Vicinity Centres[1]

Appendix 4D - Results for announcement to the market

For the six months ended 31 December 2023

	31-Dec-23 $m	31-Dec-22 $m	Increase/(Decrease) $m	%
Revenue from ordinary activities	660.0	636.5	23.5	3.7
Net profit from ordinary activities after tax attributable to securityholders	223.5	176.3	47.2	26.8
Funds from operations[2]	345.6	357.1	(11.5)	(3.2)

	31-Dec-23	30-Jun-23	Increase/(Decrease)	
Net tangible assets per security (NTA)[3]	**$**	**$**	**$[4]**	**%[4]**
Total	2.29	2.30	(0.01)	(0.6)
Net assets per security (NA)	**$**	**$**	**$[4]**	**%[4]**
Total	2.32	2.34	(0.01)	(0.5)

Distribution per stapled security	Cents[5]	Record date	Payment date
Interim distribution	5.85	21-Feb-24	7-Mar-24

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;
- FY24 Interim Results Announcement; and
- FY24 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 2023 which has been reviewed. The independent auditor's report is included within the Half Year Financial Report.

Rohan Abeyewardene **Date: 15 February 2024**

Group Company Secretary

Notes

1. Vicinity Centres is a stapled group comprising Vicinity Limited ABN 90 114 757 783 and Vicinity Centres Trust ARSN 104 931 928 (the **Trust**). The Responsible Entity of the Trust is Vicinity Centres RE Ltd ABN 88 149 781 322.
2. A reconciliation between net profit from ordinary activities after tax attributable to securityholders and Fund from operations 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.
4. Calculated based on NTA and NA rounded to four decimal points.
5. 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 2024.

Vicinity Centres

Financial Report for the half year ended 31 December 2023

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

Contents

Directors' Report

The Directors of Vicinity Limited present the Financial Report of Vicinity Centres (Vicinity or the Group) for the half year ended 31 December 2023 (1H FY24). 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 2023 and up to the date of this report unless otherwise stated:

(i) Chairman

Trevor Gerber (Independent)

(ii) Non-executive Directors

Clive Appleton

Dion Werbeloff

Georgina Lynch (Independent)

Janette Kendall (Independent)

Michael Hawker AM (Independent)

Peter Kahan (Independent)

Tiffany Fuller (Independent)

Tim Hammon (Independent)

(iii) Executive Director

Peter Huddle (CEO and Managing Director)

Company Secretaries

Carolyn Reynolds

Rohan Abeyewardene

Principal activities

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

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

Distributions

On 15 February 2024, the Directors declared a distribution in respect of the Group's earnings for the half year ended 31 December 2023 of 5.85 cents per VCX stapled security, which equates to total interim distributions of $266.3 million. The interim distribution will be paid on 7 March 2024.

Review of results and operations

This report should be read in conjunction with the 30 June 2023 Annual Report which provides further information on Vicinity's strategy, operations, and risks.

(a) Operational update

Financial results

Vicinity's key measures of financial performance are Funds From Operations (FFO) and Adjusted FFO (AFFO)[1]. Statutory net profit after tax (NPAT) is 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, to calculate FFO. FFO is further adjusted for maintenance capital and leasing costs to calculate AFFO. Vicinity's distribution policy is to pay out between 95% and 100% of AFFO.

	31-Dec-23 $m	31-Dec-22 $m
Net property income (NPI)	451.6	459.6
External management fees	32.5	31.6
Net corporate overheads	(44.0)	(46.9)
Net interest expense	(94.5)	(87.2)
FFO	**345.6**	**357.1**
Property revaluation decrement for directly owned properties	(76.0)	(56.7)
Net movement on mark-to-market of derivative financial instruments	(17.8)	(9.8)
Net foreign exchange movement on interest bearing liabilities	39.8	(42.1)
Other items	(68.1)	(72.2)
Statutory NPAT [2]	**223.5**	**176.3**
FFO	**345.6**	**357.1**
Maintenance capital expenditure and static tenant leasing costs	(27.4)	(24.3)
AFFO	**318.2**	**332.8**
Weighted average number of securities	**4,552.3**	**4,552.3**
FFO per security (cents)	7.59	7.84
AFFO per security (cents)	6.99	7.31
Distribution per security [3] (cents)	5.85	5.75

[1] FFO and AFFO are widely accepted measures of real estate operating performance. They are determined with reference to the guidelines published by the Property Council of Australia. FFO and AFFO are non-IFRS measures and not audited.

[2] A full reconciliation between statutory NPAT and FFO is included in Note 1(b) of the half year financial report.

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

Review of results and operations (continued)

(a) Operational update (continued)

Financial results (continued)

Statutory NPAT of $223.5 million (31 December 2022: $176.3 million) comprised of $345.6 million of FFO (31 December 2022: $357.1 million), offset by the net impact of other statutory and non-cash items of $122.1 million (31 December 2022: $180.8 million).

The reduction in FFO in 1H FY24 was driven by higher reversals of prior year waivers and provisions in 1H FY23 relative to 1H FY24 as well as the disposal of a 50% interest in Broadmeadows Central in 2023. Excluding the reversals and the impact from the asset disposal, FFO increased 2.9%.

Comparable NPI[4] growth in 1H FY24 was 4.0% which compares favourably to Vicinity's prior expectation of approximately 3%[5]. The outperformance reflects strong rental growth, continued recovery in Central Business Districts, and higher portfolio occupancy.

Lower net corporate overheads reflect a reduction in insurance costs, concerted focus on corporate efficiencies and capitalisation of development costs. Higher net interest expense was principally driven by rising interest rates.

The other statutory and non-cash impacts to statutory NPAT were attributable to the following:

- Net foreign exchange gain on interest bearing liabilities of $39.8 million (31 December 2022: loss of $42.1 million); offset by:
- Investment property revaluation decrement of $76.0 million (31 December 2022: decrement of $56.7 million) and revaluation decrement of $28.5 million recorded on equity accounted investment properties (31 December 2022: decrement of $20.2 million) resulted in net reduction of $27.6 million; and
- Net mark-to-market loss on derivatives of $17.8 million (31 December 2022: loss of $9.8 million).

Retail sales

Total portfolio retail sales growth of 1.5% in 1H FY24 was largely driven by food, including fresh food, dining, and supermarkets as well as sporting goods, cosmetics, and retail services.

Month on month retail sales growth moderated over 1H FY24, reflecting the softening of consumer demand amid cost-of-living pressures, together with the cycling of particularly strong trading in the prior comparable period.

Shoppers continue to show a willingness and capacity to spend, but are more discerning and value-conscious, highlighted by the strong patronage across the portfolio during the Black Friday and Boxing Day sales events.

October 2023 was the first month where portfolio sales growth was negative since the recovery from the pandemic, however combined November and December retail sales were up 1.3% relative to a strong prior year, highlighting that shoppers are viewing Black Friday as a key part of the broader Christmas trading period.

Lower Apparel & Footwear, Homewares and Jewellery sales in 1H FY24 reflect cycling of exceptional growth rates in recent years, compounded by significantly elevated living costs.

Small and Medium Enterprise (SME) retailers are well positioned in a moderating retail environment, with sales increasing 6.1% in 1H FY24, as shoppers continue to show a strong preference for SME-oriented categories including services, food and dining, and other experiential retail.

Same-store luxury sales growth was up 0.7% for 1H FY24, also rolling off exceptional growth rates in the prior half. Furthermore, brand performance was mixed, with the flagship luxury houses continuing to outperform.

Recent sales performance indicates that elevated living costs for Australian households are now impacting consumption, particularly across the discretionary goods categories. However, with international tourism nearing pre-pandemic levels, migration at historical highs and with a tight employment market, Vicinity continues to observe resilience. This resilience is supporting retailer confidence which continues to be reflected in the Group's operating metrics.

The performance of the retail sector in 2024 ultimately depends on the level of inflation, when interest rates will peak and the extent to which employment markets remain tight.

[4] Comparable NPI excludes reversals of prior year waivers and provisions, the impact of divestment of Broadmeadows and development impacts.

[5] Provided to the market in Vicinity's FY23 result announcement on 16 August 2023.

Review of results and operations (continued)

(a) Operational update (continued)

Portfolio performance

The structure, tenure, and value of rents on new leases written in the period reflects Vicinity's focus on locking in long-term, traditional specialty leases with fixed annual escalators despite a moderating retail sales environment.

Vicinity achieved an uplift in the occupancy rate compared to 30 June 2023 by leasing almost 16,000 sqm of vacant store space. Consequently, occupancy of 99.1% is now at its highest point since 2019, up from 98.8% at 30 June 2023, and 98.0% at the peak of the pandemic (December 2020). Vicinity has also continued to focus on minimising the Group's income at risk with a further reduction in the number of leases on holdover during the period.

In 1H FY24, Vicinity completed 676 comparable leasing deals. Leasing spreads remained favourable, with a positive leasing spread for 1H FY24 of +3.3%, relative to +0.3% over FY23.

Highlighting robust retailer confidence, the Apparel & Footwear, Leisure, and Jewellery categories performed exceptionally well post-pandemic and while retail sales have moderated, collectively these categories delivered a high single digit leasing spread in 1H FY24.

Given their weighting to these categories, Chadstone and the Outlet portfolio collectively delivered a +12.6% leasing spread for 1H FY24.

Vicinity's specialty occupancy cost ratio remains at 13.7% which compares to 15.0% immediately pre-COVID and continues to demonstrate the resilience of current rents.

Critical to embedding resilience in Vicinity's business model, the Group maintained its traditional specialty retail lease structure of five-year leases with fixed annual escalators. During the period, the average annual escalator of new leases was 4.8% per annum (FY23: 4.6% per annum average increase).

A concerted effort to minimise income at risk resulted in a further reduction of holdovers to 364 at 31 December 2023, from 488 as at 31 December 2022, and from 375 as at 30 June 2023. Of the current leases on holdover, approximately one third were deliberately held on holdover due to impending redevelopment of the centre.

In the context of softening retail sales growth, notably in 2Q FY24, Vicinity is particularly pleased with the strong operating metrics delivered in the first half. Having anticipated a moderation in retail sales, Vicinity has acted at pace to lock in long-term leasing deals, minimise income at risk and increase occupancy to closer to pre-pandemic levels. Consequently, while the Group has a cautious near-term outlook, Vicinity enters 2H FY24 with the benefit of a strong first half and a relatively resilient income growth profile.

Development

In an environment of elevated costs of capital and ongoing dislocation in construction markets nationally, the Group has tightened its focus on capital deployment across Vicinity's retail and mixed-use development pipeline.

Delivering project returns above the Group's cost of capital remains a key priority and is enabled by intense de-risking projects from both an income and cost perspective.

In terms of development projects in progress, the One Middle Road office tower and redeveloped fresh food and dining precinct at Chadstone is well progressed. The fresh food and dining precinct is opening in stages, with the new Coles and Aldi having opened prior to Christmas 2023.

The redevelopment of Chatswood Chase remains a critical and exciting project for Vicinity in CY24 and CY25. Paving the way for the redevelopment of the major retail offer, the construction of the lower ground fresh food and dining precinct is on track to be completed by April 2024, at which point the major development is expected to be ramping up. Retailer interest in the redeveloped Chatswood Chase is strong, with 64% of the income secured, via heads of agreement.

Vicinity now expects investment capital expenditure in FY24 to be approximately $350 million (previously $400 million) reflecting delayed redevelopment of Galleria in Western Australia, and additional development spend following settlement of the acquisition of the remaining 49% interest in Chatswood Chase.

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-23 $m	30-Jun-23 $m
Cash and cash equivalents	95.6	192.9
Investment properties (including investment properties classified as held for sale)	14,285.5	14,288.4
Equity accounted investments	415.6	437.5
Intangible assets	164.2	164.2
Other assets	469.3	501.6
Total assets	**15,430.2**	**15,584.6**
Interest bearing liabilities	4,034.4	4,073.5
Other liabilities	816.0	873.0
Total liabilities	**4,850.4**	**4,946.5**
Net assets	**10,579.8**	**10,638.1**
Net tangible assets per security (NTA) [6] ($)	2.29	2.30
Drawn debt [7] ($)	3,926.0	3,924.0
Gearing [7] (%)	26.3	25.6

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

- **Investment properties and equity accounted investments** down $24.8 million, or 0.2% due to property revaluation decrement on investment properties and equity accounted investments of $76.0 million and $28.5 million respectively, partially offset by investment in capital expenditure during the period. The net revaluation decrement was largely driven by the softening of capitalisation and discount rates, partially offset by income growth. Further information can be found in Note 3 of the half year financial report.
- **Interest bearing liabilities** down $39.1 million primarily due to the impact of a strengthening of the AUD on foreign currency denominated notes.

The movement in interest bearing liabilities and revaluation of investment properties resulted in the gearing ratio increasing by 70 bps to 26.3%. This remains at the lower end of the Group's long-term target range of 25%-35%.

[6] 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.

[7] 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 [8,9]

During the half year, the following capital management activities have been completed:

- $675.0 million of new or extended bank debt facilities, expiring between FY27 and FY29;
- Cancelled $425.0 million of bank debt facilities; and
- Entered into $400.0 million of forward start interest rate hedges.

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

	31-Dec-23	30-Jun-23
Weighted average cost of debt [10]	4.9%	4.6%
Proportion of debt hedged	87.2%	90.1%[11]
Weighted average debt duration (based on facility limits)	3.4 years	3.7 years[11]
Weighted average debt duration (based on drawn debt)	3.6 years	4.0 years[11]
Interest cover ratio [8]	4.4 times	4.6 times
Credit ratings		
Moody's Investors Service	A2/stable	A2/stable
Standard & Poor's (S&P) Global Ratings	A/stable	A/stable

Vicinity's balance sheet remains solid with gearing at 26.3% and $1.4 billion of available liquidity. The weighted average cost of debt for the period was 4.9% and 87.2% of the drawn debt was hedged as at 31 December 2023.

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) Guidance

Vicinity expects FY24 FFO and AFFO per security to be around the top end of the ranges of 14.1 to 14.5 cents and 11.8 to 12.2 cents respectively[12], reflecting the stronger than expected trading conditions in 1H FY24.

Vicinity expects its full year distribution payout to be at the lower end of its target range of 95-100% of AFFO.

[8] 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.

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

[10] Inclusive of margins, line fees and establishment fees.

[11] Includes capital management activities undertaken post period end.

[12] Guidance assumes no material deterioration in 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 2024

Building a better
working world

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Auditor's Independence Declaration to the Directors of Vicinity Limited

As lead auditor for the review of the half-year financial report of Vicinity Limited for the half-year ended 31 December 2023, 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

Michael Collins
Partner
15 February 2024

Statement of Comprehensive Income

for the half year ended 31 December 2023

	Note	31-Dec-23 $m	31-Dec-22 $m
Revenue and income			
Property ownership revenue and income		623.3	602.1
Management fee revenue from strategic partnerships		36.7	34.4
Interest and other income		3.5	1.7
Total revenue and income	**2**	**663.5**	**638.2**
Share of net loss of equity accounted investments		(21.3)	(10.0)
Property revaluation decrement for directly owned properties	3(b)	(76.0)	(56.7)
Direct property expenses		(182.1)	(164.8)
Allowance for expected credit losses		1.2	16.2
Borrowing costs	5(c)	(107.7)	(99.9)
Employee benefits expense		(57.0)	(55.1)
Net foreign exchange movement on interest bearing liabilities		39.8	(42.1)
Net mark-to-market movement on derivatives		(17.8)	(9.8)
Depreciation of right of use assets		(2.3)	(2.5)
Other expenses		(16.1)	(26.3)
Net profit before tax for the half year		**224.2**	**187.2**
Income tax expense		(0.7)	(10.9)
Net income for the half year		**223.5**	**176.3**
Other comprehensive income		-	-
Total comprehensive income for the half year		**223.5**	**176.3**
Total income and total comprehensive income for the half year attributable to stapled securityholders as:			
Securityholders of Vicinity Limited		0.6	2.7
Securityholders of other stapled entities of the Group		222.9	173.6
Total comprehensive income for the half year		**223.5**	**176.3**
Earnings per security attributable to securityholders of the Group:			
Basic earnings per security (cents)		4.91	3.87
Diluted earnings per security (cents)		4.90	3.86

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

Balance Sheet

as at 31 December 2023

	Note	31-Dec-23 $m	30-Jun-23 $m
Current assets			
Cash and cash equivalents		95.6	192.9
Trade receivables and other assets		147.2	124.5
Investment properties classified as held for sale	3(a)	273.5	-
Derivative financial instruments		56.7	39.1
Total current assets		**573.0**	**356.5**
Non-current assets			
Investment properties	3(a)	14,012.0	14,288.4
Equity accounted investments	4	415.6	437.5
Intangible assets		164.2	164.2
Plant and equipment		3.3	3.4
Derivative financial instruments		154.7	227.6
Right of use assets and net investments in leases		25.6	24.6
Deferred tax assets		74.0	74.7
Other assets		7.8	7.7
Total non-current assets		**14,857.2**	**15,228.1**
Total assets		**15,430.2**	**15,584.6**
Current liabilities			
Interest bearing liabilities	5(a)	285.0	323.0
Payables and other financial liabilities		182.1	195.4
Lease liabilities		5.6	5.4
Provisions		68.4	77.6
Derivative financial instruments		68.2	59.3
Total current liabilities		**609.3**	**660.7**
Non-current liabilities			
Interest bearing liabilities	5(a)	3,749.4	3,750.5
Lease liabilities		385.0	382.5
Provisions		4.2	3.9
Derivative financial instruments		102.5	148.9
Total non-current liabilities		**4,241.1**	**4,285.8**
Total liabilities		**4,850.4**	**4,946.5**
Net assets		**10,579.8**	**10,638.1**
Equity			
Contributed equity	6	9,102.2	9,102.2
Share based payment reserve		11.5	8.8
Retained profits		1,466.1	1,527.1
Total equity		**10,579.8**	**10,638.1**

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 2023

		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 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**
As at 1 July 2023		**541.4**	**8.8**	**(210.5)**	**339.7**	**8,560.8**	**-**	**1,737.6**	**10,298.4**	**10,638.1**
Net profit for the half year		-	-	0.6	0.6	-	-	222.9	222.9	223.5
Total comprehensive income for the half year		**-**	**-**	**0.6**	**0.6**	**-**	**-**	**222.9**	**222.9**	**223.5**
Transactions with securityholders in their capacity as securityholders:										
Net movements in share based payment reserve		-	2.7	-	2.7	-	-	-	-	2.7
Distributions declared	7	-	-	-	-	-	-	(284.5)	(284.5)	(284.5)
Total equity as at 31 December 2023		**541.4**	**11.5**	**(209.9)**	**343.0**	**8,560.8**	**-**	**1,676.0**	**10,236.8**	**10,579.8**

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 2023

	Note	31-Dec-23 $m	31-Dec-22 $m
Cash flows from operating activities			
Receipts in the course of operations		770.3	759.1
Payments in the course of operations		(339.6)	(340.6)
Distributions and dividends received from equity accounted entities		0.9	6.6
Advances to equity accounted entities		(28.7)	(0.9)
Interest and other revenue received		2.4	0.6
Interest paid		(101.9)	(91.3)
Net cash inflows from operating activities	**8**	**303.4**	**333.5**
Cash flows from investing activities			
Payments for capital expenditure on investment properties		(131.0)	(169.2)
Deposit paid for acquisition of investment property		(15.4)	-
Payments for acquisition of other investments		(1.0)	(1.5)
Proceeds from disposal of investment property		37.5	-
Payments for plant and equipment		(0.2)	(0.6)
Net cash outflows from investing activities		**(110.1)**	**(171.3)**
Cash flows from financing activities			
Proceeds from borrowings		713.0	410.0
Repayment of borrowings		(711.0)	(306.0)
Payment of lease liabilities		(1.3)	(3.0)
Distributions paid to external securityholders		(284.5)	(259.4)
Debt establishment costs paid		(3.6)	(2.5)
Acquisition of shares on-market for settlement of share-based payments		(3.2)	(5.0)
Net cash outflows from financing activities		**(290.6)**	**(165.9)**
Net decrease in cash and cash equivalents held		**(97.3)**	**(3.7)**
Cash and cash equivalents at the beginning of the half year		192.9	55.6
Cash and cash equivalents at the end of the half year		**95.6**	**51.9**

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 2023 (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 2023 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 2024.

Going concern

While the Group has a net current asset deficiency of $36.3 million (current liabilities exceed current assets) (30 June 2023: net deficiency $304.2 million) at reporting date, the Group has available liquidity including undrawn facilities of $1,420.0 million (30 June 2023: $1,222.0 million), cash and cash equivalents of $95.6 million (30 June 2023: $192.9 million) and generates sufficient operating cash flows to pay its debts as and when they fall due for a period of 12 months from the date of these financial statements. Accordingly, the Financial Report has been prepared on a going concern basis.

Impact of new and amended accounting standards

New and amended standards that became effective as of 1 July 2023 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.

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

The Group has not adopted any IFRS accounting standards or interpretations that have been issued but are not yet effective. These are not expected to have a material impact on the Group's financial position or performance.

Future impact of Sustainability Reporting

The AASB released exposure draft ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information* in October 2023 developed using IFRS equivalent standards as a baseline with certain differences proposed for the local jurisdictions including scope limitations to climate-related financial disclosures. Subject to final release of ED SR 1 and legislative enactment from the Australian Government, the proposed requirements of ED SR1 will come into effect for the Group for the reporting period commencing 1 July 2024.

The Group will continue to monitor the 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.

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 balances. 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 intangible assets	9(a)
Recognition of deferred tax assets	9(b)

In respect of other areas of significant judgements and estimates disclosed in the 30 June 2023 Annual Report:

- Valuation of derivative financial instruments: There was no significant change to the judgements and estimates at 31 December 2023.
- Recoverability of tenant debtors: This is not a significant judgement and estimate due to reduced tenant debt balance at 31 December 2023.

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) and the Chief Financial Officer (CFO).

Group performance is assessed based on funds from operations (FFO), which is calculated as statutory net profit, adjusted for fair value movements, certain unrealised and non-cash items, amounts which are capital in nature and other items that are not considered to 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-23 $m	31-Dec-22 $m
Property Investment segment		
Net property income	451.6	459.6
Strategic Partnerships segment		
External management fees	32.5	31.6
Total segment income	**484.1**	**491.2**
Corporate overheads (net of internal property management fees)	(44.0)	(46.9)
Net interest expense	(94.5)	(87.2)
FFO	**345.6**	**357.1**
Adjusted for:		
Maintenance capital and static tenant leasing costs	(27.4)	(24.3)
AFFO	**318.2**	**332.8**

1. Segment information (continued)

(a) Segment results (continued)

Key metrics

	Note	31-Dec-23	31-Dec-22
FFO per security [1] (cents per security)		7.59	7.84
AFFO per security [1] (cents per security)		6.99	7.31
Distribution per security (DPS) [2] (cents per security)	7(a)	5.85	5.75
Total distributions declared [2] ($m)	7(a)	266.3	261.8
AFFO payout ratio (total distributions declared $m/AFFO $m) (%)		83.7%	78.7%
FFO payout ratio (total distributions declared $m/FFO $m) (%)		77.1%	73.3%

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-23 $m	31-Dec-22 $m
Net profit after tax	**223.5**	**176.3**
Property revaluation decrement for directly owned properties [1]	76.0	56.7
Non-distributable loss relating to equity accounted investments [1]	29.6	21.3
Amortisation of incentives and leasing costs [2]	35.9	33.7
Straight-lining of rent adjustment [3]	(1.8)	(3.5)
Net mark-to-market movement on derivatives [3]	17.8	9.8
Net unrealised foreign exchange movement on interest bearing liabilities [3]	(39.8)	42.1
Income tax expense [4]	0.7	10.9
Preliminary development planning and marketing costs [5]	1.0	1.0
Other non-distributable items	2.7	8.8
FFO	**345.6**	**357.1**

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 movement 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.

1. Segment information (continued)

(c) Reconciliation of segment income to total revenue

Refer to Note 2 for a reconciliation of total segment income to total revenue and income in the Statement of Comprehensive Income.

(d) Segment assets and liabilities

The property investment segment reported to the 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-23 $m	30-Jun-23 $m
Investment properties	3(a)[1]	13,871.6	13,880.5
Investment properties included in equity accounted investments [2]		484.0	501.7
Total interests in directly owned investment properties		**14,355.6**	**14,382.2**

1. Total investment properties at Note 3(a) less investment property leaseholds and planning and holding costs.
2. Excludes planning and holding costs of $24.3 million (30 June 2023: $16.8 million) relating to investment properties included in equity accounted investments.

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-23 $m			31-Dec-22 $m		
	Property Investment	**Strategic Partnerships**	**Total**	**Property Investment**	**Strategic Partnerships**	**Total**
Recovery of property outgoings [1 3]	91.9	-	**91.9**	100.2	-	**100.2**
Other property related revenue [1]	61.5	-	**61.5**	57.4	-	**57.4**
Property management and development fees [2]	-	36.1	**36.1**	-	33.5	**33.5**
Funds management fees [2]	-	0.6	**0.6**	-	0.9	**0.9**
Total revenue from contracts with customers	**153.4**	**36.7**	**190.1**	**157.6**	**34.4**	**192.0**
Lease rental income [1 3 4]	469.9	-	**469.9**	444.5	-	**444.5**
Interest and other income	3.5	-	**3.5**	1.7	-	**1.7**
Total income	**473.4**	**-**	**473.4**	**446.2**	**-**	**446.2**
Total revenue and income	**626.8**	**36.7**	**663.5**	**603.8**	**34.4**	**638.2**
Reconciliation to segment income						
Property-related expenses included in segment income			(219.4)			(200.6)
Allowance for expected credit losses			1.2			16.2
Net property income from equity accounted investments included in segment income			11.8			13.8
Straight-lining of rent adjustment			(1.8)			(3.5)
Amortisation of static lease incentives and other project items			35.9			33.7
Interest and other revenue not included in segment income			(7.1)			(6.6)
Total segment income			**484.1**			**491.2**

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. Recovery of property outgoings includes estimated recoveries of property outgoings of gross and semi-gross deals, accounted for as revenue from contracts with customers as the income is earned. The estimate is updated half yearly based on recoveries of property outgoings of net deals in the period.
4. Lease rental income includes percentage rent income of $13.4 million (31 December 2022: $13.6 million).

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. As at 31 December 2023, 34 assets were independently valued and 23 assets were valued internally (30 June 2023: 25 independent valuations and 32 internal valuations).

(a) Portfolio summary

	31-Dec-23				30-Jun-23			
Shopping centre type	**Number of properties**	**Value $m [4]**	**Weighted average discount rate, % [4 5]**	**Weighted average cap rate, % [4 5]**	**Number of properties**	**Value $m [4]**	**Weighted average discount rate, % [4 5]**	**Weighted average cap rate, % [4 5]**
Super Regional	1	3,375.0	6.50	4.00	1	3,325.0	6.25	3.88
Major Regional	7	1,922.8	7.19	6.38	7	1,945.3	6.94	6.16
Central Business Districts	7	1,933.2	6.72	5.34	7	1,965.7	6.52	5.14
Regional	8	1,553.0	7.60	6.85	8	1,588.7	7.41	6.59
Outlet Centre	8	2,341.1	7.13	5.95	8	2,337.5	6.88	5.71
Sub Regional [1]	23	2,556.2	7.24	6.45	23	2,529.3	7.07	6.36
Neighbourhood	3	190.3	6.93	6.05	3	189.0	6.91	6.01
Planning and holding costs [2]	-	53.7	n/a	n/a	-	48.9	n/a	n/a
Sub-total	**57**	**13,925.3**	**7.00**	**5.64**	**57**	**13,929.4**	**6.78**	**5.47**
Add: Investment property leaseholds	-	360.2			-	359.0		
Less: Properties held for sale [3]	(3)	(273.5)			-	-		
Total investment properties	**54**	**14,012.0**			**57**	**14,288.4**		

1. Box Hill Central North is not included in the weighted average discount and capitalisation rates given the valuation for the property was derived based on a 'project related site assessment' method.
2. 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 at each period end to determine if continued capitalisation of these costs remains appropriate.
3. Represents the carrying amount of Roxburgh Village, Kurralta Central and Dianella Plaza which are classified as investment properties held for sale (current asset), as the Group has entered into unconditional sale contracts as at 31 December 2023. These transactions are expected to settle by March 2024 and the properties have been recorded at their fair value at balance date.
4. The discount and cap rates are used in the 'discounted cash flow' and 'capitalisation of net income' valuation methods respectively. The adopted fair value is within the range calculated with reference to the two methods.
5. The discount and cap rates relate to the core retail component excluding non-retail or ancillary properties.

3. Investment properties (continued)

(b) Movements for the period

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

	31-Dec-23 $m	31-Dec-22 $m
Opening balance at 1 July	**13,929.4**	**14,009.0**
Capital expenditure [1]	127.0	161.1
Capitalised borrowing costs [2]	2.2	1.6
Disposals [3]	(22.7)	-
Property revaluation decrement for directly owned properties [4]	(76.5)	(56.7)
Amortisation of incentives and leasing costs [5]	(35.9)	(33.7)
Straight-lining of rent adjustment [5]	1.8	3.5
Closing balance at 31 December	**13,925.3**	**14,084.8**

1. Includes development and maintenance capital expenditure, lease incentives, fit-out, and other capital costs.
2. Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 4.9% (31 December 2022: 4.4%).
3. Current period disposals include 100% interest in Broadmeadows Homemaker Centre for $19.4 million, land disposals at Ellenbrook Central and Whitsunday Plaza for $1.8 million and $1.5 million respectively, and associated transaction costs.
4. Excludes the property revaluation increment of $0.5 million (31 December 2022: $nil) of investment property leaseholds held at fair value.
5. For lease arrangements where Vicinity is the lessor.

(c) Portfolio valuation

Valuation process

The Group's valuation process has not changed significantly since 30 June 2023. Details of the Group's valuation process are provided within Note 4(c) of the 30 June 2023 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 high and subsequent movement in 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 to Note 24 in the 30 June 2023 Annual Report for further details on the fair value hierarchy).

3. Investment properties (continued)

(c) Portfolio valuation (continued)

Key assumptions and inputs (continued)

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 2023.

Unobservable inputs	31-Dec-23 Range of inputs	31-Dec-23 Weighted average inputs	30-Jun-23 Range of inputs	30-Jun-23 Weighted average inputs	Sensitivity
Capitalisation rate [1]	4.00% – 9.00%	5.64%	3.88% – 8.50%	5.47%	The higher the capitalisation rate, discount rate, terminal yield, and expected downtime due to tenants vacating, the lower the fair value.
Discount rate [2]	6.00% – 9.25%	7.00%	6.25% – 8.75%	6.78%	
Terminal yield [3]	4.25% – 8.00%	5.84%	4.13% – 8.00%	5.67%	
Expected downtime (for tenants vacating)	3 to 15 months	6 months	4 to 15 months	7 months	
Market rental growth rate	2.00% – 3.59%	3.03%	2.00% – 3.69%	3.03%	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.

All of the above key assumptions have been taken from the 31 December 2023 external valuation reports and internal valuation assessments (where applicable). For all investment properties except for Box Hill Central North, the current use is considered the highest and best use. For Box Hill Central North, the highest and best use is a mixed-use development site.

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 2023. Specific key unobservable inputs may impact only the capitalisation of net income method, the DCF method or both methods.

DCF method

31-Dec-23 $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]	13,598.1				
Impact on actual valuation		254.6	(248.8)	(198.9)	201.5
Resulting valuation		13,852.7	13,349.3	13,399.2	13,799.6

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

Capitalisation of net income method

31-Dec-23 $m	Carrying value	Capitalisation rate -0.25%	Capitalisation rate +0.25%
Actual valuation [1]	13,598.1		
Impact on actual valuation		673.8	(609.6)
Resulting valuation		14,271.9	12,988.5

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

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-23 %	30-Jun-23 %	31-Dec-23 $m	30-Jun-23 $m
Chatswood Chase Sydney (Joint Venture) [1 2]	51	51	326.2	342.8
Victoria Gardens Retail Trust (Joint Venture) [1 2]	50	50	88.7	93.7
Other associates			0.7	1.0
Closing balance			**415.6**	**437.5**

1. 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).
2. 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.

Acquisition of remaining interest in Chatswood Chase Sydney

Investment in Chatswood Chase Sydney is held through CC Commercial Trust (CCCT). On 30 October 2023, the Group entered into agreements to acquire the remaining 49% interest in CCCT for $307.0 million, subject to certain purchase price adjustments. The transaction is expected to settle on 15 March 2024.

In the period up to settlement date, the contractual arrangements that establish joint control over the economic activities of CCCT remains substantively unchanged. As a result, the Group and its joint venture partner continue to have joint control over the relevant activities of CCCT at balance date.

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 each reporting period with the gain or loss attributable to exchange rate movements recognised in the Statement of Comprehensive Income.

(a) Summary of facilities

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

	31-Dec-23 $m	30-Jun-23 $m
Current liabilities		
Unsecured		
Bank debt	-	123.0
AUD Medium Term Notes (AMTN)	200.0	200.0
US Private Placement Notes (USPP)	85.0	-
Total current liabilities	**285.0**	**323.0**
Non-current liabilities		
Unsecured		
Bank debt	455.0	330.0
AMTN [1]	959.1	958.8
GBP European Medium Term Notes (GBMTN)	653.2	665.6
HKD European Medium Term Notes (HKMTN)	120.3	122.5
USPP	765.8	868.4
EUR European Medium Term Notes (EMTN)	807.4	815.3
Deferred debt costs [2]	(11.4)	(10.1)
Total non-current liabilities	**3,749.4**	**3,750.5**
Total interest bearing liabilities	**4,034.4**	**4,073.5**

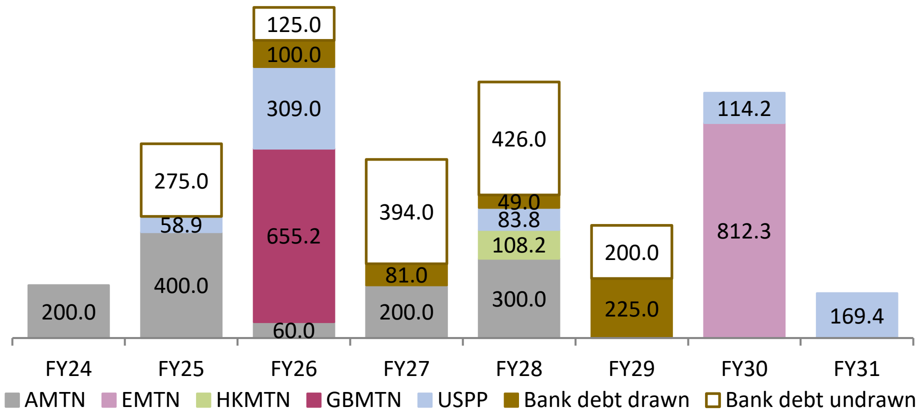
1. Non-current unsecured AMTN includes $60.0 million issued under the Group's EMTN program and $300.0 million of Green Bond. The proceeds of Green Bonds were utilised to fund eligible green projects and assets with high sustainability rating (e.g. National Australian Built Environment Rating System energy 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)

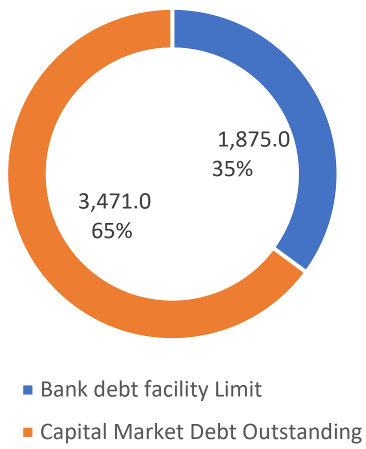
(b) Facility maturity and availability

The charts below outline the maturity of the Group's total available facilities at 31 December 2023 by type, and the bank to capital markets debt ratio. Of the $5,346.0 million total available facilities (30 June 2023: $5,146.0 million), $1,420.0 million remains undrawn at 31 December 2023 (30 June 2023: $1,222.0 million).

Available facilities expiry profile ($m) [1]



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



1. The carrying amount of the USPP, GBMTN, HKMTN, EMTN and AMTN on the Balance Sheet is net of adjustments for fair value items and foreign exchange translation losses of $119.8 million (30 June 2023: losses $159.6 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 $11.4 million (30 June 2023: $10.1 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-23 $m	31-Dec-22 $m
Interest and other costs on interest bearing liabilities and derivatives	93.3	84.7
Amortisation of deferred debt costs	2.3	2.3
Amortisation of face value discounts	0.8	0.8
Amortisation of fair value adjustments relating to discontinuation of hedge accounting	(0.8)	(0.7)
Interest charge on lease liabilities	14.6	14.4
Capitalised borrowing costs	(2.5)	(1.6)
Total borrowing costs	**107.7**	**99.9**

5. Interest bearing liabilities and derivatives (continued)

(d) Capital management

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

	31-Dec-23 $m	30-Jun-23 $m
Total interest bearing liabilities	**4,034.4**	**4,073.5**
Reconciliation to drawn debt		
Deferred debt costs	11.4	10.1
Fair value and foreign exchange adjustments to EMTN	4.9	(3.0)
Fair value and foreign exchange adjustments to GBMTN	2.0	(10.4)
Fair value and foreign exchange adjustments to USPP	(115.5)	(133.1)
Fair value adjustments to AMTN	0.9	1.2
Foreign exchange adjustments to HKMTN	(12.1)	(14.3)
Total drawn debt	**3,926.0**	**3,924.0**
Drawn debt net of cash	3,830.4	3,731.1
Total tangible assets excluding cash, right of use assets, investment property leaseholds and derivative financial assets	14,573.2	14,577.2
Gearing ratio (target range of 25.0% to 35.0%)	**26.3%**	**25.6%**

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 2023 the interest cover ratio was 4.4 times (30 June 2023: 4.6 times).

5. Interest bearing liabilities and derivatives (continued)

(e) Fair value of interest bearing liabilities

As at 31 December 2023, the Group's interest bearing liabilities had a fair value of $3,840.6 million (30 June 2023: $3,759.3 million).

The carrying amount of these interest bearing liabilities was $4,034.4 million (30 June 2023: $4,073.5 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 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 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 2023, the Group had no defaults on debt obligations or breaches of lending covenants (30 June 2023: 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-23 Number (m)	31-Dec-22 Number (m)	31-Dec-23 $m	31-Dec-22 $m
Total stapled securities on issue at the beginning of the half year	4,552.3	4,552.3	9,102.2	9,102.2
Total stapled securities on issue at the end of the half year	**4,552.3**	**4,552.3**	**9,102.2**	**9,102.2**

Treasury securities are on-market securities purchased by the Group to settle employee share based payment plans. The Group held 0.3 million or $0.5 million of treasury securities at 31 December 2023 (31 December 2022: 0.5 million shares or $0.9 million).

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-23 Number (m)	31-Dec-22 Number (m)
Weighted average number of securities used as the denominator in calculating basic earnings per security	4,552.3	4,552.3
Adjustment for potential dilution from performance and restricted rights	8.9	8.6
Weighted average number of securities used as the denominator in calculating diluted earnings per security	**4,561.2**	**4,560.9**

7. Distributions

(a) Interim distributions for the period

	31-Dec-23 Cents[1]	31-Dec-22 Cents[1]	31-Dec-23 $m	31-Dec-22 $m
Distributions in respect of earnings:				
For six-months to 31 December 2023 (31 December 2022)	5.85	5.75	266.3	261.8
Total interim distributions for the period	**5.85**	**5.75**	**266.3**	**261.8**

1. Cents per VCX stapled security.

On 15 February 2024, the Directors declared a distribution in respect of the Group's earnings for the half year ended 31 December 2023 of 5.85 cents per VCX stapled security, which equates to total interim distributions of $266.3 million. The interim distribution will be paid on 7 March 2024.

(b) Distributions paid during the period

	31-Dec-23 Cents[1]	31-Dec-22 Cents[1]	31-Dec-23 $m	31-Dec-22 $m
Distributions paid in respect of the earnings:				
For six-months to 30 June 2023 (30 June 2022)	6.25	5.70	284.5	259.4
Total distribution paid during the period	**6.25**	**5.70**	**284.5**	**259.4**

1. Cents per VCX stapled security.

Other disclosures

8. 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-23 $m	31-Dec-22 $m
Net profit after tax for the half year	**223.5**	**176.3**
Exclude non-cash items and cash flows under investing and financing activities:		
Amortisation of incentives and leasing costs	35.9	33.7
Straight-lining of rent adjustment	(1.8)	(3.5)
Property revaluation decrement for directly owned properties	76.0	56.7
Share of net loss of equity accounted investments	21.3	10.0
Amortisation of non-cash items included in interest expense	2.3	2.4
Net foreign exchange movement on interest bearing liabilities	(39.8)	42.1
Net mark-to-market movement on derivatives	17.8	9.8
Depreciation of right of use assets	2.3	2.5
Income tax expense	0.7	10.9
Other non-cash items	2.9	11.8
Movements in working capital:		
Decrease in payables and other financial liabilities, and provisions	(17.1)	(28.6)
(Increase)/decrease in receivables including distributions receivable and other assets	(20.6)	9.4
Net cash inflows from operating activities	**303.4**	**333.5**

9. 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 2023, 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 (PI CGU):
  - Greater than 99% of the assets of the PI CGU are investment properties which are carried at their fair values as disclosed in Note 3; and
  - Other remaining assets within the PI CGU were carried at their recoverable amounts.
- In relation to the Strategic Partnership Cash Generating Unit (SP CGU), the key inputs and assumptions within the SP CGU's discounted cash flow model have been updated to reflect reasonably possible scenarios when assessing headroom. The recoverable amount of the SP 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 at 31 December 2023.

9. 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) Capital commitments

Estimated maintenance, development, and leasing capital of the Group committed at reporting date, but not recognised on the Balance Sheet amounted to $436.3 million (30 June 2023: $189.3 million). The increase in capital commitments is due to the Group's development activities.

10. 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 11 to 31 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 2023 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 2024

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Vicinity Limited (the "Company"), and the entities it controlled (collectively the "Group"), which comprises the consolidated balance sheet as at 31 December 2023, 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 2023 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.

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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 2023 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

Michael Collins
Partner

Melbourne
15 February 2024