ($)	STI cash[1] ($)	Other benefits[1] ($)	Release of STI deferred[2] ($)	LTI released from holding lock ($)	Sign-on bonus released[3] ($)	Termination benefits ($)	Total actual remuneration ($)
Grant Kelley	**FY20**	**1,381,031**	**21,003**	**6,319**	**-**	**-**	**135,555**	**-**	**70,972**	**-**	**1,614,880**
	FY19	1,485,142	20,531	5,647	421,875	-	-	-	74,108	-	2,007,303
Peter Huddle	**FY20**	**1,094,266**	**21,003**	**3,086**	**-**	**-**	**-**	**-**	**-**	**-**	**1,118,355**
	FY19	328,274	5,133	809	134,313	58,088	-	-	-	-	526,617
Nick Schiffer	**FY20**	**518,525**	**18,633**	**2,634**	**-**	**-**	**-**	**-**	**-**	**-**	**539,792**
	FY19	-	-	-	-	-	-	-	-	-	-
Total current Executive KMP	**FY20**	**2,993,822**	**60,639**	**12,039**	**-**	**-**	**135,555**	**-**	**70,972**	**-**	**3,273,027**
	FY19	1,813,416	25,664	6,456	556,188	58,088	-	-	74,108	-	2,533,920

1. As per table 3.7.
2. Amounts for FY20 represent the release of 94,794 securities for Grant Kelley under the FY18 Deferred STI following the two-year holding lock period which ended on 30 June 2020 based on a security price of $1.43.
3. Upon commencement, Grant Kelley received a sign-on bonus in the form of 57,006 restricted securities with a face value of $160,297. The value for FY20 represents the 28,503 securities released on 1 January 2020 based on a share price on release of $2.49. The value for FY19 represents the 28,503 securities released on 1 January 2019 based on a share price on release of $2.60.

3. Company performance and executive remuneration outcomes continued

Table 3.9: Deferred STI for KMP

The holding lock for the deferred STI restricted securities granted to the CEO for the FY18 year (in which the COO and CFO did not participate) ended on 30 June 2020. Table 3.9 below details the number of securities released to the CEO following the end of the holding lock.

Executive KMP	Date of grant	Deferred STI award	Value of deferred equity at time of grant ($)	Number of restricted securities allocated[1]	Holding lock end date	Market value of securities released ($)[2]
Grant Kelley	1 July 2018	FY18	258,018	94,794	30 June 2020	135,555

1. The VWAP used to calculate the number of securities allocated at the time of grant was $2.7219.
2. Based on a security price on 30 June 2020 of $1.43.

4. Executive remuneration – further information

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

- fixed remuneration
- STI
- LTI

4.1 Fixed remuneration

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

4.2 STI

Refer to section 3.3 for a summary of the STI outcomes for FY20.

STI arrangements

		FY20 STI opportunity at a target level of performance as % of TFR	FY20 STI maximum opportunity as % of TFR	Maximum STI as a multiple of the target opportunity for exceptional individual and Vicinity performance
Opportunity	Grant Kelley (CEO)	75%	100%	1.33 times
	Peter Huddle (COO)	87%	130.5%	1.5 times
	Nick Schiffer (CFO)	70%	105%	1.5 times

Performance measurement period	The STI performance measurement period is the full financial year. Where an Executive KMP commences employment during the year, their STI is evaluated and paid on a pro-rata basis. Where an Executive KMP ceases employment during the year, if the STI is not forfeited, it is evaluated and paid on a pro-rata basis. Payment is made at the normal payment date applicable to other employees.
Grant date, payment and deferral	STI is provided as a combination of cash and deferred equity. 50% of the STI is deferred into equity for a period of 24 months for the CEO and into two equal amounts payable in 12 months and 24 months respectively for other Executive KMP. Dividends are paid on the deferred equity component during the deferral period. Outcomes are calculated following the Board's review of Vicinity's FY20 audited financial results and any cash component is typically paid in September following the end of the financial year.
Performance targets and measurement	Section 3.3 provides a detailed summary of the performance objectives and measures and the subsequent results for Executive KMP for FY20. Performance objectives for FY20 were finalised by the Board in the case of the CEO, and by the CEO and the Committee in the case of other Executive KMP. The Committee, with input from the Chairman of the Board, assesses the CEO's performance against his objectives and makes the recommendation to the Board for final determination. The CEO assesses the performance of all other Executive KMP relative to their individual objectives and makes recommendations to the Committee for final determination.

4.3 LTI

Refer to section 3.4 for a summary of the LTI and outcomes for FY20.

LTI arrangements

Type of equity awarded	Rights to Vicinity stapled securities at a future time for nil consideration, subject to the achievement of agreed performance hurdles at the end of the performance period (as set out below). Until the performance rights vest, an Executive KMP has no entitlement to receive dividends or distributions from, nor legal or beneficial interest in, and no voting rights associated with, the underlying stapled securities.
Performance period	For awards granted from and including FY20, four years. For awards granted prior to FY20, three years plus a 12-month holding lock which is subject to continued service, except where varied as described in section 4.4. During the holding lock period, the conditionally vested performance rights cannot be traded, but the holder is entitled to receive dividends, distributions and vote.
Performance hurdles	Allocations of performance rights are tested against two performance hurdles: • 50% are subject to the achievement of relative TSR[1] • 50% are tied to the achievement of TR[2] Each hurdle will be measured independently at the end of the performance period.
Opportunity	For the CEO, the FY20 LTI opportunity was a face value of 135% of TFR. For the COO and CFO, the FY20 LTI opportunity was a face value of 95.65% and 95% of TFR respectively. The number of performance rights allocated was determined based on the 10-day VWAP of Vicinity securities immediately following the 2019 Annual General Meeting.
Vesting scale	The following vesting scales apply:

TSR

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

TR

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

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

The plan includes an absolute TSR 'gate' ensuring benefit will only be derived from the TSR performance rights when positive TSR performance is delivered over the four-year performance period. The Board retains discretion to adjust the number of TSR performance rights which vest where the TSR is negative.

1. Relative TSR combines the security price movement and dividends (which are assumed to be reinvested) to show total return to securityholders, relative to that of other companies in the comparator group. The Board decided that an appropriate comparator group for the relative TSR performance hurdle was the S&P/ASX 200 A-REIT Index excluding Unibail Rodamco Westfield. Where appropriate, the Board has discretion to adjust the comparator group for events, including but not limited to takeovers, mergers or de-mergers, that might occur with respect to the entities in the comparator group.
2. TR is calculated each year as the change in Vicinity's NTA during the year plus distributions per security made divided by the NTA at the beginning of the year. The annual TR result for each year during the performance period is then used to calculate the compound annual TR for the three-year performance period for awards prior to FY20 or four-year performance period for awards from and including FY20.

4. Executive remuneration – further information continued

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

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

- In the event of resignation or termination for cause, any eligibility for STI, deferred STI and LTI entitlements will be forfeited
- In the event of cessation of employment for such reasons as redundancy, death, total and permanent disablement or retirement:
  - a pro-rata amount of unvested performance rights which have not yet conditionally vested will remain on foot, with the balance forfeited. Performance rights may then conditionally vest at the end of the performance period subject to meeting the performance measures under the associated plan. Awards granted prior to the FY20 LTI are subject to a 12-month holding lock. In these circumstances, the continuous service condition will be deemed to have been waived
  - STI for the year will be pro-rated over the employment period and paid fully in cash at the same time as all others (no amounts are deferred into equity)
  - deferred STI will remain on foot and will vest at the normal vesting date

The Board also has the right to reduce future award payments or adjust unvested amounts to 'clawback' from participants if there has been a material misstatement in Vicinity's financial results. These provisions have been strengthened for any awards to be granted from FY21 onwards to enable 'clawback' where a participant has acted fraudulently or dishonestly, engaged in gross misconduct, breached his or her duties or obligations to the Group or acted in a manner which brings the Group into disrepute.

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

4.5 Total LTI holdings

Table 4.1 below details the total performance rights held by Executive KMP including the FY20 LTI grants detailed above.

Table 4.1: Total performance rights held by Executive KMP

Executive KMP	Opening performance rights	Granted as remuneration in FY20	FY18 LTI lapsed during FY20[1]	FY18 LTI vested during FY20[2]	Closing unvested performance rights
Grant Kelley	1,273,567	762,941	(565,406)	-	1,471,102
Peter Huddle	-	414,437	-	-	414,437
Nick Schiffer	-	264,863	-	-	264,863
Total number of performance rights	**1,273,567**	**1,442,241**	**(565,406)**	**-**	**2,150,402**

1. Represents the lapsing of the FY18 performance rights during FY20 due to the TR and TSR performance conditions not being met.
2. The value of performance rights conditionally vesting on 30 June 2020 under the FY18 LTI was nil for Grant Kelley.

4.6 Service agreements

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

Key features of the Executive KMP ESAs include the following:

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

Notice period provisions are detailed below.

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

1. Paid, subject to law, if Vicinity terminated the Executive KMP's employment agreement on notice and without cause, and makes payment in lieu of notice. Termination payments are generally not paid on resignation or termination with cause, although the Board may determine exceptions to this. No termination payment will exceed the limit under the *Corporations Act 2001* (Cth).

5. Non-executive Director remuneration

5.1 Remuneration philosophy

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

The current maximum fee pool of $2.25 million was approved by Vicinity securityholders in November 2011 and no changes to the fee pool will be made for FY21. Forecast Board and Committee fees for FY21 remain within the maximum fee pool.

Board and Committee fees

FY20 Board and Committee fees are outlined in the table below:

Table 5.1: FY20 Board and Committee fees

Board/Committee	Role	FY20 fees per annum[1] ($)
Board	Chairman	463,500
	Non-executive Director	164,800
Audit Committee	Chairman	41,200
	Member	20,600
Risk and Compliance Committee	Chairman	41,200
	Member	20,600
Remuneration and Human Resources Committee	Chairman	41,200
	Member	20,600
Nominations Committee	Chairman	No additional fee
	Member	No additional fee

1. Fees are inclusive of superannuation. The FY20 fees do not reflect the 20% reduction in fees for the period 1 April – 30 June 2020.

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

5. Non-executive Director remuneration continued

5.2 Fees and benefits paid

Table 5.2: Current Non-executive Directors' fees for FY20 and FY19

Current Non-executive Director	Period	Short-term benefits: Fees ($)[1]	Short-term benefits: Committee fees ($)	Post-employment benefits[2]: Superannuation contributions ($)	Total fees ($)
Trevor Gerber, Chair[3]	**FY20**	**309,872**	**19,331**	**20,220**	**349,423**
(appointed 28 October 2015)	FY19	150,502	37,626	17,872	206,000
Clive Appleton[4]	**FY20**	**156,560**	**-**	**-**	**156,560**
(appointed 1 September 2018)	FY19	137,333	-	-	137,333
Tim Hammon	**FY20**	**142,977**	**53,616**	**18,676**	**215,269**
(appointed 15 December 2011)	FY19	150,502	56,438	19,660	226,600
Peter Kahan	**FY20**	**142,977**	**48,913**	**18,230**	**210,120**
(appointed 11 June 2015)	FY19	150,502	56,438	19,660	226,600
Janette Kendall	**FY20**	**142,977**	**27,834**	**16,227**	**187,038**
(appointed 1 December 2017)	FY19	150,502	18,813	16,085	185,400
Karen Penrose	**FY20**	**142,977**	**53,616**	**18,676**	**215,269**
(appointed 11 June 2015)	FY19	150,502	56,438	19,660	226,600
David Thurin	**FY20**	**142,977**	**7,910**	**14,334**	**165,221**
(appointed 11 June 2015)	FY19	150,502	18,813	16,085	185,400
Subtotal current Non-executive Directors	**FY20**	**1,181,317**	**211,220**	**106,363**	**1,498,900**
	FY19	1,040,345	244,566	109,022	1,393,933

1. Unless otherwise stated, fees represent fees paid to Non-executive Directors in their capacity as Directors of Vicinity Limited (the Company) and Vicinity Centre RE Ltd as Responsible Entity for Vicinity Centres Trust (the RE) whose Boards and Committees meet concurrently.
2. Non-executive Directors receive no post-employment benefits other than statutory superannuation.
3. Trevor Gerber assumed the role of Chairman from the conclusion of the 2019 Annual General Meeting on 14 November 2019.
4. Clive Appleton's fees are paid to The Gandel Group Pty Limited and therefore no superannuation contributions were made by Vicinity on his behalf.

Table 5.2.1: Former Non-executive Directors' fees for FY20 and FY19

Former Non-executive Director	Period	Short-term benefits: Fees ($)[1]	Short-term benefits: Committee fees ($)	Post-employment benefits[2]: Superannuation contributions ($)	Total fees ($)
Peter Hay, Acting Chair[3]	**FY20**	**162,781**	**-**	**10,206**	**172,987**
(appointed 11 June 2015)	FY19	442,969	-	20,531	463,500
Wai Tang[4]	**FY20**	**100,335**	**25,084**	**11,915**	**137,334**
(appointed 30 May 2014)	FY19	150,502	37,626	17,872	206,000
Subtotal former Non-executive Directors	**FY20**	**263,116**	**25,084**	**22,121**	**310,321**
	FY19	593,471	37,626	38,403	669,500
Total current and former	**FY20**	**1,444,433**	**236,304**	**128,484**	**1,809,221**
Non-executive Directors	FY19	1,633,816	282,192	147,425	2,063,433

1. Fees represent fees paid to Non-executive Directors in their capacity as Directors of the Company and the RE which meet concurrently.
2. Non-executive Directors receive no post-employment benefits other than statutory superannuation.
3. Peter Hay assumed the position of Acting Chairman effective 14 August 2019 and retired from the Board from the conclusion of the 2019 Annual General Meeting on 14 November 2019.
4. Wai Tang resigned on 14 February 2020 and sadly passed away on 16 February 2020.

6. Other remuneration information

6.1 Remuneration governance

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

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

6.2 External advisors and consultants

To assist in performing its duties, and making recommendations to the Board, the Committee directly engages external advisors to provide input to the process of reviewing Executive KMP and Non-executive Director remuneration, and to provide advice on various aspects of the remuneration framework. This advice is sought when required and no advice was sought during FY20.

6.3 Security trading restrictions

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

6.4 Minimum securityholding requirement – executives

Vicinity operates a minimum securityholding requirement (MSR) for executives. This requires the CEO and other senior executives to build and retain a minimum holding of securities equal to 100% and 60% of TFR respectively within five years. The five-year period commenced from the end of the first full financial year following the merger between Novion Property Group and Federation Centres on 11 June 2015 (i.e. by 30 June 2021), or five years from the end of the first full financial year following an executive's commencement date, if later. Deferred STI and conditionally vested LTI in a 12-month holding lock count towards the MSR.

6.5 Minimum securityholding requirement – Non-executive Directors

Vicinity operates a MSR for Non-executive Directors. This encourages independent Directors to acquire a holding of securities with a minimum cost equal in value to one year of Non-executive Director base fees (net of income tax and superannuation) within five years from the introduction of the policy in 2016 or from the Director's commencement date, if later.

6. Other remuneration information continued

6.6 KMP securityholdings

The table below shows the securities held (directly or indirectly) by KMP as at 30 June 2020 and as at the date of this report.

If, at any time during the five-year accumulation period, a KMP achieves the MSR, the KMP is deemed to have met the MSR, notwithstanding that the holding value at the end of the five-year accumulation period or at the end of a financial year during the five-year period may be less than the MSR. All Non-executive Directors have achieved the current MSR.

Table 6.1: KMP securityholdings

	Opening securities as at 1 July 2019	Granted as remuneration[1]	Additions during the year	Closing securities as at 30 June 2020	Participation in the Security Purchase Plan[2]	Closing securities as at 19 August 2020
Non-executive Directors						
Trevor Gerber	100,000	-	50,000	150,000	20,834	170,834
Clive Appleton	32,295	-	-	32,295	-	32,295
Tim Hammon	50,000	-	-	50,000	13,889	63,889
Peter Kahan	33,000	-	-	33,000	10,417	43,417
Janette Kendall	30,320	-	11,956	42,276	20,834	63,110
Karen Penrose	47,500	-	-	47,500	10,417	57,917
David Thurin	13,895,373	-	-	13,895,373	-	13,895,373
Total	**14,188,488**	**-**	**61,956**	**14,250,444**	**76,391**	**14,326,835**
Executive KMP						
Grant Kelley	151,800	163,575	-	315,375	20,834	336,209
Peter Huddle	-	52,078	-	52,078	-	52,078
Nick Schiffer	-	-	-	-	-	-
Total	**151,800**	**215,653**	**-**	**367,453**	**20,834**	**388,287**

1. Reflects the FY19 deferred STI restricted securities allocated.
2. Securities allocated on 13 July 2020 as a result of participation in the Security Purchase Plan announced on 1 June 2020.

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

End of the Remuneration Report.

Signed in Sydney on 19 August 2020 in accordance with a resolution of Directors.

Trevor Gerber
Chairman

Auditor's Independence Declaration

Building a better working world

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Auditor's Independence Declaration to the Directors of Vicinity Limited

As lead auditor for the audit of the financial report of Vicinity Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Alison Parker

Alison Parker
Partner
19 August 2020

Statement of Comprehensive Income

for the year ended 30 June 2020

	Note	30-Jun-20 $m	30-Jun-19 $m
Revenue and income			
Property ownership revenue and income		**1,151.8**	1,221.0
Management fee revenue from strategic partnerships		**60.8**	60.7
Interest and other income		**3.7**	4.8
Total revenue and income	2(b)	**1,216.3**	1,286.5
Share of net (loss)/profit of equity accounted investments	5(b)	**(124.1)**	19.0
Property revaluation decrement for directly owned properties	4(b)	**(1,717.9)**	(237.1)
Direct property expenses		**(311.5)**	(349.4)
Allowance for expected credit losses	10	**(168.5)**	(4.9)
Borrowing costs	7(c)	**(190.2)**	(188.2)
Employee benefits expense	14	**(62.8)**	(95.5)
Other expenses from ordinary activities		**(40.1)**	(38.5)
Net foreign exchange movement on interest bearing liabilities		**(13.1)**	(57.9)
Net mark-to-market movement on derivatives		**59.8**	15.8
Impairment and amortisation of intangible assets	16(a)	**(427.0)**	(3.7)
Depreciation of right of use assets	22(c)	**(6.1)**	–
Stamp duty written off on acquisition of investment property	4(b)	**(3.7)**	–
(Loss)/profit before tax for the year		**(1,788.9)**	346.1
Income tax expense	3(a)	**(12.1)**	–
Net (loss)/profit for the year		**(1,801.0)**	346.1
Other comprehensive income		**–**	–
Total comprehensive (loss)/income for the year		**(1,801.0)**	346.1
Total (loss)/profit and total comprehensive income for the year attributable to stapled securityholders as:			
Securityholders of Vicinity Limited		**29.7**	19.2
Securityholders of other stapled entities of the Group		**(1,830.7)**	326.9
Net (loss)/profit and total comprehensive income for the year		**(1,801.0)**	346.1
Earnings per security attributable to securityholders of the Group:			
Basic earnings per security (cents)	6	**(47.30)**	9.04
Diluted earnings per security (cents)	6	**(47.30)**	9.02

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 22 for further information.

Balance Sheet

as at 30 June 2020

	Note	30-Jun-20 $m	30-Jun-19 $m
Current assets			
Cash and cash equivalents		**227.4**	34.9
Trade receivables and other assets	10	**133.5**	101.1
Derivative financial instruments	7(e)	**–**	4.7
Total current assets		**360.9**	140.7
Non-current assets			
Investment properties	4(a)	**13,801.4**	15,351.8
Investments accounted for using the equity method	5(a)	**527.6**	670.1
Intangible assets	16(a)	**164.2**	591.2
Plant and equipment		**2.9**	10.4
Derivative financial instruments	7(e)	**268.7**	138.6
Right of use assets and net investments in leases	22(c)	**32.9**	–
Deferred tax assets	3(c)	**72.6**	84.3
Other assets		**8.2**	6.5
Total non-current assets		**14,878.5**	16,852.9
Total assets		**15,239.4**	16,993.6
Current liabilities			
Interest bearing liabilities	7(a)	**151.8**	401.5
Distribution payable		**–**	299.9
Payables	11	**123.6**	135.5
Lease liabilities	22(c)	**29.3**	15.9
Provisions	12	**51.6**	72.4
Derivative financial instruments	7(e)	**–**	5.6
Total current liabilities		**356.3**	930.8
Non-current liabilities			
Interest bearing liabilities	7(a)	**3,778.0**	4,034.6
Lease liabilities	22(c)	**288.4**	207.3
Provisions	12	**4.9**	8.2
Derivative financial instruments	7(e)	**252.2**	223.6
Total non-current liabilities		**4,323.5**	4,473.7
Total liabilities		**4,679.8**	5,404.5
Net assets		**10,559.6**	11,589.1
Equity			
Contributed equity	9	**9,069.9**	8,006.9
Share based payment reserve		**0.9**	3.1
Retained profits		**1,488.8**	3,579.1
Total equity		**10,559.6**	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 22 for further information.

Statements of Changes in Equity

for the year ended 30 June 2020

		Attributable to securityholders of Vicinity Limited				Attributable to securityholders of other stapled entities of the Group				
	Note	Contributed equity $m	Reserves $m	Retained profits/ (losses) $m	Total $m	Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Total equity $m
As at 1 July 2018		**477.6**	**7.6**	**(269.8)**	**215.4**	**7,784.8**	**–**	**4,107.3**	**11,892.1**	**12,107.5**
Net profit for the year		–	–	19.2	19.2	–	–	326.9	326.9	346.1
Total comprehensive income for the year		**–**	**–**	**19.2**	**19.2**	**–**	**–**	**326.9**	**326.9**	**346.1**
Transactions with securityholders in their capacity as securityholders:										
On-market security buy-back	9	(4.5)	–	–	(4.5)	(251.0)	–	–	(251.0)	(255.5)
Net movements in share based payment reserve		–	(4.5)	–	(4.5)	–	–	–	–	(4.5)
Distributions declared		–	–	–	–	–	–	(604.5)	(604.5)	(604.5)
Total equity as at 30 June 2019		**473.1**	**3.1**	**(250.6)**	**225.6**	**7,533.8**	**–**	**3,829.7**	**11,363.5**	**11,589.1**
Net profit/(loss) for the year		–	–	29.7	29.7	–	–	(1,830.7)	(1,830.7)	(1,801.0)
Total comprehensive income/(loss) for the year		**–**	**–**	**29.7**	**29.7**	**–**	**–**	**(1,830.7)**	**(1,830.7)**	**(1,801.0)**
Transactions with securityholders in their capacity as securityholders:										
Shares issued	9	69.6	–	–	69.6	1,130.4	–	–	1,130.4	1,200.0
Share issue costs (net of tax)		(0.9)	–	–	(0.9)	(20.1)	–	–	(20.1)	(21.0)
On-market security buy-back	9	(2.3)	–	–	(2.3)	(113.7)	–	–	(113.7)	(116.0)
Net movements in share based payment reserve		–	(2.2)	–	(2.2)	–	–	–	–	(2.2)
Distributions declared		–	–	–	–	–	–	(289.3)	(289.3)	(289.3)
Total equity as at 30 June 2020		**539.5**	**0.9**	**(220.9)**	**319.5**	**8,530.4**	**–**	**1,709.7**	**10,240.1**	**10,559.6**

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 22 for further information.

Cash Flow Statement

for the year ended 30 June 2020

	Note	30-Jun-20 $m	30-Jun-19 $m
Cash flows from operating activities			
Receipts in the course of operations		**1,200.5**	1,440.1
Payments in the course of operations		**(545.8)**	(614.0)
Distributions and dividends received from equity accounted and managed investments		**8.7**	21.7
Net operating cash flows retained by equity accounted entities		**13.9**	17.4
Interest and other revenue received		**1.0**	1.8
Interest paid		**(192.4)**	(187.5)
Net cash inflows from operating activities – proportionate[1]		**485.9**	679.5
Less: net operating cash flows retained by equity accounted entities		**(13.9)**	(17.4)
Net cash inflows from operating activities	17	**472.0**	662.1
Cash flows from investing activities			
Payments for capital expenditure on investment properties		**(332.1)**	(413.0)
Proceeds from disposal of investment properties	4(b)	**228.2**	683.1
Payments for acquisition of investment property	4(b)	**(68.3)**	–
Stamp duty paid upon acquisition of investment property	4(b)	**(3.7)**	–
Proceeds from disposal of plant and equipment		**1.9**	–
Payments for plant and equipment		**(1.2)**	(1.5)
Net cash (outflows)/inflows from investing activities		**(175.2)**	268.6
Cash flows from financing activities			
Proceeds from issue of shares	9	**1,200.0**	–
Transaction costs on issue of shares		**(21.4)**	–
Proceeds from borrowings		**2,729.9**	1,327.4
Repayment of borrowings		**(3,242.5)**	(1,376.0)
Payment of lease liabilities		**(6.7)**	–
Distributions paid to external securityholders		**(589.2)**	(622.1)
On-market security buy-back		**(116.0)**	(255.5)
Settlement of derivative financial liabilities		**(42.6)**	–
Debt establishment costs paid		**(10.0)**	(4.4)
Acquisition of shares on-market for settlement of share based payments		**(5.8)**	(7.3)
Net cash outflows from financing activities		**(104.3)**	(937.9)
Net increase/(decrease) in cash and cash equivalents held		**192.5**	(7.2)
Cash and cash equivalents at the beginning of the year		**34.9**	42.1
Cash and cash equivalents at the end of the year		**227.4**	34.9

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 22 for further information.

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. The 'About This Report' section, which precedes the notes to the financial statements, contains information on the basis of preparation of the Financial Report, adoption of new accounting standards and significant accounting judgements, estimates and assumptions.

About This Report

Reporting entity

The financial statements are those of the stapled Group comprising Vicinity Limited (the Company) and Vicinity Centres Trust (the Trust) (collectively 'the Group'). 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'. For financial reporting purposes the Company has been identified as the parent entity of the Group.

The Company and the Trust are for-profit entities that are domiciled and operate wholly in Australia.

Basis of preparation

This general purpose Financial Report:

- has been prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards (AASBs) issued by the Australian Accounting Standards Board. Compliance with AASBs ensures compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- is presented in Australian dollars ($) and rounded to the nearest tenth of a million dollars ($m) in accordance with ASIC Legislative Instrument 2016/191 (unless otherwise stated);
- has been prepared in accordance with the historical cost convention, except for certain financial assets and liabilities, and investment properties which have been recognised at fair value; and
- was authorised for issue by the Board of Directors on 19 August 2020. The Directors have the power to amend and reissue the Financial Report.

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

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 22.

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.

COVID-19 pandemic

The Group's retail property portfolio operations were significantly impacted in the second half of the financial year by the COVID-19 pandemic. This impacted the financial results of the Group for the year ended 30 June 2020 and several significant judgements and estimates made in the preparation of the financial statements. Further information on these impacts has been included within the following notes to the financial statements:

- Information on the impact of the pandemic on the financial results for the year ended 30 June 2020 has been included within Note 1, Segment Information.
- Where relevant, additional disclosure has been included within the notes to the financial statements on accounting judgements and estimates subject to a significant level of uncertainty due to the pandemic. These judgements and estimates are summarised in the 'Significant accounting judgements, estimates and assumptions' section below.

Going concern

The Group has considered the following factors at 30 June 2020 in determining that the Financial Report of the Group should be prepared on a going concern basis:

- At 30 June 2020 the Group had substantial available liquidity including undrawn facilities of $1,977.0 million and cash and cash equivalents of $227.4 million.
- The Group has prepared scenarios which consider varying levels of unfavourable impacts of the COVID-19 pandemic on items such as cash flows and compliance with key debt covenants, including gearing and interest cover ratios. Based on these scenarios, the Group is expected to be able to pay its debts as and when they fall due for a period of 12 months from the date of these financial statements.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the Group to make judgements in the application of accounting policies and estimates when developing assumptions that affect the reported amounts of certain revenues, expenses, assets and liabilities. These judgements and estimates are made considering historical experience and other reasonable and relevant factors but are inherently uncertain. Due to this inherent uncertainty, actual results may differ from these judgements and estimates.

The ongoing COVID-19 pandemic ('COVID-19' or the 'pandemic') has increased the level of judgement and estimation applied in the preparation of the financial report at 30 June 2020 as the duration and extent of the pandemic and related financial, social and public health impacts remain unknown. Additional disclosures have been included within the relevant notes to the financial statements on the impact of this increased uncertainty. Sensitivity analysis on significant estimates and assumptions has been included where future changes may significantly impact reported revenues, expenses, assets or liabilities.

The table below summarises the areas of the Financial Report subject to significant judgement and estimation and those which are impacted by the increased uncertainty due to the impacts of COVID-19:

Item	Area of judgement or estimation	Note
Valuation of investment properties	Key inputs into valuations such as capitalisation rates, discount rates, terminal yields and market rental growth rates are subject to a significant level of estimation and not based on observable market data. Property transaction activity has slowed considerably as a result of COVID-19, as such there has been limited transactional evidence to provide visibility on current market pricing. Additionally, the longer-term impact of the pandemic on the economy, consumer shopping habits and physical retail sales, which are key indicators of future market rental growth, is unknown. These factors mean there is increased uncertainty in determining key inputs into investment property valuations at 30 June 2020.	4
Revenue and income and recoverability of tenant debtors	The Group's revenue and income largely consists of fixed rental obligations due under lease agreements which are paid monthly in advance. Therefore, rental income and the assessment of the recoverability of tenant debtors have not been subject to a significant level of judgement or estimation in prior financial periods and prior to the impacts of the pandemic. Retail trade has been unfavourably impacted by COVID-19, particularly as a result of 'stay at home orders', mandatory store closures and voluntary store closures. In addition, the Federal Government introduced the Small to Medium Enterprise (SME) Commercial Code of Conduct (the SME Code), which contains principles for landlords and certain SME tenants affected by COVID-19 to negotiate rental waivers and deferrals. As a result of these multiple factors there has been an increase in rental income receivable at 30 June 2020. Significant judgement has been required in determining allowances for expected credit losses on these receivables as future retail trading conditions for the Group's tenants remain uncertain.	2 10
Recognition of deferred tax assets	The Company recognises a deferred tax asset, primarily relating to historical tax losses. The recoverability of this deferred tax asset is dependent on the generation of sufficient future taxable income by the Company to utilise those tax losses. Estimation is required in forecasting future taxable income and judgement is applied in assessing an appropriate forecast period. COVID-19 has caused increased uncertainty in determining certain key assumptions within the assessment of the future taxable income of the Company, particularly future property, development and funds management fee revenues, which are linked to the performance and value of the investment properties under management by the Company.	3
Recoverability of intangible assets	Key assumptions and inputs into the determination of fair value of the Group's cash generating units, such as forecast cash flows, discount rates and growth rates, are subject to significant estimation. COVID-19 has unfavourably impacted the Group's forecast cash flows and market assessed discount rates which resulted in an impairment of goodwill within the Property Investment Cash Generating Unit at 30 June 2020.	16
Valuation of derivative financial instruments	The fair value of derivative financial instruments 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.	7

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.

Information on these segments is presented on a proportionate basis. This presents net property income and investment property assets relating to equity accounted properties as if they were consolidated investment properties within the Group financial statements. This allows for consistent internal reporting on all investment property assets and segment activities to the Chief Operating Decision Makers to make strategic decisions, regardless of ownership structure arrangements. 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 and other capital items incurred during the year. FFO and AFFO are determined with reference to guidelines published by the Property Council of Australia (PCA) and are non-IFRS measures.

(a) Segment results

The segment financial information and metrics provided to the Chief Operating Decision Makers are set out below. Due to the outbreak of COVID-19, additional information on the effects of the pandemic on the financial performance of the Group has been provided to the Chief Operating Decision Makers on a regular basis since February 2020. This is discussed further below.

Financial performance of segments

For the 12 months to:	30-Jun-20 $m	30-Jun-19 $m
Property Investment segment		
Net property income	**683.7**	887.6
Strategic Partnerships segment		
Property management, development and leasing fees	**51.1**	58.5
Funds management fees	**3.6**	4.5
Total segment income	**738.4**	950.6
Corporate overheads (net of internal property management fees)	**(42.2)**	(68.3)
Net interest expense	**(175.9)**	(193.0)
Funds from operations	**520.3**	689.3
Adjusted for:		
Maintenance capital and static tenant leasing costs	**(60.2)**	(83.3)
Settlement of derivative financial liabilities	**(42.6)**	–
Adjusted funds from operations	**417.5**	606.0

Key segment metrics

For the 12 months to:	30-Jun-20	30-Jun-19
FFO per security[1] (cents per security)	**13.66**	18.00
AFFO per security[1] (cents per security)	**10.96**	15.82
Distribution per security (DPS)[2] (cents per security)	**7.70**	15.90
Total distributions declared[2] ($m)	**289.3**	604.5
AFFO payout ratio (total distributions declared $m/AFFO $m) (%)	**69.3%**	99.8%
FFO payout ratio (total distributions declared $m/FFO $m) (%)	**55.6%**	87.7%

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

1. Segment information continued

(a) Segment results continued

Impact of the COVID-19 pandemic

The financial performance and position of the Group and its segments were impacted during the year by the COVID-19 pandemic. In some cases, it is not possible to distinguish the exact impact of the pandemic on an amount within the financial statements or segment results from amounts that may have otherwise been incurred or realised had the pandemic not occurred. Accordingly, to assist in understanding the overall effects of the pandemic on the financial performance and position of the Group and its segments, the table below identifies items which have observed significant movements as compared to the year ended 30 June 2019 and describes how the impacts of the pandemic have influenced these movements. Further information on these items can be found within the relevant notes to the financial statements.

Item	Description	Note
Net property income – allowance for expected credit losses	A significant amount of the Group's rental income remains uncollected at 30 June 2020 due to the impacts of COVID-19 on retail trade and the Group's tenants. Additional allowances for expected credit losses have been recognised reflecting the increased collection risk in the current subdued trading environment.	10
Net property income – property ownership revenue and income	The reduction in retail trade resulted in reduced demand for other property-related revenue derived by the Group such as fees earned from advertising on digital media screens, car parking and the on selling of other services at the Group's shopping centres.	2
Net property income – direct property expenses	Reduced visitation and hours of operation at the Group's shopping centres resulted in savings in certain areas of expenditure. As the Group recovers a portion of these costs from certain tenants under lease agreements, these savings were partly shared with these tenants through reductions in property outgoing recoveries.	–
Net corporate overheads – employee benefits expense	Cost-saving measures undertaken in relation to employee benefits included full or partial stand-downs of various employees of the Group's workforce, the cancellation of the Short Term Incentive program and a 20% reduction in executive and Board remuneration from April through to 30 June 2020. In addition, the Group was eligible for the initial phase of the Federal Government JobKeeper wage subsidy program, which further reduced employee benefits expenses.	14
Capital expenditure – maintenance capital, static tenant leasing costs and development	The Group deferred or cancelled non-essential maintenance capital expenditure across the portfolio and put several major development projects on hold. In addition, there was a reduction in static tenant leasing costs (lease incentives) due to a reduction in the number of lease deals being completed subsequent to the outbreak of COVID-19.	–
Property revaluation decrement – segment assets	On a weighted average basis, key metrics within the valuations of the investment property portfolio have softened, partly due to the estimated impacts of COVID-19 and partly due to other market movements.	4(b)

(b) Reconciliation of net profit after tax to FFO

For the 12 months to:	30-Jun-20 $m	30-Jun-19 $m
Net (loss)/profit after tax	**(1,801.0)**	346.1
Property revaluation decrement for directly owned properties[1]	**1,717.9**	237.1
Non-distributable loss relating to equity accounted investments[1]	**145.3**	13.2
Amortisation of incentives and leasing costs[2]	**57.8**	44.6
Straight-lining of rent adjustment[3]	**(8.8)**	(15.1)
Net mark-to-market movement on derivatives[4]	**(59.8)**	(15.8)
Net foreign exchange movement on interest bearing liabilities[4]	**13.1**	57.9
Impairment and amortisation of intangible assets[4]	**427.0**	3.7
Income tax expense[5]	**12.1**	–
Stamp duty	**3.7**	–
Movement in deferred performance fee	**–**	5.4
Other non-distributable items	**13.0**	12.2
Funds from operations	**520.3**	689.3

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

1. FFO excludes non-distributable fair value movements relating to directly owned investment properties and equity accounted investments.
2. Lease incentives and leasing costs are capitalised to investment properties. Amortisation of these items is then recognised as an expense in accordance with Australian Accounting Standards. In accordance with the PCA Guidelines amortisation of these items are excluded from FFO as:
   - static (non-development) lease incentives committed during the year relating to static centres are reflected 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.
5. The Group has significant unused tax losses which have been used to satisfy current tax obligations. Income tax expense will be included within FFO when these tax losses are fully utilised.

(c) Reconciliation of segment income to total revenue

Refer to Note 2 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	30-Jun-20 $m	30-Jun-19 $m
Investment properties[1]	4(a)[1]	**13,492.6**	15,096.4
Investment properties included in equity accounted investments[2]	5(c)[2]	**621.2**	718.8
Total interests in directly owned investment properties		**14,113.8**	15,815.2
Assets under management on behalf of strategic partners[3]		**9,492.0**	10,819.1
Total assets under management		**23,605.8**	26,634.3

1. Calculated as total investment properties at Note 4(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. Revenue and income

(a) Accounting policies

Impact of the COVID-19 pandemic

As a result of the impact of the COVID-19 pandemic on retail trade and the introduction of the SME Code, which contains principles for landlords and SME tenants impacted by COVID-19 to negotiate rental waivers and deferrals, the Group expects to provide rental assistance to many of its tenants. This assistance may take the form of rental waivers, payment deferrals or other changes to existing lease payment structures or lease terms.

At 30 June 2020 the majority of these rental assistance negotiations were ongoing. Accordingly, lease rental income for the majority of leases continued to be recognised in accordance with the terms of the lease contracts in place during the year. Once any rental assistance is agreed with a tenant, the Group anticipates these will be treated as a lease modification with the following effects on the financial statements:

- Existing lease receivables waived will be written off through profit and loss, except to the extent of a pre-existing provision for expected credit losses relating to outstanding lease receivables.
- Lease rental income due over the remaining lease term, which will incorporate any future reductions in fixed lease payments, will be recognised on a straight-line basis.
- Payment deferrals granted will continue to be recognised as lease receivables until they are collected.

The assessment of the revised terms of lease contracts to determine whether a lease modification has occurred will be an area of significant judgement in future periods. Further information on the significant estimates and assumptions applied in determining expected credit losses on outstanding lease receivables at 30 June 2020 can be found in Note 10.

Property ownership revenue and income

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

Lease rental income

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

Revenue from recovery of property outgoings

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

Other property-related revenue

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

Management fee revenue from strategic partnerships

These comprise:

Property management fees

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

- Ongoing retail investment property management. This is recognised monthly (over time) as property management services are provided. In accordance with the relevant property management agreements, fee revenue is calculated as a percentage of a property's gross revenue and income. Fees are invoiced and paid in the month the service is provided.
- Tenant leasing management services. Fees are recognised and invoiced at either the date of lease instruction or lease execution (point in time) depending on the specific property management agreement. Revenue is generally calculated as a percentage of year one rental income achieved.

Property development fees

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

Funds management fees

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

(b) Summary of revenue and income

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

	30-Jun-20 $m			30-Jun-19 $m		
For the 12 months to:	**Property Investment segment**	**Strategic Partnerships segment**	**Total**	**Property Investment segment**	**Strategic Partnerships segment**	**Total**
Recovery of property outgoings[1]	**184.8**	**–**	**184.8**	209.2	–	209.2
Other property related revenue[1]	**79.8**	**–**	**79.8**	93.4	–	93.4
Property management and development fees[2]	**–**	**57.1**	**57.1**	–	61.6	61.6
Funds management fees[2]	**–**	**3.7**	**3.7**	–	(0.9)	(0.9)
Total revenue from contracts with customers	**264.6**	**60.8**	**325.4**	302.6	60.7	363.3
Lease rental income[1]	**887.2**	**–**	**887.2**	918.4	–	918.4
Interest and other income	**3.7**	**–**	**3.7**	4.8	–	4.8
Total income	**890.9**	**–**	**890.9**	923.2	–	923.2
Total revenue and income	**1,155.5**	**60.8**	**1,216.3**	1,225.8	60.7	1,286.5
Reconciliation to segment income						
Property-related expenses included in segment income			**(369.6)**			(394.0)
Allowance for expected credit losses			**(168.5)**			(4.9)
Net property income from equity accounted investments included in segment income			**24.8**			35.0
Straight-lining of rent adjustment			**(8.8)**			(15.1)
Amortisation of static lease incentives and other project items			**57.8**			44.6
Interest and other revenue not included in segment income			**(13.6)**			(1.5)
Total segment income			**738.4**			950.6

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.

3. Taxes

(a) Group taxation summary

Income tax

Vicinity Centres Trust (flow through trust structure)

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

Vicinity Limited (corporate tax group)

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

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

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

Forecasts of future taxable income are determined based on the results of the Group's budgeting and planning process, adjusted for items with specific tax consequences for the Company. This process requires estimates to be made in developing assumptions about income and expenses (and their tax consequences) in future periods and significant judgement is applied in determining the length of the future time period to use in the assessment. The impact of the COVID-19 pandemic on these assumptions and judgements is discussed in Note 4(c).

A summary of the components of Vicinity Limited's income tax expense is shown below:

For the 12 months to:	30-Jun-20 $m	30-Jun-19 $m
Current income tax expense	**(7.8)**	(9.6)
Deferred income tax (expense)/benefit	**(4.4)**	4.7
Adjustment for current year tax of prior periods	**(0.4)**	(1.2)
Decrease in unrecognised deferred tax assets	**0.5**	6.1
Income tax expense	**(12.1)**	–

Statutory taxes and levies

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

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

Goods and Services Tax

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

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

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

Voluntary Tax Transparency Code

The Group is a signatory to the Tax Transparency Code (TTC). Part A of the TTC recommends disclosure of Company effective tax rates. As outlined above, taxable income from the Trust's property investments is taxed on a flow through basis in the hands of the Trust's securityholders. The Company is taxed at the Australian corporate tax rate (currently 30%); however, as a result of utilising previously unrecognised deferred tax assets, the effective tax rate based on current income tax payable for the Company is 28.6%. Further information can be found in the Tax Transparency section of the Annual Report.

(b) Reconciliation between net profit and income tax benefit

For the 12 months to:	30-Jun-20 $m	30-Jun-19 $m
(Loss)/Profit before tax for the year	**(1,788.9)**	346.1
Less: Loss/(Profit) attributed to the Trust and not subject to tax[1]	**1,831.2**	(320.8)
Net profit before tax attributable to securityholders of Vicinity Limited	**42.3**	25.3
Prima facie income tax (expense) at 30%	**(12.7)**	(7.6)
Tax effect of amounts not taxable in calculating income tax expense:		
Net adjustment relating to share based payments	**0.4**	1.3
Other permanent differences	**0.1**	1.4
Prior period adjustments	**(0.4)**	(1.2)
Decrease in unrecognised deferred tax assets (allowable deductions)	**0.5**	0.7
Decrease in unrecognised deferred tax assets (tax losses)	**–**	5.4
Income tax (expense)	**(12.1)**	–

1. As outlined above taxable income from the Trust's property investments is taxed on a flow through basis in the hands of the Trust's securityholders. Includes adjustment for $0.5 million income tax expense recognised by Vicinity Limited which has been offset against the Vicinity Group's unrecognised deferred tax assets disclosed below (30 June 2019: $6.1 million).

3. Taxes continued

(c) Movement in temporary differences

Impact of the COVID-19 pandemic

The COVID-19 pandemic has caused increased uncertainty in determining certain key assumptions within the assessment of future taxable income of the Company upon which recognition of deferred tax assets is assessed. Key assumptions subject to this increased uncertainty include future funds, property and development management fee revenues, which are linked to the performance and value of the investment properties under management by the Company.

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

	Provisions $m	Intangible assets $m	Other $m	Tax losses $m	Total $m
At 30 June 2018	19.9	(1.1)	(2.4)	67.9	84.3
Deferred income tax (expense)/benefit	(0.4)	1.1	4.0	(4.7)	–
At 30 June 2019	19.5	–	1.6	63.2	84.3
Current tax expense	**–**	**–**	**–**	**(7.8)**	**(7.8)**
Adjustment of current tax of prior periods	**–**	**–**	**–**	**(0.4)**	**(0.4)**
Deferred income tax (expense)/benefit					
Charged to profit	**(8.5)**	**–**	**4.6**	**–**	**(3.9)**
Charged directly to equity	**–**	**–**	**0.4**	**–**	**0.4**
Transfers	**–**	**–**	**(0.2)**	**0.2**	**–**
At 30 June 2020	**11.0**	**–**	**6.4**	**55.2**	**72.6**

Unrecognised deferred tax assets totalled $13.0 million at 30 June 2020 (30 June 2019: $13.5 million) comprising:

- allowable deductions of $nil (30 June 2019: $0.5 million); and
- tax losses of $13.0 million (30 June 2019: $13.0 million).

These unrecognised deferred tax assets do not expire.

4. Investment properties

The Group's investment properties represent freehold and leasehold interests in land and buildings held either to derive rental income or for capital appreciation, or both. They are initially measured at cost, including related transaction costs.

Subsequently, at each reporting period, they are carried at their fair values based on the market value, being the price that would be received to sell an investment property in an orderly, arms length transaction between market participants at the reporting date. Fair values for investment properties are determined by independent (external) valuers or internal valuations. These valuations include the cost of capital works in progress on development projects.

Note 4(c) contains details of the Group's valuation process and valuation methods, including how the process was adjusted during the current period to consider the material valuation uncertainty which has arisen as a result of the COVID-19 pandemics uncertain impacts on retail investment property values at 30 June 2020.

(a) Portfolio summary

	30-Jun-20			30-Jun-19		
Shopping centre type	Number of properties	Value $m	Weighted average cap rate %	Number of properties	Value $m	Weighted average cap rate %
Super Regional	**1**	**3,119.2**	**3.88**	1	3,250.0	3.75
Major Regional	**7**	**2,126.6**	**5.92**	7	2,564.2	5.66
City Centre	**7**	**2,218.0**	**4.81**	7	2,466.0	4.65
Regional	**8**	**1,484.7**	**6.70**	9	1,865.6	6.28
Outlet Centre	**7**	**1,760.2**	**5.94**	6	1,737.7	5.82
Sub Regional	**24**	**2,588.7**	**6.55**	25	2,961.4	6.33
Neighbourhood	**4**	**195.2**	**6.52**	5	251.5	6.31
Planning and holding costs[1]	**–**	**29.3**	**–**	–	32.2	–
Total	**58**	**13,521.9**	**5.48**	60	15,128.6	5.32
Add: Investment property leaseholds[2]		**279.5**			223.2	
Total investment properties		**13,801.4**			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 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) of $43.2 million. A further $13.1 million of adjustments arose relating to market rent reassessments, recognition of new agreements and revaluations. Refer to Note 22(c) for further details of investment property leasehold balances.

(b) Movements for the year

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

- Corio Central (December 2019) for $101.0 million[1];
- Lennox Village (December 2019) for $31.5 million[1];
- Mt Ommaney Centre (November 2019) for $94.5 million[1]; and
- other ancillary land disposals totalling $5.2 million[1].

The Group also acquired a 50% interest in Uni Hill Factory Outlets on 6 April 2020 for $67.8 million[1].

4. Investment properties continued

(b) Movements for the year continued

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

	30-Jun-20 $m	30-Jun-19 $m
Opening balance at 1 July	**15,128.6**	15,672.6
Acquisitions including associated stamp duty and transaction costs	**72.0**	–
Capital expenditure[2]	**317.1**	399.4
Capitalised borrowing costs[3]	**2.3**	6.3
Disposals	**(228.2)**	(683.1)
Property revaluation decrement for directly owned properties[5]	**(1,717.2)**	(237.1)
Stamp duty written off on acquisition of investment property	**(3.7)**	–
Amortisation of incentives and leasing costs[4]	**(57.8)**	(44.6)
Straight-lining of rent adjustment	**8.8**	15.1
Closing balance at 30 June	**13,521.9**	15,128.6

1. Amounts exclude transaction costs and stamp duty incurred on acquisitions.
2. Includes development costs, maintenance capital expenditure, lease incentives, fit-out and other capital costs.
3. Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 4.1% (30 June 2019: 4.6%).
4. For leases where Vicinity is the lessor in the lease arrangement.
5. The property revaluation decrement of $1,717.2 million is before the addition of investment property leaseholds. The $1,717.9 million revaluation decrement presented within the Statement of Comprehensive Income includes a $0.7 million revaluation decrement of investment property leaseholds held at fair value.

(c) Portfolio valuation

Impact of the COVID-19 pandemic – valuation uncertainty

At 30 June 2020 retail trade had been significantly impacted by the pandemic and the duration and extent of these impacts on retail property valuations were highly uncertain. Additionally since the outbreak of COVID-19, there has been a lack of transactional evidence to provide visibility of its impacts on current market pricing. These factors have meant that there was significant estimation uncertainty in determining key inputs into the fair value of the Group's investment properties at 30 June 2020, causing material valuation uncertainty. The table below further discusses the key factors causing material valuation uncertainty and how they may influence investment property fair values in the future. The existence of material valuation uncertainty at 30 June 2020 was also noted by the Group's independent valuers as discussed in the valuation process section below.

Uncertainty factor	Description
Property transaction market	COVID-19 has considerably slowed the property transaction market, impacting the availability of current comparable transaction evidence on which to determine market-based capitalisation and discount rates applied to property income to determine fair value. Transactions that occur in the future may evidence market pricing which varies from the estimated 30 June 2020 investment property fair values.
Impact of shutdowns and restrictions on future retail property performance	Social distancing, domestic and international travel restrictions, voluntary shutdowns and mandatory business shutdowns (including certain retailers within the Group's investment properties) have resulted in increased unemployment and a significant reduction in economic activity. These factors (amongst others) are unfavourably impacting on consumer spending, shopping habits and physical retail sales. If these unfavourable trends continue in the future, further rental waivers or deferrals may be required to assist tenants through the impacted period. There could also be further reductions in market rentals, longer tenant vacancy and downtime periods, or more tenant administrations, all of which will impact investment property fair values. The longer the pandemic continues and restrictions remain in place, the greater the potential risk to investment property fair values.
Government policy	Government policies such as the SME Code require the Group to provide financial support in the form of rental waivers and deferrals to eligible retailers. If these policies are changed or expanded it may result in the Group having to provide additional financial support to retailers. In addition, the Group may need to provide further financial support to affected non-SME retailers. This could negatively impact property fair values. Additionally, the extent of stimulus measures such as JobKeeper and JobSeeker will impact consumer spending and retail sales, which may influence market rentals and tenant vacancy and downtime periods.

Valuation process

In response to the material valuation uncertainty outlined above, the Group revised its valuation processes at 30 June 2020, including:

- Obtaining independent (external) valuations for all investment properties. In normal market conditions the Group obtains independent valuations only once in each financial year (at either half year or year end), with an internal valuation being undertaken at the alternate reporting period.
- Providing information to independent valuers on the observed and estimated future impacts of COVID-19 on each investment property. This included regular reporting on tenants who had involuntarily or voluntarily closed, the status of any rental relief discussions and the outcomes of any changes to lease arrangements as a result of COVID-19. This was in addition to the provision of customary valuation information which commonly comprises tenancy schedules, capital and expense budgets, foot traffic and tenant sales performance.
- Assessing the reasonableness of COVID-19 related adjustments such as rental waivers and capital requirements incorporated by independent valuers into the investment property valuations. These were assessed against the observed impacts of the pandemic on each property and expected future impacts based on the facts and circumstances existing at 30 June 2020.
- Reviewing the 'material valuation uncertainty' clause, which was included by independent valuers within each valuation. The inclusion of this clause is consistent with the guidelines issued by the Australian Property Institute and highlights that while valuations can still be relied upon at 30 June 2020, due to the uncertain impacts of COVID-19 there is potential for significant and unexpected movements in value over a relatively short period of time post the valuation being completed. Valuations should therefore be reviewed on a more frequent basis than usual.
- Continually monitoring the evolving COVID-19 situation to identify whether there was any additional information available on its impacts that was relevant to measuring the fair value of investment properties at the end of the reporting period. The increase in COVID-19 cases observed in Victoria in late June 2020 and announcement of specific postcode lockdowns on 30 June 2020 was identified as relevant information and the Group's consideration of its impact on investment property fair values is discussed below.

There were no changes to the Group's process in relation to the selection and rotation of independent valuers. Independent valuers appointed by the Group are selected from a pre-approved panel and 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); and
- rotated across all properties at a minimum every three years (the last full portfolio rotation was undertaken during the financial year ended 30 June 2019).

Additional considerations for Victorian investment properties

In late June 2020, Victoria experienced a significant increase in COVID-19 cases with specific postcode lockdowns being announced on 30 June 2020. The Group considered that the occurrence of these events provided enough evidence at 30 June 2020 that further lockdown restrictions in Victoria were likely to be implemented after the end of the period.

The independent valuers had not specifically considered a further lockdown in Victoria as likely prior to providing valuations to the Group due to the close proximity of the increase in cases and postcode lockdowns to 30 June 2020. Rather, as disclosed in the 'Key inputs and assumptions' section below, independent valuations incorporated specific unobservable adjustments for the estimated impact of future uncertain trading and economic conditions caused by COVID-19.

Accordingly, the Group made an internal estimate of the impact of possible further lockdown restrictions on independently determined 30 June 2020 fair values. This identified an additional revaluation decrement of $24.5 million based on a most likely scenario of 'Stage 3' type restrictions implemented for up to an eight week period. This most likely scenario was similar to the lockdowns which occurred in March and April 2020.

As the additional $24.5m revaluation decrement was determined internally by the Group and not by the independent valuers, the list of investment properties shown within Note 4(d) identifies both the independent valuation amount and the carrying value at 30 June 2020, after adjusting for the estimated impacts of the renewed restrictions in Victoria.

As disclosed in Note 24, subsequent to 30 June 2020 the Victorian Government announced Stage 3 lockdowns on 7 July 2020 and extended Stage 4 lockdowns on 2 August 2020. An escalation to Stage 4 restrictions was not envisaged by the Group and therefore the announcement on 2 August 2020 would unfavourably impact the 30 June 2020 fair value of investment properties had it been considered at that time.

4. Investment properties continued

(c) Portfolio valuation continued

Valuation methodology

Retail investment property valuations commonly adopt a fair value within the range calculated with reference to the 'capitalisation of net income' and 'discounted cash flow' (DCF) methods. The table below details each valuation methodology. The expected impact of the COVID-19 pandemic on short to medium-term sales and rental growth has resulted in a number of the independent valuations obtained at 30 June 2020 placing greater emphasis on the DCF method.

Valuation method	Description
Discounted cash flow (DCF)	Projected cash flows for a selected investment period (usually 10 years) are derived from contracted or future estimates of market rents, operating costs, lease incentives and capital expenditure. 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.
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 market transactions.
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 assumptions and inputs

As the capitalisation of income and discounted cash flow valuation methods include key inputs that are not based on observable market data (namely market derived capitalisation and discount rates), investment property valuations are considered 'Level 3' of the fair value hierarchy (refer Note 23(a) for further details on the fair value hierarchy).

As described in the 'Impact of the COVID-19 pandemic' section above, due to the uncertainty caused by the pandemic, there was significant estimation uncertainty in determining key valuation inputs for 30 June 2020 reporting. Key unobservable inputs used by the Group in determining fair value of its investment properties are summarised in the table below. These are consistent with key inputs assessed in prior reporting periods and have softened across the portfolio (weighted average basis), partly due to the estimated impacts of COVID-19 and partly due to other market movements.

Valuations at 30 June 2020 also incorporated specific unobservable adjustments relating to COVID-19. These adjustments reduced investment property fair values and comprised (where appropriate):

- Allowances for short-term rental waivers and deferrals ranging from 0–12 months to be provided to tenants impacted by the COVID-19 outbreak.
- Lower short to medium-term growth rates within the DCF valuations due to anticipated softer economic conditions (the change in market rental growth rate is shown in the table below).
- Higher tenant turnover, increased downtime to re-lease tenancies and higher overall property vacancy rates (the change in market rental growth rate is shown in the table below).
- Increased tenant incentives to lease space at assets.

	30-Jun-20		30-Jun-19		
Unobservable inputs	**Range of inputs**	**Weighted average inputs**	**Range of inputs**	**Weighted average inputs**	**Sensitivity**
Capitalisation rate[1]	**3.88% – 8.00%**	**5.48%**	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% – 9.00%**	**6.83%**	6.00% – 8.75%	6.88%	
Terminal yield[3]	**4.13% – 8.00%**	**5.68%**	4.00% – 8.00%	5.53%	
Expected downtime (for tenants vacating)	**3 months to 15 months**	**7 months**	3 months to 12 months	6 months	
Market rents and rental growth rate	**2.00% – 3.17%**	**2.76%**	2.43% – 4.07%	3.33%	The higher the assumed market rent and 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 the above key assumptions have been taken from the latest external valuation reports and internal valuation assessments (where applicable in the prior year). For all investment properties, the current use equates to the highest and best use.

Sensitivity analysis

The following sensitivities illustrate the impact of changes in key unobservable inputs (in isolation) on the fair value of the Group's investment properties at 30 June 2020. Specific key unobservable inputs may impact only the capitalisation method, the DCF method or both methods.

DCF method

30 June 2020 ($m)	Carrying value	Discount rate -0.25%	Discount rate +0.25%	10-year rental growth rate -0.25%	10-year rental growth rate +0.25%
Actual valuation[1] ($m)	**13,492.6**	**–**	**–**	**–**	**–**
Impact on actual valuation ($m)	**–**	**+257.5**	**(249.2)**	**(167.1)**	**167.3**
Resulting valuation ($m)	**–**	**13,750.1**	**13,243.4**	**13,325.5**	**13,659.9**

Capitalisation of net income method

30 June 2020 ($m)	Carrying value	Capitalisation rate -0.25%	Capitalisation rate +0.25%
Actual valuation[1] ($m)	13,492.6	–	–
Impact on actual valuation ($m)	–	+703.0	(645.1)
Resulting valuation ($m)	–	14,195.6	12,847.5

1. Excludes planning and holding costs and investment property leaseholds.

4. Investment properties continued

(d) List of investment properties held

The tables below summarise the independent (external) valuation and carrying value for each investment property.

As discussed in the 'Additional considerations for Victorian investment properties' section of Note 4(c), for investment properties located in Victoria, the carrying value reflects the independent valuation amount and an adjustment for the estimated impacts of the increase in COVID-19 cases observed in Victoria in late June 2020.

i. Super Regional

	Ownership interest %	Independent valuation 30-Jun-20 $m	Carrying value 30-Jun-20 $m	Carrying value 30-Jun-19 $m
Chadstone	50	3,130.0	**3,119.2**	3,250.0
Total Super Regional		3,130.0	**3,119.2**	3,250.0

ii. Major Regional

	Ownership interest %	Independent valuation 30-Jun-20 $m	Carrying value 30-Jun-20 $m	Carrying value 30-Jun-19 $m
Bankstown Central	50	275.0	**275.0**	337.5
Bayside	100	460.3	**459.8**	591.4
Galleria	50	250.0	**250.0**	337.5
Mandurah Forum	50	227.5	**227.5**	275.0
Northland	50	425.0	**422.1**	494.1
Roselands	50	142.2	**142.2**	167.7
The Glen	50	350.0	**350.0**	361.0
Total Major Regional		2,130.0	**2,126.6**	2,564.2

iii. City Centre

	Ownership interest %	Independent valuation 30-Jun-20 $m	Carrying value 30-Jun-20 $m	Carrying value 30-Jun-19 $m
Emporium Melbourne	50	642.5	**640.0**	705.0
Myer Bourke Street	33	149.3	**149.0**	164.0
Queen Victoria Building[1]	50	300.0	**300.0**	330.0
QueensPlaza	100	700.0	**700.0**	790.0
The Galeries	50	164.0	**164.0**	170.0
The Myer Centre Brisbane	25	140.0	**140.0**	180.0
The Strand Arcade	50	125.0	**125.0**	127.0
Total City Centre		2,220.8	**2,218.0**	2,466.0

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

iv. Regional

	Ownership interest %	Independent valuation 30-Jun-20 $m	Carrying value 30-Jun-20 $m	Carrying value 30-Jun-19 $m
Broadmeadows Central	100	269.7	**269.7**	324.2
Colonnades	50	113.2	**113.2**	126.8
Cranbourne Park	50	130.0	**130.0**	152.0
Eastlands	100	156.8	**156.8**	173.0
Elizabeth City Centre	100	300.0	**300.0**	368.1
Grand Plaza	50	185.0	**185.0**	217.5
Rockingham Centre	50	217.5	**217.5**	270.0
Runaway Bay Centre	50	112.5	**112.5**	142.5
Mt Ommaney Centre[8]	–	–	**–**	91.5
Total Regional		1,484.7	**1,484.7**	1,865.6

v. Outlet Centre

	Ownership interest %	Independent valuation 30-Jun-20 $m	Carrying value 30-Jun-20 $m	Carrying value 30-Jun-19 $m
DFO Brisbane[2]	100	62.5	**62.5**	64.0
DFO Essendon[3]	100	170.0	**167.3**	178.0
DFO Homebush	100	590.0	**590.0**	540.0
DFO Moorabbin[4]	100	113.0	**111.9**	125.2
DFO Perth[5]	50	105.0	**105.0**	110.5
DFO South Wharf[6]	100	665.0	**663.0**	720.0
DFO Uni Hill[9]	50	61.0	**60.5**	–
Total Outlet Centre		1,766.5	**1,760.2**	1,737.7

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 %	Independent valuation 30-Jun-20 $m	Carrying value 30-Jun-20 $m	Carrying value 30-Jun-19 $m
Altona Gate Shopping Centre	100	100.0	**100.0**	106.5
Armidale Central	100	36.0	**36.0**	44.0
Box Hill Central (North Precinct)	100	128.0	**127.5**	126.5
Box Hill Central (South Precinct)[7]	100	220.0	**219.5**	234.0
Buranda Village	100	38.0	**38.0**	42.0
Carlingford Court	50	105.0	**105.0**	123.5
Castle Plaza	100	151.4	**151.4**	173.4
Ellenbrook Central	100	242.0	**242.0**	244.0
Gympie Central	100	72.5	**72.5**	77.5
Halls Head Central	50	40.0	**40.0**	47.5
Karratha City	50	40.0	**40.0**	47.5
Kurralta Central	100	42.0	**42.0**	44.6
Lake Haven Centre	100	283.9	**283.9**	323.4
Livingston Marketplace	100	83.0	**83.0**	90.0
Maddington Central	100	93.0	**93.0**	109.0
Mornington Central	50	36.0	**36.0**	36.0
Nepean Village	100	204.0	**204.0**	207.0
Northgate	100	85.0	**85.0**	100.0
Roxburgh Village	100	95.7	**95.7**	122.6
Sunshine Marketplace	50	60.3	**60.1**	62.4
Taigum Square	100	85.0	**85.0**	99.7
Warriewood Square	50	137.5	**137.5**	150.0
Warwick Grove	100	150.0	**150.0**	180.0
Whitsunday Plaza	100	61.6	**61.6**	65.3
Corio Central[8]	–	–	**–**	105.0
Total Sub Regional		2,589.9	**2,588.7**	2,961.4

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

vii. Neighbourhood

	Ownership interest %	Independent valuation 30-Jun-20 $m	Carrying value 30-Jun-20 $m	Carrying value 30-Jun-19 $m
Dianella Plaza	100	63.0	**63.0**	80.0
Milton Village	100	34.3	**34.3**	31.7
Oakleigh Central	100	72.6	**72.6**	79.8
Victoria Park Central	100	25.3	**25.3**	28.5
Lennox Village[8]	–	–	**–**	31.5
Total Neighbourhood		195.2	**195.2**	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 ground lease to 2034 at the Group's discretion.
5. The title to this property is leasehold and expires in 2047.
6. The title to this property is leasehold and expires in 2108.
7. The title to this property is leasehold with options to extend the ground lease to 2134 at the Group's discretion.
8. Disposed of during the year.
9. Acquired during the year.

(e) Future undiscounted lease payments to be received from operating leases

The Group's investment properties are leased to tenants under operating leases with rentals payable monthly. Future undiscounted lease payments to be received for the period of operating leases of investment properties are shown in the table below. These include amounts to be received 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 be received when tenant sales exceed set thresholds and separately invoiced amounts for recovery of property outgoings are excluded[1].

The amounts shown in the table below have not been adjusted for the possible impacts that the ongoing COVID-19 pandemic may have on existing lease agreements. As disclosed in Note 2 and Note 10, the Group is expecting to provide further rental waivers and deferrals to tenants as a result of the pandemic which, once agreed, may reduce the future lease payments to be received disclosed below.

	30-Jun-20 $m	30-Jun-19 $m
Not later than one year	**838.0**	871.5
Two years	**717.9**	755.2
Three years	**599.3**	637.6
Four years	**474.5**	520.8
Five years	**327.2**	394.7
Later than five years	**880.2**	1,020.8
Total undiscounted lease payments to be received from operating leases	**3,837.1**	4,200.6

1. Refer to Note 2 for the proportion of revenue earned relating to the recovery of property outgoings.

5. Equity accounted investments

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

The assets of investment property joint ventures substantially consist of investment properties held at fair value. As such the value of equity accounted investments recognised by the Group is subject to the same significant estimation and valuation uncertainties as discussed in Note 4(c).

(a) Summary of equity accounted investments

	Ownership		Carrying value	
	30-Jun-20 %	30-Jun-19 %	30-Jun-20 $m	30-Jun-19 $m
Chatswood Chase Sydney (Joint Venture)[1]	**51.0**	51.0	**454.5**	579.5
Victoria Gardens Retail Trust (Joint Venture)	**50.0**	50.0	**72.5**	89.2
Vicinity Asset Operations Pty Ltd (Associate)	**40.0**	40.0	**0.6**	1.4
Closing balance			**527.6**	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.

(b) Movements for the year

	30-Jun-20 $m	30-Jun-19 $m
Opening balance	**670.1**	681.1
Additional investments made during the year	**3.1**	1.6
Share of net (loss)/profit of equity accounted investments	**(124.1)**	19.0
Distributions of net income declared by equity accounted investments	**(21.5)**	(31.6)
Closing balance	**527.6**	670.1

(c) Summarised financial information of joint ventures

Chatswood Chase Sydney

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

	30-Jun-20 $m	30-Jun-19 $m
Investment properties (non-current)	**478.0**	591.5
Other net working capital	**(23.5)**	(12.0)
Net assets	**454.5**	579.5
Total income	**25.1**	31.9
Aggregate net (loss)/profit after income tax	**(111.4)**	10.7

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-20 $m	30-Jun-19 $m
Investment properties (non-current)	**147.7**	142.9
Interest bearing liabilities (non-current)	**(67.3)**	(46.7)
Other net working capital	**(7.9)**	(7.0)
Net assets	**72.5**	89.2
Total income	**9.9**	11.2
Aggregate net (loss)/profit after income tax	**(13.3)**	6.9
Interest expense	**(2.2)**	(1.9)

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

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

Asset management fees earned by the Group for management services provided to Chatswood Chase Sydney totalled $9,614,251 (30 June 2019: $6,264,044). At 30 June 2020, no amounts remain payable to the Group (30 June 2019: $nil). Distribution income from the Group's investment in Chatswood Chase Sydney was $16,770,706 (30 June 2019: $24,002,946) with $25,105,057 remaining receivable at 30 June 2020 (30 June 2019: $11,808,356).

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

Asset management fees earned by the Group for management services provided to Victoria Gardens Retail Trust totalled $2,296,524 (30 June 2019: $143,975). At 30 June 2020, no amounts remain payable to the Group (30 June 2019: $nil). Distribution income from the Group's investment in Victoria Gardens Retail Trust was $3,352,367 (30 June 2019: $5,317,152) with $7,664,772 remaining receivable at 30 June 2020 (30 June 2019: $7,762,405).

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

Rent and outgoings earned from VAO as a tenant of the Group's centres was $5,589,145 (30 June 2019: $7,460,645). Dividends paid to the Group were $1,387,856 (30 June 2019: $2,278,296). The Group has receivables from VAO of $2,095,506 at 30 June 2020 (30 June 2019: $2,619,121).

6. Earnings per security

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

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

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

Basic and diluted earnings per security are as follows:

For the 12 months to:	30-Jun-20	30-Jun-19
Earnings per security attributable to securityholders of the Group:		
Basic earnings per security (cents)	**(47.30)**	9.04
Diluted earnings per security (cents)	**(47.30)**[1]	9.02
Earnings per security attributable to securityholders of the Parent:		
Basic earnings per security (cents)	**0.78**	0.50
Diluted earnings per security (cents)	**0.78**	0.50

1. Calculated using the weighted average number of securities used as the denominator in calculating basic earnings per security as the Group made a loss for the year ended 30 June 2020.

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

For the 12 months to:	30-Jun-20 $m	30-Jun-19 $m
Earnings used in calculating basic and diluted earnings per security of the Group	**(1,801.0)**	346.1
Earnings used in calculating basic and diluted earnings per security of the Parent	**29.7**	19.2

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

For the 12 months to:	30-Jun-20 Number (m)	30-Jun-19 Number (m)
Weighted average number of securities used as the denominator in calculating basic earnings per security	**3,807.8**	3,829.5
Adjustment for potential dilution from performance rights on issue	**7.2**	7.7
Weighted average number of securities and potential securities used as the denominator in calculating diluted earnings per security	**3,815.0**	3,837.2

7. 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:

- €500.0 million (equivalent to approximately AUD $812.0 million) 10-year fixed rate bonds were settled on 7 November 2019 under the European Medium Term Note (EMTN) programme. The proceeds of this issue were used to repay existing bank debt;
- $400.0 million of AUD Medium Term Notes (AMTN) matured in December 2019;
- maturities for a number of bank debt facilities totalling $2.4 billion were extended by one to two years, $315.0 million of new bank facilities were executed while $925.0 million of bank facilities were cancelled; and
- net repayments of $512.6 million were made throughout the year with the proceeds from the $1.2 billion Placement (refer Note 8(e)) and net asset divestments being offset by capital expenditure, the on-market securities buy-back, settlement of derivative financial liabilities and distributions paid.

(a) Summary of facilities

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

	30-Jun-20 $m	30-Jun-19 $m
Current liabilities		
Secured		
AUD Medium Term Notes (AMTNs)[1]	**151.9**	151.8
Unsecured		
AMTNs	**–**	250.0
Deferred debt costs[2]	**(0.1)**	(0.3)
Total current liabilities	**151.8**	401.5
Non-current liabilities		
Secured		
AMTNs[1]	**–**	153.6
Unsecured		
Bank debt	**498.0**	1,418.5
AMTNs[3]	**856.8**	856.1
GBP European Medium Term Notes (GBMTNs)	**625.6**	629.2
HKD European Medium Term Notes (HKMTNs)	**119.6**	116.7
US Private Placement notes (USPPs)	**885.2**	873.5
EUR European Medium Term Notes (EUMTNs)	**809.5**	–
Deferred debt costs[2]	**(16.7)**	(13.0)
Total non-current liabilities	**3,778.0**	4,034.6
Total interest bearing liabilities	**3,929.8**	4,436.1

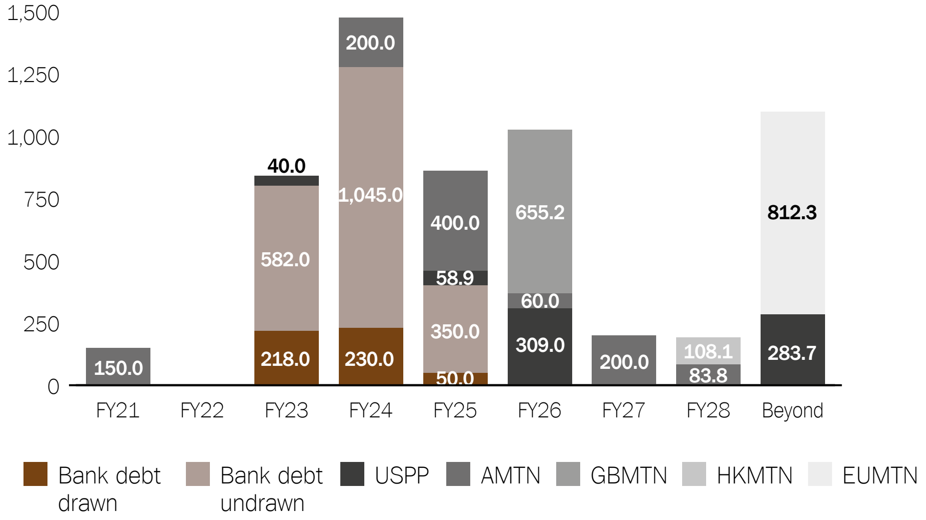
1. Secured by a first charge over certain of the Group's investment properties with a carrying value of $3,148.2 million (30 June 2019: $3,639.4 million).
2. Deferred debt costs comprise the unamortised value of borrowing costs paid on establishment or refinance of debt facilities. These costs are deferred 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.

7. Interest bearing liabilities and derivatives continued

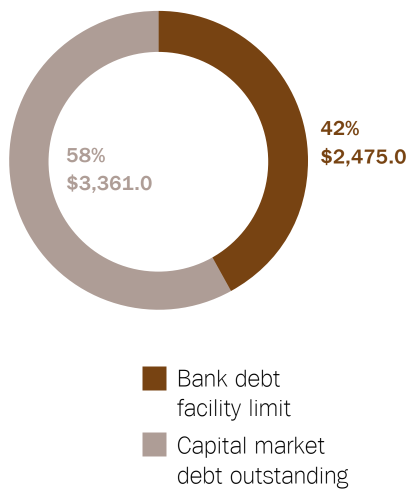
(b) Facility maturity and availability

The charts below outline the maturity of the Group's total available facilities at 30 June 2020 by type and the bank to capital markets debt ratio. Of the $5,836.0 million total available facilities (30 June 2019: $6,033.6 million), $1,977.0 million remains undrawn at 30 June 2020 (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 $87.6 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 $16.8 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.

For the 12 months to:	30-Jun-20 $m	30-Jun-19 $m
Interest and other costs on interest bearing liabilities and derivatives	**170.3**	195.2
Amortisation of deferred debt costs	**6.5**	3.9
Amortisation of face value discounts	**1.7**	1.1
Amortisation of fair value adjustments relating to discontinuation of hedge accounting	**(1.3)**	(2.2)
Amortisation of AMTN, GBMTN and EUMTN fair value adjustment	**(3.7)**	(5.0)
Interest charge on lease liabilities	**20.6**	3.1
Capitalised borrowing costs	**(3.9)**	(7.9)
Total borrowing costs	**190.2**	188.2

(d) Defaults and covenants

At 30 June 2020, the Group had no defaults on debt obligations or breaches of lending covenants (30 June 2019: nil).

(e) Derivatives

As detailed further in Note 8, 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 (AUD $)	
	30-Jun-20 $m	30-Jun-19 $m	30-Jun-20 $m	30-Jun-19 $m
Interest rate swaps (pay floating/receive fixed)	**–**	4.7	**–**	400.0
Total current assets	**–**	4.7	**n/a**	n/a
Cross currency swaps (pay AUD floating receive USD fixed)	**206.4**	116.6	**660.3**	660.3
Cross currency swaps (pay AUD floating receive GBP fixed)	**3.1**	–	**655.2**	–
Cross currency swaps (pay AUD floating receive HKD fixed)	**27.6**	16.4	**108.2**	108.2
Cross currency swaps (pay AUD floating receive EUR fixed)	**25.9**	–	**812.3**	–
Interest rate swaps (pay floating/receive fixed)	**5.7**	5.6	**100.0**	100.0
Total non-current assets	**268.7**	**138.6**	**n/a**	**n/a**
Interest rate swaps (pay fixed/receive floating)	**–**	(5.6)	**–**	550.0
Total current liabilities	**–**	(5.6)	**n/a**	n/a
Cross currency swaps (pay AUD floating receive GBP fixed)	**–**	(16.4)	**–**	655.2
Interest rate swaps (pay fixed/receive floating)	**(252.2)**	(207.2)	**2,525.0**	2,525.0
Total non-current liabilities	**(252.2)**	(223.6)	**n/a**	n/a
Total net carrying amount of derivative financial instruments[1]	**16.5**	(85.9)	**n/a**	n/a

1. The movement in the net carrying amount of derivative financial instruments of $102.4 million was due to mark-to-market fair value adjustments of $59.8 million and the cash settlement of interest rate swap derivative financial liabilities of $42.6 million in April 2020.

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

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

	30-Jun-20 $m	30-Jun-19 $m
Opening balance	**4,436.1**	4,437.6
Net cash (repayments)/drawdowns of borrowings	**(512.6)**	(48.6)
Foreign exchange rate adjustments recognised in profit and loss	**13.1**	57.9
Payment of deferred debt costs	**(10.0)**	(4.4)
Amortisation of face value discount	**1.7**	1.1
Amortisation of deferred debt costs	**6.5**	3.9
Maturity of cross currency swap	**–**	(4.2)
Fair value movements, non-cash	**(5.0)**	(7.2)
Closing balance	**3,929.8**	4,436.1

(g) Fair value of interest bearing liabilities

As at 30 June 2020, the Group's interest bearing liabilities had a fair value of $3,993.1 million (30 June 2019: $4,565.1 million).

The carrying amount of these interest bearing liabilities was $3,929.8 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.

8. Capital and financial risk management

In the course of its operations the Group is exposed to certain financial risks that could affect the Group's financial position and performance. This note explains the sources of the risks below, how they are managed by the Group and exposure at reporting date:

- Interest rate risk, Note 8(a);
- Foreign exchange risk, Note 8(b);
- Liquidity risk, Note 8(c); and
- Credit risk, Note 8(d).

Information about the Group's objectives for managing capital is contained in Note 8(e).

Risk management approach

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

- ensure that the Group has funds available to meet all financial obligations, working capital and committed capital expenditure requirements;
- monitor and ensure compliance with all relevant financial covenants under the Group's debt facilities;
- reduce the impact of adverse interest rate or foreign exchange movements on the Group using approved financial risk management instruments;
- diversify banking counterparties to mitigate counterparty credit risk; and
- ensure the Group treasury team operates in an appropriate control environment, with effective systems and procedures.

(a) Interest rate risk

Nature and sources of risk

Interest rate risk represents the potential for changes in market interest rates to impact the total interest expense on floating rate borrowings (cash flow interest rate risk) or the fair value of derivatives (fair value interest rate risk) held by the Group.

Risk management

Interest rate swaps are used to manage cash flow interest rate risk by targeting a hedge ratio[1] on the Group's interest bearing liabilities. Under the terms of the interest rate swaps, the Group agrees to exchange, at specified intervals, amounts based on the difference between fixed interest rates and the floating market interest rate calculated by reference to an agreed notional principal amount. None of these derivatives are currently in designated hedge relationships. They are also not permitted to be entered into for speculative purposes and therefore the Group is not significantly exposed to fair value interest rate risk.

Exposure

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

	30-Jun-20 $m	30-Jun-19 $m
Total interest bearing liabilities (Note 7(a))	**3,929.8**	4,436.1
Reconciliation to drawn debt		
Deferred debt costs	**16.8**	13.3
Fair value and foreign exchange adjustments to GBMTNs	**29.6**	26.0
Fair value and foreign exchange adjustments to USPPs	**(109.9)**	(98.3)
Fair value adjustments to AMTNs	**1.3**	(1.5)
Foreign exchange adjustments to HKMTNs	**(11.4)**	(8.5)
Fair value and foreign exchange adjustments to EUMTNs	**2.8**	–
Total drawn debt	**3,859.0**	4,367.1
Less: Cash on term deposit[2]	**(150.0)**	–
Less: Fixed rate borrowings	**(890.0)**	(1,290.0)
Variable rate borrowings exposed to cash flow interest rate risk	**2,819.0**	3,077.1
Less: Notional principal of outstanding interest rate swap contracts	**(2,425.0)**	(2,575.0)
Net variable rate borrowings exposed to cash flow interest rate risk	**394.0**	502.1
Hedge ratio[1]	**89.4%**	88.5%

1. Calculated as total drawn debt less cash on term deposit less net variable rate borrowings exposed to cash flow interest rate risk divided by total drawn debt less cash on term deposit.
2. Term deposit matured in July 2020.

Sensitivity

A shift in the floating interest rate of +/- 25 bps, assuming the net exposure to cash flow interest rate risk as at 30 June 2020 remains unchanged for the next 12 months, would impact the Group's cash interest cost for the next 12 months by $1.0 million (30 June 2019 +/-25 bps: $1.2 million).

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 2020 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $10.9 million (30 June 2019 +/-25 bps: $7.8 million).

This sensitivity analysis should not be considered a projection.

(b) Foreign exchange rate risk

Nature and sources of risk

Foreign exchange risk represents the potential for changes in market foreign exchange rates to impact the cash flows arising from the Group's foreign denominated interest bearing liabilities (cash flow foreign exchange rate risk) or the fair value of derivatives and interest bearing liabilities (fair value foreign exchange rate risk) held by the Group.

Risk management

Cash flow foreign exchange rate risk is managed through the use of cross currency swaps, which swap the foreign currency interest payments on foreign denominated interest bearing liabilities 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. They are also not permitted to be entered into for speculative purposes and therefore the Group is not significantly exposed to fair value foreign exchange risk.

Exposure

As at the balance date, the Group had entered into cross currency swaps with terms offsetting those of all foreign denominated interest bearing liabilities and therefore had no net exposure to cash flow foreign exchange rate risk (30 June 2019: nil net exposure). The table below summarises the foreign denominated interest bearing liabilities held by the Group. Details of cross currency swaps held are shown in Note 7(e).

Foreign denominated interest bearing liabilities	Foreign currency	30-Jun-20 m	30-Jun-19 m
GBMTNs	GBP £	**350.0**	350.0
HKMTNs	HKD $	**640.0**	640.0
USPPs	USD $	**523.0**	523.0
EUMTNs	EUR €	**500.0**	–

Sensitivity

A shift in the forward GBP, HKD, EUR and USD exchange rate curves of +/ 5.0 cents, assuming the net exposure to fair value foreign exchange rate risk as at 30 June 2020 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $36.5 million (30 June 2019 +/- 5.0 cents: $8.7 million).

This sensitivity analysis should not be considered a projection.

(c) Liquidity risk

Nature and sources of risk

Liquidity risk represents the risk that the Group will be unable to meet financial obligations as they fall due.

Risk management

To manage this risk, sufficient capacity under the Group's financing facilities is maintained to meet the funding needs identified in the Group's latest forecasts. 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.

The COVID-19 pandemic has significantly impacted the Group's cash flows and increased uncertainty within the Group's forecasting process upon which future liquidity requirements are assessed. As a result of these impacts, the Group undertook a number of initiatives to provide additional capital and liquidity. These are discussed in Note 8(e).

8. Capital and financial risk management continued

(c) Liquidity risk continued

Exposure

The contractual maturity of cash on term deposit, interest bearing liabilities and the interest payment profile on interest bearing liabilities and derivatives are 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 11 for details on trade payables that are not included in the table below.

30-Jun-20	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m
Bank debt	**–**	**218.0**	**280.0**	**498.0**
AMTNs	**150.0**	**–**	**860.0**	**1,010.0**
GBMTNs	**–**	**–**	**647.0**	**647.0**
HKMTNs	**–**	**–**	**945.2**	**945.2**
USPPs	**–**	**–**	**122.2**	**122.2**
EUMTNs	**–**	**40.0**	**858.2**	**898.2**
Cash and interest on term deposit (inflows)	**(150.3)**	**–**	**–**	**(150.3)**
Estimated interest payments and line fees on borrowings	**120.6**	**224.8**	**378.1**	**723.5**
Estimated net interest rate swap cash outflow	**33.3**	**114.4**	**105.6**	**253.3**
Estimated gross cross currency swap cash outflows	**46.8**	**98.6**	**2,523.8**	**2,669.2**
Estimated gross cross currency swap cash (inflows)	**(64.1)**	**(128.8)**	**(2,778.1)**	**(2,971.0)**
Total contractual outflows	**136.3**	**567.0**	**3,942.0**	**4,645.3**

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

(d) Credit risk

Nature and sources of risk

Credit risk is the risk that a tenant or counterparty to a financial asset held by the Group fails to meet their financial obligations. The Group's financial assets that are subject to credit risk are bank deposits, tenant receivables and derivative financial assets.

Risk management

To mitigate credit risk in relation to derivative counterparties and bank deposits the Group has policies to limit exposure to any one financial institution and only deal with those parties that have high-quality credit. To mitigate tenant credit risk, an assessment is performed taking into consideration the financial background of the tenant and the amount of any security or guarantee provided as collateral under the lease. The COVID-19 pandemic has increased credit risk on tenant receivables as many of the Group's tenants have been unable to trade, have chosen not to trade, or have had their trade significantly impacted. Note 10 further discusses the assessment of credit risk on receivables at 30 June 2020.

Exposure

The maximum exposure to credit risk at the balance date is the carrying amount of the Group's financial assets which are recognised within the Balance Sheet net of any provision for losses.

(e) Capital management

Approach and response to COVID-19

The Group seeks to maintain a strong and conservative capital structure with appropriate liquidity, low gearing and a diversified debt profile (by source and tenor). The Group has long-term credit ratings of 'A2/negative' from Moody's Investors Service and 'A/stable' from Standard & Poor's.

In response to the uncertainties arising from the COVID-19 pandemic and to assist with maintaining a strong and conservative capital structure, the Group undertook a number of capital and liquidity management activities during the six-month period ended 30 June 2020. These included:

- entering into agreements for net new or extended bank facilities of $450.0 million;
- completing a $1.2 billion fully underwritten security placement (Placement). The Placement was successfully completed on 2 June 2020 and the 810.8 million new securities issued under the Placement commenced trading alongside existing securities on 5 June 2020. The proceeds of the Placement were used to repay outstanding debt facilities;
- launching a Security Purchase Plan (SPP), which provided retail securityholders the opportunity to acquire up to $30,000 in new securities. The SPP offer closed on 6 July 2020 with $32.6 million of subscriptions. Accordingly, 22.6 million securities were subsequently allocated and commenced trading alongside existing securities on 14 July 2020;
- determining that no distribution would be paid for the second half of the financial year;
- finalising the on-market securities buy-back program; and
- as detailed in Note 1(a), undertaking a range of operational and capital cost saving initiatives.

As at 30 June 2020, the Group had $227.4 million of cash on hand and $1,977.0 million of available undrawn facilities, with $150.0 million of debt maturities in the 2021 financial year and no maturities in the 2022 financial year.

Key capital metrics

Key metrics monitored are gearing ratio and interest cover ratio. These metrics are shown below:

Gearing ratio

The gearing ratio is calculated in the table below as:

- drawn debt, net of cash; divided by
- total tangible assets excluding cash, right of use assets, net investments in lease, investment property leaseholds and derivative financial assets.

	30-Jun-20 $m	30-Jun-19 $m
Total drawn debt (Note 8(a))	**3,859.0**	4,367.1
Drawn debt net of cash	**3,631.6**	4,332.2
Total tangible assets excluding cash, right of use assets, net investments in lease, investment property leaseholds and derivative financial assets	**14,266.7**	16,001.0
Gearing ratio (target range of 25.0% to 35.0%)	**25.5%**	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 30 June 2020, the interest cover ratio was 3.9 times (30 June 2019: 4.4 times).

9. Contributed equity

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

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

The number of ordinary securities of the Group is shown in the table below. All ordinary securities are fully paid. During the year movements in securities comprised:

- A reduction of 53.0 million securities purchased as part of the on-market securities buy-back program. These were purchased for a total of $116.0 million representing an average price of $2.19 per security. The on-market securities buy-back program is now completed.
- 810.8 million new securities issued under the $1.2 billion Placement (refer to Note 8(e) for further details on the Placement).

	30-Jun-20 Number (m)	30-Jun-19 Number (m)	30-Jun-20 $m	30-Jun-19 $m
Total stapled securities on issue at the beginning of the year	**3,771.8**	3,871.6	**8,006.9**	8,262.4
Staple securities issued (net of equity raising costs)	**810.8**	–	**1,179.0**	–
On-market security buy-back	**(53.0)**	(99.8)	**(116.0)**	(255.5)
Total stapled securities on issue at the end of the year	**4,529.6**	3,771.8	**9,069.9**	8,006.9

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

10. Trade receivables and other assets

(a) Summary

Trade receivables largely comprise amounts due from tenants of the Group's investment properties under lease agreements and amounts receivable from strategic partners under property management agreements. Trade receivables are initially recognised at the transaction price or fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for expected credit losses. At 30 June 2020, the carrying value of trade receivables and other financial assets approximated their fair value.

	30-Jun-20 $m	30-Jun-19 $m
Trade debtors	**200.3**	18.2
Accrued income	**13.9**	18.0
Receivables from strategic partnerships	**5.0**	5.3
Less: allowance for expected credit losses	**(169.6)**	(7.3)
Total trade receivables[1]	**49.6**	34.2
Distributions receivable from joint ventures and associates	**32.7**	19.5
Prepayments	**14.7**	16.0
Land tax levies	**19.7**	14.2
Tenant security deposits held	**0.6**	0.6
Other	**16.2**	16.6
Total other assets	**83.9**	66.9
Total trade receivables and other assets	**133.5**	101.1

1. Includes receivables relating to lease rental income, property outgoings recovery revenue and other property related revenue. Refer to Note 2 for an analysis of the Group's revenue and income by type.

Management of tenant credit risk

Prior to entering into lease contracts with tenants, the Group considers the financial background of the tenant and the amount of any proposed security or guarantee provided as collateral under the lease. On an ongoing basis, trade receivable balances from tenants are monitored with the Group considering receivables that have not been paid for 30 days after the invoice date as past due. The Group does not hold any collateral in relation to trade or other receivables, other than security deposits or bank guarantees as is usual in leasing agreements. The maximum exposure to receivables credit risk at the balance date is the carrying amount of each class of receivables outlined above. Individual debts are considered to be in default when contractual payments have not been made and written off when management decides to no longer pursue the amount.

Impact of the COVID-19 pandemic

The COVID-19 pandemic has unfavourably impacted consumer spending, shopping habits and physical retail sales of the Group's tenants. This has been in large part driven by a decline in consumer confidence, due to the uncertain economic and health impacts of the pandemic, and preventative measures implemented by State and Federal Governments, such as 'stay at home orders', mandatory store closures and social distancing and travel restrictions. These factors have meant that at 30 June 2020, many tenants have not paid amounts due under lease contracts to the Group. This has contributed to a significant increase in trade receivables as compared to previous periods.

Additionally, the Federal Government has introduced the SME Code, which contains principles for landlords and certain SME tenants affected by COVID-19 to negotiate rental waivers and deferrals. Application of the SME Code considers whether an eligible tenant has suffered financial hardship due to the COVID-19 pandemic, including their inability to generate sufficient revenue as a direct result of the COVID-19 pandemic that causes the tenant to be unable to meet their financial and/or contractual commitments. Accordingly, the Group is in the process of negotiating rental assistance and/or changes to lease terms with a significant number of SME and affected non-SME tenants across the portfolio. The Group expects that these negotiations will result in a proportion of trade receivables recognised at 30 June 2020 being waived, although final outcomes are uncertain.

The rapidly changing and uncertain trading and economic environment and the uncertain outcome of rental assistance negotiations with tenants have all contributed to significant estimation uncertainty in determining the allowance for expected credit losses at 30 June 2020.

10. Trade receivables and other assets continued

(b) Allowance for expected credit losses

The allowance for expected credit losses (ECLs) represents the difference between cash flows contractually receivable by the Group and the cash flows the Group expects to receive. For trade receivables, contract assets and lease receivables, the Group applies the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Approach

In response to the impacts that COVID-19 has had on the Group's tenants, retail trade and the economic environment (as outlined in Note 10(a)), the Group adjusted its approach to determining ECLs on trade receivables at 30 June 2020. The provision matrix applied by the Group in prior periods was primarily based on historical observed loss rates at an individual investment property level, which were applied based on the age of a debt. This approach was adjusted as follows:

Debtor ageing

Trade receivables were not solely segregated based on ageing. While a significant quantum of trade receivables relating to outstanding rentals were greater than 30 days past due (based on the date of the invoice), the Group assessed that determining an allowance for ECLs on total debt for each tenant or tenant retail category (examples of retail categories include footwear, supermarkets, apparel, luxury and homewares), based on the inputs, estimates and assumptions outlined below, allowed for a better reflection of the credit risk at 30 June 2020.

Inputs, estimates and assumptions

The inputs and information considered, and estimates and assumptions made, when determining the rate of ECLs applied to each tenant or tenant category are outlined below. These were based on reasonable, supportable and relevant information available to the Group which incorporated forecasts of the impacts of COVID-19 on the retail sector and the Group's tenants:

- Estimates of the likely rental waivers arising from rental relief negotiations. This estimate was based on preliminary discussions held with tenants, or offers made to tenants, or where no such discussions had yet occurred, internal assumptions developed with reference to the observed impacts of COVID-19 on sales and foot traffic trends and the likely outcome of negotiations with similar tenants.
- Forecasts of the impact of COVID-19 on the retail sales of different retail categories over the next 12 months. This forecast was developed based on a combination of third party and internal data sources and incorporated assumptions on key macro-economic indicators for retail sales such as unemployment and economic growth rates. This information was applied to tenants' pre-COVID sales to rent ratio to ascertain a forecast ratio of sales to rent and sales per square metre compared to market benchmarks. The ratios of sales to rent and sales per square metre are considered a key indicator of a tenant's ability to repay outstanding receivables.
- Information on the financial position of the tenant, where available. Limited financial information is available about the financial position of many of Vicinity's tenants as they are a diverse range of small to large business that are often privately owned and this information is not required to be provided under lease contracts.
- The Group's prior dealings with tenants and observed payment issues or unfavourable trends in sales performance observed prior to the outbreak of COVID-19.

The probability weighted expected credit loss allowance of $169.6 million determined by this approach comprised:

- Likely waivers arising from rental relief negotiations of $100.4 million.
- Additional allowances for the difference between cash flows contractually receivable by the Group (after deducting likely waivers) and the cash flows the Group expects to receive of $69.2 million. On average this represented 69% of the remaining trade receivables after deducting likely waivers.

While the information used in development of the allowance for ECLs is considered reasonable and supportable, the calculation of these amounts in the current environment is subject to significant uncertainty. Factors causing this uncertainty include the unknown economic impacts of the pandemic, the possibility of future lockdowns or government mandated closures and the uncertain outcome of rental assistance negotiations with tenants. In the event that the impacts of COVID-19 are longer lasting or more severe than anticipated, this may result in a further increase in the allowance for ECLs or amount of debt written off in future periods.

Movements in the allowance for ECLs

The movement in the allowance for ECLs in respect of trade receivables during the year was as follows:

	30-Jun-20 $m	30-Jun-19 $m
Opening balance at 1 July	**(7.3)**	(6.7)
Amounts written off	**6.2**	4.3
Remeasurement of allowance	**(168.5)**	(4.9)
Closing balance at 30 June	**(169.6)**	(7.3)

Sensitivities

As outlined above, a key input into the determination of the allowance for ECLs was the likely outcome of rental waivers arising from rental relief negotiations. The weighted average percentage estimated for rent relief across outstanding trade receivables at 30 June 2020 was 56% of rent receivable at 30 June 2020. Changing this assumption by +/- 100bps would result in an $0.7 million increase/decrease in the allowance for ECLs.

11. Payables

Payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are carried at amortised cost and are not discounted due to their short-term nature. At 30 June 2020, the carrying value of payables approximated their fair value.

	30-Jun-20 $m	30-Jun-19 $m
Trade payables and accrued expenses	**72.9**	68.4
Lease rental income and property outgoings recovery revenue received in advance[1]	**12.2**	16.8
Accrued interest expense	**13.0**	18.3
Accrued capital expenditure	**13.1**	25.3
Security deposits	**0.4**	0.3
Other	**12.0**	6.4
Total payables	**123.6**	135.5

1. Largely represents amounts received in advance relating to the following month's lease rental income and property outgoings recovery revenue.

12. Provisions

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

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

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

	30-Jun-20 $m	30-Jun-19 $m
Current		
Current employee entitlements	**25.3**	51.8
Other current provisions	**26.3**	20.6
Total current provisions	**51.6**	72.4
Non-current		
Non-current employee entitlements	**4.0**	3.9
Other non-current provisions	**0.9**	4.3
Total non-current provisions	**4.9**	8.2

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

	30-Jun-19 $m	Arising during the year $m	Paid during the year $m	Other movements $m	30-Jun-20 $m
Current					
Stamp duty	6.0	–	–	–	**6.0**
Land tax levies	14.2	19.7	(14.2)	–	**19.7**
Other	0.4	0.2	–	–	**0.6**
Total other current provisions	20.6	19.9	(14.2)	–	**26.3**
Non-current					
Other	4.3	0.8	(0.4)	(3.8)[1]	**0.9**
Total other non-current provisions	4.3	0.8	(0.4)	(3.8)	**0.9**

1. Onerous lease provision offset against right of use assets recognised upon adoption of AASB 16 *Leases*. Refer to Note 22(c).

13. Key Management Personnel

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

For the 12 months to:	30-Jun-20 $'000	30-Jun-19 $'000
Short-term employee benefits – Executive KMP	**3,006**	3,466
Short-term employee benefits – Non-executive KMP	**1,681**	1,916
Termination benefits	**–**	665
Share based payments	**275**	(358)
Post-employment benefits	**189**	202
Other long-term employee benefits	**40**	(44)
Total remuneration of KMP of the Group	**5,191**	5,847

14. Employees

Employee benefits expense consists of:

For the 12 months to:	Note	30-Jun-20 $m	30-Jun-19 $m
Salaries and wages		**58.4**	87.7
Share based payments expense	15(a)	**3.7**	2.8
Other employee benefits expense		**0.7**	5.0
Total employee benefits expense		**62.8**	95.5

Impact of the COVID-19 pandemic

Cost-saving measures undertaken in relation to employee benefits included full or partial stand-downs of the Group's workforce, the cancellation of the Short Term Incentive program and a 20% reduction in executive and Board remuneration from April through to 30 June 2020.

In addition, to 30 June 2020 the Group was eligible for gross payments of $10.8 million under the initial phase of the Federal Government JobKeeper wage subsidy program. This is included as a reduction to the salaries and wages number above.

15. Share based payments

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

Plan	Description
Long Term Incentive (LTI)	Executives and senior management are granted performance rights to acquire Vicinity securities for nil consideration. These rights vest after completion of a four-year service period and when certain hurdle requirements, which are set when the rights are granted, are met. From FY20, achievement of the hurdle requirements are assessed at the end of the four-year service period. Prior to FY20, LTI hurdle requirements were assessed after three years with performance rights conditionally vesting subject to a further year of service. Hurdle requirements are set out in Note 15(b).
Short Term Incentive (STI)	STI provides the opportunity to receive an annual, performance-based incentive payment, when a combination of short-term Group financial and individual performance objectives is achieved. Executives and senior management are then required to defer a portion of their annual STI payment into equity for a period of 12 to 24 months. The amounts deferred will become available to the employee at the end of the deferral period, provided they remain employed by the Group. The STI plan for FY20 was suspended in response to the COVID-19 pandemic as discussed in Note 1.
Employee Plan	$1,000 worth of Vicinity securities are granted annually to eligible employees for nil consideration. Securities granted under the plan are subject to a three-year trading restriction unless the employee ceases to be employed by the Group.

Further details relating to the LTI and STI plans are included in Note 15(b).

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

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

For the 12 months to:	30-Jun-20 $m	30-Jun-19 $m
Long Term Incentive	**0.5**	(0.7)
Short Term Incentive[1]	**2.1**	2.4
Employee Plan[2]	**1.0**	1.0
Other share based payments	**0.1**	0.1
Total share based payments	**3.7**	2.8

1. As described in Note 15(b), this amount represents the value of STI deferred into equity relating to the prior financial year.
2. A total of 398,184 securities were granted under the Employee Plan during the year (30 June 2019: 392,411).

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

	30-Jun-20 Number	30-Jun-19 Number
Opening balance at the beginning of the year	**7,793,688**	8,137,548
Granted	**3,496,129**	3,307,020
Forfeited and lapsed	**(2,096,069)**	(2,538,012)
Vested[1]	**(1,023,948)**	(1,112,868)
Outstanding at the end of the year	**8,169,800**	7,793,688
Exercisable at the end of the year	**nil**	nil
Weighted average remaining contractual life	**2.13**	2.08 years

1. The LTI performance rights vested during the year relate to the FY17 LTI Plan. The performance period for the FY18 LTI Plan ended on 30 June 2020. Performance hurdles were subsequently tested in July 2020 with no performance rights conditionally vesting and 2,314,791 lapsing.

(b) Plan details

Long Term Incentive Plan conditions

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

Grant years	FY20, FY19, FY18 and FY17
Performance period	FY17, FY18 and FY19: Three years commencing 1 July of the grant year. FY20: Four years commencing 1 July of the grant year.
Service period	Four years
Performance hurdles[1]	50% relative total securityholder return (TSR) Relative TSR combines the security price movement and distributions (which are assumed to be reinvested) to show the total return to securityholders, relative to that of other companies in the TSR comparator group. 50% total return (TR) TR is calculated in each year of the performance period as: Change in Vicinity's net tangible assets (NTA) value during the year plus total distributions made divided by the NTA value at the beginning of the year. The annual TR result for each year during the performance period is then used to calculate the compound annual TR for the performance period[2].
TSR comparator group	S&P/ASX 200 A-REIT Index excluding Westfield Corporation and Unibail Rodamco Westfield[3].

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

Long Term Incentive Plan – performance rights valuation

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

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

Assumption	Basis	FY20 Plan	FY19 Plan
Distribution yield	Expected annual distribution rate over the next four years.	**5.9%**	5.9%
Risk-free interest rate	Four-year government bond yields as at grant date.	**0.7%**	2.0%
Volatility correlation between Vicinity and other comparator companies	Analysis of historical total security return volatility (i.e. standard deviation) and the implied volatilities of exchange traded options.	**60.0%**	60.0%
Volatility of Vicinity securities	As above.	**14.0%**	16.0%
TSR of Vicinity securities	Performance between the start date of the testing period and the valuation date.	**4.5%**	4.4%
Holding lock adjustment	Adjustment for 12-month holding lock period.	**n/a**	7.5%
Security price at measurement date	Closing Vicinity securities price at grant date.	**$2.62**	$2.71
Fair value per right – TR		**$2.08**	$2.16
Fair value per right – TSR		**$0.81**	$1.06

Short Term Incentive Plan

The number of securities granted and deferred under the STI Plan during the year ended 30 June 2020 relating to incentive payments earned in the year ended 30 June 2019 was 802,204 (30 June 2019 relating to the year ended 30 June 2018: 877,643). The fair value of these securities was $2.58 per security (30 June 2019: $2.72) being the volume weighted average security price of VCX in the 10 trading days prior to the grant date of 22 September 2019. The STI plan for FY20 was suspended in response to the COVID-19 pandemic as discussed in Note 1.

16. Intangible assets

(a) Background

Intangible asset balances at 30 June 2020 relate to the value of external management contracts.

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). They reflect the right to provide asset management services to strategic partners who co-own investment property assets with the Group and accordingly are 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.

Prior to 30 June 2020, the Group also recognised goodwill with a carrying value of $427.0 million relating to the abovementioned business combination transactions. As detailed below this amount was impaired at 30 June 2020 following an impairment test of the Property Investment CGU (PI CGU) to which goodwill was allocated.

A summary of intangible asset balances is shown in the table below:

	30-Jun-20 $m	30-Jun-19 $m
Goodwill	–	427.0
External management contracts[1]	**164.2**	164.2
Carrying value	**164.2**	591.2

1. During the year ended 30 June 2019 amortisation charges of $3.7 million were recognised on external management contracts with a finite life to reduce their carrying values to $nil.

(b) Impairment testing

Testing for impairment

The Group performs impairment testing for goodwill and indefinite life intangible assets at least annually, or when there are other indicators of impairment. The Group last performed an impairment test at 31 December 2019. At 30 June 2020, the market capitalisation of the Group continued to be below the value of net assets recorded on the Balance Sheet, providing an indicator of impairment. In addition, the significant impacts of the COVID-19 pandemic forecasted on the retail sector, investment property portfolio and the Group's cash flows, as well as the ongoing economic uncertainty were considered potential indicators of impairment. As a result of these indicators, a further impairment test of the PI and SP CGUs was undertaken at 30 June 2020.

Assumptions and inputs within impairment calculations

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

- Relevant discount rates were calculated based on the Group's estimated weighted average cost of capital, with reference to the Group's long-term average cost of debt and estimated cost of equity which is derived with reference to external sources of information and the Group's target gearing ratio.
- Terminal growth rates were estimated with reference to long-term expectations of macro-economic conditions (including consideration of equity analyst estimates) and the Group's expected long-term earnings growth.
- Five-year forecast operating, capital expenditure and asset and funds management cash flows are customarily based on the values determined by the Group's budgeting and planning process. Given the significant uncertainty as to the impacts of the COVID-19 pandemic over the short, medium and long term, the Group assessed the outcomes of a number of cash flow scenarios when conducting impairment testing at 30 June 2020. These scenarios were based on the results of the Group's budgeting and planning process prior to the outbreak of COVID-19 and considered a varying degree of reduction in rental income collected over the forecast period.

The determination of the key assumptions and inputs to the impairment testing process as outlined above requires a significant level of estimation. As a result, the recoverable amounts of the PI and SP CGUs (as determined by the impairment testing processes outlined below) are subject to variability in these key assumptions or inputs. A change in one or more of the key assumptions or inputs could result in a change in assessed recoverable amount.

Property Investment CGU (Goodwill)

The recoverable amount of the PI CGU is determined using a fair value less costs of disposal 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 operating cash flows and capital expenditure requirements. The table below summarises key assumptions used in the EV model.

Key assumption	30-Jun-20	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	**7.10% – 7.60%**	6.76% – 7.26%

The impairment test determined that the carrying value of the PI CGU exceeded its recoverable amount. Accordingly, a $427.0 million impairment was recognised in respect of the PI CGU's goodwill. The impairment was principally driven by the impacts of COVID-19 on the property portfolio and internal property management business, as well as an increase in the Group pre-tax discount rate caused by an increase in volatility in the Group's share price.

After impairment of the goodwill balance within the PI CGU, the carrying value of the CGU continued to exceed the determined recoverable amount. In considering this difference, the Group identified that:

- Greater than 99% of the remaining of the assets of the PI CGU are investment properties which are carried at their fair values, based on valuations prepared by independent valuers (refer to Note 4(c)).
- Other assets remaining within the PI CGU were carried at their recoverable amounts.

Sensitivity considerations

After the impairment of goodwill the remaining assets of the PI CGU predominantly consist of investment properties at fair value. Sensitivities in relation to key inputs into the valuation of investment properties are disclosed in Note 4(c).

Strategic Partnerships CGU (external management contracts)

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

Key assumption	30-Jun-20	30-Jun-19
Post-tax external management contract cash flows	**5 years**	5 years
Terminal growth rates	**2.10%**	2.20% – 2.70%
Post-tax discount rate range	**6.69% – 7.19%**	6.51% – 7.01%

The impairment test at 30 June 2020 determined that the recoverable amount of the SP CGU exceeded its carrying value and 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 due to the long-term nature of the asset management contracts and associated cash flows, no reasonably possible changes would give rise to impairment at 30 June 2020. A disposal of a significant value of 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 full or partial derecognition of the intangible asset balance, as external asset management fees earned by the Group may no longer be sufficient to support the current carrying value of these intangible assets.

As forecast cash flows, discount rates and growth rates are unobservable inputs into the valuation process, the recoverable amounts determined for the PI CGU and SP CGU by the Group's impairment testing process are considered to be Level 3 in the fair value hierarchy.

17. Notes to the Cash Flow Statement

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

For the 12 months to:	30-Jun-20 $m	30-Jun-19 $m
Net (loss)/profit after tax for the financial year	**(1,801.0)**	346.1
Exclude non-cash items and cash flows under investing and financing activities:		
Amortisation of incentives and leasing costs	**57.8**	44.6
Straight-lining of rent adjustment	**(8.8)**	(15.1)
Property revaluation decrement/(increment) for directly owned properties	**1,717.9**	237.1
Share of net loss/(profit) of equity accounted investments	**124.1**	(19.0)
Distributions of net income from equity accounted investments	**21.5**	31.6
Amortisation of non-cash items included in interest expense	**3.2**	0.9
Net foreign exchange movement on interest bearing liabilities	**13.1**	57.9
Net mark-to-market movement on derivatives	**(59.8)**	(15.8)
Stamp duty paid	**3.7**	–
Amortisation and impairment of intangible assets	**427.0**	3.7
Amortisation of right of use asset	**6.1**	–
Income tax expense	**12.1**	–
Other non-cash items	**6.1**	4.4
Movements in working capital:		
(Decrease) in payables, provisions and other liabilities	**(16.9)**	(10.0)
(Increase) in receivables and other assets	**(34.1)**	(4.3)
Net cash inflow from operating activities	**472.0**	662.1

18. Auditor's remuneration

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

For the 12 months to:	30-Jun-20 $'000	30-Jun-19 $'000
Audit and review of statutory financial statements of Group and its controlled entities	**1,121**	1,169
Assurance services required by legislation to be provided by the auditor	**18**	18
Other assurance services and agreed-upon procedures services under other legislation or contractual arrangements		
Property related audits[1]	**200**	204
Other assurance services and agreed-upon procedures required under contract	**116**	135
Total other assurance services under other legislation or contractual arrangements	**316**	339
Other services		
Taxation compliance services	**322**	336
Assurance and other services	**45**	294
Total other services	**367**	630
Total auditor's remuneration	**1,822**	2,156

1. Comprises audits of outgoing statements, promotional funds, real estate trust account audits and joint venture audits required under legislation or contract.

19. Parent entity financial information

(a) Summary financials

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

	30-Jun-20 $m	30-Jun-19 $m
Balance Sheet		
Current assets	**13.2**	4.4
Total assets	**664.6**	663.7
Current liabilities	**(12.8)**	(62.0)
Total liabilities	**(469.3)**	(540.1)
Net assets	**195.3**	123.6
Equity		
Contributed equity	**513.8**	447.3
Share based payment reserve	**(6.6)**	(4.3)
Accumulated losses	**(311.9)**	(319.4)
Total equity	**195.3**	123.6
Net profit for the financial year of Vicinity Limited as parent entity	**7.5**	23.0
Total comprehensive income for the financial year of Vicinity Limited	**7.5**	23.0

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

The parent entity has no capital expenditure commitments which have been contracted but not provided for, or contingencies as at reporting date. Guarantees provided to subsidiary entities are disclosed at Note 21(c) and predominantly relate to fulfilling capital requirements under Australian Financial Services Licences held by these subsidiaries.

(b) Stapled entity allocation of net profit

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

20. Related parties

(a) Background

The deemed parent entity of the Group is Vicinity Limited, which is domiciled and incorporated in Australia. All subsidiaries and sub-trusts of the Group are wholly-owned subsidiaries of Vicinity Limited or sub-trusts of Vicinity Centres Trust as at 30 June 2020.

(b) Information on related party transactions and balances

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

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

The transactions with the Wholesale Funds, on normal commercial terms, and the balances outstanding at 30 June 2020 are outlined in the tables below. Transactions and balances relating to equity accounted investments are disclosed in Note 5(d).

20. Related parties continued

(b) Information on related party transactions and balances continued

Related party balances with Wholesale Funds

	Funds management fee receivable		Alignment fee payable	
	30-Jun-20 $'000	30-Jun-19 $'000	30-Jun-20 $'000	30-Jun-19 $'000
Wholesale Funds managed by the Group	**597**	675	**91**	251

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

Related party transactions with Wholesale Funds

For the 12 months to:	30-Jun-20 $'000	30-Jun-19 $'000
Asset and funds management fee income	**4,617**	2,239
Reimbursement of expenses to the property manager	**1,804**	2,885
Distribution income	**40**	90
Alignment fee expense	**(365)**	(393)
Rent and outgoings expenses	**(217)**	(525)

21. Commitments and contingencies

(a) Operating lease commitments

Upon adoption of AASB 16 in the current year, lessees were required to account for leases previously accounted for as operating leases under a single on-balance sheet model. Note 22 contains further details of the right of use assets and lease liabilities recognised upon transition to AASB 16. As the Group adopted AASB 16 using the modified retrospective approach, there was no restatement of operating lease commitments recognised at 30 June 2019.

	30-Jun-20 $m	30-Jun-19 $m
Not later than one year	**–**	8.2
Later than one year and not later than five years	**–**	19.0
Later than five years	**–**	3.7
Total operating lease commitments	**–**	30.9

(b) Capital commitments

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

	30-Jun-20 $m	30-Jun-19 $m
Not later than one year	**45.3**	115.1
Later than one year and not later than five years	**–**	–
Total capital commitments	**45.3**	115.1

(c) Contingent assets and liabilities

Bank guarantees totalling $44.6 million have been arranged by the Group, primarily to guarantee obligations for two of the Group's Responsible Entities to meet their financial obligations under their Australian Financial Services Licences and other capital requirements (30 June 2019: $47.5 million).

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

22. 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 year ended 30 June 2020.

(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 as an alternative to performing an impairment review.
- Leases with a remaining term of 12 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.

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 due to right of use assets recognised being equal to the value of lease liabilities.

Commercial offices, office equipment, sub leases and shopping centre offices (other leases)

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).

22. Adoption of AASB 16 *Leases* continued

(a) Transition continued

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 a $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 22(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 4(d), a number of the Group's investment properties are held under long-term leasehold arrangements. As per market practice, external and internal valuations performed to determine the fair 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 reviewed its investment property leaseholds and included leases not previously included during transition and also reassessed the lease terms for certain investment property leaseholds. This resulted in the Group recognising additional liabilities (and assets) amounting to $42.5 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.

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; and
- 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 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 net investments in leases 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) Movements for the year

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

	Assets	Lease liabilities	
For the 12 months to 30 June 2020	**Right of use assets, net investments in leases $m**	**Investment property leaseholds $m**	**Other leases $m**
Opening balance – 1 July 2019	**41.5**[2]	(266.4)[1]	(45.5)[2]
Interest charge on lease liabilities	**–**	(18.7)	(1.8)
Lease (receipts)/payments[3]	**(1.3)**	19.4	9.2
New leases during the period	**(0.1)**	(10.7)	(0.1)
Market rent reassessment	**–**	(3.1)	–
Depreciation[4]	**(6.1)**	–	–
Impairment of right of use asset[5]	**(1.1)**	–	–
Closing balance[6]	**32.9**	(279.5)[7]	(38.2)

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, sub leases and shopping centre offices.
3. Lease payments (net of sub lease receipts) includes $6.7 million in principal repayments and $20.6 million in interest charges on lease liabilities.
4. Consists of corporate offices $3.0 million, office equipment and other assets $0.4 million and shopping centre offices $2.7 million.
5. Impairment of commercial office right of use asset where the Group is head lessor due to the subtenant vacating earlier than anticipated.
6. Total lease liabilities of $317.7 million represents $29.3 million of current lease liabilities and $288.4 million of non-current lease liabilities.
7. As disclosed in Note 4(d), 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 4(a).

(d) Lease liabilities maturity profile

The table below show the undiscounted maturity profile of the Group's lease liabilities due as follows:

Lease liabilities	**30-Jun-20 $m**	**30-Jun-19[1] $m**
Not later than one year	**35.4**	15.9
Later than one but not more than five years	**114.3**	68.6
More than five years	**543.6**	547.3
Closing balance	**693.3**	631.8

1. Represents undiscounted payments on investment property leaseholds recognised as finance lease liabilities at 30 June 2019. Lease commitments on leases previously recognised as operating leases at 30 June 2019 (prior to adoption of AASB 16) are disclosed in Note 21(a).

Adopting AASB 16 has had no significant impact on statutory net profit and earnings per share for the year.

The Group also recognised variable lease payments of $12.5 million during the period. These related primarily to investment property leaseholds where a component of lease payments is based on profitability achieved by the relevant property. As these lease payments are variable in nature, they are not included within the investment property leaseholds lease liability balance.

23. Other Group accounting matters

(a) Other accounting policies

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

Principles of consolidation

These consolidated financial statements comprise the assets and liabilities of all controlled entities at 30 June 2020 and the results of all controlled entities for the financial year unless otherwise stated. Controlled entities are:

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

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

Vicinity Limited is the parent of the stapled Group for accounting purposes. The results and equity attributable to Vicinity Centres Trust (that is, the amounts shown as attributable to securityholders of other stapled entities of the Group) are shown prior to the elimination of transactions between Vicinity Limited and Vicinity Centres Trust.

Investments in joint operations

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

Fair value measurement

The Group has classified fair value measurements 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).

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

There are no accounting standards or interpretation issued but not yet effective that are expected to have a material impact on the Group.

24. Events occurring after the reporting date

Completion of Security Purchase Plan (SPP)

The Group announced the SPP on 1 June 2020. This provided retail securityholders the opportunity to acquire up to $30,000 of new Vicinity stapled securities. The SPP offer closed on 6 July 2020 with subscriptions totalling $32.6 million. Subsequently, on 13 July 2020 22.6 million new Vicinity stapled securities were issued at a price of $1.44. These securities began trading alongside existing Vicinity securities on 14 July 2020.

Melbourne Stage 3 and Stage 4 lockdowns

Stage 3 lockdown restrictions were announced by the Victorian Premier for Melbourne and Mitchell Shire on 7 July 2020 (effective from 9 July 2020) and Stage 4 announced on 2 August 2020. Approximately 52% of the Group's retail investment property portfolio (by value) is located within Victoria. These announcements and any future further restrictions will unfavourably impact the Group's rental collections and financial performance in FY21.

Additionally, as disclosed in Note 4(c), the Group considered the impact of an additional Stage 3 type lockdown of up to eight weeks in determining investment property fair values at 30 June 2020. An escalation to Stage 4 restrictions was not envisaged and therefore the announcement on 2 August 2020 would unfavourably impact the 30 June 2020 fair value of investment properties had it been considered at that time.

Rental assistance negotiations

As disclosed in Note 10 to the financial statements due to the impacts of COVID-19 on retail trade, the Group is in the process of negotiating rental assistance and/or changes to lease terms with a significant number of tenants across the portfolio. The Group estimates that rental assistance will be provided for approximately 84% of lease agreements. As at 10 August 2020, the terms of rental assistance had been agreed in-principle with approximately 43% of tenants.

COVID-19 pandemic

The duration and extent of the pandemic and related financial, social and public health impacts of the COVID-19 pandemic are uncertain. Disclosures have been included in Note 2, Note 3, Note 4 and Note 10 to the financial report on the impact that this uncertainty has had on the reported amounts of relevant revenues, expenses, assets and liabilities for the year ended 30 June 2020 and the potential impacts that this uncertainty may have on revenues, expenses, assets and liabilities in future periods.

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

Directors' Declaration

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

(a) in the opinion of the Directors, the financial statements and notes set out on pages 76 to 127 are in accordance with the *Corporations Act 2001* (Cth), including:

- i. giving a true and fair view of the Group and its controlled entities' financial position as at 30 June 2020 and of the performance for the financial year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001* (Cth); and
- iii. complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in the About This Report section of the financial statements; and

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

(c) the Directors have been given the Declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* (Cth) for the financial year ended 30 June 2020.

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

Trevor Gerber
Chairman

Sydney

19 August 2020

Independent Auditor's Report

EY Building a better working world

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Independent Auditor's Report

To the Members of Vicinity Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vicinity Limited (the "Company"), and the entities it controlled (collectively "Vicinity Centres" or the "Group"), which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a) giving a true and fair view of the consolidated balance sheet of the Group as at 30 June 2020 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 (including Independence Standards)* (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 directly owns a portfolio of retail property assets valued at $13,801.4 million at 30 June 2020, which represents 90.6% of total assets of the Group. In addition, there are retail property assets valued at $625.7 million held through interests in Joint Ventures. The Group's total assets include investment properties either held directly or through interests in Joint Ventures. These assets are carried at fair value, which is assessed by the Group with reference to external independent property valuations. Fair values are determined based on market conditions existing at the reporting date. The valuation of investment properties is inherently subjective. A small difference in any one of the key market input assumptions, when aggregated across all the properties, could result in a material change to the valuation of investment properties. We consider this a key audit matter due to the number of judgments required in determining fair value. *Impact of COVID-19 on investment property values* Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. The disclosures in the financial statements provide particularly important information about the assumptions made in the property valuations and the market conditions at 30 June 2020. We draw attention to Note 4 of the financial report which describes the material valuation uncertainty and the impact of the COVID-19 pandemic on the determination of fair value of investment properties and how this has been considered by the directors in the preparation of the financial report at 30 June 2020. Due to the material valuation uncertainty arising from the COVID-19 pandemic the property values may change significantly and unexpectedly over a relatively short period of time.	Our audit procedures included the following for both properties held directly and through interests in Joint Ventures: ► We discussed the following matters with management: ► movements in the Group's investment property portfolio; ► changes in the condition of each property, including an understanding of key developments and changes to development activities; ► controls in place relevant to the valuation and development processes; and ► the impact that COVID-19 has had on the Group's investment property portfolio including rental waivers and deferrals offered to tenants and tenant occupancy risk arising from changes in the estimated lease renewals. ► On a sample basis, we performed the following procedures: ► Evaluated the key assumptions and agreed key inputs to tenancy schedules. We tested the effectiveness of relevant controls over the leasing process and associated tenancy reports which are used as source data in the property valuations. ► Assessed whether changes to lease arrangements as a result of COVID-19 had been factored into the valuations and that changes in tenant occupancy risk were also considered. ► Tested the mathematical accuracy of valuations. ► Involved our real estate valuation specialists to assist with the assessment of the valuation assumptions and methodologies, in particular changes made as a result of COVID-19. ► Where relevant we compared the valuation against comparable transactions utilised in the valuation process.

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

Why significant	How the matter was addressed in the audit
	► Evaluated the suitability of the valuation methodology across the portfolio based on the type of asset. We considered the reports of the independent valuers and held discussions with them, where appropriate, to gain an understanding of the assumptions and estimates used and the valuation methodology applied. This included the impact that COVID-19 has had on key assumptions such as the capitalisation, discount or growth rate and future forecast rentals. We have also considered the 'material valuation uncertainty' disclosure included in the valuation reports and any other restrictions imposed on the valuation process (if any) and the market conditions at balance date. ► Assessed the qualifications, competence and objectivity of the valuers. ► Considered the additional valuation adjustments made as a result of the increase in COVID-19 cases and postcode lockdowns observed in Victoria in late June 2020. ► We have considered whether there have been any indicators of material changes in property valuations from 30 June 2020 up to the date of our opinion or any matters emerging since 30 June 2020 which provide evidence of a material change in valuation at that date. We involved our real estate valuation specialists to assist us in making this assessment. ► We have considered whether the financial report disclosures, in particular those relating to the material valuation uncertainty of the Investment Property portfolio, are appropriate.

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2. Carrying value of trade receivables

Why significant	How the matter was addressed in the audit
As at 30 June 2020, the Group held $49.6 million in trade receivables, net of $169.6 million allowance for expected credit losses. Trade receivables primarily comprise amounts due from tenants of the Group's investment properties under lease agreements, less an allowance for expected credit losses. The Group applies Australian Accounting Standard - AASB 9 *Financial Instruments* in calculating the allowance for expected credit losses, applying a forward-looking expected loss impairment model. This involves significant judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions. The recoverability of trade receivables is considered a key audit matter due to the value of uncollected rental income at 30 June 2020 and the significant judgement required in determining the allowance for expected credit losses. The rapidly changing and uncertain trading and economic environment and the uncertain outcome of rental assistance negotiations with tenants have all contributed to significant estimation uncertainty in determining the allowance for expected credit losses at 30 June 2020. We draw attention to Note 10 of the financial report which describes the impact of the COVID-19 pandemic on the trade receivables and the related allowance for expected credit losses and how this has been considered by the directors in the preparation of the financial report at 30 June 2020. We note in the event the impact of COVID-19 varies from conditions anticipated at balance date, this may result in a change in the expected credit loss provision in future periods.	In assessing the carrying value of trade receivables, we: ▶ Assessed the effectiveness of relevant controls in relation to tenant lease arrangements. ▶ Tested the existence of trade receivables for a sample of tenant balances. ▶ Assessed receipts after year-end to determine any material change to exposure at the date of the financial report. ▶ Assessed whether the inputs into the determination of expected credit losses were consistent with the principles of AASB 9 and tested the mathematical accuracy of the calculations. ▶ Considered the Group's assessment of risk rating and associated allowance rate, for a sample of tenants. ▶ Evaluated the key assumptions applied in calculating expected credit losses, for a sample of tenants. ▶ Assessed whether forward-looking information was considered in the expected credit losses model. ▶ Assessed the adequacy of the Group's disclosures in relation to the valuation uncertainty of trade receivables included in the financial report, including the assumptions, estimations and judgements made in calculating the allowance for expected credit losses.

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3. Carrying value of intangible assets

Why significant	How the matter was addressed in the audit
As at 30 June 2020 the Group held $164.2 million in intangible assets (relating to indefinite life external management contracts). $427.0 million of goodwill was impaired during the year. As outlined in Note 16, goodwill and indefinite life external management contracts are tested for impairment annually, or when there is an impairment indicator. The recoverable amount of the indefinite life external management contracts has been determined based on a fair value less cost of disposal ("Fair Value") method using discounted cash flows ("DCFs") of the external asset and funds management business. The recoverable amount of the Property Investment Cash Generating Unit ("CGU"), to which goodwill had historically been allocated, has been determined using the Fair Value method based on DCFs of the CGU's underlying earnings, adjusted for interest expense and capital expenditure requirements. The impairment assessment includes judgements and estimates made by the Group such as the growth rate of forecasted cash flows, discount rate and terminal value. For this reason, we consider this a key audit matter. The assessment performed at 30 June 2020 determined that the carrying value of the Property Investment CGU exceeded its recoverable amount. The impairment was allocated by fully impairing the $427.0 million of goodwill. No impairment was allocated to the other assets in the CGU as they are not within the scope of AASB 136 *Impairment of Assets* or their carrying value was at or below recoverable amount.	In performing our audit procedures, we: ▶ Considered the appropriateness and application of valuation methodologies applied. ▶ Considered the key inputs and assumptions such as forecast cash flows, discount rates and overhead allocations adopted in the valuations. ▶ Compared the data used in the DCFs to the actual and budgeted financial performance of the Group. ▶ Compared earnings multiples derived from the Group's impairment testing model to those observable from external market data obtained from comparable listed entities. ▶ Considered the allocation of impairment to the assets within the Property Investment CGU in accordance with AASB 136. ▶ Assessed the disclosures included in Note 16 to the financial report. Our valuation specialists were involved in the conduct of these procedures where appropriate.

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

The directors are responsible for the other information. The other information comprises the information included in Vicinity Centres' 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

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Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Vicinity Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst + Young

Ernst & Young

Alison Parker	Michael Collins
Partner	Partner
Melbourne	Melbourne
19 August 2020	19 August 2020

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

Summary of Securityholders

as at 17 August 2020

Spread of securityholders

Range	Number of securityholders	Number of securities	% of issued securities
100,001 and over	303	4,323,789,629	94.98
10,001 to 100,000	6,707	159,127,779	3.50
5,001 to 10,000	5,336	39,560,911	0.87
1,001 to 5,000	9,468	26,509,374	0.58
1 to 1,000	6,928	3,287,665	0.07
Total	**28,742**	**4,552,275,358**	**100.00**

The number of securityholders holding less than a marketable parcel of 370 securities ($1.355 on 17 August 2020) is 2,739 and they hold 496,441 securities.

On-market purchase of securities

During FY20, 2,234,800 Vicinity securities were purchased on-market at an average price per security of $2.57 by the trustee for the EESP, STI and LTI to satisfy entitlements under these plans. In addition, a total of 52,998,609 Vicinity securities were bought back during FY20 at an average price of $2.19. On 5 June 2020, 810,810,811. Placement securities were issued at $1.48 per security and on 13 July 2020, 22,631,954 SPP securities were issued at $1.44 per security.

Substantial securityholders

Company name	Effective date	Number of securities
The Gandel Group Pty Ltd and associates	5 June 2020	691,238,665
The Vanguard Group Inc	9 June 2020	438,132,853
BlackRock Group (BlackRock Inc and its associates)	20 May 2020	294,348,228
BNP Paribas nominees as custodian for UniSuper Ltd	5 April 2019	269,126,539
State Street Corporation and subsidiaries	11 March 2019	234,217,711

20 largest securityholders

Rank	Name	Number of securities held	% of issued securities
1	HSBC Custody Nominees (Australia) Limited	1,414,744,302	31.08
2	J P Morgan Nominees Australia Pty Limited	906,542,762	19.91
3	Citicorp Nominees Pty Limited	441,158,740	9.69
4	BNP Paribas Nominees Pty Ltd	406,038,898	8.92
5	National Nominees Limited	153,300,973	3.37
6	Rosslynbridge Pty Ltd	92,069,814	2.02
7	Besgan No. 1 Pty Ltd	88,515,564	1.94
7	Besgan No. 2 Pty Ltd	88,515,564	1.94
7	Besgan No. 3 Pty Ltd	88,515,564	1.94
7	Besgan No. 4 Pty Ltd	88,515,564	1.94
8	Allowater Pty Ltd	63,624,571	1.40
9	Citicorp Nominees Pty Limited	46,243,236	1.02
10	BNP Paribas Noms Pty Ltd	45,812,781	1.01
11	Braybridge Pty Ltd	43,656,447	0.96
12	Ledburn Proprietary Limited	37,195,552	0.82
13	Broadgan Proprietary Limited	36,474,902	0.80
14	HSBC Custody Nominees (Australia) Limited	34,936,389	0.77
15	Cenarth Pty Ltd	31,605,848	0.69
16	Applebrook Pty Ltd	13,219,491	0.29
16	Jadecliff Pty Ltd	13,219,491	0.29
16	Moondale Pty Ltd	13,219,491	0.29
16	Rosecreek Pty Ltd	13,219,491	0.29
17	HSBC Custody Nominees (Australia) Limited – GSCO ECA	11,314,133	0.25
18	Ledburn Proprietary Limited	10,206,076	0.22
19	National Nominees Limited	9,354,252	0.21
20	Merrill Lynch (Australia) Nominees Pty Limited	9,137,056	0.20
Total 20 largest 20 securityholders		**4,200,356,952**	**92.27**
Balance of register		351,918,406	7.73
Total issued capital		**4,552,275,358**	**100.00**

Corporate Directory

Vicinity Centres
comprising:

Vicinity Limited
ABN 90 114 757 783

and

Vicinity Centres Trust
ARSN 104 931 928

ASX listing
Vicinity Centres is listed on the ASX under the listing code VCX

Board of Directors
Trevor Gerber (Chairman)
Grant Kelley (CEO)
Clive Appleton
David Thurin
Janette Kendall
Karen Penrose
Peter Kahan
Tim Hammon

Company Secretaries
Carolyn Reynolds
Rohan Abeyewardene

Registered office
Chadstone Tower One
Level 4, 1341 Dandenong Road
Chadstone Victoria 3148 Australia
Telephone: +61 3 7001 4000
Facsimile: +61 3 7001 4001
Web: vicinity.com.au

Auditors
Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000 Australia

Follow us on:

Security Registrar
If you have queries relating to your securityholding or wish to update your personal or payment details, please contact the Security Registrar.

Link Market Services Limited
Tower 4, 727 Collins Street, Melbourne
Victoria 3008 Australia

General securityholder enquiries:

Toll Free: +61 1300 887 890
Facsimile: +61 2 9287 0303
Facsimile: +61 2 9287 0309 (for proxy voting)
Email: vicinity@linkmarketservices.com.au
Post: Locked Bag A14, Sydney South NSW 1235 Australia

Access your securityholding online
You can update your personal details and access information about your securityholding online by clicking 'Securityholder login' on our home page at vicinity.com.au, or via the 'Investor Services' section of the Security Registrar's website at linkmarketservices.com.au, or scan the QR Code (below) to take you to the investor centre.

Securityholders can use the online system to:

- view your holding balances, distribution payments and transaction history;
- choose your preferred Annual Report and communications options;
- confirm whether you have lodged your Tax File Number (TFN) or Australian Business Number (ABN);
- update your contact details;
- update your bank account details;
- check Vicinity Centres' security price; and
- download various securityholder instruction forms.

Contact Vicinity Centres
We are committed to delivering a high level of service to all securityholders. Should there be some way you feel that we can improve our service, we would like to know. Whether you are making a suggestion or a complaint, your feedback is always appreciated.

Investor relations
Email: investor.relations@vicinity.com.au

The Responsible Entity is a member (member no. 28912) of the Australian Financial Complaints Authority (AFCA), an external dispute resolution scheme to handle complaints from consumers in the financial system. If you are not satisfied with the resolution of your complaint by the Responsible Entity, you may refer your complaint to AFCA, GPO Box 3, Melbourne Victoria 3001, by telephone on 1800 931 678, by email to info@afca.org.au, or by lodging it online at afca.org.au.

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