

Vicinity Centres¹

Appendix 4D - Results for announcement to the market



For the six months ended 31 December 2021

	Six months to		Increase/	
	31-Dec-21	31-Dec-20	(Decrease)	%
	\$m	\$m	\$m	%
Revenue from ordinary activities	581.5	582.3	(0.8)	(0.1)
Net profit/(loss) from ordinary activities after tax attributable to securityholders	650.2	(394.1)	1,044.3	265.0
Funds from operations ²	287.7	267.1	20.6	7.7

	As at ³		Increase/	
	31-Dec-21	30-Jun-21	(Decrease)	%
	\$ per security	\$ per security	\$ per security	%
Net tangible assets per security				
Total	2.28	2.13	0.15	7.0
Net assets per security				
Total	2.31	2.17	0.14	6.5

	Cents ⁴	Record date	Payment date
Interim distribution	4.70	22-Feb-22	8-Mar-22

Review of results

For further commentary on the half year results, refer to the following documents released on the ASX today:

- Half Year Financial Report;
- FY22 Interim Results Announcement; and
- FY22 Interim Results Presentation.

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

Refer to Note 4 of the Half Year Financial Report.

The information presented above is based upon the Half Year Financial Report for the six months ended 31 December 2021 which has been reviewed. The independent auditor's report is included within the Half Year Financial Report.

Rohan Abeyewardene
Group Company Secretary

Date: 16 February 2022

Notes

- Vicinity Centres is a stapled group comprising Vicinity Limited ABN 90 114 757 783 and Vicinity Centres Trust ARSN 104 931 928 (the Trust). The Responsible Entity of the Trust is Vicinity Centres RE Ltd ABN 88 149 781 322.
- A reconciliation between net profit from ordinary activities attributable to securityholders and fund from operations (FFO) is provided in Note 1(b) of the Half Year Financial Report.
- 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.
- Details of the full year tax components of distributions will be provided in the Annual Tax Statements which will be sent to securityholders in late August 2022.



Vicinity Centres

Financial report for the half year ended
31 December 2021

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



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Directors' Report

The Directors of Vicinity Limited present the Financial Report of Vicinity Centres (Vicinity or the Group) for the half year ended 31 December 2021. Vicinity Centres is a stapled group comprising Vicinity Limited (the Company) and Vicinity Centres Trust (the Trust). Although separate entities, the Stapling Deed entered into by the Company and the Trust ensures that shares in the Company and units in the Trust are 'stapled' together and are traded collectively on the Australian Securities Exchange (ASX), under the code 'VCX'.

Directors

The Boards of Directors of the Company and Vicinity Centres RE Ltd, as Responsible Entity (RE) of the Trust (together, the Vicinity Board) consist of the same Directors. The following persons were members of the Vicinity Board from 1 July 2021 and up to the date of this report unless otherwise stated:

(i) Chairman

Trevor Gerber (Independent)

(ii) Non-executive Directors

Clive Appleton

David Thurin AM

Janette Kendall (Independent)

Karen Penrose (Independent)

Peter Kahan (Independent)

Tim Hammon (Independent)

(iii) Executive Director

Grant Kelley (CEO and Managing Director)

Company Secretaries

Carolyn Reynolds

Rohan Abeyewardene

Principal activities

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

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

Distributions

On 16 February 2022, the Directors declared a distribution in respect of the Group's earnings for the half year ended 31 December 2021 of 4.7 cents per VCX stapled security, which equates to total interim distributions of \$214.0 million.

The interim distribution will be paid on 8 March 2022. The record date for determining entitlement to the interim distribution is 5pm, 22 February 2022.

Significant changes in state of affairs

COVID-19 pandemic

The Group's performance continued to be adversely impacted by the COVID-19 pandemic ('COVID-19' or 'the pandemic') related disruptions during the six-month period. Key factors impacting Vicinity's financial and operational performance included:

- The extended lockdowns with mandated closure of non-essential retail in New South Wales (NSW) and Victoria (VIC) from July up to late October 2021. These locations account for approximately 69% of the Group's portfolio by value.
- Central business district (CBD) assets continued to experience reduced foot traffic as many CBD-based office workers continued to work from home, day-trippers continued to shop locally, and Australia's state and international borders remained closed for the majority of the period.
- The Group continued to provide rental assistance in the form of rental waivers, payment deferrals and other temporary modifications to the underlying lease agreements to eligible SME tenants and other tenants in categories and locations that continue to experience financial hardship and distress. These negotiations were undertaken in accordance with the general principles of the Australian Government's *SME Commercial Code of Conduct and Leasing Principles During COVID-19* or with the applicable regulations in Victoria and NSW (collectively referred to as the 'SME Codes').
- Ongoing uncertainty in communities within which the Group operates due to the rapid increase and high number of Omicron cases since December 2021.

The duration and full extent of the pandemic and its impacts on the economy, consumers and investment markets remain uncertain. As a result, certain significant judgements, estimates and assumptions have been made in determining the carrying value of certain assets and liabilities at 31 December 2021. These are further discussed in the 'About this Report' section of the financial report.

Review of results and operations

This report should be read in conjunction with the 30 June 2021 Annual Report which provides further information on Vicinity's strategy, operations, and risks.

(a) Operational update

Financial results

The Group assesses operating performance based on funds from operations (FFO) and adjusted funds from operations (AFFO). FFO and AFFO are widely accepted measures of real estate operating performance which adjust statutory net profit/(loss) for fair value movements, certain unrealised and non-cash items (FFO), as well as maintenance capital expenditure and static tenant leasing costs incurred during the period (AFFO). FFO and AFFO are determined with reference to the guidelines published by the Property Council of Australia (PCA)¹ and are non-IFRS measures.

The table below contains a summary of FFO, AFFO, other related metrics and a summary reconciliation of net profit after tax to FFO².

	31-Dec-21	31-Dec-20
	\$m	\$m
Net property income	381.3	344.4
External management fees	27.8	21.3
Corporate overheads (net of internal property management fees)	(40.6)	(38.2)
Net interest expense	(80.8)	(60.4)
Funds from operations (FFO)	287.7	267.1
Property revaluation increment/(decrement) for directly owned properties	353.7	(512.1)
Other items	8.8	(149.1)
Statutory net profit/(loss) after tax	650.2	(394.1)

¹ Voluntary best practice guidelines for disclosing FFO and AFFO, issued by the PCA in May 2019.

² Refer to Note 1(b) to the Half Year Financial Statements for a full reconciliation of net profit after tax to FFO.

Review of results and operations (continued)

(a) Operational update (continued)

	31-Dec-21 \$m	31-Dec-20 \$m
Funds from operations	287.7	267.1
Maintenance capital expenditure and static tenant leasing costs	(33.6)	(18.9)
Adjusted funds from operations (AFFO)	254.1	248.2
FFO per security ³ (cents)	6.32	5.87
AFFO per security ³ (cents)	5.58	5.45
Distribution per security (DPS) ⁴ (cents)	4.70	3.40

FFO for the period to 31 December 2021 was up 7.7% to \$287.7 million. The table below provides commentary on each component of the FFO result.

	Movement	Commentary
Net property income (NPI)	Up \$36.9m	The increase in NPI was driven by the reduction in allowances for expected credit losses (ECL) of \$37.5 million when compared to the corresponding period (31 December 2021: \$40.4 million ⁵ ; and 31 December 2020: \$77.9 million ⁵). Other positive contributors included fixed increases in base rent, ancillary income (particularly carpark) and land tax relief provided under respective state government COVID-19 support measures. This was partly offset by the non-recurring benefit of elevated level of surrender fees received in the period ended 31 December 2020.
External management fees	Up \$6.5m	The positive movement was primarily due to the recommencement of certain developments and a general increase in development and leasing activity since early calendar year 2021.
Net corporate overheads	Up \$2.4m	Net corporate overheads represent gross overhead costs, offset by internal recharges such as development and property management fees. On a gross basis, corporate overhead costs increased by \$3.7 million primarily due to the non-recurring benefit of the JobKeeper wage subsidy in the prior period (through to 30 September 2020) and higher insurance costs in the current period. This was partially offset by an increase in internal development and property management fees due to increased development activity.
Net interest expense	Up \$20.4m	Excluding the non-recurring interest rate swap reset benefit of \$25.6 million in the period ended 31 December 2020, net interest expense decreased by \$5.2 million as a result of slightly lower weighted average cost of debt.

The statutory net profit after tax was \$650.2 million, an increase of \$1,044.3 million in the six months to 31 December 2021 (31 December 2020: statutory loss of \$394.1 million). In addition to the items impacting the FFO result discussed above, this profit was primarily due to:

- Higher non-cash property revaluation increments of \$353.7 million (31 December 2020: decrement of \$512.1 million) and revaluation increment of \$2.8 million recorded on equity accounted investment properties;
- Mark to market gains on derivatives \$81.2 million (31 December 2020: loss of \$187.7 million); partly offset by
- Net foreign exchange loss of \$25.6 million (31 December 2020: gain of \$118.2 million).

³ The calculation of FFO and AFFO per security for the period uses the basic weighted average number of securities on issue as calculated in Note 6.

⁴ Distributions per security are calculated based on estimated number of securities outstanding at the time of the distribution record date.

⁵ Includes statutory reported ECL of \$38.3 million (31 December 2020: \$76.3 million) and amounts relating to equity accounted investments.

Review of results and operations (continued)

(a) Operational update (continued)

Strategic initiatives

Significant progress was achieved on the strategic initiatives undertaken by the Group. During the period the Group:

- Strengthened the asset portfolio with the acquisition of a 50% interest in Harbour Town Premium Outlets Gold Coast ('Harbour Town') (for \$358.0 million, settled 30 November 2021) and divestment of a 50% interest in Runaway Bay Centre at an 18% premium to book value (for \$132.0 million, expected to settle on 30 June 2022).
- Completed the expanded carpark project with rooftop solar, enabling future development works at Chadstone.
- Commenced works to deliver a new Coles supermarket and Fresh Food precinct at Bankstown Central and a new Coles supermarket and retail consolidation at Box Hill Central.
- Secured the second-largest suburban office leasing deal for 2021 with Officeworks leasing Chadstone Place as well as a major office leasing deal with Hub Australia at Box Hill Central. All existing office space at Chadstone is now fully leased.
- Commenced ambience upgrades at Box Hill South, Bankstown, Broadmeadows, Mornington and Northgate.
- Entered into an agreement with Engie to install electric vehicle fast-charging stations at up to 30 Vicinity assets.
- Ranked Oceania Sector Leader and #3 globally in Listed Retail Shopping Centre category by Global Real Estate Sustainability Benchmark (GRESB).

Portfolio operations

COVID-19 response

Customer, retailer, and employee safety remains a focus for Vicinity due to the essential role our centres play within their communities. The Group therefore continued to actively implement measures to ensure our centres remained open and complied with COVID-19 safety protocols, so that their communities could access essential goods and services during lockdowns, whilst minimising the risk of the spread of COVID-19.

These measures include enhanced cleaning, promoting social distancing and mask wearing and having COVID-19 safety plans in place at all centres. During the prolonged lockdown in NSW and Victoria in 1H FY22, Vicinity played a key role in enabling its non-essential retail tenants to conduct contact-free, 'Click & Collect' trading, called Parcel Concierge.

During the period the Group also worked closely to assist health authorities to ensure our centres were safe.

Retail trading performance⁶

Despite significant and often prolonged disruptions, consumer and retailer activity during the half year demonstrated underlying resilience. In all states, when COVID-19 restrictions eased, consumers were quick to return to retail centres with confidence and the capacity to spend.

In NSW and Victoria, retail sales rebounded strongly when restrictions eased in October 2021. Of particular note, in November and December 2021, retail sales increased by 5.6% on pre-COVID levels, driven by a robust recovery in visitation (increased to 84% of pre-COVID, up from 50% at 1Q FY22) and continued growth in spend per visit⁷.

In states less affected by COVID-19 such as Western Australia, South Australia, Tasmania and Queensland, visitation remained near pre-COVID levels, and retail sales growth has been consistently strong, up by 8.1% in 1H FY22 versus pre-COVID levels. Vicinity attributes the consistently strong retail sales growth to the favourable macro-economic environment and restricted international travel which kept significant Australian-based demand onshore.

On an MAT basis, total portfolio retail sales increased by 7.3% reflecting strong growth in Victoria, up 17.0%, and 4.5% growth in COVID-unimpacted states⁸. Given that NSW was in lockdown for a higher proportion of 2021 versus 2020, MAT retail sales were down 5.1%.

⁶ Retail sales figures are on a comparable basis and exclude acquisitions, divestments and development-impacted centres in accordance with Shopping Centre Council of Australia guidelines. Also excludes travel sales.

⁷ Retail sales and visitation in November and December 2021 exclude CBDs.

⁸ Includes Queensland, Western Australia, South Australia and Tasmania, collectively referred to as COVID-unimpacted.

Review of results and operations (continued)

(a) Operational update (continued)

Retail trading performance (continued)

Across all states, shopping remains more purposeful, with average spend per visit up 29%⁹ on pre-COVID levels, and electrical, sporting goods and luxury retailers, together with discount department stores, continue to outperform the portfolio.

Portfolio performance

During 1H FY22, 643 new leasing deals were completed with an average spread of -6.4%, a significant improvement compared to 542 deals and spread of -12.6% in the previous corresponding period (1H FY21). Of all new leasing deals agreed in the period, 72% were negotiated with fixed annual increases of 5% and cumulatively, 91% of all new deals were negotiated with fixed annual increases of at least 4%.

Robust leasing activity during the period demonstrated the underlying resilience of the retail sector, notably in Victoria.

Vicinity leased 201 vacant stores during 1H FY22 and occupancy was maintained at 98.2% at the end of December 2021, in line with six months prior. Retailer administrations in the year to date have remained low.

In addition to honouring the obligations imposed by the SME Codes, Vicinity continued to provide support to retail partners in categories and locations most impacted by the pandemic, such as travel, food & beverage, and CBD locations.

COVID-19 lease variation negotiations with non-SME retail tenants are focused on driving mutual value and leasing outcomes that reflect the quality of Vicinity's assets. This highly targeted approach to negotiations contributed to Vicinity's reduced number of holdovers, preserved its weighted average lease expiry profile, improved leasing spreads and enhanced retailer mix across its centres.

Collection of gross rental billings averaged 80% for 1H FY22¹⁰, representing an improvement on the average cash collection reported at 1Q FY22¹¹. Net of estimated waivers in respect to 1H FY22 gross billings, cash collection averaged approximately 92% for the period.

Since the start of the pandemic in February 2020, Vicinity has allocated more than \$300 million¹² (FY21: \$231 million) of support to retailers, 90% of which has been in the form of outright rent forgiveness.

Development progress

Enhancing and expanding Vicinity's core retail portfolio, together with its major mixed-use development pipeline, remain important contributors to the Group's future growth.

Current developments include a car park and rooftop solar project that were recently completed ahead of a mezzanine dining and entertainment precinct at Chadstone which has now commenced. At Bankstown Central, development of a new Coles Supermarket and fresh food precinct, and Uniqlo-anchored mini majors precinct is underway. We are consolidating our retail proposition in Box Hill South, with a new Coles supermarket, expanded dining offer and contemporary upgrades to common areas ahead of the future major mixed-use development at Box Hill North.

Vicinity's mixed-use development agenda in 2022 is important for a number of Vicinity's future commercial development opportunities at Bankstown Central, Bayside, Box Hill Central, Buranda Central, Chadstone and Chatswood Chase Sydney.

In December 2021, Officeworks committed to relocating their headquarters to a fully refurbished 8,000 sqm office tower at Chadstone in what was the second largest Melbourne suburban office leasing deal in 2021. Pleasingly, all existing office space at Chadstone is now fully leased and pre-leasing discussions for our 20,000 sqm One Middle Road tower at Chadstone, have been very encouraging.

Leading co-working provider, Hub Australia, committed to over 4,000 sqm of office space at Box Hill South and Vicinity is now seeking tenant pre-commitments for two office towers at Bankstown Central, and a 14,000 sqm office tower at Bayside.

At Buranda Village, we have submitted plans to completely transform the site, developing an 8,200 sqm retail and dining precinct with up to 600 residential dwellings and 50,000 sqm of office space.

⁹ In November and December 2021.

¹⁰ Cash collections reported for the period in which they are billed, with collections reported as at 30 January 2022.

¹¹ 1QFY22 cash collections reported was 74% as at 25 October 2021.

¹² Vicinity share.

Review of results and operations (continued)

(b) Financial position update

The below information has been extracted from the financial report.

	31-Dec-21 \$m	30-Jun-21 \$m
Cash and cash equivalents	58.2	47.2
Investment properties (including property held for sale)	14,081.7	13,294.3
Equity accounted investments	505.3	479.4
Intangible assets	164.2	164.2
Other assets	361.3	312.7
Total assets	15,170.7	14,297.8
Interest bearing liabilities	3,882.6	3,281.9
Distribution payable	-	300.4
Other liabilities	755.6	834.2
Total liabilities	4,638.2	4,416.5
Net assets	10,532.5	9,881.3
Net tangible assets per security (NTA) ¹³ (\$)	2.28	2.13
Drawn debt ¹⁴ (\$)	3,860.0	3,287.0
Gearing ¹⁴ (%)	26.3	23.8

Key items which impacted the balance sheet during the period included:

- Investment properties and equity accounted investments up \$813.3 million, or 6.0%.** Primarily due to the acquisition of Harbour Town for \$381.0 million (including stamp duty and transaction costs), \$353.7 million revaluation increment recorded on investment properties and net revaluation increments of \$2.8 million recorded on equity accounted investment properties. These revaluation increments were largely driven by stronger demand for retail property observed in the six months to 31 December 2021 which resulted in the tightening of capitalisation and discount rates. Further information on asset valuations can be found in Note 3 of the half year financial report.
- Interest bearing liabilities up \$600.7 million.** Primarily driven by net drawdowns of \$573.0 million of bank debt facilities which were made throughout the period to fund the acquisition of Harbour Town and capital expenditure requirements. Settlement of Runaway Bay is expected to occur by 30 June 2022.
- Improvement in other liabilities of \$78.6 million.** Primarily driven by the decrease in net mark to market liability of derivative instruments as a result of the upward shift of the forward AUD interest rate curve relative to the Group's hedging profile.
- Increase in other assets of \$48.6 million.** Primarily related to gross trade debtors which increased by \$43.3 million due to the higher amount of outstanding COVID-19 lease variations for rental assistance at 31 December 2021 compared to 30 June 2021. Refer to Note 2(a) to the half year financial statements for further information.

¹³ Calculated as net assets (including right of use assets and net investment in leases) less intangible assets, divided by the number of stapled securities on issue at period end.

¹⁴ Refer to Note 5 to the half year financial report for the calculation of drawn debt, gearing and the interest cover ratio, and the Group's capital management policy.

Review of results and operations (continued)

(c) Capital management^{14,15}

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

	31-Dec-21	30-Jun-21
Weighted average interest rate ¹⁶	4.1%	3.6%
Proportion of debt hedged	82%	96%
Debt duration (based on facility limits)	3.9 years	4.4 years
Interest coverage ratio ¹⁴	4.6 times	5.1 times
Credit ratings		
• Moody's	A2/stable	A2/stable
• Standards & Poor (S&P)	A/stable	A/stable

Vicinity's balance sheet remains strong with gearing at 26.3% and more than \$1.8 billion of available liquidity. The average debt duration is 3.9 years and the average debt cost for the six-month period was 4.1%. The Group continues to hold strong investment grade credit ratings (Moody's Investor Services A2/stable, Standards & Poor Global Ratings A/Stable).

(d) Outlook and guidance

Outlook

Continuing the momentum from FY21, Vicinity's 1H FY22 results demonstrate the Group's ability to execute on its operational and financial objectives. Vicinity's recovery from the pandemic is gaining momentum and the Group will continue to focus on converting its strategy into value accretive outcomes that deliver sustainable growth.

The Group expects the impacts of COVID-19 on the business to continue over the coming months due to the emergence of Omicron in late December 2021. In January 2022, Omicron had a material impact on visitation, particularly at the Group's centres located on the east coast of Australia, however Vicinity has seen an upward trend in the first two weeks of February.

Guidance¹⁷

Vicinity expects FY22 FFO per security to be in the range of 11.8 cents to 12.6 cents and AFFO is expected to be in the range of 9.5 cents to 10.3 cents. The Group is targeting a full-year distribution payout range of 95-100% of AFFO.

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.

Events occurring after the end of the reporting period

COVID-19 pandemic

The duration, frequency and extent of restrictions and the financial, social, and public health impacts of the COVID-19 pandemic remain uncertain and therefore the Group cannot quantify the impact that COVID-19 may have on future periods. The financial report includes disclosures on the potential impact of the prevailing uncertainty on the reported amounts of relevant revenues, expenses, assets, and liabilities for the half year ended 31 December 2021 and future periods where relevant.

¹⁵ These exclude lease liabilities and adjustments for fair value items and foreign exchange translation.

¹⁶ Represents average for the reporting period and is inclusive of margins, drawn line fees and establishment fees.

¹⁷ Vicinity's FY22 guidance range is subject to changes in COVID-related conditions.

Events occurring after the end of the reporting period (continued)

Extension of SME Codes

The New South Wales and Victorian state governments announced the extension of the SME Codes on 14 and 15 January 2022 respectively. The extensions are for a period of two months and will expire by 15 March 2022. The Group will continue to provide rental assistance in the form of rental waivers, payment deferrals and other temporary modifications to the underlying lease agreements to eligible SME tenants and other tenants that operate in categories and locations that continue to experience financial hardship and distress.

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

Rounding of amounts

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

Signed in accordance with a resolution of Directors.



Trevor Gerber
Chairman
16 February 2022



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working world**

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Auditor's Independence Declaration to the Directors of Vicinity Limited

As lead auditor for the review of the half-year financial report of Vicinity Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Alison Parker' in a cursive style.

Alison Parker
Partner
16 February 2022

Statement of Comprehensive Income

for the half year ended 31 December 2021

	Note	31-Dec-21 \$m	31-Dec-20 \$m
Revenue and income			
Property ownership revenue and income		551.6	559.7
Management fee revenue from strategic partnerships		29.9	22.6
Interest and other income		1.9	0.9
Total revenue and income	2(b)	583.4	583.2
Share of net profit/(loss) of equity accounted investments		15.4	(32.2)
Property revaluation increment/(decrement) for directly owned properties	3(b)	353.7	(512.1)
Direct property expenses		(142.2)	(138.1)
Allowance for expected credit losses	8(b)	(38.3)	(76.3)
Borrowing costs	5(c)	(93.4)	(69.0)
Employee benefits expense		(47.3)	(44.2)
Other expenses		(18.9)	(19.1)
Net foreign exchange movement on interest bearing liabilities		(25.6)	118.2
Net mark-to-market movement on derivatives		81.2	(187.7)
Depreciation of right of use assets		(2.8)	(3.2)
Stamp duty written off on acquisition of investment property		(22.6)	-
Net profit/(loss) before tax for the half year		642.6	(380.5)
Income tax benefit/(expense)		7.6	(13.6)
Net profit/(loss) for the half year		650.2	(394.1)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the half year		650.2	(394.1)
Net profit/(loss) and total comprehensive income/(loss) for the half year attributable to stapled securityholders as:			
Securityholders of Vicinity Limited		(4.5)	(0.4)
Securityholders of other stapled entities of the Group		654.7	(393.7)
Net profit/(loss) and total comprehensive income/(loss) for the half year		650.2	(394.1)
Earnings per security attributable to securityholders of the Group:			
Basic earnings per security (cents)		14.28	(8.66)
Diluted earnings per security (cents)		14.26	(8.66)

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

Balance Sheet

as at 31 December 2021

	Note	31-Dec-21 \$m	30-Jun-21 \$m
Current assets			
Cash and cash equivalents		58.2	47.2
Trade receivables and other assets	8(a)	136.4	109.4
Investment property classified as held for sale	3(a)	130.9	-
Derivative financial instruments		1.7	-
Total current assets		327.2	156.6
Non-current assets			
Investment properties	3(a)	13,950.8	13,294.3
Equity accounted investments	4	505.3	479.4
Intangible assets		164.2	164.2
Plant and equipment		3.2	2.9
Derivative financial instruments		120.9	110.4
Right of use assets and net investments in leases		25.4	26.8
Deferred tax assets		69.3	61.7
Other assets	8(a)	4.4	1.5
Total non-current assets		14,843.5	14,141.2
Total assets		15,170.7	14,297.8
Current liabilities			
Interest bearing liabilities	5(a)	40.0	-
Distribution payable		-	300.4
Payables and other financial liabilities		152.7	148.2
Lease liabilities		34.2	34.1
Provisions		66.8	79.8
Derivative financial instruments		1.7	-
Total current liabilities		295.4	562.5
Non-current liabilities			
Interest bearing liabilities	5(a)	3,842.6	3,281.9
Lease liabilities		353.2	354.4
Provisions		3.9	3.9
Derivative financial instruments		143.1	213.8
Total non-current liabilities		4,342.8	3,854.0
Total liabilities		4,638.2	4,416.5
Net assets		10,532.5	9,881.3
Equity			
Contributed equity	6	9,102.2	9,102.2
Share based payment reserve		4.5	3.5
Retained profits		1,425.8	775.6
Total equity		10,532.5	9,881.3

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

Statements of Changes in Equity

for the half year ended 31 December 2021

Note	Attributable to securityholders of Vicinity Limited				Attributable to securityholders of other stapled entities of the Group				VCX Group
	Contributed equity \$m	Reserves \$m	Retained profits/(losses) \$m	Total \$m	Contributed equity \$m	Reserves \$m	Retained profits \$m	Total \$m	Total equity \$m
As at 1 July 2020	539.5	0.9	(220.9)	319.5	8,530.4	-	1,709.7	10,240.1	10,559.6
Net loss for the half year	-	-	(0.4)	(0.4)	-	-	(393.7)	(393.7)	(394.1)
Total comprehensive loss for the half year	-	-	(0.4)	(0.4)	-	-	(393.7)	(393.7)	(394.1)
Transactions with securityholders in their capacity as securityholders:									
Shares issued	1.9	-	-	1.9	30.7	-	-	30.7	32.6
Share issue costs (net of tax)	-	-	-	-	(0.3)	-	-	(0.3)	(0.3)
Net movements in share based payment reserve	-	1.0	-	1.0	-	-	-	-	1.0
Distributions declared	-	-	-	-	-	-	(154.8)	(154.8)	(154.8)
Total equity as at 31 December 2020	541.4	1.9	(221.3)	322.0	8,560.8	-	1,161.2	9,722.0	10,044.0
As at 1 July 2021	541.4	3.5	(217.9)	327.0	8,560.8	-	993.5	9,554.3	9,881.3
Net (loss) / profit for the half year	-	-	(4.5)	(4.5)	-	-	654.7	654.7	650.2
Total comprehensive income for the half year	-	-	(4.5)	(4.5)	-	-	654.7	654.7	650.2
Transactions with securityholders in their capacity as securityholders:									
Net movements in share based payment reserve	-	1.0	-	1.0	-	-	-	-	1.0
Distributions declared	-	-	-	-	-	-	-	-	-
Total equity as at 31 December 2021	541.4	4.5	(222.4)	323.5	8,560.8	-	1,648.2	10,209.0	10,532.5

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

Cash Flow Statement

for the half year ended 31 December 2021

	Note	31-Dec-21 \$m	31-Dec-20 \$m
Cash flows from operating activities			
Receipts in the course of operations		598.8	598.3
Payments in the course of operations		(271.5)	(236.5)
Distributions and dividends received from equity accounted and managed investments		4.0	10.7
Net operating cash flows retained by equity accounted entities		5.2	-
Interest and other revenue received		-	0.5
Interest paid		(90.0)	(64.8)
Net cash inflows from operating activities – proportionate ¹		246.5	308.2
Less: net operating cash flows retained by equity accounted entities		(5.2)	-
Net cash inflows from operating activities	9	241.3	308.2
Cash flows from investing activities			
Payments for capital expenditure on investment properties		(108.3)	(71.9)
Proceeds from disposal of investment properties	3(b)	-	2.8
Payments for acquisition of investment property	3(b)	(358.4)	(1.1)
Payment for acquisition of other investments		(12.5)	-
Stamp duty paid upon acquisition of investment property	3(b)	(22.6)	-
Proceeds from disposal of financial asset		7.0	-
Payments for plant and equipment		(0.8)	(0.3)
Net cash outflows from investing activities		(495.6)	(70.5)
Cash flows from financing activities			
Proceeds from issue of shares		-	32.6
Transaction costs on issue of shares		-	(0.3)
Proceeds from borrowings		716.0	150.0
Repayment of borrowings		(143.0)	(578.0)
Payment of lease liabilities		(2.9)	(2.4)
Distributions paid to external securityholders		(300.4)	-
Debt establishment costs paid		(0.3)	(0.3)
Acquisition of shares on-market for settlement of share-based payments		(4.1)	-
Net cash inflows/(outflows) from financing activities		265.3	(398.4)
Net increase/(decrease) in cash and cash equivalents held		11.0	(160.7)
Cash and cash equivalents at the beginning of the half year		47.2	227.4
Cash and cash equivalents at the end of the half year		58.2	66.7

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.

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

The condensed consolidated financial report for the half year ended 31 December 2021 (the Financial Report):

- Has been prepared in accordance with the *Corporations Act 2001 (Cth)*, Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements. The accounting policies adopted are consistent with those of the previous financial year except for the impact of the new and amended accounting standards described below;
- Does not include all the notes of the type normally included in an annual financial report unless otherwise stated. Accordingly, this report is to be read in conjunction with the 30 June 2021 Annual Report and any public announcements issued during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001 (Cth)* and the Listing Rules of the ASX;
- Is presented in Australian dollars (\$) and rounded to the nearest one 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 16 February 2022.

COVID-19 pandemic

The COVID-19 pandemic ('COVID-19' or the 'pandemic') continued to adversely impact the Group's operations and financial results during the half year due to the extended lockdowns and closure of non-essential retail in New South Wales (NSW) and Victoria (VIC) up to late October 2021.

Further information on the impacts of COVID-19 on the Group's operations and results for the half year ended 31 December 2021 can be found in the Directors' Report.

Further information on these impacts on the Group's significant judgements and estimates has been included within the relevant notes to the half-year financial statements.

Going concern

The Financial Report has been prepared on a going concern basis based on the following factors at 31 December 2021:

- The Group has sufficient liquidity including undrawn facilities of \$1,826.0 million (refer to Note 5(b)), cash and cash equivalents of \$58.2 million and generates sufficient operating cash flows to meet its current obligations as they fall due; and
- The Group has assessed scenarios which consider varying levels of unfavourable impacts of the 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.

Impact of new and amended accounting standards

New and amended standards that became effective as of 1 July 2021 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 accounting policies. The Group has not adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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.

As the full extent of the impacts of the pandemic remain uncertain, the level of judgement and estimation applied in the preparation of the 31 December 2021 financial report remained elevated. This elevated level of judgement and estimation was particularly relevant in the areas of recoverability of tenant debtors, revenue and income and valuation of investment properties. The updates to the following significant judgements and estimates are included in the relevant notes to this half-year financial report:

Area of judgement or estimation	Note
Revenue and income, including the impact of COVID-19 rental assistance	2
Valuation of investment properties	3
Recoverability of tenant debtors	8
Recoverability of intangible assets	10(a)
Recognition of deferred tax assets	10(b)

There was no significant change in judgements and estimates applied in the valuation of derivative financial instruments as compared to those disclosed within the 30 June 2021 financial report.

Operations

1. Segment information

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

- *Property Investment*: performance is assessed based on net property income which comprises revenue less expenses derived from investment in retail property; and
- *Strategic Partnerships*: performance is assessed based on 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's segment results. This allows for consistent internal reporting on all investment property assets and segment activities to the Chief Operating Decision Makers (CODMs) to make strategic decisions, regardless of ownership structure arrangements. During the period, the CODMs were the CEO and Managing Director (CEO), Chief Operating Officer (COO) and the Chief Financial Officer (CFO).

Group 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, amounts which are capital in nature and other items that are not considered to have occurred in the ordinary course of business. 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 half 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 CODMs are set out below. Additional information on the effects of the pandemic on the financial performance of the Group has been provided to the CODMs. This is discussed further below.

Financial performance

	31-Dec-21 \$m	31-Dec-20 \$m
Property Investment segment		
Net property income	381.3	344.4
Strategic Partnerships segment		
Property management, development, and leasing fees	26.4	19.6
Funds management fees	1.4	1.7
Total segment income	409.1	365.7
Corporate overheads (net of internal property management fees)	(40.6)	(38.2)
Net interest expense	(80.8)	(60.4)
Funds from operations (FFO)	287.7	267.1
<i>Adjusted for:</i>		
Maintenance capital and static tenant leasing costs	(33.6)	(18.9)
Adjusted funds from operations (AFFO)	254.1	248.2

1. Segment information (continued)

(a) Segment results (continued)

Key metrics

	Note	31-Dec-21	31-Dec-20
FFO per security ¹ (cents per security)		6.32	5.87
AFFO per security ¹ (cents per security)		5.58	5.45
Distribution per security (DPS) ² (cents per security)	7(a)	4.70	3.40
Total distributions declared ² (\$m)	7(a)	214.0	154.8
AFFO payout ratio (total distributions declared \$m/AFFO \$m) (%)		84.2%	62.4%
FFO payout ratio (total distributions declared \$m/FFO \$m) (%)		74.4%	58.0%

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

(b) Reconciliation of net profit/(loss) after tax to FFO

	31-Dec-21 \$m	31-Dec-20 \$m
Net profit / (loss) after tax	650.2	(394.1)
Property revaluation (increment) / decrement for directly owned properties ¹	(353.7)	512.1
Non-distributable (gain) / loss relating to equity accounted investments ¹	(2.8)	41.8
Amortisation of incentives and leasing costs ²	30.4	29.4
Straight-lining of rent adjustment ³	3.1	(8.8)
Net mark-to-market movement on derivatives ⁴	(81.2)	187.7
Net unrealised foreign exchange movement on interest bearing liabilities ⁴	25.6	(118.2)
Income tax (benefit)/expense ⁵	(7.6)	13.6
Stamp duty written off on acquisition of investment property	22.6	-
Preliminary development planning and marketing costs ⁶	0.6	0.2
Other non-distributable items	0.5	3.4
Funds from operations	287.7	267.1

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

- FFO excludes non-distributable fair value movements relating to directly owned investment properties and equity accounted investments.
- 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 half 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.
- Straight-lining of rental revenue, which is required by Australian Accounting Standards, is an unrealised non-cash amount and excluded from FFO.
- Represent non-cash adjustments as required by Australian Accounting Standards and are excluded from FFO.
- Income tax for the half year represents the non-cash recognition of deferred tax assets and has therefore been excluded from FFO.
- Preliminary development planning and marketing costs are one-off and discrete to the respective property.

1. Segment information (continued)

(c) Reconciliation of segment income to total revenue

Refer to Note 2(b) 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 CODMs includes investment properties held directly and those that are held through equity accounted entities. A breakdown of the total investment properties in the property investment segment is shown below. All other assets and liabilities are not allocated by segment for reporting to the CODMs.

	Note	31-Dec-21 \$m	30-Jun-21 \$m
Investment properties	3(a) ¹	13,675.9	12,897.3
Investment properties included in equity accounted investments ²		575.8	571.0
Total interests in directly owned investment properties		14,251.7	13,468.3
Assets under management on behalf of strategic partners ³		9,167.4	8,779.9
Total assets under management		23,419.1	22,248.2

1. Total investment properties at Note 3(a) less investment property leaseholds and planning and holding costs.
2. Excludes planning and holding costs of \$8.4 million 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.

2. Revenue and income

(a) COVID-19 rental assistance

The Group continued to provide rental assistance in the form of rental waivers, payment deferrals and other temporary modifications to the underlying leases agreements to eligible SME tenants and other tenants in categories and locations that continue to experience financial hardship and distress. These negotiations were undertaken in accordance with the general principles of the Australian Government's *SME Commercial Code of Conduct and Leasing Principles During COVID-19* or with the applicable regulations in Victoria and NSW (collectively referred to as the 'SME Codes').

The impact of rental assistance agreements on the financial statements are discussed below.

Rental assistance agreed

Rental assistance is agreed once both the Group and the tenant have executed the legal agreement outlining the terms of the assistance. Given that the provision of rental assistance during the pandemic was not contemplated within the Group's pre-existing lease arrangements, these are treated as modifications of the pre-existing leases (lease modifications). Lease modifications have the following effects on the financial statements in the half year ended 31 December 2021:

- Waivers of lease receivables recognised as lease rental income prior to the date of an amended lease agreement being executed are written off through the Statement of Comprehensive Income, except to the extent of a pre-existing allowance for expected credit losses relating to outstanding lease receivables. For the half year ended 31 December 2021, \$24.4 million of lease receivables were waived (six months to 31 December 2020: \$65.1 million).
- Lease rental income due over the remaining lease term, which incorporates any future reductions including waivers to fixed lease payments as compared to the original lease agreement, is recognised on a straight-line basis. During the half year, approximately \$3.4 million of rental waivers (31 December 2020: \$13.0 million) were processed with a further \$2.7 million to be recognised in future periods (31 December 2020: \$5.7 million). Accounting adjustments required to straight-line the impact of these reductions has reduced lease rental income by \$3.0 million for the half year ended 31 December 2021 (six months to 31 December 2020: \$10.4 million increase in lease rental income).
- Rent for which payment is deferred to a later date (rent is normally payable monthly in advance) continues to be recognised as lease rental income with a corresponding lease receivable in the period to which the occupancy relates. For the half year ended 31 December 2021, rental payments of approximately \$7.6 million were deferred to future reporting periods (31 December 2020: \$7.1 million) and \$5.8 million of deferred rent receivables was re-billed. As at 31 December 2021, rental payments of approximately \$12.1 million were deferred to future reporting periods.

As at 31 December 2021, 7,121 agreements for rental assistance had been executed since the commencement of COVID-19.

Rental assistance under negotiation

Until rental assistance is agreed, lease rental income and lease receivables continue to be recognised in accordance with the terms of the original lease agreement. At the end of the reporting period, an estimate of the lease receivables expected to be waived once an agreement is reached is included within the allowance for expected credit losses. The Group has identified approximately 3,150 leases for rent relief that are yet to be completed, of which the majority relates to eligible tenants impacted by the extended lockdowns in NSW and VIC during the period. Some tenants may require more than one rental assistance agreement depending on the timing of the impacts of COVID-19 on their operations.

Further information on the lease receivables waived and expected credit losses recognised during the half year (relating to both rental assistance agreed and under negotiation) and as at 31 December 2021 is included in Note 8.

2. Revenue and income (continued)

(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.

	31-Dec-21 \$m			31-Dec-20 \$m		
	Property Investment segment	Strategic Partnerships segment	Total	Property Investment segment	Strategic Partnerships segment	Total
Recovery of property outgoings	86.3	-	86.3	83.8	-	83.8
Other property related revenue	41.5	-	41.5	40.5	-	40.5
Property management and development fees	-	28.5	28.5	-	20.9	20.9
Funds management fees	-	1.4	1.4	-	1.7	1.7
Total revenue from contracts with customers	127.8	29.9	157.7	124.3	22.6	146.9
Lease rental income	423.8	-	423.8	435.4	-	435.4
Interest and other income	1.9	-	1.9	0.9	-	0.9
Total income	425.7	-	425.7	436.3	-	436.3
Total revenue and income	553.5	29.9	583.4	560.6	22.6	583.2
<i>Reconciliation to segment income</i>						
Property-related expenses included in segment income			(175.4)			(167.9)
Allowance for expected credit losses			(38.3)			(76.3)
Net property income from equity accounted investments included in segment income			11.9			10.1
Straight-lining of rent adjustment			3.1			(8.8)
Amortisation of static lease incentives and other project items			30.4			29.4
Interest and other revenue not included in segment income			(6.0)			(4.0)
Total segment income			409.1			365.7

3. 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, arm's 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.

(a) Portfolio summary

Shopping centre type	31-Dec-21			30-Jun-21		
	Number of properties	Value \$m	Weighted average cap rate, %	Number of properties	Value \$m	Weighted average cap rate, %
Super Regional	1	3,062.5	3.88	1	3,016.0	3.88
Major Regional	7	2,022.5	5.85	7	2,012.0	5.92
Central Business Districts	7	1,986.8	4.95	7	1,965.0	4.97
Regional	8	1,550.8	6.38	8	1,452.6	6.68
Outlet Centre	8	2,197.1	5.57	7	1,744.9	5.93
Sub Regional	24	2,675.2	6.20	24	2,539.3	6.51
Neighbourhood	3	181.0	5.76	3	167.5	6.23
Planning and holding costs ¹	-	48.7	n/a	-	40.6	n/a
Total	58	13,724.6	5.36	57	12,937.9	5.50
Add: Investment property leaseholds	n/a	357.1	n/a	n/a	356.4	n/a
Less: Property held for sale (current asset) ²	(1)	(130.9)	n/a	n/a	-	n/a
Total investment properties	57	13,950.8	5.36		13,294.3	

1. Planning and holding costs relating to planned 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. Represents the carrying amount of Runaway Bay Centre investment property which is classified as asset held for sale at 31 December 2021.

3. Investment properties (continued)

(b) Movements for the period

The following investment property transactions occurred during the period:

- Acquired a 50% interest in Harbour Town Premium Outlet Centre on the Gold Coast for \$358.0 million¹ on 30 November 2021; and
- Entered into a Put and Call Option Deed to sell its 50% interest in Runaway Bay Centre, which is expected to settle by 30 June 2022.

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

	31-Dec-21 \$m	31-Dec-20 \$m
Opening balance at 1 July	12,937.9	13,521.9
Acquisitions including associated stamp duty and transaction costs	381.0	13.0
Capital expenditure ²	107.8	62.9
Capitalised borrowing costs ³	0.7	0.1
Disposals	-	(14.7)
Property revaluation increment/(decrement) for directly owned properties ⁴	353.3	(512.3)
Stamp duty written off on acquisition of investment property	(22.6)	-
Amortisation of incentives and leasing costs ⁵	(30.4)	(29.4)
Straight-lining of rent adjustment ⁵	(3.1)	8.8
Closing balance at 31 December	13,724.6	13,050.3

1. Amounts exclude transaction costs and stamp duty.
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 4.2% (31 December 2020: 2.9%).
4. The property revaluation increment of \$353.3 million includes the revaluation of property held for sale but is before the addition of investment property leaseholds. The \$353.7 million revaluation increment presented within the Statement of Comprehensive Income includes a \$0.4 million revaluation increment of investment property leaseholds held at fair value.
5. For leases where Vicinity is the lessor in the lease arrangement.

(c) Portfolio valuation

Changes to valuation process

Details of the Group's valuation process are provided within Note 4(c) of the 30 June 2021 Annual Report. In the current period, the Group's valuation methodology has not changed significantly other than as disclosed below.

The Group's policy requires that the pre-approved panel of independent valuers be updated every three years. Accordingly, the panel has been updated in the current period, in accordance with the selection criteria outlined in the Annual Report. Independent valuations undertaken at 31 December 2021 have been completed under the new appointments.

Judgements and Estimates including the impact of the COVID-19 pandemic on valuation uncertainty

There continues to be some estimation uncertainty in determining key inputs into the fair value of the Group's investment properties at 31 December 2021.

The key factors causing estimation uncertainty and how they may influence investment property fair values in the future include those identified below. Notwithstanding that there remains some uncertainty due to the impacts of COVID-19, all of the Group's independent valuers have removed 'material uncertainty' clauses from their valuation reports as part of the 31 December 2021 valuation process (30 June 2021: majority of Group's independent valuers noted the existence of material valuation uncertainty). This is primarily due to the availability of comparable property transaction market evidence used to determine market-based capitalisation and discount rates, and less likelihood that state governments will enforce extended lockdowns in the future. Further discussion on the remaining factors can be found within Note 4(c) to the 30 June 2021 Annual Report:

- Impact of actual and potential lockdowns, restrictions, and other indirect impacts on retail property performance; and
- Uncertain government policy settings.

3. Investment properties (continued)

(c) Portfolio valuation (continued)

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 derived capitalisation and discount rates), investment property valuations are considered “Level 3” of the fair value hierarchy (refer Note 23 to the 30 June 2021 Annual Report for further details on the fair value hierarchy).

Key unobservable inputs used by the Group in determining the fair value of its investment properties are summarised below. These are consistent with key inputs assessed at 30 June 2021, but there have been positive movements such as the tightening in the capitalisation rate across the portfolio (weighted average basis) driven by the stronger demand for retail property observed in the 6 months to 31 December 2021.

The valuations at 31 December 2021 continued to incorporate specific unobservable adjustments relating to COVID-19. In many instances these adjustments were equal to or less than those made at 30 June 2021 across the portfolio. These adjustments included (where appropriate):

- Allowances for rental waivers and tenant support ranging from nil-7 months on average at each property to be provided to tenants impacted by past lockdowns instigated by state governments as a response to the COVID-19 outbreaks (30 June 2021: range from nil-7 months across the portfolio);
- Capital and stabilisation allowances for the replacement of existing tenants that do not renew lease agreements or are expected to take longer to recover;
- Market rent growth rates have softened slightly due in part to a slightly longer recovery period anticipated from COVID-19 such as for CBD properties; and
- Higher than historical average allowance for tenant incentives to lease space at assets over the short to medium term.

Unobservable inputs	31-Dec-21		30-Jun-21		Sensitivity
	Range of inputs	Weighted average inputs	Range of inputs	Weighted average inputs	
Capitalisation rate ¹	3.88% – 8.00%	5.36%	3.88% – 8.00%	5.50%	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%	6.55%	6.00% – 9.00%	6.74%	
Terminal yield ³	4.13% – 7.75%	5.56%	4.13% – 8.00%	5.70%	
Expected downtime (for tenants vacating)	3 to 15 months	7 months	3 to 15 months	7 months	
Market rents and rental growth rate	1.94% – 3.25%	2.76%	2.13% – 3.22%	2.81%	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). For all investment properties, the current use equates to the highest and best use.

3. Investment properties (continued)

(c) Portfolio valuation (continued)

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 as at 31 December 2021. Specific key unobservable inputs may impact only the capitalisation of net income method, the DCF method or both methods.

DCF method

31-Dec-21 \$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	13,545.0				
Impact on actual valuation		+304.6	(285.9)	(179.9)	+182.7
Resulting valuation		13,849.6	13,259.1	13,365.1	13,727.7

Capitalisation of net income method

31-Dec-21 \$m	Carrying value	Capitalisation rate -0.25%	Capitalisation rate +0.25%
Actual valuation ¹	13,545.0		
Impact on actual valuation		+673.9	(609.0)
Resulting valuation		14,218.9	12,936.0

1. Excludes planning and holding costs, property held for sale and investment property leaseholds.

(d) List of investment properties held

The tables below summarise the carrying value for each investment property.

i. Super Regional

	Ownership interest %	Valuation type 31-Dec-21	Carrying value	
			31-Dec-21 \$m	30-Jun-21 \$m
Chadstone	50	Independent	3,062.5	3,016.0
Total Super Regional			3,062.5	3,016.0

ii. Major Regional

	Ownership interest %	Valuation type 31-Dec-21	Carrying value	
			31-Dec-21 \$m	30-Jun-21 \$m
Bankstown Central	50	Independent	255.0	260.5
Bayside	100	Independent	435.0	430.0
Galleria	50	Independent	227.5	235.0
Mandurah Forum	50	Independent	217.5	217.5
Northland	50	Internal	400.0	402.5
Roselands	50	Independent	167.5	139.0
The Glen	50	Internal	320.0	327.5
Total Major Regional			2,022.5	2,012.0

3. Investment properties (continued)

(d) List of investment properties held (continued)

iii. Central Business Districts (CBDs)

	Ownership interest %	Valuation type 31-Dec-21	Carrying value	
			31-Dec-21 \$m	30-Jun-21 \$m
Emporium Melbourne	50	Independent	520.0	520.0
Myer Bourke Street	33	Independent	135.0	135.0
Queen Victoria Building ¹	50	Independent	277.0	270.3
QueensPlaza	100	Independent	680.0	665.0
The Galleries	50	Independent	149.9	146.5
The Myer Centre Brisbane	25	Internal	113.7	118.8
The Strand Arcade	50	Independent	111.2	109.4
Total Central Business Districts			1,986.8	1,965.0

1. The title to this property is leasehold and expires in 2083.

iv. Regional

	Ownership interest %	Valuation type 31-Dec-21	Carrying value	
			31-Dec-21 \$m	30-Jun-21 \$m
Broadmeadows Central	100	Internal	272.7	260.4
Colonnades	50	Independent	126.2	113.2
Cranbourne Park	50	Internal	137.5	127.0
Eastlands	100	Independent	170.0	163.0
Elizabeth City Centre	100	Independent	307.0	290.0
Grand Plaza	50	Independent	187.5	182.0
Rockingham Centre	50	Internal	219.0	210.0
Runaway Bay Centre ¹	50	Internal	130.9	107.0
Total Regional			1,550.8	1,452.6

1. Investment property held for sale. Refer to Note 3(a).

v. Outlet Centre

	Ownership interest %	Valuation type 31-Dec-21	Carrying value	
			31-Dec-21 \$m	30-Jun-21 \$m
DFO Brisbane ¹	100	Internal	68.0	67.0
DFO Essendon ²	100	Independent	173.0	165.0
DFO Homebush	100	Independent	656.0	626.9
DFO Moorabbin ³	100	Internal	103.0	104.0
DFO Perth ⁴	50	Independent	116.8	110.0
DFO South Wharf ⁵	100	Internal	640.0	610.0
DFO Uni Hill	50	Independent	70.3	62.0
Harbour Town	50	Independent	370.0	-
Total Outlet Centre			2,197.1	1,744.9

1. The right to operate the DFO Brisbane business expires in 2046.

2. The title to this property is leasehold and expires in 2048.

3. The title to this property is leasehold with an option to extend the ground lease to 2034 at the Group's discretion.

4. The title to this property is leasehold and expires in 2047.

5. The title to this property is leasehold and expires in 2108.

3. Investment properties (continued)

(d) List of investment properties held (continued)

vi. Sub Regional

	Ownership interest %	Valuation type 31-Dec-21	Carrying value	
			31-Dec-21 \$m	30-Jun-21 \$m
Altona Gate Shopping Centre	100	Independent	110.0	107.0
Armidale Central	100	Internal	36.0	34.5
Box Hill Central (North Precinct)	100	Independent	114.0	118.0
Box Hill Central (South Precinct) ¹	100	Independent	220.3	203.0
Buranda Village	100	Internal	39.0	38.0
Carlingford Court	50	Independent	102.2	98.6
Castle Plaza	100	Independent	149.2	142.0
Ellenbrook Central	100	Independent	258.0	250.0
Gympie Central	100	Independent	76.0	72.5
Halls Head Central	50	Internal	41.4	38.3
Karratha City	50	Internal	51.1	49.3
Kurralta Central	100	Internal	50.0	45.5
Lake Haven Centre	100	Independent	293.0	270.0
Livingston Marketplace	100	Internal	83.2	79.5
Maddington Central	100	Independent	97.0	90.0
Mornington Central	50	Independent	39.4	35.0
Nepean Village	100	Independent	205.0	201.3
Northgate	100	Internal	88.7	83.0
Roxburgh Village	100	Independent	102.3	93.0
Sunshine Marketplace	50	Internal	64.4	61.5
Taigum Square	100	Independent	93.5	89.0
Warriewood Square	50	Internal	132.5	127.8
Warwick Grove	100	Independent	165.0	152.0
Whitsunday Plaza	100	Independent	64.0	60.5
Total Sub Regional			2,675.2	2,539.3

1. The title to this property is leasehold with options to extend the ground lease to 2134 at the Group's discretion.

vii. Neighbourhood

	Ownership interest %	Valuation type 31-Dec-21	Carrying value	
			31-Dec-21 \$m	30-Jun-21 \$m
Dianella Plaza	100	Internal	69.0	63.0
Oakleigh Central	100	Internal	85.0	80.0
Victoria Park Central	100	Internal	27.0	24.5
Total Neighbourhood			181.0	167.5

4. Equity accounted investments

Equity accounted investments primarily consists of:

- 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; and
- investment in an e-commerce business (Global Marketplace Pty Ltd), during the half year where the Group has significant influence.

These investments are accounted for in the Group's financial statements using the equity method.

The Group holds the following investments that are equity accounted:

	Ownership		Carrying value	
	31-Dec-21 %	30-Jun-21 %	31-Dec-21 \$m	30-Jun-21 \$m
Chatswood Chase Sydney (Joint Venture) ¹	51.0	51.0	409.4	404.7
Victoria Gardens Retail Trust (Joint Venture)	50.0	50.0	85.3	74.6
Vicinity Asset Operations Pty Ltd (Associate)	40.0	40.0	0.1	0.1
Global Marketplace Pty Ltd (Associate)	20.0	-	10.5	-
Closing balance			505.3	479.4

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.

The increase in the carrying value of the Group's equity accounted investments during the period was driven by property revaluation increments recorded on the underlying investment properties held and the investment in Global Marketplace Pty Ltd during the half year.

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 3(c).

Capital structure and financial risk management

5. Interest bearing liabilities and derivatives

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

During the half year, net drawdowns of \$573.0 million of bank debt were made throughout the period to fund the acquisition of Harbour Town and capital expenditure requirements.

Apart from the activities noted above, no other significant financing activities occurred during the six months to 31 December 2021.

(a) Summary of facilities

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

	31-Dec-21 \$m	30-Jun-21 \$m
Current liabilities		
Unsecured		
US Private Placement Notes (USPPs)	40.0	-
Total current liabilities	40.0	-
Non-current liabilities		
Unsecured		
Bank debt	649.0	76.0
AUD Medium Term Notes (AMTNs) ²	857.8	857.4
GBP European Medium Term Notes (GBMTNs)	650.0	642.9
HKD European Medium Term Notes (HKMTNs)	113.1	109.9
USPPs	805.3	822.8
EUR European Medium Term Notes (EUMTNs)	779.3	786.7
Deferred debt costs ¹	(11.9)	(13.8)
Total non-current liabilities	3,842.6	3,281.9
Total interest bearing liabilities	3,882.6	3,281.9

1. 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 at the effective interest rate to borrowing costs in the Statement of Comprehensive Income.
2. Includes non-current unsecured AMTNs of AUD60.0 million issued under the Group's EUMTN programme.

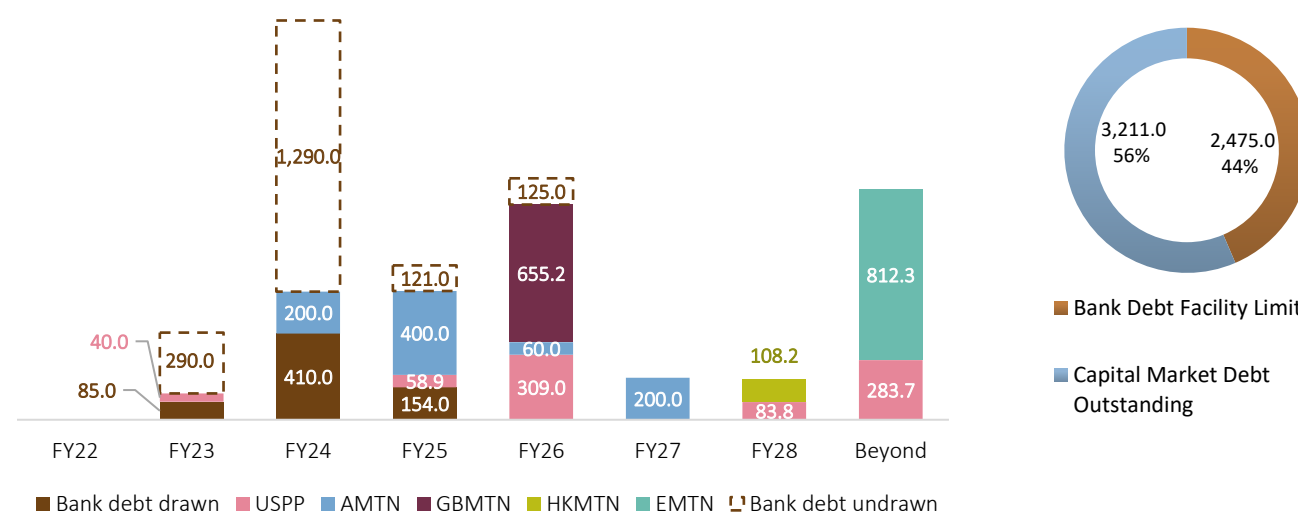
5. Interest bearing liabilities and derivatives (continued)

(b) Facility maturity and availability

The charts below outline the maturity of the Group's total available facilities at 31 December 2021 by type and the bank to capital markets debt ratio. Of the \$5,686.0 million total available facilities (30 June 2021: \$5,686.0 million), \$1,826.0 million remains undrawn at 31 December 2021 (30 June 2021: \$2,399.0 million).

Available facilities expiry profile (\$m)¹

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



- The carrying amount of the USPPs, GBMTNs, HKMTNs, EUMTNs and AMTNs on the Balance Sheet is net of adjustments for fair value items and foreign exchange translation of -\$34.5 million (30 June 2021: -\$8.7 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 \$11.9 million (30 June 2021: \$13.8 million) are not reflected in the amount drawn.

(c) Borrowing costs

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

	31-Dec-21 \$m	31-Dec-20 \$m
Interest and other costs on interest bearing liabilities and derivatives	77.5	56.5
Amortisation of deferred debt costs	2.2	2.2
Amortisation of face value discounts	0.8	0.9
Amortisation of fair value adjustments relating to discontinuation of hedge accounting	(0.6)	(0.6)
Amortisation of AMTN fair value adjustment	-	(1.1)
Interest charge on lease liabilities	14.2	11.2
Capitalised borrowing costs	(0.7)	(0.1)
Total borrowing costs	93.4	69.0

5. Interest bearing liabilities and derivatives (continued)

(d) Capital management

Approach and response to COVID-19

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

In response to the uncertainties arising from the COVID-19 pandemic, the Group continued to maintain a conservative capital structure. As at 31 December 2021 the Group had \$58.2 million of cash on hand and \$1,826.0 million of available undrawn facilities, with only \$40.0 million maturing in the 2022 calendar 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.

	31-Dec-21 \$m	30-Jun-21 \$m
Total interest bearing liabilities (Note 5(a))	3,882.6	3,281.9
<i>Reconciliation to drawn debt</i>		
Deferred debt costs	11.9	13.8
Fair value and foreign exchange adjustments to GBMTNs	5.2	12.3
Fair value and foreign exchange adjustments to USPPs	(70.0)	(47.5)
Fair value adjustments to AMTNs	2.2	2.6
Foreign exchange adjustments to HKMTNs	(4.9)	(1.7)
Fair value and foreign exchange adjustments to EUMTNs	33.0	25.6
Total drawn debt	3,860.0	3,287.0
Drawn debt net of cash	3,801.8	3,239.8
Total tangible assets excluding cash, right of use assets, net investments in lease, investment property leaseholds and derivative financial assets	14,443.2	13,592.8
Gearing ratio (target range of 25.0% to 35.0%)	26.3%	23.8%

Interest cover ratio

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

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

At 31 December 2021 the interest cover ratio was 4.6 times (30 June 2021: 5.1 times).

5. Interest bearing liabilities and derivatives (continued)

(e) Fair value of interest bearing liabilities

As at 31 December 2021, the Group's interest bearing liabilities had a fair value of \$4,028.3 million (30 June 2021: \$3,497.5 million).

The carrying amount of these interest bearing liabilities were \$3,882.6 million (30 June 2021: \$3,281.9 million). The difference between the carrying amount and the fair value of interest bearing liabilities is due to:

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

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

(f) Defaults and covenants

At 31 December 2021, the Group had no defaults on debt obligations or breaches of lending covenants (30 June 2021: nil).

6. Contributed equity

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

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.

	31-Dec-21 Number (m)	30-Jun-21 Number (m)	31-Dec-21 \$m	30-Jun-21 \$m
Total stapled securities on issue at the beginning of the period	4,552.2	4,529.6	9,102.2	9,069.9
Stapled securities issued (net of equity raising costs)	-	22.6	-	32.3
Total stapled securities on issue at the end of the period	4,552.2	4,552.2	9,102.2	9,102.2

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

	31-Dec-21 Number (m)	31-Dec-20 Number (m)
Weighted average number of securities used as the denominator in calculating basic earnings per security	4,552.2	4,550.8
Adjustment for potential dilution from performance rights on issue	7.9	8.5
Weighted average number of securities and potential securities used as the denominator in calculating diluted earnings per security	4,560.1	4,559.3

7. Distributions

(a) Interim distributions for the period

	31-Dec-21 \$m	31-Dec-20 \$m
Distributions in respect of the earnings for six months to 31 December 2021:		
4.7 cents per VCX stapled security (31 December 2020: 3.4 cents)	214.0	154.8
Total interim distributions	214.0	154.8

On 16 February 2022, the Directors declared a distribution in respect of the Group's earnings for the half year ended 31 December 2021 of 4.7 cents per VCX stapled security, which equates to total interim distributions of \$214.0 million.

The interim distribution will be paid on 8 March 2022. The record date for determining entitlement to the interim distribution is 5pm, 22 February 2022.

(b) Distributions paid during the period

	31-Dec-21 \$m	31-Dec-20 \$m
Distributions in respect of the earnings for six months to 30 June 2021:		
6.6 cents per VCX stapled security (30 June 2020: nil)	300.4	-
Total distribution paid during the period	300.4	-

Working capital

8. Trade receivables and other assets

(a) Summary

Trade receivables comprise amounts due from tenants of the Group's investment properties under lease agreements including deferred debt under COVID-19 rent assistance 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 (ECLs). At 31 December 2021, the carrying value of trade receivables and other financial assets approximated their fair value.

	Note	31-Dec-21 \$m	30-Jun-21 \$m
Current trade receivables			
Trade debtors		187.2	143.0
Accrued income		10.2	13.2
Receivables from strategic partners		1.3	2.1
Less: estimated rent waivers	8(b)	(91.0)	(51.0)
Less: allowance for expected credit losses	8(b)	(48.5)	(77.3)
Total current trade receivables¹		59.2	30.0
Current other assets			
Distributions receivable from joint ventures and associates		24.6	28.4
Prepayments		16.8	12.7
Land tax levies		22.4	20.5
Tenant security deposits held		0.3	0.4
Other		13.1	17.4
Total current other assets		77.2	79.4
Total current trade receivables and other assets		136.4	109.4
Non-current other assets			
Trade debtors		4.5	3.6
Less: allowance for expected credit losses	8(b)	(2.2)	(2.6)
Other		2.1	0.5
Total non-current other assets		4.4	1.5

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.

Significant Judgement and Estimate including the impact of the COVID-19 pandemic

The Group continued to negotiate with its impacted tenants as mandated by the SME Codes during the financial period, and with other impacted tenants in accordance with the general principles of the SME Codes where applicable. Rental assistance provided to tenants has been in the form of rent waivers, deferrals and/or other lease changes. As at 31 December 2021, negotiations for rental assistance remain in progress with certain SME and non-SME tenants across the portfolio, in particular those based in VIC, NSW or CBD centres. Due to extended lockdowns and the inability of tenants to trade in VIC and NSW during the half year, the trade debtors balance remains high as certain tenants continued to withhold contractual lease payments until these negotiations are finalised. Accordingly, the Group has included an estimate of the rental waivers for agreements not yet completed (estimated rent waivers) within the allowance for ECLs.

There continues to be significant estimation uncertainty in determining the allowance for ECLs at reporting date. Whilst the approach in determining the allowance for ECLs is considered reasonable and supportable as discussed in Note 8(b), the key inputs and assumptions used in the calculations of these amounts in the current environment is subject to significant uncertainty. This is driven by the uncertain outcome of rental assistance negotiations, particularly those that may be based on tenants' sales performance over the rent assistance period, and the uncertain impact of actual and potential future restrictions on retail property performance. If these factors vary from management's estimate, this may result in a different outcome to the Group's allowance for ECLs in future periods.

8. Trade receivables and other assets (continued)

(b) Allowance for expected credit losses

The allowance for 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 the changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The recognition of an ECL, however, does not mean that the Group has ceased collection activities in relation to the amounts owed.

Approach

The approach continues to rely on two key inputs and assumptions, being the long-term average collection rates of the relevant segments and estimated rent waivers. The overall approach to determine the Group's allowance for ECLs at 31 December 2021 has not changed significantly to that disclosed at 30 June 2021. However, the key inputs used have been refined to reflect historical outcomes and the dynamic nature of the underlying inputs as disclosed below.

The Group's total allowance for ECL as at 31 December 2021 contained the following components:

- **Estimated rent waivers**

\$91.0 million (30 June 2021: \$51.0 million) for estimated rent waivers from ongoing rental assistance negotiations across the portfolio, or expected rent waivers based on the Group's historical experience if rental assistance negotiations have not commenced, in particular with tenants impacted by the extended lockdowns in NSW and VIC during the period.

- **Allowances for estimated credit losses**

\$50.7 million (30 June 2021: \$79.9 million) of allowances for estimated credit losses on trade debtors net of estimated rent waivers, grouped according to the billing periods or deferrals. These comprise of:

- Post 30 June 2020 trade debtors

\$31.8 million (30 June 2021: \$49.1 million) of allowances for the difference between cash flows contractually receivable by the Group (after deducting estimated rent waivers and deferrals) and the cash flows the Group expects to receive, relating to billings originating after 1 July 2020. The estimate of cash flows remaining to be collected by the Group was determined by:

- Calculating the long-term average cash collection rates for certain segments of tenants (e.g., SMEs, Major Chain, National Chain) and centre types (e.g., CBD and non-CBD) observed across the portfolio for tenants where rental assistance negotiations had been completed and processed or where rental assistance was not required, adjusted for factors such as current and planned collection activities, tenants' financial position (if known) and other relevant information, if necessary. The long-term average collection rates were determined across billings from the start of the pandemic to 30 June 2021 (i.e., billings relating to the period 1 April 2020 to 30 June 2021);
- Calculating the actual average cash collection rates for each centre or tenant; and
- Applying these observed cash collection rates to the relevant outstanding debt balance, after deducting estimated rent waivers, for tenants where rental assistance negotiations have not commenced or finalised, to ascertain an estimate of the residual credit risk.

- Pre 30 June 2020 trade debtors

An ECL of \$9.8 million (30 June 2021: \$14.2 million) has been recognised at 90% on average, of the debt outstanding relating to billings originating from 30 June 2020 and prior (30 June 2021: 89%). Collection is viewed as highly unlikely given the outstanding debt is well overdue.

- Deferred rent

\$9.1 million allowance was recognised for ECLs on rentals deferred and expected to be deferred (30 June 2021: \$16.6 million). On average this represents 50% of the total rentals for which payment is expected to be deferred (30 June 2021: 74%).

8. Trade receivables and other assets (continued)

(b) Allowance for expected credit losses (continued)

Movements in the allowance for ECLs

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

	31-Dec-21 \$m	31-Dec-20 \$m
Opening balance at 1 July	(130.9)	(169.6)
Amounts written off as uncollectible	3.1	1.5
Rental waivers granted	24.4	65.1
Net remeasurement of prior period allowances ¹	50.0	54.2
Loss allowance on receivables originated during the current period	(88.3)	(130.5)
Closing balance at 31 December	(141.7)	(179.3)

1. The opening balance of allowance for expected credit losses at 1 July was remeasured due to better outcome than anticipated in the Group's rent waiver negotiations and long-term average cash collection rates relative to assumptions adopted previously. These outcomes have been incorporated into the key inputs used to determine the allowance for expected credit losses at 31 December 2021.

Sensitivities

The key inputs and assumptions in determining the allowance for ECLs were the likely outcome of rental waivers arising from rental assistance negotiations to-date and the long-term average cash collection rates observed. The allowance for ECLs has the following sensitivity to changes in these inputs:

- **Estimated rent waivers:** An increase or decrease of 5% of the average estimated rent waivers would result in a \$4.6 million (30 June 2021: \$2.6 million) increase/decrease in the estimated rent waivers at 31 December 2021.
- **Long-term average cash collection rates:** An increase or decrease of 1% of the long-term average cash collection rates used as an input to the calculation of ECLs for each tenant and centre type in the SME and National Chain segments would result in \$6.7 million decrease or \$5.1 million increase in the allowance for ECLs (30 June 2021: \$2.4 million decrease, \$2.8 million increase).

Other disclosures

9. Operating cash flow reconciliation

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

	31-Dec-21 \$m	31-Dec-20 \$m
Net profit/(loss) for the half year	650.2	(394.1)
<i>Exclude non-cash items and cash flows under investing and financing activities:</i>		
Amortisation of incentives and leasing costs	30.4	29.4
Straight-lining of rent adjustment	3.1	(8.8)
Property revaluation (increment)/decrement for directly owned properties	(353.7)	512.1
Share of net (gain)/loss of equity accounted investments	(15.4)	32.2
Distributions of net income from equity accounted investments	-	-
Amortisation of non-cash items included in interest expense	2.4	0.5
Net foreign exchange movement on interest bearing liabilities	25.6	(118.2)
Net mark-to-market movement on derivatives	(81.2)	187.7
Stamp duty paid	22.6	-
Depreciation of right of use assets	2.8	3.2
Income tax (benefit)/expense	(7.6)	13.6
Other non-cash items	(4.6)	1.8
<i>Movements in working capital:</i>		
Increase in payables and other financial liabilities, and provisions	0.3	38.1
(Increase)/decrease in receivables and other assets	(33.6)	10.7
Net cash inflow from operating activities	241.3	308.2

10. Other Group accounting matters

(a) Impairment assessment

The Group performs impairment testing for indefinite life intangible assets at least annually, or when there are other indicators of impairment.

At 31 December 2021, the market capitalisation of the Group continued to be below the value of net assets recorded on the consolidated balance sheet, providing a continued indicator of impairment. In considering this indicator of impairment the Group identified that:

- In relation to the Property Investment Cash Generating Unit (CGU):
 - Greater than 99% of the remaining assets of the Property Investment CGU are investment properties which are carried at their fair values, based on valuations prepared by independent valuers as disclosed in Note 3.
 - Other assets remaining within the Property Investment CGU were carried at their recoverable amounts.
- In relation to the Strategic Partnership CGU, the key inputs and assumptions within the CGU's discounted cash flow model had not changed significantly since 30 June 2021 and therefore the recoverable amount of the CGU, which includes the \$164.2 million of intangible assets recognised on the Group's consolidated balance sheet, continues to exceed its carrying amount.

Accordingly, no impairment was required in respect of the Property Investment or Strategic Partnership CGU at 31 December 2021.

10. Other Group accounting matters (continued)

(b) Deferred tax assets

The Group continues to recognise 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 net income and judgement is applied in assessing an appropriate forecast period.

The ongoing pandemic has continued to increase the level of 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 underlying performance and valuation of the investment properties under management by the Company and the timing and execution of the Group's property development activities. If the assumptions differ from management's estimate, this may result in additional recognition or reversal of deferred tax assets in future financial periods.

(c) Government grants

The Group was eligible for land tax relief for calendar years 2020 and 2021 in accordance to the respective state government land tax relief measures. Gross payments received for the half year ended 31 December 2021 were \$8.4 million (31 December 2020: \$2.9 million).

Until September 2020, the Group was eligible for the initial phase of the Federal Government JobKeeper wage subsidy program. Gross payments received for the half year ended 31 December 2021 were \$nil (31 December 2020: \$12.4 million).

11. Events occurring after the reporting date

COVID-19 pandemic

The duration, frequency and extent of restrictions and the financial, social, and public health impacts of the COVID-19 pandemic remain uncertain and therefore the Group cannot quantify the impact that COVID-19 may have on future periods. The financial report included disclosures on the potential impact of the prevailing uncertainty on the reported amounts of relevant revenues, expenses, assets, and liabilities for the half year ended 31 December 2021 and future periods where relevant.

Extension of SME Codes

The New South Wales and Victorian state governments announced the extension of the SME Codes on 14 and 15 January 2022 respectively. The extensions are for a period of two months and will expire by 15 March 2022. The Group will continue to provide rental assistance in the form of rental waivers, payment deferrals and other temporary modifications to the underlying lease agreements to eligible SME tenants and other tenants in categories and locations that continue to experience financial hardship and distress.

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

Directors' Declaration

In the Directors' opinion:

- (a) the half year financial statements and notes of Vicinity Centres (the Group) set out on pages 12 to 39 are in accordance with the *Corporations Act 2001* (Cth), including:
 - i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay their debts as and when they become due and payable.

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



Trevor Gerber
Chairman
16 February 2022



**Building a better
working world**

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Vicinity Limited (the "Company"), and the entities it controlled (collectively "Vicinity Centres" or the "Group"), which comprises the consolidated balance sheet as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated entity's financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Half-Year Financial Report

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



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in black ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Alison Parker'.

Alison Parker
Partner

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Michael Collins'.

Michael Collins
Partner

Melbourne
16 February 2022