Vicinity Centres[1]

Appendix 4D - Results for announcement to the market

For the six months ended 31 December 2022

	Six months to 31-Dec-22 $m	31-Dec-21 $m	Increase/(Decrease) $m	%
Revenue from ordinary activities	636.5	581.5	55.0	9.5
Net profit from ordinary activities after tax attributable to securityholders	176.3	650.2	(473.9)	(72.9)
Funds from operations[2]	357.1	287.7	69.4	24.1

	As at 31-Dec-22	30-Jun-22	Increase/(Decrease)	
Net tangible assets per security[3]	**$ per security**	**$ per security**	**$ per security**	**%**
Total	2.34	2.36	(0.02)	(0.8)
Net assets per security	**$ per security**	**$ per security**	**$ per security**	**%**
Total	2.37	2.39	(0.02)	(0.7)

Distribution per stapled security	**Cents[4]**	**Record date**	**Payment date**
Interim distribution	5.75	21-Feb-23	7-Mar-23

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;
- FY23 Interim Results Announcement; and
- FY23 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 2022 which has been reviewed. The independent auditor's report is included within the Half Year Financial Report.

Rohan Abeyewardene
Group Company Secretary

Date: 15 February 2023

Notes

1. Vicinity Centres is a stapled group comprising Vicinity Limited ABN 90 114 757 783 and Vicinity Centres Trust ARSN 104 931 928 (the **Trust**). The Responsible Entity of the Trust is Vicinity Centres RE Ltd ABN 88 149 781 322.
2. A reconciliation between net profit from ordinary activities attributable to securityholders and fund from operations (FFO) is provided in Note 1(b) of the Half Year Financial Report.
3. Calculated as Balance Sheet net assets less intangible assets, divided by the number of stapled securities on issue at period end. Includes right of use assets and net investments in leases.
4. Details of the full year tax components of distributions will be provided in the Annual Tax Statements which will be sent to securityholders in September 2023.

Vicinity Centres

Financial Report for the half year ended 31 December 2022

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

VICINITY
CENTRES

Contents

Directors' Report

The Directors of Vicinity Limited present the Financial Report of Vicinity Centres (Vicinity or the Group) for the half year ended 31 December 2022. 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 2022 and up to the date of this report unless otherwise stated:

(i) Chairman

Trevor Gerber (Independent)

(ii) Non-executive Directors [1]

Clive Appleton

David Thurin AM (retired 15 November 2022)

Dion Werbeloff (appointed 16 November 2022)

Georgina Lynch (Independent) (appointed 16 November 2022)

Janette Kendall (Independent)

Karen Penrose (Independent) (resigned 15 September 2022)

Michael Hawker AM (Independent) (appointed 16 November 2022)

Peter Kahan (Independent)

Tiffany Fuller (Independent) (appointed 16 November 2022)

Tim Hammon (Independent)

(iii) Executive Director

Grant Kelley (CEO and Managing Director) (retired 16 November 2022)

Peter Huddle (CEO and Managing Director) (appointed 1 February 2023)

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.

[1] The changes during the period are in line with the Vicinity Board's commitment to the orderly renewal and ongoing review of the composition of skills and experience of the Vicinity Board as announced to the ASX on 5 September and 3 October 2022.

Distributions

On 15 February 2023, the Directors declared a distribution in respect of the Group's earnings for the half year ended 31 December 2022 of 5.75 cents per VCX stapled security, which equates to total interim distributions of $261.8 million. The interim distribution will be paid on 7 March 2023.

Review of results and operations

This report should be read in conjunction with the 30 June 2022 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 (to derive FFO), as well as maintenance capital expenditure and static tenant leasing costs incurred during the period (to derive AFFO). FFO and AFFO are determined with reference to the voluntary best practice guidelines published by the Property Council of Australia (PCA) and are non-IFRS measures.

The table below contains a summary of FFO, AFFO, other related metrics and a summary reconciliation of statutory net profit after tax to FFO[2].

	31-Dec-22 $m	31-Dec-21 $m
Net property income	459.6	381.3
External management fees	31.6	27.8
Net corporate overheads	(46.9)	(40.6)
Net interest expense	(87.2)	(80.8)
Funds from operations	**357.1**	**287.7**
Property revaluation (decrement)/increment for directly owned properties	(56.7)	353.7
Net movement on mark-to-market of derivative financial instruments	(9.8)	81.2
Other items [2]	(114.3)	(72.4)
Statutory net profit after tax	**176.3**	**650.2**
Funds from operations	**357.1**	**287.7**
Maintenance capital expenditure and static tenant leasing costs	(24.3)	(33.6)
Adjusted funds from operations	**332.8**	**254.1**
FFO per security [3] (cents)	7.84	6.32
AFFO per security [3] (cents)	7.31	5.58
Distribution per security (DPS) [4] (cents)	5.75	4.70

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

[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.

Review of results and operations (continued)

(a) Operational update (continued)

Financial results (continued)

The Group delivered FFO of 7.84 cents per security for the period to 31 December 2022. This represented an increase of 1.52 cents per security or 24.1% on the six month period to 31 December 2021, primarily due to:

- Net property income improved by $78.3 million or 20.5% as the Group's performance benefitted from the absence of mandated, COVID-related restrictions in the current period. This contributed to the reduction in allowance for expected credit losses (ECL) of $57.5 million when compared to the corresponding period (31 December 2022: net benefit of $17.1 million[5], and 31 December 2021: net expense of $40.4 million[5]). Other positive contributors included improvements in rental income including percentage rent and ancillary income such as carpark and casual mall leasing, and portfolio changes, partly offset by the increase in net property outgoings; and
- Increased external management fee income, attributable to higher development activity and improved net property income resulting in higher property management fees, partially offset by:
- Increased net interest expense of $6.4 million primarily due to a higher weighted average cost of debt and higher debt balance to fund capital expenditure; and
- Increased net corporate overheads of $6.3 million due to the impact of non-recurring items.

The statutory net profit after tax was $176.3 million, a decrease of $473.9 million in the six months to 31 December 2022 (31 December 2021: statutory net profit of $650.2 million). Despite improvements in FFO of $69.4 million, the decrease in statutory net profit after tax was due to non-cash items as follows:

- Investment property revaluation decrement of $56.7 million (31 December 2021: increment of $353.7 million) and revaluation decrement of $21.3 million recorded on equity accounted investment properties (31 December 2021: increment of $2.8 million) resulted in net reduction of $434.5 million;
- Net mark-to-market loss on derivatives of $9.8 million (31 December 2021: gain of $81.2 million); and
- Net foreign exchange loss on interest bearing liabilities of $42.1 million (31 December 2021: loss of $25.6 million).

Retail trading performance

Elevated retail sales growth of 20.0% for 1H FY23 compared to 1H FY20 (representing a Compound Average Growth Rate (CAGR) of 6.3%) continued to reflect the resilience of the Australian consumer, which was also evidenced by improving visitation, increasing dwell times and spend per visit being sustained at 1.3 times pre-COVID levels.

Luxury retail and Apparel and Footwear, particularly at Vicinity's Outlet centres, remain amongst the strongest performing categories and the Group's long-term investment strategy is focused on bolstering its market leadership position in these growing segments.

Vicinity's Luxury category now represents more than $1 billion in sales annually, amounting to 11% of mini majors and specialty sales. For 1H FY23, Luxury retail sales have grown by 55.8% or 15.9% on a CAGR basis, compared to 1H FY20.

Vicinity's growth in Luxury is the result of a deliberate investment strategy to enhance the Group's Luxury landlord credentials. Existing Luxury brands are demanding more space to extend and elevate their product offerings and Vicinity has a pipeline of potential new brands to bring to its premium centres in the short to medium term.

Building on the strong September quarter sales result, the majors delivered 14.6% growth in 1H FY23 relative to 1H FY20 (representing a CAGR of 4.6%) and mini majors and specialities combined delivered 23.6% growth (representing a CAGR of 7.3%).

Within the mini majors and specialties, Apparel and Footwear together with Jewellery and Leisure, were amongst the strongest performing categories, reflecting ongoing consumer demand for discretionary goods. Food retail also performed strongly in 1H FY23, likely benefiting from inflation, whilst food catering continues to strengthen as shopper dwell time recovers.

[5] Includes statutory reported ECL net benefit of $16.2 million (31 December 2021: ECL net expense of $38.3 million) and amounts relating to equity accounted investments.

Review of results and operations (continued)

(a) Operational update (continued)

Portfolio performance

Critical to Vicinity delivering sustained growth, the Company remained focused on growing current and future income via higher occupancy and negotiating a greater number of long-term leasing deals at improving spreads.

During 1H FY23, Vicinity completed 833 leasing deals, 190 more deals than 1H FY22 and 43% higher than pre-COVID levels (1H FY20).

Leasing spreads continued to show positive momentum, with a flat leasing spread for 1H FY23 (-0.1%) relative to -4.8% reported over FY22 and -6.4% for 1H FY22. Vicinity continued to achieve high positive single digit spreads for Chadstone and DFOs, driven by ongoing retailer demand for premium assets.

Continuing the trend observed through FY22 into 1Q FY23, the Apparel and Footwear category again performed strongly and remained the largest contributor to deal count with a favourable leasing spread for 1H FY23.

Vicinity maintained its traditional retail lease structures while focusing on bringing in-demand retailers to its assets to drive longer term growth. Cumulatively, 96% of the new leases have fixed annual growth rates of at least 4%, of which 75% have fixed 5% annual growth escalators. Furthermore, the average lease tenure of new deals negotiated in 1H FY23 was 5.0 years, largely in line with FY22.

Vicinity leased 160 vacant stores in 1H FY23 and occupancy continued to increase to 98.6%, from 98.3% reported at 30 June 2022 and 98.0% reported at the height of the pandemic (as at 31 December 2020).

Collection of gross rental billings averaged 97% in 1H FY23 (FY22: 91%, 2H FY22: 93%), with collections from national and majors tenants now at pre-COVID levels.

Rent collection from SME tenants improved to 92% over 1H FY23, up from 80% over FY22 reflecting Vicinity's focus on collecting current and prior period rent as well as strengthened retail sales. Encouragingly, SME retail sales growth relative to pre-COVID sales levels was broadly in line with non-SME specialty sales growth.

Development

During 1H FY23, Vicinity continued its disciplined execution of the retail and mixed-use development pipeline, with a number of important retail redevelopments completing as well as major retail and mixed-use projects receiving approval and commencing construction.

Vicinity's development pipeline represents an exciting source of growth and is a critical part of creating thriving community precincts and delivering value for all stakeholders. However, against a backdrop of elevated construction costs as well as rising costs of capital, Vicinity will continue its disciplined approach to evaluating and deploying capital to ensure the Group preserves its strong balance sheet and credit ratings.

Of particular note, Vicinity was recently delighted to receive Development Approval for its retail and mixed-use development at Buranda Village, in Queensland. With a project value of approximately $750 million, the scheme envisages a retail and dining village, office and other health-related uses, subtropical landscaped public realm areas, and more than 620 apartments.

Chadstone's new Entertainment and Leisure precinct – The Social Quarter – will open in early March 2023, while construction of Chadstone's One Middle Road office tower and Fresh Food dining precinct has commenced. In December 2022, Vicinity announced homewares retailer Adairs as the first tenant secured for 5,500 sqm of combined office and studio space at One Middle Road.

The new mini majors precinct at Bankstown Central was completed in October 2022 and includes a new Uniqlo, Services Australia and Glue Store, as well as a flagship Foot Locker store. Also, at Bankstown Central, the new Fresh Food precinct, known as 'The Grand Market', was completed in November 2022, having welcomed a new Coles supermarket as well as a number of new and returning tenants. The precinct is accessed directly from a new, 190 space on-grade car park.

Having opened in 1Q FY23, the new Coles-anchored retail and dining precinct in Box Hill South is fully leased and trading well. The redevelopment involved a complete revitalisation of the existing mall with the addition of dual frontage restaurants which open up onto Carrington Road. The construction of a new A-grade office space over multiple levels in Box Hill South, which is 100% leased to Hub Australia, will open in March 2023.

Review of results and operations (continued)

(a) Operational update (continued)

Development (continued)

Revitalisation of the fresh food and dining offer at Chatswood Chase Sydney has commenced and is the first step in a major redevelopment which, subject to relevant approvals, includes a complete elevation of the centre's offer and an expanded Luxury precinct, as well as a new rooftop office village.

In November 2022, Vicinity commenced construction of contemporary office suites and co-working spaces above the retail centre at Bayside, as a first step towards the transformation of the centre into a major retail and mixed-use precinct. A government agency has been secured as the first tenant of the office suites which are expected to be completed in 2H FY23, while the co-working space is due to open in 2H FY24.

Sustainability

Vicinity believes that having a sustainable business is critical to delivering long-term value for all its stakeholders.

During 1H FY23, Vicinity's sustainability program was recognised on the global stage. GRESB[6] once again ranked Vicinity as the Sector Leader of Australia and New Zealand for Listed Retail Shopping Centres and third globally in its 2022 survey, and DJSI[7] ranked Vicinity eighth out of more than 450 real estate companies globally in its annual survey.

Vicinity's 2022 Sustainability Report was released in December 2022 and details Vicinity's sustainability strategy, journey to date and performance across its People, Place and Planet pillars. Also, during the period, Vicinity released its third Modern Slavery Statement.

[6] Global Real Estate Sustainability Benchmark.

[7] Dow Jones Sustainability Index.

Review of results and operations (continued)

(b) Financial position

The following is extracted from the statutory balance sheet included in the half year financial report:

	31-Dec-22 $m	30-Jun-22 $m
Cash and cash equivalents	51.9	55.6
Investment properties	14,443.2	14,366.4
Equity accounted investments	495.3	513.8
Intangible assets	164.2	164.2
Other assets	469.0	452.6
Total assets	**15,623.6**	**15,552.6**
Interest bearing liabilities	3,898.5	3,752.5
Other liabilities	921.5	915.0
Total liabilities	**4,820.0**	**4,667.5**
Net assets	**10,803.6**	**10,885.1**
Net tangible assets (NTA) per security [8] ($)	2.34	2.36
Drawn debt [9] ($)	3,848.0	3,743.9
Gearing [9] (%)	25.7	25.1

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

- **Investment properties and equity accounted investments** up $58.3 million, or 0.4% primarily due to investment in capital expenditure during the period, offset by property revaluation decrement on investment properties and equity accounted investments of $56.7 million and $21.3 million respectively. The net revaluation decrement was largely driven by the softening of capitalisation and discount rates of certain asset categories. Further information can be found in Note 3 of the half year financial report.
- **Interest bearing liabilities** up $146.0 million due to net drawdowns of $144.0 million of bank debt facilities to fund the capital expenditure requirements.

The increase in interest bearing liabilities and revaluation of investment properties resulted in the gearing ratio increasing by 60 bps to 25.7%. This remains at the lower end of the Group's long-term target range of 25%-35%.

[8] 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.

[9] Refer to Note 5 of the half year financial report for the calculation of drawn debt and gearing ratio.

Review of results and operations (continued)

(c) Capital management [10,11]

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

	31-Dec-22	30-Jun-22
Weighted average cost of debt [12]	4.3%	4.0%
Proportion of debt hedged	81%	85%
Weighted average debt duration (based on facility limits) [13]	3.9 years	4.3 years
Interest cover ratio [10]	4.9 times	4.7 times
Credit ratings		
Moody's Investors Service	A2/stable	A2/stable
S&P Global Ratings	A/stable	A/stable

Vicinity's balance sheet remains strong with gearing at 25.7% and $1.3 billion of available liquidity. The weighted average cost of debt for the period was 4.3% and 81% of the drawn debt was hedged as at 31 December 2022.

The Group continues to hold strong investment grade credit ratings (Moody's Investors Service A2/stable, S&P Global Ratings A/Stable). This means the Group is well positioned to continue investing in growth priorities, such as the development pipeline and other accretive investment opportunities.

(d) Outlook and Guidance

Outlook

Vicinity's first half result highlights the Group's focus on delivering a quality operational and financial performance in a resilient, but somewhat uncertain retail environment. From a consumer demand perspective, the Australian retail sector continues to be a benefactor of an extremely tight employment market and robust household income growth[14] and savings rates. However, Vicinity is mindful of the impact of rising interest rates and increased costs of living on Australian households in the near-term and expects the rate of retail sales growth to moderate in 2H FY23.

The strength of the Group's balance sheet and Vicinity's proactive approach to managing its capital enables investment in existing growth initiatives, notably the Group's retail and mixed-use development pipeline. Vicinity remains well positioned in a rising interest rate environment given the Group's consistent and prudent approach to managing interest costs. With 81% of the Group's drawn debt hedged over FY23, and a very modest step down in FY24, Vicinity will maintain an active focus on hedging this year and in the future.

Guidance

Given Vicinity's strong performance in 1H FY23, FY23 earnings guidance has been revised.

FFO per security and AFFO per security are now expected to be in the range of 14.0 to 14.6 cents and 11.8 to 12.4 cents, respectively. Vicinity expects its full year distribution payout to be towards the lower end of its target range of 95-100% of AFFO[15].

[10] Refer to Note 5 of the half year financial report for the Group's capital management policy and the calculation of the interest cover ratio.

[11] These exclude lease liabilities and adjustments for fair value items and foreign exchange translation.

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

[13] The 30 June 2022 weighted average debt duration of 4.3 years included capital management activities undertaken in July 2022.

[14] Measured by Gross Disposable Income as defined by the Australian Bureau of Statistics.

[15] Vicinity's guidance assumes no material deterioration in existing economic conditions.

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

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

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
15 February 2023

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2022, 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.

Ernst + Young

Ernst & Young

Alison Parker
Partner
15 February 2023

Statement of Comprehensive Income

for the half year ended 31 December 2022

	Note	31-Dec-22 $m	31-Dec-21 $m
Revenue and income			
Property ownership revenue and income		602.1	551.6
Management fee revenue from strategic partnerships		34.4	29.9
Interest and other income		1.7	1.9
Total revenue and income	**2**	**638.2**	**583.4**
Share of net (loss)/profit of equity accounted investments		(10.0)	15.4
Property revaluation (decrement)/increment for directly owned properties	3(b)	(56.7)	353.7
Direct property expenses		(164.8)	(142.2)
Allowance for expected credit losses	8(b)	16.2	(38.3)
Borrowing costs	5(c)	(99.9)	(93.4)
Employee benefits expense		(55.1)	(47.3)
Net foreign exchange movement on interest bearing liabilities		(42.1)	(25.6)
Net mark-to-market movement on derivatives		(9.8)	81.2
Depreciation of right of use assets		(2.5)	(2.8)
Stamp duty written off on acquisition of investment property		-	(22.6)
Other expenses		(26.3)	(18.9)
Net profit before tax for the half year		**187.2**	**642.6**
Income tax (expense)/benefit		(10.9)	7.6
Net income for the half year		**176.3**	**650.2**
Other comprehensive income		-	-
Total comprehensive income for the half year		**176.3**	**650.2**
Total income and total comprehensive income for the half year attributable to stapled securityholders as:			
Securityholders of Vicinity Limited		2.7	(4.5)
Securityholders of other stapled entities of the Group		173.6	654.7
Total comprehensive income for the half year		**176.3**	**650.2**
Earnings per security attributable to securityholders of the Group:			
Basic earnings per security (cents)		3.87	14.28
Diluted earnings per security (cents)		3.86	14.26

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

Balance Sheet

as at 31 December 2022

	Note	31-Dec-22 $m	30-Jun-22 $m
Current assets			
Cash and cash equivalents		51.9	55.6
Trade receivables and other assets	8(a)	108.9	117.1
Derivative financial instruments		0.2	0.3
Total current assets		**161.0**	**173.0**
Non-current assets			
Investment properties	3(a)	14,443.2	14,366.4
Equity accounted investments	4	495.3	513.8
Intangible assets		164.2	164.2
Plant and equipment		3.5	3.4
Derivative financial instruments		264.3	228.8
Right of use assets and net investments in leases		26.6	27.2
Deferred tax assets		58.4	69.3
Other assets	8(a)	7.1	6.5
Total non-current assets		**15,462.6**	**15,379.6**
Total assets		**15,623.6**	**15,552.6**
Current liabilities			
Interest bearing liabilities	5(a)	-	40.0
Payables and other financial liabilities		171.4	196.9
Lease liabilities		25.3	27.7
Provisions		68.1	81.1
Derivative financial instruments		-	1.0
Total current liabilities		**264.8**	**346.7**
Non-current liabilities			
Interest bearing liabilities	5(a)	3,898.5	3,712.5
Lease liabilities		363.8	361.4
Provisions		3.8	4.0
Derivative financial instruments		289.1	242.9
Total non-current liabilities		**4,555.2**	**4,320.8**
Total liabilities		**4,820.0**	**4,667.5**
Net assets		**10,803.6**	**10,885.1**
Equity			
Contributed equity	6	9,102.2	9,102.2
Share based payment reserve		7.6	6.0
Retained profits		1,693.8	1,776.9
Total equity		**10,803.6**	**10,885.1**

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

Statement of Changes in Equity

for the half year ended 31 December 2022

		Attributable to securityholders of Vicinity Limited				Attributable to securityholders of other stapled entities of the Group				VCX Group
	Note	Contributed equity $m	Reserves $m	Accumulated losses $m	Total $m	Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Total equity $m
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 (loss)/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**
As at 1 July 2022		**541.4**	**6.0**	**(209.7)**	**337.7**	**8,560.8**	**-**	**1,986.6**	**10,547.4**	**10,885.1**
Net profit for the half year		-	-	2.7	2.7	-	-	173.6	173.6	176.3
Total comprehensive income for the half year		**-**	**-**	**2.7**	**2.7**	**-**	**-**	**173.6**	**173.6**	**176.3**
Transactions with securityholders in their capacity as securityholders:										
Net movements in share based payment reserve		-	1.6	-	1.6	-	-	-	-	1.6
Distributions declared	7	-	-	-	-	-	-	(259.4)	(259.4)	(259.4)
Total equity as at 31 December 2022		**541.4**	**7.6**	**(207.0)**	**342.0**	**8,560.8**	**-**	**1,900.8**	**10,461.6**	**10,803.6**

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

Cash Flow Statement

for the half year ended 31 December 2022

	Note	31-Dec-22 $m	31-Dec-21 $m
Cash flows from operating activities			
Receipts in the course of operations		759.1	598.8
Payments in the course of operations		(340.6)	(271.5)
Distributions and dividends received from equity accounted and managed investments		5.7	4.0
Net operating cash flows retained by equity accounted entities		6.6	5.2
Interest and other revenue received		0.6	-
Interest paid		(91.3)	(90.0)
Net cash inflows from operating activities – proportionate [1]		340.1	246.5
Less: net operating cash flows retained by equity accounted entities		(6.6)	(5.2)
Net cash inflows from operating activities	**9**	**333.5**	**241.3**
Cash flows from investing activities			
Payments for capital expenditure on investment properties		(169.2)	(108.3)
Payments for acquisition of investment property	3(b)	-	(358.4)
Payments for acquisition of other investments		(1.5)	(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		(0.6)	(0.8)
Net cash outflows from investing activities		**(171.3)**	**(495.6)**
Cash flows from financing activities			
Proceeds from borrowings		410.0	716.0
Repayment of borrowings		(306.0)	(143.0)
Payment of lease liabilities		(3.0)	(2.9)
Distributions paid to external securityholders		(259.4)	(300.4)
Debt establishment costs paid		(2.5)	(0.3)
Acquisition of shares on-market for settlement of share-based payments		(5.0)	(4.1)
Net cash (outflows)/inflows from financing activities		**(165.9)**	**265.3**
Net (decrease)/increase in cash and cash equivalents held		**(3.7)**	**11.0**
Cash and cash equivalents at the beginning of the half year		55.6	47.2
Cash and cash equivalents at the end of the half year		**51.9**	**58.2**

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 2022 (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 2022 Annual Report and any public announcements issued during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth) and the Listing Rules of the ASX;
- Is presented in Australian dollars ($) and rounded to the nearest tenth of a million dollars ($m) in accordance with ASIC Legislative Instrument 2016/191 (unless otherwise stated);
- Has been prepared in accordance with the historical cost convention, except for certain financial assets and liabilities, and investment properties which have been recognised at fair value; and
- Was authorised for issue by the Board of Directors on 15 February 2023.

Going concern

Notwithstanding the net current asset deficiency of $103.8 million at 31 December 2022, the half year financial report has been prepared on a going concern basis based on the following factors:

- The Group has sufficient undrawn facilities of $1,298.0 million, cash and cash equivalents of $51.9 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 changes to cash flows, excess liquidity 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 2022 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.

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

There are no accounting standards or interpretations issued but not yet effective by IFRS that are expected to have a material impact on the Group's financial position or performance.

The International Sustainability Standards Board (ISSB) released their first two exposure drafts, being IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-Related disclosures*. The Group will assess the potential impact of these standards on the financial statements once they are available and will continue to monitor regulatory developments within Australia. In the meantime, the Group continues to assess the impact of climate change when preparing the financial statements where relevant, in line with emerging industry and regulatory guidance. Sustainability and climate matters have been considered when determining the fair value of investment properties as disclosed in Note 3.

Significant accounting judgements, estimates and assumptions

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

The 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
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 2022 Annual 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 and leasing of assets wholly or jointly owned by capital partners and includes fees from the 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 enable the Chief Operating Decision Makers (CODM) to make strategic decisions, regardless of ownership structure arrangements. During the period, the CODM were the Chief Executive Officer and Managing Director (CEO), Chief Operating Officer (COO) and the Chief Financial Officer (CFO). Since the retirement of the Group's CEO on 16 November 2022, the COO has been acting as the Group's CEO and was subsequently confirmed as the Group's CEO from 1 February 2023.

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 be 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 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 CODM are set out below.

Financial performance

	31-Dec-22 $m	31-Dec-21 $m
Property Investment segment		
Net property income	459.6	381.3
Strategic Partnerships segment		
Property management, development, and leasing fees	30.7	26.4
Funds management fees	0.9	1.4
Total segment income	**491.2**	**409.1**
Corporate overheads (net of internal property management fees)	(46.9)	(40.6)
Net interest expense	(87.2)	(80.8)
Funds from operations (FFO)	**357.1**	**287.7**
Adjusted for:		
Maintenance capital and static tenant leasing costs	(24.3)	(33.6)
Adjusted funds from operations (AFFO)	**332.8**	**254.1**

1. Segment information (continued)

(a) Segment results (continued)

Key metrics

	Note	31-Dec-22	31-Dec-21
FFO per security [1] (cents per security)		7.84	6.32
AFFO per security [1] (cents per security)		7.31	5.58
Distribution per security (DPS) [2] (cents per security)	7(a)	5.75	4.70
Total distributions declared [2] ($m)	7(a)	261.8	214.0
AFFO payout ratio (total distributions declared $m/AFFO $m) (%)		78.7%	84.2%
FFO payout ratio (total distributions declared $m/FFO $m) (%)		73.3%	74.4%

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

(b) Reconciliation of net profit after tax to FFO

	31-Dec-22 $m	31-Dec-21 $m
Net profit after tax	**176.3**	**650.2**
Property revaluation decrement/(increment) for directly owned properties [1]	56.7	(353.7)
Non-distributable loss/(gain) relating to equity accounted investments [1]	21.3	(2.8)
Amortisation of incentives and leasing costs [2]	33.7	30.4
Straight-lining of rent adjustment [3]	(3.5)	3.1
Net mark-to-market movement on derivatives [3]	9.8	(81.2)
Net unrealised foreign exchange movement on interest bearing liabilities [3]	42.1	25.6
Income tax expense/(benefit) [4]	10.9	(7.6)
Stamp duty [6]	-	22.6
Preliminary development planning and marketing costs [5]	1.0	0.6
Other non-distributable items	8.8	0.5
Funds from operations	**357.1**	**287.7**

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

1. FFO excludes non-distributable fair value movements relating to directly owned investment properties and equity accounted investments.
2. Lease incentives and leasing costs are capitalised to investment properties. Amortisation of these items is then recognised as an expense in accordance with Australian Accounting Standards. In accordance with the PCA Guidelines, amortisation of these items are excluded from FFO as:
   - Static (non-development) lease incentives committed during the 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.
3. Represents non-cash adjustments as required by Australian Accounting Standards and are excluded from FFO.
4. Income tax for the half year represents the non-cash derecognition of deferred tax assets and has therefore been excluded from FFO.
5. Preliminary development planning and marketing costs are one-off and discrete to the respective property.
6. Transactions costs such as stamp duty are one-off and non-recurring.

1. Segment information (continued)

(c) Reconciliation of segment income to total revenue

Refer to Note 2(a) 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 CODM 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 CODM.

	Note	31-Dec-22 $m	30-Jun-22 $m
Investment properties	3(a)[1]	14,042.4	13,958.6
Investment properties included in equity accounted investments [2]		547.7	565.5
Total interests in directly owned investment properties		**14,590.1**	**14,524.1**
Assets under management on behalf of strategic partners [3]		9,158.7	9,194.7
Total assets under management		**23,748.8**	**23,718.8**

1. Total investment properties at Note 3(a) less investment property leaseholds and planning and holding costs.
2. Excludes planning and holding costs of $13.4 million (30 June 2022: $10.6 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) 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-22 $m			31-Dec-21 $m		
	Property Investment segment	Strategic Partnerships segment	Total	Property Investment segment	Strategic Partnerships segment	Total
Recovery of property outgoings [1]	100.2	-	**100.2**	86.3	-	**86.3**
Other property related revenue [1]	57.4	-	**57.4**	41.5	-	**41.5**
Property management and development fees [2]	-	33.5	**33.5**	-	28.5	**28.5**
Funds management fees [2]	-	0.9	**0.9**	-	1.4	**1.4**
Total revenue from contracts with customers	**157.6**	**34.4**	**192.0**	**127.8**	**29.9**	**157.7**
Lease rental income [1]	444.5	-	**444.5**	423.8	-	**423.8**
Interest and other income	1.7	-	**1.7**	1.9	-	**1.9**
Total income	**446.2**	**-**	**446.2**	**425.7**	**-**	**425.7**
Total revenue and income	**603.8**	**34.4**	**638.2**	**553.5**	**29.9**	**583.4**
Reconciliation to segment income						
Property-related expenses included in segment income			(200.6)			(175.4)
Allowance for expected credit losses			16.2			(38.3)
Net property income from equity accounted investments included in segment income			13.8			11.9
Straight-lining of rent adjustment			(3.5)			3.1
Amortisation of static lease incentives and other project items			33.7			30.4
Interest and other revenue not included in segment income			(6.6)			(6.0)
Total segment income			**491.2**			**409.1**

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

3. 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

	31-Dec-22			30-Jun-22		
Shopping centre type	**Number of properties**	**Value $m**	**Weighted average cap rate, %**	**Number of properties**	**Value $m**	**Weighted average cap rate, %**
Super Regional	1	3,250.0	3.75	1	3,137.5	3.88
Major Regional	7	1,987.8	5.96	7	2,027.5	5.85
Central Business Districts	7	2,011.8	4.94	7	2,000.5	4.94
Regional	8	1,734.6	6.46	8	1,776.8	6.14
Outlet Centre	8	2,303.1	5.54	8	2,264.5	5.54
Sub Regional [2]	23	2,564.1	6.24	23	2,558.8	6.12
Neighbourhood	3	191.0	5.76	3	193.0	5.68
Planning and holding costs [1]	-	42.4	n/a	-	50.4	n/a
Total	**57**	**14,084.8**	**5.34**	**57**	**14,009.0**	**5.30**
Add: Investment property leaseholds		358.4			357.4	
Total investment properties		**14,443.2**			**14,366.4**	

1. Planning and holding costs relating to planned major development projects are capitalised and carried within the overall investment property balance. The status of each project is reviewed each period to determine if continued capitalisation of these costs remains appropriate.
2. Box Hill Central (North Precinct) is not included in the weighted average cap rate given the valuation for the property was derived based on a 'project related site assessment' method.

(b) Movements for the period

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

	31-Dec-22 $m	**31-Dec-21 $m**
Opening balance at 1 July	**14,009.0**	**12,937.9**
Acquisitions including associated stamp duty and transaction costs [1]	-	381.0
Capital expenditure [2]	161.1	107.8
Capitalised borrowing costs [3]	1.6	0.7
Property revaluation (decrement)/increment for directly owned properties [5]	(56.7)	353.3
Stamp duty written off on acquisition of investment property	-	(22.6)
Amortisation of incentives and leasing costs [4]	(33.7)	(30.4)
Straight-lining of rent adjustment [4]	3.5	(3.1)
Closing balance at 31 December	**14,084.8**	**13,724.6**

1. Prior period comprises acquisitions of $358.4 million and associated stamp duty and transaction costs of $22.6 million.
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 4.4% (31 December 2021: 4.2%).
4. For leases where Vicinity is the lessor in the lease arrangement.
5. The property revaluation increment in the prior period 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 relating to the prior period presented within the Statement of Comprehensive Income includes a $0.4 million revaluation increment of investment property leaseholds held at fair value.

3. Investment properties (continued)

(c) Portfolio valuation

Valuation process

The Group's valuation process has not changed significantly since 30 June 2022. Details of the Group's valuation process are provided within Note 4(c) of the 30 June 2022 Annual Report.

Significant Judgement and Estimate

The determination of an investment property valuation requires assumptions to be made which may not be based on observable market data in all instances (i.e. capitalisation rates) and estimating the future impact of events such as rising inflation and interest rates, and regulatory changes. This means the valuation of an investment property requires significant judgement and estimation.

Key assumptions and inputs

As the capitalisation of income and discounted cash flow (DCF) 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" on the fair value hierarchy (refer Note 24 in the 30 June 2022 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 2022.

	31-Dec-22		30-Jun-22		
Unobservable inputs	**Range of inputs**	**Weighted average inputs**	**Range of inputs**	**Weighted average inputs**	**Sensitivity**
Capitalisation rate [1]	3.75% – 8.00%	5.34%	3.88% – 8.00%	5.30%	The higher the capitalisation rate, discount rate, terminal yield, and expected downtime due to tenants vacating, the lower the fair value.
Discount rate [2]	6.00% – 8.50%	6.59%	6.00% – 8.50%	6.49%	
Terminal yield [3]	4.00% – 8.00%	5.54%	4.13% – 7.75%	5.51%	
Expected downtime (for tenants vacating)	3 to 12 months	8 months	3 to 13 months	8 months	
Market rental growth rate	2.19% – 3.69%	3.02%	1.94% – 3.40%	2.95%	The higher the assumed market 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 DCF 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.

Conditions for assets located in central business districts (CBD) have continued to improve since 30 June 2022, however foot traffic and sales are yet to return to pre-pandemic levels for some of these assets. The Group continued to make specific adjustments to the key valuation inputs of these assets at 31 December 2022 (i.e. rental waivers and higher leasing capital provisions), but to a lesser extent relative to 30 June 2022. As a result, the majority of the Group's CBD assets had their valuations increase in the reporting period as disclosed in Note 3(d)(iii).

All of the above key assumptions have been taken from the latest external valuation reports and internal valuation assessments (where applicable). For all investment properties except for Box Hill North, the current use is considered the highest and best use. For Box Hill North, the highest and best use is a mixed-use development site.

Sustainability and climate considerations

Sustainability and climate matters can have an impact on property valuations. These include key climate risks such as flooding, bush fires, cyclones and extreme heat. Other factors such as design, configuration, accessibility, energy efficiency and legislation are also considered. In valuing the Group's investment properties, considerations have been made on sustainability features and environmental matters where relevant, with reference to assets transacted with similar environmental and sustainability factors to the relevant property.

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 2022. Specific key unobservable inputs may impact only the capitalisation of net income method, the DCF method or both methods.

DCF method

31-Dec-22 $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]	14,042.4				
Impact on actual valuation		+270.3	(264.6)	(204.4)	+207.5
Resulting valuation		14,312.7	13,777.8	13,838.0	14,249.9

Capitalisation of net income method

31-Dec-22 $m	Carrying value	Capitalisation rate -0.25%	Capitalisation rate +0.25%
Actual valuation [1]	14,042.4		
Impact on actual valuation		+746.3	(672.2)
Resulting valuation		14,788.7	13,370.2

1. Excludes planning and holding costs 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-22	Carrying value 31-Dec-22 $m	Carrying value 30-Jun-22 $m
Chadstone	50	Independent	3,250.0	3,137.5
Total Super Regional			**3,250.0**	**3,137.5**

ii. Major Regional

	Ownership interest %	Valuation type 31-Dec-22	Carrying value 31-Dec-22 $m	Carrying value 30-Jun-22 $m
Bankstown Central	50	Independent	277.0	260.0
Bayside	100	Independent	435.3	435.0
Galleria	50	Independent	205.0	225.0
Mandurah Forum	50	Independent	210.0	217.5
Northland	50	Internal	400.0	402.5
Roselands	50	Independent	155.5	167.5
The Glen	50	Internal	305.0	320.0
Total Major Regional			**1,987.8**	**2,027.5**

3. Investment properties (continued)

(d) List of investment properties held (continued)

iii. Central Business Districts

	Ownership interest %	Valuation type 31-Dec-22	Carrying value 31-Dec-22 $m	Carrying value 30-Jun-22 $m
Emporium Melbourne	50	Independent	530.0	522.5
Myer Bourke Street	33	Independent	135.0	135.0
Queen Victoria Building [1]	50	Independent	279.0	279.0
QueensPlaza	100	Independent	700.0	695.0
The Galeries	50	Internal	156.0	153.0
The Myer Centre Brisbane	25	Internal	100.0	105.0
The Strand Arcade	50	Internal	111.8	111.0
Total Central Business Districts			**2,011.8**	**2,000.5**

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

iv. Regional

	Ownership interest %	Valuation type 31-Dec-22	Carrying value 31-Dec-22 $m	Carrying value 30-Jun-22 $m
Broadmeadows Central	100	Internal	276.7	283.5
Colonnades	50	Independent	136.0	138.3
Cranbourne Park	50	Internal	142.9	147.5
Eastlands	100	Independent	182.5	178.0
Elizabeth City Centre	100	Independent	326.5	322.0
Ellenbrook Central	100	Independent	264.0	270.0
Grand Plaza	50	Independent	206.0	215.0
Rockingham Centre	50	Independent	200.0	222.5
Total Regional			**1,734.6**	**1,776.8**

v. Outlet Centre

	Ownership interest %	Valuation type 31-Dec-22	Carrying value 31-Dec-22 $m	Carrying value 30-Jun-22 $m
DFO Brisbane [1]	100	Internal	72.0	72.0
DFO Essendon [2]	100	Independent	183.0	176.0
DFO Homebush	100	Independent	690.0	675.0
DFO Moorabbin [3]	100	Internal	101.0	102.0
DFO Perth [4]	50	Independent	122.0	122.0
DFO South Wharf [5]	100	Internal	675.0	665.0
DFO Uni Hill	50	Independent	80.3	75.0
Harbour Town Premium Outlets Centre	50	Independent	379.8	377.5
Total Outlet Centre			**2,303.1**	**2,264.5**

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-22	Carrying value 31-Dec-22 $m	Carrying value 30-Jun-22 $m
Altona Gate Shopping Centre	100	Independent	112.0	112.0
Armidale Central	100	Internal	43.4	36.6
Box Hill Central (North Precinct)	100	Independent	122.0	125.0
Box Hill Central (South Precinct) [1]	100	Independent	273.5	248.0
Buranda Village	100	Internal	42.5	42.5
Carlingford Court	50	Independent	106.2	111.2
Castle Plaza	100	Independent	168.7	168.7
Gympie Central	100	Independent	80.0	80.0
Halls Head Central	50	Internal	39.0	41.8
Karratha City	50	Internal	49.6	51.2
Kurralta Central	100	Internal	56.9	55.8
Lake Haven Centre	100	Independent	290.0	300.0
Livingston Marketplace	100	Internal	84.5	88.0
Maddington Central	100	Independent	97.0	101.0
Mornington Central	50	Independent	47.6	47.0
Nepean Village	100	Independent	206.0	206.0
Northgate	100	Internal	104.0	97.0
Roxburgh Village	100	Independent	114.2	106.0
Sunshine Marketplace	50	Internal	67.5	65.5
Taigum Square	100	Independent	100.0	96.0
Warriewood Square	50	Internal	132.5	140.5
Warwick Grove	100	Independent	165.0	173.0
Whitsunday Plaza	100	Independent	62.0	66.0
Total Sub Regional			**2,564.1**	**2,558.8**

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-22	Carrying value 31-Dec-22 $m	Carrying value 30-Jun-22 $m
Dianella Plaza	100	Internal	73.0	76.0
Oakleigh Central	100	Internal	91.0	90.0
Victoria Park Central	100	Internal	27.0	27.0
Total Neighbourhood			**191.0**	**193.0**

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.

These investments are accounted for using the equity method.

The Group holds the following investments that are equity accounted:

	Ownership		Carrying value	
	31-Dec-22 %	30-Jun-22 %	31-Dec-22 $m	30-Jun-22 $m
Chatswood Chase Sydney (Joint Venture) [1 2 3]	51	51	406.0	416.4
Victoria Gardens Retail Trust (Joint Venture) [2 3]	50	50	88.6	87.5
Vicinity Asset Operations Pty Ltd (Associate)	40	40	0.7	0.4
Global Marketplace Pty Ltd (Associate)	20	20	-	9.5
Closing balance			**495.3**	**513.8**

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.
2. 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 judgement and estimate as disclosed in Note 3(c).
3. The decrease in the carrying value of the Group's equity accounted investments during the period was primarily driven by property revaluation decrements recorded on the underlying investment properties held.

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, the following financing activities have occurred:

- Net drawdowns of $144.0 million of bank debt facilities to fund capital expenditure requirements;
- Repaid $40.0 million of US Private Placement Notes;
- Extended the maturity of $100.0 million and $475.0 million of bank debt facilities by at least two years to July 2025 and four years to July 2027, respectively;
- Cancelled $400.0 million of bank debt facilities with FY24 maturities; and
- Entered into $500.0 million of new interest rate swaps.

(a) Summary of facilities

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

	31-Dec-22 $m	30-Jun-22 $m
Current liabilities		
Unsecured		
US Private Placement Notes (USPPs)	-	40.0
Total current liabilities	**-**	**40.0**
Non-current liabilities		
Unsecured		
Bank debt	377.0	233.0
AUD Medium Term Notes (AMTNs) [1]	1,158.4	1,158.1
GBP European Medium Term Notes (GBMTNs)	619.9	615.6
HKD European Medium Term Notes (HKMTNs)	120.3	118.2
USPPs	851.8	842.6
EUR European Medium Term Notes (EUMTNs)	782.2	755.9
Deferred debt costs [2]	(11.1)	(10.9)
Total non-current liabilities	**3,898.5**	**3,712.5**
Total interest bearing liabilities	**3,898.5**	**3,752.5**

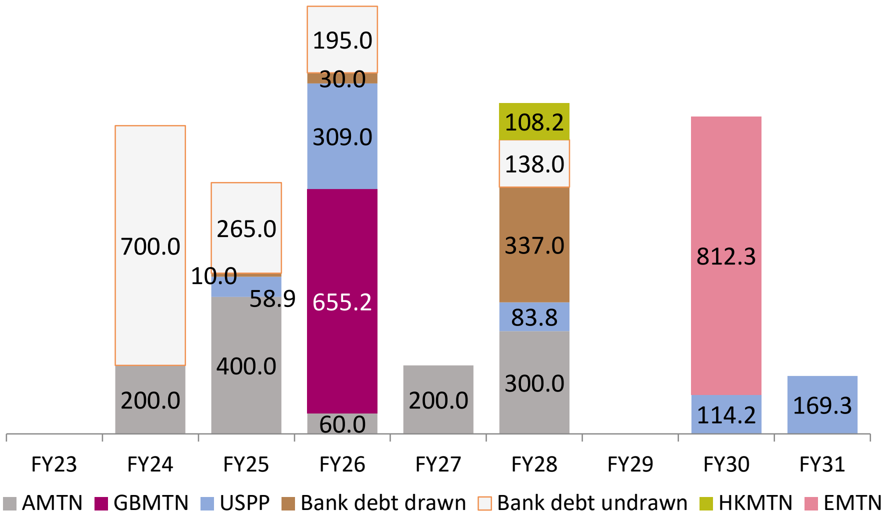
1. Non-current unsecured AMTNs include $60.0 million issued under the Group's EUMTN programme and $300.0 million of Green Bond. The proceeds of Green Bonds were utilised to finance and refinance eligible green projects and assets with high sustainability rating (e.g. NABERS energy rating of 5 stars or higher).
2. Deferred debt costs comprise the unamortised value of borrowing costs paid on establishment or refinance of debt facilities. These costs are deferred on the Balance Sheet and amortised at the effective interest rate to borrowing costs in the Statement of Comprehensive Income.

5. Interest bearing liabilities and derivatives (continued)

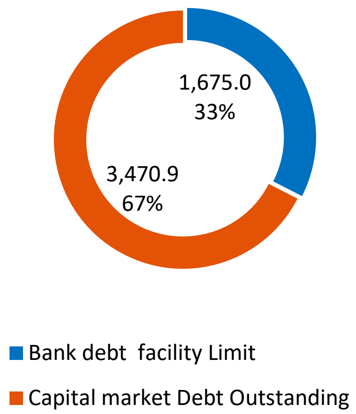
(b) Facility maturity and availability

The charts below outline the maturity of the Group's total available facilities at 31 December 2022 by type and the bank to capital markets debt ratio. Of the $5,145.9 million total available facilities (30 June 2022: $5,585.9 million), $1,298.0 million remains undrawn at 31 December 2022 (30 June 2022: $1,842.0 million).

Available facilities expiry profile ($m)[1]



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



1. The carrying amount of the USPPs, GBMTNs, HKMTNs, EUMTNs and AMTNs on the Balance Sheet is net of adjustments for fair value items and foreign exchange translation of -$61.5 million (30 June 2022: -$19.4 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 $11.1 million (30 June 2022: $10.9 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 qualifying 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-22 $m	31-Dec-21 $m
Interest and other costs on interest bearing liabilities and derivatives	84.7	77.5
Amortisation of deferred debt costs	2.3	2.2
Amortisation of face value discounts	0.8	0.8
Amortisation of fair value adjustments relating to discontinuation of hedge accounting	(0.7)	(0.6)
Interest charge on lease liabilities	14.4	14.2
Capitalised borrowing costs	(1.6)	(0.7)
Total borrowing costs	**99.9**	**93.4**

5. Interest bearing liabilities and derivatives (continued)

(d) Capital management

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 S&P Global Ratings.

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:

- Total 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-22 $m	30-Jun-22 $m
Total interest bearing liabilities (Note 5(a))	3,898.5	3,752.5
Reconciliation to drawn debt net of cash		
Deferred debt costs	11.1	10.9
Fair value and foreign exchange adjustments to GBMTNs	35.3	39.6
Fair value and foreign exchange adjustments to USPPs	(116.5)	(107.4)
Fair value adjustments to AMTNs	1.6	1.9
Foreign exchange adjustments to HKMTNs	(12.1)	(10.0)
Fair value and foreign exchange adjustments to EUMTNs	30.1	56.4
Cash and cash equivalents	(51.9)	(55.6)
Total drawn debt net of cash	**3,796.1**	**3,688.3**
Total tangible assets excluding cash, right of use assets, net investments in lease, investment property leaseholds and derivative financial assets	14,758.0	14,719.3
Gearing ratio (target range of 25.0% to 35.0%)	**25.7%**	**25.1%**

Interest cover ratio

The interest cover ratio 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 2022 the interest cover ratio was 4.9 times (30 June 2022: 4.7 times).

5. Interest bearing liabilities and derivatives (continued)

(e) Fair value of interest bearing liabilities

As at 31 December 2022, the Group's interest bearing liabilities had a fair value of $3,561.9 million (30 June 2022: $3,526.5 million).

The carrying amount of these interest bearing liabilities was $3,898.5 million (30 June 2022: $3,752.5 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 2022, the Group had no defaults on debt obligations or breaches of lending covenants (30 June 2022: 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-22 Number (m)	31-Dec-21 Number (m)	31-Dec-22 $m	31-Dec-21 $m
Total stapled securities on issue at the beginning of the half year	4,552.2	4,552.2	9,102.2	9,102.2
Total stapled securities on issue at the end of the half year	**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-22 Number (m)	31-Dec-21 Number (m)
Weighted average number of securities used as the denominator in calculating basic earnings per security	4,552.2	4,552.2
Adjustment for potential dilution from performance rights on issue	10.4	7.9
Weighted average number of securities and potential securities used as the denominator in calculating diluted earnings per security	**4,562.6**	**4,560.1**

7. Distributions

(a) Interim distributions for the period

	31-Dec-22 $m	31-Dec-21 $m
Distributions in respect of the earnings for six months to 31 December 2022:		
5.75 cents per VCX stapled security (31 December 2021: 4.70 cents)	261.8	214.0
Total interim distributions	**261.8**	**214.0**

On 15 February 2023, the Directors declared a distribution in respect of the Group's earnings for the half year ended 31 December 2022 of 5.75 cents per VCX stapled security, which equates to total interim distributions of $261.8 million. The interim distribution will be paid on 7 March 2023.

(b) Distributions paid during the period

	31-Dec-22 $m	31-Dec-21 $m
Distributions in respect of the earnings for six months to 30 June 2022:		
5.7 cents per VCX stapled security (30 June 2021: 6.6 cents)	259.4	300.4
Total distribution paid during the period	**259.4**	**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 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) including an estimate of rent waivers where agreements for rent assistance are not completed at reporting date.

At 31 December 2022, the carrying value of trade receivables and other financial assets approximated their fair value.

	Note	31-Dec-22 $m	30-Jun-22 $m
Current trade receivables			
Trade debtors		48.6	108.2
Deferred rent [1]		5.1	8.5
Accrued income		16.7	16.2
Receivables from strategic partners		1.9	2.5
Less: estimated rent waivers	8(b)	(3.8)	(20.6)
Less: allowance for expected credit losses	8(b)	(17.2)	(54.8)
Total current trade receivables [2]		**51.3**	**60.0**
Current other assets			
Distributions receivable from joint ventures and associates		0.8	6.5
Prepayments		19.7	14.5
Land tax levies		22.1	21.2
Tenant security deposits held		1.1	0.4
Other		13.9	14.5
Total current other assets		**57.6**	**57.1**
Total current trade receivables and other assets		**108.9**	**117.1**
Non-current other assets			
Deferred rent [1]		2.1	3.1
Less: allowance for expected credit losses	8(b)	(0.3)	(1.4)
Other		5.3	4.8
Total non-current other assets		**7.1**	**6.5**

1. Under certain rent assistance agreements, rents are deferred to be repaid at a later date.
2. Include 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

There continues to be 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 are subject to uncertainty. This is driven by the cash collection rates which are still below pre-pandemic levels and the uncertain impact of rising inflation and interest rates on retailers.

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

Approach

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. Tenant debt is considered to be in default if contractual payments have not been made. It is written off when collections are considered extremely unlikely based on historical experience and/or being pursued by legal means.

The Group's ECL approach continues to take into consideration ongoing rental assistance negotiations, the aging and risk profile of the residual debt, net of estimated rent waivers, and the Group's historical experience on collections.

The key inputs and assumptions used have been further refined in the current period, particularly with regards to the estimation of expected average cash collection rates applied to debt aged up to 18 months old. As at 31 December 2022, the estimated average cash collection rates were determined with reference to actual collections data on FY22 billings up to 31 December 2022 (30 June 2022: collections data from the start of the pandemic, 1 April 2020 to 30 June 2021). Other adjustments such as current and planned collection activities, tenants' financial position (if known), the macroeconomic environment, and other relevant factors have also been taken into account (where appropriate).

Apart from the estimation of expected average cash collection rates, other key inputs and assumptions have not changed significantly since 30 June 2022. Details of the Group's ECL allowance approach are provided within Note 11(b) of the 30 June 2022 Annual Report.

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-22 $m	31-Dec-21 $m
Opening balance at 1 July	**(76.8)**	**(130.9)**
Amounts written off as uncollectible	24.1	3.1
Rental waivers granted	15.2	24.4
Net remeasurement of prior period allowance [1]	25.6	50.0
Loss allowance on receivables originated during the current period	(9.4)	(88.3)
Closing balance at 31 December	**(21.3)**	**(141.7)**

1. The opening balance of allowance for ECLs at 1 July was remeasured due to better outcome than anticipated in the Group's rent waiver negotiations and estimated average cash collection rates relative to assumptions adopted previously. These outcomes have been incorporated into the key inputs used to determine the allowance for ECLs at 31 December 2022.

Sensitivities

The key input in determining the allowance for ECLs was the estimated average cash collection rates. The allowance for ECLs has the following sensitivity to changes in this input:

- **Estimated average cash collection rates:** An increase or decrease of 1% of the estimated average cash collection rates used as an input to the calculation of ECLs for each tenant and centre type in the SME segment would result in $2.9 million decrease or $3.0 million increase in the allowance for ECLs (30 June 2022: $6.8 million decrease, $4.7 million increase for an increase or decrease of 1% to the estimated average cash collection rates of SME and National Chain segments).

Other disclosures

9. Operating cash flow reconciliation

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

	31-Dec-22 $m	31-Dec-21 $m
Net profit for the half year	**176.3**	**650.2**
Exclude non-cash items and cash flows under investing and financing activities:		
Amortisation of incentives and leasing costs	33.7	30.4
Straight-lining of rent adjustment	(3.5)	3.1
Property revaluation decrement/(increment) for directly owned properties	56.7	(353.7)
Share of net loss/(gain) of equity accounted investments	10.0	(15.4)
Amortisation of non-cash items included in interest expense	2.4	2.4
Net foreign exchange movement on interest bearing liabilities	42.1	25.6
Net mark-to-market movement on derivatives	9.8	(81.2)
Stamp duty paid	-	22.6
Depreciation of right of use assets	2.5	2.8
Income tax expense/(benefit)	10.9	(7.6)
Other non-cash items	11.8	(4.6)
Movements in working capital:		
(Decrease)/increase in payables and other financial liabilities, and provisions	(28.6)	0.3
Decrease/(increase) in receivables and other assets	9.4	(33.6)
Net cash inflow from operating activities	**333.5**	**241.3**

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 2022, 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 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; and
  - Other remaining assets within the Property Investment CGU were carried at their recoverable amounts.
- In relation to the Strategic Partnership CGU, the resulting headroom utilising the key inputs and assumptions within the CGU's discounted cash flow model had not changed significantly since 30 June 2022 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 2022.

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 income and judgement is applied in assessing an appropriate forecast period.

Key assumptions subject to uncertainty include future fund, 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 financial/calendar years 2020 and 2021 in accordance with the respective state government land tax relief measures. Gross payments received for the half year ended 31 December 2022 were nil (31 December 2021: $8.4 million).

11. Events occurring after the end of the reporting period

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

Directors' Declaration

In the Directors' opinion:

(a) the half year financial statements and notes of Vicinity Centres (the Group) set out on pages 12 to 36 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 2022 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
15 February 2023

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 the "Group"), which comprises the consolidated balance sheet as at 31 December 2022, 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 2022 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 2022 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.

Ernst & Young

Alison Parker
Partner

Michael Collins
Partner

Melbourne
15 February 2023