Vicinity Centres Trust

Financial Report for the half year ended
31 December 2022

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

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

Contents

Directors' Report

The Directors of Vicinity Centres RE Ltd, the responsible entity (RE) of Vicinity Centres Trust (the Trust or VCT), present the Financial Report of Vicinity Centres Trust and its controlled entities (VCT Group or the Trust Group) for the half year ended 31 December 2022.

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

Directors

The following persons were members of the Vicinity Centres RE Ltd 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 activity of the Trust Group during the period continued to be investment in a portfolio of retail investment properties. The principal place of business of the Trust and the RE of the Trust is 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 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 for the half year ended 31 December 2022 of 5.75 cents per VCX stapled security, payable wholly by the Trust. This equates to total interim distributions of $261.8 million. The interim distribution will be paid on 7 March 2023.

Review of results and operations

The review of the results and operations for the Vicinity Centres Group including further information on strategy, operations and risks is contained in the Directors' Report in the Vicinity Centres Group financial report available at vicinity.com.au. The following sections relate to the results and operations of the Trust Group only and therefore do not include items and amounts relating to Vicinity Limited.

(a) Financial performance

The statutory net profit after tax of the Trust Group for the half year ended 31 December 2022 was $179.2 million, a decrease of $460.1 million on the prior period (31 December 2021: statutory net profit of $639.3 million). The result as at 31 December 2022 mainly comprised:

- Net profits[2] contributed from investment properties of $409.4 million (31 December 2021: $333.3 million), partially offset by:
- A non-cash property revaluation decrement on directly owned properties of $56.6 million (31 December 2021: increment of $359.5 million);
- Share of losses from equity accounted investments of $9.3 million, driven by net losses and property revaluation decrement (31 December 2021: profit of $15.5 million);
- Net mark-to-market loss on derivatives of $9.8 million (31 December 2021: gain of $81.2 million);
- Net foreign exchange loss on interest bearing liabilities of $42.1 million (31 December 2021: loss of $25.6 million); and
- Borrowing costs of $98.8 million (31 December 2021: $92.2 million).

Cash flows from operating activities for the half year were $329.9 million (31 December 2021: $237.3 million).

(b) Financial position

At 31 December 2022 the Trust Group's net assets were $10,900.7 million, down $80.2 million from $10,980.9 million at 30 June 2022. This decrease was predominantly due to the increase of $146.0 million in interest bearing liabilities from net drawdowns of $144.0 million of bank debt facilities to fund capital expenditure requirements. This was offset by a net increase in investment properties and equity accounted investments of $70.3 million due to investment in capital expenditure during the period, net of property revaluation decrement on investment properties and equity accounted investments of $58.1 million and $21.3 million respectively.

(c) Capital management

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.

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.

[2] Property ownership revenue and income less direct property expenses and allowance for expected credit losses.

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 Trust Group, the results of those operations, or the state of affairs of the Trust Group in future financial periods.

Rounding of amounts

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

Signed in accordance with a resolution of Directors.

Trevor Gerber
Chairman
15 February 2023

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

As lead auditor for the review of the half-year financial report of Vicinity Centres Trust 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 Centres Trust and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Alison Parker

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		579.7	535.7
Interest and other income		13.8	9.6
Total revenue and income	**2**	**593.5**	**545.3**
Share of net (loss)/profit of equity accounted investments		(9.3)	15.5
Property revaluation (decrement)/increment for directly owned properties	3(b)	(56.6)	359.5
Direct property expenses		(186.7)	(165.1)
Allowance for expected credit losses	8(b)	16.4	(37.3)
Borrowing costs	5(c)	(98.8)	(92.2)
Responsible entity fees		(26.2)	(24.9)
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 written off on acquisition of investment property		-	(21.9)
Other expenses		(1.2)	4.8
Net profit before tax for the half year		**179.2**	**639.3**
Income tax expense		-	-
Net income for the half year		**179.2**	**639.3**
Other comprehensive income		-	-
Total comprehensive income for the half year		**179.2**	**639.3**
Earnings per unit attributable to unitholders of the Trust Group:			
Basic earnings per unit (cents)		3.94	14.04
Diluted earnings per unit (cents)		3.93	14.02

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		40.5	43.4
Trade receivables and other assets	8(a)	101.5	107.9
Derivative financial instruments		0.2	0.3
Total current assets		**142.2**	**151.6**
Non-current assets			
Investment properties	3(a)	14,212.8	14,133.2
Equity accounted investments	4	494.6	503.9
Derivative financial instruments		264.3	228.8
Other assets	8(a)	525.2	530.5
Total non-current assets		**15,496.9**	**15,396.4**
Total assets		**15,639.1**	**15,548.0**
Current liabilities			
Interest bearing liabilities	5(a)	-	40.0
Payables and other financial liabilities		180.4	203.0
Lease liabilities		18.7	19.1
Provisions		21.6	21.0
Derivative financial instruments		-	1.0
Total current liabilities		**220.7**	**284.1**
Non-current liabilities			
Interest bearing liabilities	5(a)	3,898.5	3,712.5
Lease liabilities		330.1	327.6
Derivative financial instruments		289.1	242.9
Total non-current liabilities		**4,517.7**	**4,283.0**
Total liabilities		**4,738.4**	**4,567.1**
Net assets		**10,900.7**	**10,980.9**
Equity			
Contributed equity	6	8,560.8	8,560.8
Retained profits		2,339.9	2,420.1
Total equity		**10,900.7**	**10,980.9**

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 unitholders of the Trust		
	Note	Contributed equity $m	Retained profits $m	Total $m
As at 1 July 2021		**8,560.8**	**1,452.9**	**10,013.7**
Net profit for the half year		-	639.3	639.3
Total comprehensive profit for the half year		**-**	**639.3**	**639.3**
Transactions with unitholders in their capacity as unitholders:				
Distributions declared		-	-	-
Total equity as at 31 December 2021		**8,560.8**	**2,092.2**	**10,653.0**
As at 1 July 2022		**8,560.8**	**2,420.1**	**10,980.9**
Net profit for the half year		-	179.2	179.2
Total comprehensive income for the half year		**-**	**179.2**	**179.2**
Transactions with unitholders in their capacity as unitholders:				
Distributions declared	7	-	(259.4)	(259.4)
Total equity as at 31 December 2022		**8,560.8**	**2,339.9**	**10,900.7**

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		708.7	559.8
Payments in the course of operations		(304.3)	(250.3)
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		10.0	10.9
Interest paid		(90.2)	(87.1)
Net cash inflows from operating activities – proportionate [1]		336.5	242.5
Less: net operating cash flows retained by equity accounted entities		(6.6)	(5.2)
Net cash inflows from operating activities	**9**	**329.9**	**237.3**
Cash flows from investing activities			
Payments for capital expenditure on investment properties		(180.6)	(111.8)
Proceeds from disposal of investment property		-	121.8
Payments for acquisition of investment property	3(b)	-	(358.4)
Payments for acquisition of other investments		(1.5)	(2.0)
Stamp duty paid upon acquisition of investment property	3(b)	-	(21.9)
Proceeds from disposal of financial asset		-	7.0
Net cash outflows from investing activities		**(182.1)**	**(365.3)**
Cash flows from financing activities			
Proceeds from borrowings		410.0	716.0
Repayment of borrowings		(306.0)	(143.0)
Proceeds received from Vicinity Limited		122.1	67.3
Funds advanced to Vicinity Limited		(114.9)	(196.2)
Distributions paid to external unitholders		(259.4)	(300.4)
Debt establishment costs paid		(2.5)	(0.3)
Net cash (outflows)/inflows from financing activities		**(150.7)**	**143.4**
Net (decrease)/increase in cash and cash equivalents held		**(2.9)**	**15.4**
Cash and cash equivalents at the beginning of the half year		43.4	36.2
Cash and cash equivalents at the end of the half year		**40.5**	**51.6**

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 consolidated entity comprising Vicinity Centres Trust (the Trust) and its controlled entities (collectively 'the Trust Group'). The Trust is a for-profit entity that is domiciled and operates wholly in Australia.

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

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 by VCX 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 of Vicinity Centres RE Ltd as the responsible entity (RE) of the Vicinity Centres Trust on 15 February 2023.

Going concern

Notwithstanding the net current asset deficiency of $78.5 million at 31 December 2022, the half year financial report has been prepared on a going concern basis based on the following factors:

- The Trust Group has sufficient undrawn facilities of $1,298.0 million, cash and cash equivalents of $40.5 million and generates sufficient operating cash flows to meet its current obligations as they fall due; and
- The Trust 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 Trust 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 Trust Group as they are either not relevant to the Trust Group's activities or require accounting which is consistent with the Trust Group's accounting policies. The Trust 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 Trust 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 Trust 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 Trust 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 Trust 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

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

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

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

During the period, the CODM for Vicinity Centres Group were the Chief Executive Officer and Managing Director (CEO), Chief Operating Officer (COO) and the Chief Financial Officer (CFO). Since the retirement of the Vicinity Centres Group's CEO on 16 November 2022, the COO has been acting as the Vicinity Centres Group's CEO and was subsequently confirmed as the Vicinity Centres Group's CEO from 1 February 2023.

2. Revenue and income

(a) Summary of revenue and income

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

	31-Dec-22 $m	31-Dec-21 $m
Recovery of property outgoings [1]	98.6	85.2
Other property-related revenue [1]	38.6	29.9
Total revenue from contracts with customers	**137.2**	**115.1**
Lease rental income [1]	442.5	420.6
Interest and other income	13.8	9.6
Total income	**456.3**	**430.2**
Total revenue and income	**593.5**	**545.3**

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

3. Investment properties

The Trust Group's investment properties represent freehold and leasehold interests in land and buildings held either to derive rental income or for capital appreciation, or both. They are initially measured at cost, including related transaction costs. Subsequently, at each reporting period, they are carried at their fair values based on the market value, 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	22	2,442.1	6.24	22	2,433.8	6.12
Neighbourhood	3	191.0	5.76	3	193.0	5.68
Planning and holding costs [1]	-	29.6	n/a	-	38.1	n/a
Less: Property holdings by Vicinity Limited [2]	-	(85.9)	n/a	-	(85.2)	n/a
Total	**56**	**13,864.1**	**5.34**	**56**	**13,786.5**	**5.30**
Add: Investment property leaseholds		348.7			346.7	
Total investment properties		**14,212.8**			**14,133.2**	

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. Represents certain equipment which forms part of the individual fair values of the Trust Group's investment properties but is held by Vicinity Limited.

(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	**13,786.5**	**12,855.0**
Acquisitions including associated stamp duty and transaction costs [1]	-	380.3
Capital expenditure [2]	172.8	111.8
Capitalised borrowing costs [3]	1.6	0.7
Disposals	-	(127.8)
Property revaluation (decrement)/increment for directly owned properties [4]	(58.1)	357.6
Stamp duty written off on acquisition of investment property	-	(21.9)
Amortisation of incentives and leasing costs [5]	(42.4)	(38.2)
Straight-lining of rent adjustment [5]	3.7	(3.1)
Closing balance at 31 December	**13,864.1**	**13,514.4**

1. Prior period comprises acquisitions of $358.4 million and associated stamp duty and transaction costs of $21.9 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. The property revaluation decrement of $58.1 million (31 December 2021: $357.6 million revaluation increment) is before the addition of investment property leaseholds. The $56.6 million revaluation decrement (31 December 2021: $359.5 million revaluation increment) presented within the Statement of Comprehensive Income includes a $1.5 million revaluation increment (31 December 2021: $1.9 million revaluation increment) of investment property leaseholds held at fair value.
5. For leases where Vicinity is the lessor in the lease arrangement.

3. Investment properties (continued)

(c) Portfolio valuation

Valuation process

The Trust Group's valuation process has not changed significantly since 30 June 2022. Details of the Trust 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 21 in the 30 June 2022 Annual Report for further details on the fair value hierarchy). Key unobservable inputs used by the Trust 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 Trust 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 Trust 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, the current use is considered the highest and best use.

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 Trust 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 Trust 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]	13,920.4				
Impact on actual valuation		+270.3	(264.6)	(204.4)	+207.5
Resulting valuation		14,190.7	13,655.8	13,716.0	14,127.9

Capitalisation of net income method

31-Dec-22 $m	Carrying value	Capitalisation rate -0.25%	Capitalisation rate +0.25%
Actual valuation [1]	13,920.4		
Impact on actual valuation		+746.3	(672.2)
Resulting valuation		14,666.7	13,248.2

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 Trust 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 (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			**2,442.1**	**2,433.8**

1. The title to this property is leasehold with options to extend the ground lease to 2134 at the Trust 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 Trust 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 Trust 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
Closing balance			**494.6**	**503.9**

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

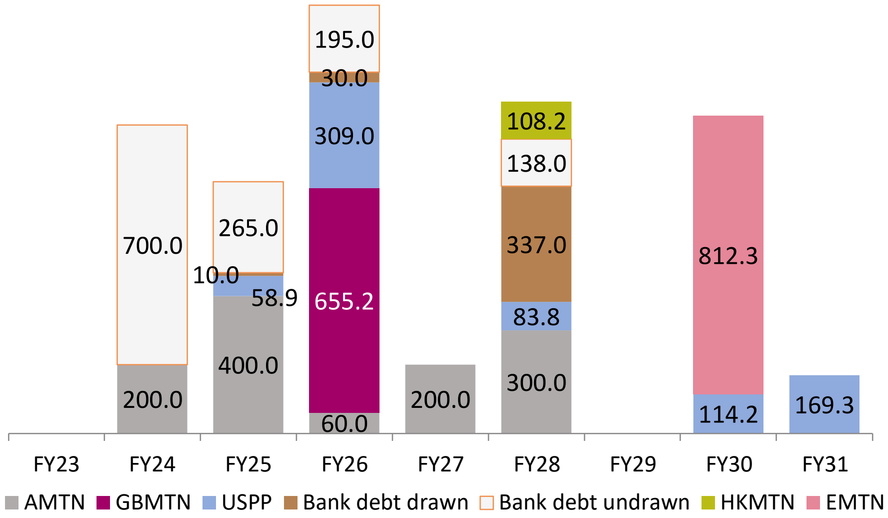
1. Non-current unsecured AMTNs include $60.0 million issued under the Trust Group's EUMTN programme and $300.0 million of Green Bond. The proceeds of Green Bonds were utilised to finance and refinance eligible green projects and assets with high sustainability rating (e.g. NABERS energy rating of 5 stars 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)

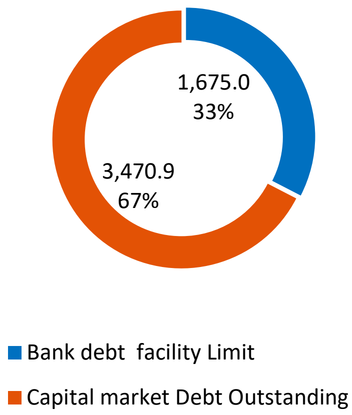
(b) Facility maturity and availability

The charts below outline the maturity of the Trust 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	84.6	77.3
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	13.4	13.2
Capitalised borrowing costs	(1.6)	(0.7)
Total borrowing costs	**98.8**	**92.2**

5. Interest bearing liabilities and derivatives (continued)

(d) Capital management

The Trust Group seeks to maintain a conservative capital structure with appropriate liquidity, low gearing, and a diversified debt profile (by source and tenor). The Trust 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	(40.5)	(43.4)
Total drawn debt net of cash	**3,807.5**	**3,700.5**
Total tangible assets excluding cash, investment property leaseholds and derivative financial assets	14,985.4	14,928.8
Gearing ratio (target range of 25.0% to 35.0%)	**25.4%**	**24.8%**

Interest cover ratio

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

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

At 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 Trust 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 Trust Group had no defaults on debt obligations or breaches of lending covenants (30 June 2022: nil).

6. Contributed equity

An ordinary stapled security of the Vicinity Centres Group comprises one share in the Company and one unit in the Trust. Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Vicinity Centres Group (if enacted) in proportion to the number of securities held. Ordinary stapled securities are classified as equity. 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 units on issue at the beginning of the half year	4,552.2	4,552.2	8,560.8	8,560.8
Total units on issue at the end of the half year	**4,552.2**	4,552.2	**8,560.8**	8,560.8

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

	31-Dec-22 Number (m)	31-Dec-21 Number (m)
Weighted average number of units used as the denominator in calculating basic earnings per unit	4,552.2	4,552.2
Adjustment for potential dilution from performance rights on issue	10.4	7.9
Weighted average number of units and potential units used as the denominator in calculating diluted earnings per unit	**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 Vicinity Centres 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 Trust 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		44.4	104.9
Deferred rent [1]		5.2	8.4
Accrued income		16.5	16.1
Less: estimated rent waivers	8(b)	(3.7)	(20.3)
Less: allowance for expected credit losses	8(b)	(17.1)	(54.3)
Total current trade receivables [2]		**45.3**	**54.8**
Current other assets			
Distributions receivable from joint ventures and associates		0.8	6.5
Prepayments		14.5	7.1
Land tax levies		22.1	21.2
Tenant security deposits held		1.1	0.4
Related party receivable		7.6	4.1
Other		10.1	13.8
Total current other assets		**56.2**	**53.1**
Total current trade receivables and other assets		**101.5**	**107.9**
Non-current other assets			
Deferred rent [1]		2.1	3.1
Less: allowance for expected credit losses	8(b)	(0.3)	(1.4)
Loan to Vicinity Limited		518.3	525.5
Investment in unlisted fund at fair value		5.1	3.3
Total non-current other assets		**525.2**	**530.5**

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 Trust 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 Trust 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 Trust Group and the cash flows the Trust Group expects to receive. For trade receivables, contract assets and lease receivables, the Trust Group applies the simplified approach in calculating ECLs. Therefore, the Trust 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 Trust 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 Trust 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 Trust 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 Trust 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	**(76.0)**	**(130.9)**
Amounts written off as uncollectible	23.5	3.1
Rental waivers granted	15.0	24.4
Net remeasurement of prior period allowance [1]	25.5	49.9
Loss allowance on receivables originated during the current period	(9.1)	(87.2)
Closing balance at 31 December	**(21.1)**	**(140.7)**

1. The opening balance of allowance for ECLs at 1 July was remeasured due to better outcome than anticipated in the Trust 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 $2.8 million decrease or $3.0 million increase in the allowance for ECLs (30 June 2022: $6.7 million decrease, $4.5 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	**179.2**	**639.3**
Exclude non-cash items and cash flows under investing and financing activities:		
Amortisation of incentives and leasing costs	42.4	38.2
Straight-lining of rent adjustment	(3.7)	3.1
Property revaluation decrement/(increment) for directly owned properties	56.6	(359.5)
Share of net loss/(gain) of equity accounted investments	9.3	(15.5)
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	-	21.9
Other non-cash items	1.5	(5.4)
Movements in working capital:		
(Decrease) in payables and other financial liabilities, and provisions	(16.0)	(2.6)
Decrease/(increase) in receivables and other assets	6.3	(29.0)
Net cash inflow from operating activities	**329.9**	**237.3**

10. Other accounting matters

(a) Government grants

The Trust 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 Trust Group, the results of those operations, or the state of affairs of the Trust Group in future financial periods.

Directors' Declaration

In the Directors' opinion:

(a) the half year financial statements and notes of Vicinity Centres Trust (the Trust) and its controlled entities (the Trust Group) set out on pages 7 to 27 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 Trust 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 Trust 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 Centres RE Ltd.

Trevor Gerber
Chairman
15 February 2023

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Vicinity Centres Trust (the "Trust") 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 statement of cash flows 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 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 Vicinity Centres RE Ltd, the Responsible Entity of the Trust, 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

Ernst & Young

Alison Parker
Partner

Michael Collins
Partner

Melbourne
15 February 2023