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CREATING LIFESTYLE DESTINATIONS

Annual Report 2017

VICINITY CENTRES

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About this report

This annual report is a summary of Vicinity Centres' operations, activities and financial position as at 30 June 2017. In this report references to 'Vicinity', 'Group', 'we', 'us' and 'our' refer to Vicinity Centres unless otherwise stated.

References in this report to a 'year' and 'FY17' refer to the financial year ended 30 June 2017 unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

This annual report discloses Vicinity's financial and non-financial performance for FY17 and has been prepared using elements of the Integrated Reporting <IR> framework. More information, particularly latest company announcements and detailed sustainability reporting can be found on Vicinity's website.

Vicinity is committed to reducing the environmental footprint associated with the production of the annual report and printed copies are only posted to securityholders who have elected to receive a printed copy. This report is printed on environmentally responsible paper manufactured under ISO14001 environmental standards.

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

References additional materials within this report

References additional materials on Vicinity's website

Disclaimer

This report contains forward-looking statements, including statements, indications and guidance regarding future earnings, distributions and performance. The forward-looking statements are based on information available to Vicinity Centres as at the date of this report (16 August 2017). These forward-looking statements are not guarantees or predictions of future results or performance expressed or implied by the forward-looking statements and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the control of Vicinity Centres. The actual results of Vicinity Centres may differ materially from those expressed or implied by these forward-looking statements, and you should not place undue reliance on such forward-looking statements. Except as required by law or regulation (including the ASX Listing Rules), we undertake no obligation to update these forward-looking statements.

Chadstone, VIC

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From local shopping centres to premium retail destinations that compete on an international stage, we aim to enrich our communities by providing unique centres with the shops, services and amenities that they need.

Performance Highlights

Statutory net profit after tax

$1,583.6m

FY16: $960.9m

Distribution per security

17.3¢

FY16: 17.7¢

Total return[1]

15.5%

FY16: 12.8%

Employee engagement score

71%

FY16: 66%

Green Star Performance portfolio rating

3 Stars

FY16: 2 Stars

Occupancy rate

99.5%

June 2016: 99.4%

1. Calculated as: (Change in net tangible assets per security (NTA) during the period + distributions declared)/opening NTA.

Our Operating Model

Enriching community experiences

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Our resources

We evolve and optimise our resources to complement and enhance our operating model.

Capital
Capital from our equity and debt investors and strategic partners.

People
A highly engaged and capable workforce.

Real estate
A resilient and sustainable property portfolio.

Data and systems
Network capability, data, processes and our insights and intellectual property.

Brand
Brand and reputation underpinned by strong stakeholder relationships.

External influences

We embrace opportunities and manage material risks presented by our external influences.

Financial and property markets
Factors that impact the accessibility, pricing and liquidity of our capital and real estate assets.

Consumer and retail trends
Changing lifestyles, needs and behaviours of consumers, and market forces that affect our retailers.

Local community
Demographic, cultural, social and economic characteristics where we operate.

Environment
Accessibility and cost of resources and the impacts of climate variability.

Our value add

Our strategy is to create unique and relevant consumer experiences, deliver compelling value for our retail partners and strive for excellence in everything we do.

Deliver the best retail mix and engaging experiences to attract consumers and support our retail partners.

Enhance our portfolio quality through select developments, divestments and acquisitions.

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Intensively managing our centres to drive income growth and operational efficiencies.

Our outcomes

We create shared value by enriching community experiences.

Solid investor returns

4.6%
comparable underlying EPS growth

15.5%
total return
(FY16: 12.8%)

Successful retailers and satisfied customers

$9,429 per sqm
specialty store MAT
(up 6.4% on FY16)

Highly engaged people

71%
engagement score
(FY16: 66%)

Better communities

$1.8 million
community investment
(FY16: $1.3 million)

8%
reduction of carbon intensity on FY16
(down to 71kg CO_2-e/sqm)

Find out more about our strategy and how we create shared value for our stakeholders in the following pages.

Chairman's Review

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Dear Securityholders

I am pleased to present to you Vicinity Centres' (Vicinity's) 2017 Annual Report.

Peter Hay – Chairman

During the 2017 financial year, we have focused on reinforcing Vicinity's strong platform for future growth. Portfolio quality has been improved, our capital position has been strengthened, we have invested in networks, systems and capability to operate more effectively and gain deeper insights into our consumers' behaviours, and all outstanding key merger and integration activities have now been completed. We have also continued to sharpen our emphasis on our consumers and our retailers, as we position Vicinity for further success in the evolving retail landscape.

Statutory net profit after tax for the 12 months to 30 June 2017 was $1,583.6 million, underpinned by strong net property valuation gains. Net tangible assets per security (NTA) was up 8.9% to $2.82, supporting a total return[1] of 15.5% for the period. Underlying earnings of $741.8 million or 18.7 cents per security were delivered. This result was in line with guidance and down 2.1% compared to the prior year, largely as a result of non-core assets divested to improve the quality and growth of the portfolio. Adjusting for acquisitions and divestments, comparable underlying earnings were up 4.6% on the prior year, a strong achievement in a soft retail environment. This solid result reflects the benefit of ongoing portfolio enhancement, the realisation of further merger synergies and efficiencies, and the sound underlying performance of our assets. The full-year distribution per security was 17.3 cents, compared to 17.7 cents in the prior year, mainly due to the divestment of non-core assets.

To deliver on our strategy – to create unique and relevant consumer experiences, deliver compelling value for our retail partners and strive for excellence in everything we do – we focused on improving our offer, both in terms of the assets within our portfolio and the retail experience for our consumers. We have done this through selective acquisitions, divestments and redevelopment, and by continuing to refine our tenancy mix.

The improvement of many of our key portfolio metrics during the year reflects this focus.

We have also integrated broader sustainability objectives into our strategy to create a low-carbon highly-efficient portfolio, enhance our climate resilience and shape better communities where we operate. As one of the largest owners and managers of shopping centres in Australia, we touch a great number of lives – our people, our retailers and service providers, together with our consumers and local communities. As an employer, we have focused on a number of internal initiatives this year, including a focus on culture and engagement. This year, I am pleased to report that our people initiatives have helped to increase our overall engagement score to 71%, up 5 percentage points on the prior year's group-wide engagement survey outcome.

We have also been strategically investing in our communities, contributing $1.8 million[2] this year through both corporate and centre-level community initiatives. We entered a three-year partnership with Beacon Foundation to deliver our community investment program, focusing on assisting unemployed and disengaged youth in our communities. We have also partnered with a number of social enterprises supporting the employment of approximately 30 disadvantaged individuals from our local communities. We believe these initiatives create shared value, by strengthening our communities and the connection they have with our centres.

A number of unfortunate events occurred during the year. In February 2017, a light aircraft crashed into the Homemaker Centre at DFO Essendon. Sadly those on board the plane did not survive. On behalf of the entire Vicinity team, I extend my condolences to the families of the deceased. The centre was closed at the time and fortunately there were no other casualties. Cyclone Debbie in March 2017, and the associated flash flooding, resulted in centre closures and emergency plans being initiated at some of our centres across the Queensland coast. I am pleased to report that there were no serious injuries to our people and no major damage to our assets. I would like to acknowledge the dedication and professionalism of our team in how they dealt with these unforeseen events.

At the 2016 Annual General Meeting (AGM), I announced our intention to reduce the total number of Board members and also to introduce new skills to our Board, particularly in the areas of digital and technology. I am delighted to be welcoming Ms Janette Kendall to the Board as an Independent Non-executive Director, effective from 1 December 2017. During the year, Mr Richard Haddock AM retired from the Board, and at Vicinity's 2017 AGM later this year, Mr Charles Macek and Ms Debra Stirling will also be retiring from the Board. On behalf of the Board, I thank Richard, Charles and Debra for their commitment to Vicinity's securityholders and their significant contribution to the Board.

Our CEO and Managing Director, Mr Angus McNaughton, announced his retirement as of 31 December 2017, having been involved with the business for nearly 10 years, including his time with Novion Property Group (Novion) and its predecessor CFS Retail Property Trust Group. Angus stepped in to lead Vicinity through the integration of the merger between Novion and Federation Centres in August 2015, having previously been the CEO and Managing Director of Novion. On behalf of the Board, I thank Angus for his pivotal contribution in completing the successful integration of these

1. Calculated as: (Change in NTA during the period + distributions declared)/opening NTA.
2. Includes a combination of cash and in-kind contributions, accounting for associated management time and part of the operational spend on social enterprises in accordance with the London Benchmarking Group (LBG) framework.

Emporium Melbourne, VIC

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Our strategy is to create unique and relevant consumer experiences, deliver compelling value for our retail partners and strive for excellence in everything we do.

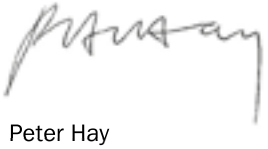
two groups, delivering the anticipated synergies from the merger and creating a strong platform for the future.

After a global search, I am pleased to have announced the appointment of Mr Grant Kelley as the incoming CEO and Managing Director. With global experience in real estate investment, corporate strategy, funds management and private equity, Grant will bring a strong strategic and analytical perspective to bear on the evolving Australian retail landscape. The Board, together with Angus, will work to ensure a smooth transition from Angus through to Grant's planned commencement on 1 January 2018.

In the year ahead, our focus will continue to be on building quality and strength across the business. This includes the implementation of recently announced initiatives to further strengthen Vicinity's capital position. Effective from FY18, Vicinity's primary earnings measure will change to funds from operations (FFO) and our distribution payout ratio will be 95% to 100% of adjusted funds from operations (AFFO). This change in distribution policy will result in a lower distribution for FY18 than under the previous policy but is more sustainable over the long term and will support the future growth of Vicinity. Additionally, we intend to divest a further $300 million of non-core assets over the coming year to improve portfolio quality. We have also announced an on-market buy-back of up to 5% of Vicinity's securities, which is to be undertaken opportunistically at a price that is accretive to both FFO per security and NTA.

To meet evolving consumer preferences, we will continue to progress our extensive development pipeline and reposition our tenancy mix. Our active approach to asset enhancement which continues to strengthen our portfolio resilience year-on-year, coupled with these recently announced capital initiatives, positions us well to create long-term value and sustainable growth, despite expectations that the retail sales environment will remain challenging over the coming year.

On behalf of the Board, I would like to thank the Vicinity team who continue to work with passion, looking for ways to improve our business while delivering solid underlying performance. I would also like to thank our securityholders for your continued support throughout this transformational year and I look forward to having the chance to meet with many of you at our 2017 AGM that will be held in Melbourne on 16 November 2017.



Peter Hay
Chairman

CEO and Managing Director's Review

Angus McNaughton –
CEO and Managing Director

Dear Securityholders

I am pleased to present to you an update on Vicinity Centres, for what has been an extremely active 12 month period.

The outcomes of this activity are reflected in the solid results reported for the 2017 financial year, which were driven by benefits from ongoing portfolio enhancement through acquisitions, divestments, developments and tenant remixing, the completion of all key merger integration activities, realising additional efficiencies within our business, along with the sound underlying performance of our assets. Another highlight in the period was rolling out our community investment program to strengthen the communities in which we operate.

Vicinity delivered statutory net profit after tax for FY17 of $1,583.6 million which was underpinned by strong net property valuation gains of $852.5 million.[1] Underlying earnings for the period were $741.8 million or 18.7 cents on a per security basis.[2] Adjusting for acquisitions and divestments, comparable underlying earnings were up 4.6% on the prior year, supported by comparable net property income growth of 2.5% and lower net corporate overheads; a strong achievement in a soft retail environment.

Prudent capital allocation decisions and the divestment of interests in $1.7 billion of assets over the past 24 months have put us in a strong capital position. At 30 June 2017, our gearing was 24.7%, our weighted average debt duration was 5.3 years and all debt expiring in FY18 had been repaid. Our success on portfolio enhancement initiatives and strengthening our balance sheet was acknowledged in January 2017, with Standard & Poor's raising Vicinity's credit rating to 'A' with a stable outlook.

Our recently announced initiatives of approximately $300 million of non-core assets intended to be divested in FY18 to further improve our portfolio quality, together with our adoption of FFO and AFFO as principal policy measures effective from FY18, will further strengthen our capital position and support future growth. These initiatives build on last month's announcement of an on-market buy-back of up to 5% of Vicinity's securities to be undertaken at a price that is accretive to both FFO per security and NTA, while also preserving ample capacity to fund Vicinity's other capital requirements.

FY17 earnings and FY18 guidance
Pages 08

Our active portfolio repositioning during the year is also being reflected in our solid portfolio metrics. The portfolio occupancy rate has improved to 99.5%, compared to 99.4% a year earlier and leasing spreads are also stronger. Comparable specialty sales per sqm were up strongly by 6.4% to $9,429 and comparable specialty occupancy costs remained unchanged at 14.6%.

Achieving these portfolio metrics has been a great outcome, particularly given the softer retail trading environment, which featured a number of retailer administrations in the period. Moving annual turnover (MAT)[3] growth at 30 June 2017 was 0.4%, compared to 2.1% for the prior period. Specialty store MAT growth was 0.5%, down from 3.0% a year earlier. Excluding the impact of the Dick Smith portfolio that went into administration in FY16, specialty store MAT was up 1.0%.

We have continued to reposition our tenancy mix and improve our retail offer in response to changing consumer preferences. This includes re-weighting our retail mix from mid-level women's apparel into categories experiencing higher demand such as food catering and retail services. We are also focused on a wide range of initiatives to enhance the retail experience, in a continuously evolving retail landscape.

Amazon has made a well-publicised commitment to enter the Australian market over the next year or two. While we feel Amazon will have a greater impact on the existing online retail market in comparison to in-store sales, its entry will raise the service delivery expectations of Australian consumers. There is also heightened importance on delivering a compelling omni-channel experience, integrating the physical and digital shopping journeys, for both retailers and consumers, and this is a key area of focus for our business.

This year, we completed the connection of our retail assets and corporate offices to a single high-speed digital network with WiFi connectivity throughout. Our consumers now have access to free high-speed WiFi at our centres and the rich data we are gathering from this network is enabling us to gain insight into consumer behaviour, including dwell times, foot traffic and the way consumers move around our centres. Our focus for FY18 is to leverage this data to enhance the consumer experience, provide insights to retailers, and improve the way we manage our assets.

1. Calculated as the aggregate net valuation gain for the two six-month periods. The net valuation gain excludes statutory accounting adjustments and assets divested during each period.
2. For a reconciliation of underlying earnings to statutory net profit, refer to Note 1(b) of the Financial Report.
3. Sales are reported on a comparable basis which excludes divestments and development-impacted centres in accordance with Shopping Centre Council of Australia (SCCA) guidelines.

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Ongoing portfolio enhancement through divesting non-core assets, making select acquisitions, and repositioning our centres through tenant remixes and redevelopment, remains a key focus for our business to create long-term value and to drive sustainable earnings growth.

Taking advantage of the ongoing demand for retail property, we divested interests in 10 retail assets for $586 million during FY17, a 2.3% premium to prevailing book values.[4] Sale proceeds were used in part to acquire the remaining interests in two assets that we partly owned, including the strongly performing DFO South Wharf, and also to progress our significant development pipeline.

A major highlight of our development activities this year, was the completion of the $666 million (Vicinity share: $333 million) major redevelopment of Chadstone in June 2017, which included welcoming the first LEGOLAND® Discovery Centre in the southern hemisphere into the centre. Chadstone has continued to strengthen since the opening of the key retail stage in October 2016, attracting large crowds, particularly on the weekends, with annual traffic up 21% to over 21 million visitors and MAT up 20% to $1.73 billion at 30 June 2017. This development has reaffirmed Chadstone's status as one of the leading retail assets globally, and has underpinned a strong valuation gain over the year of 13.5% to $5.35 billion (Vicinity share: $2.68 billion).

This year, we looked more deeply into the longer term sustainability of our assets. We completed a portfolio-wide risk assessment to better understand the impacts of climate change on our business and integrated climate resilience considerations into key business processes. We continued to reduce the resource usage of our centres and commenced further work to identify energy efficiency and onsite solar generation opportunities across our portfolio. Our third solar installation went live at Ellenbrook Central, providing a strong business case for our low-carbon strategy being developed in the year ahead.

These initiatives, along with our responsible management practices, continue to be favourably recognised by three key sustainability surveys. In late 2016, we were included in three leaders indices in the Dow Jones Sustainability Index (DJSI), ranked above our retail peers by Global Real Estate Sustainability Benchmark (GRESB) and rated 'A-' for climate change performance by CDP.

Looking ahead, we do expect the retail environment to remain challenging over the next 12 months. Our focus remains on building a stronger and more resilient business. We intend to divest approximately $300 million of non-core assets over FY18 and to continue to progress our development pipeline. Furthermore, in response to strong leasing demand, we will commence major remixes at Chadstone and QueensPlaza. These projects will significantly improve the tenancy mix and growth potential of both assets, notwithstanding a short-term impact on FFO while works are completed.

We will be progressing our development pipeline including completing Mandurah Forum, opening the first stage of retail at The Glen and advancing the DFO Perth project. Across our portfolio we will continue to focus on creating the best tenant mix to enhance the retail experience, generating additional income streams and driving further operational efficiencies. On capital management, we will seek to buy back Vicinity securities at a price that is accretive to both FFO per security and NTA, while also preserving ample capacity to fund other capital requirements. We will also look to extend our FY19 debt expiries.

Our FY18 FFO guidance is 18.0 to 18.2 cents per security and our FY18 distribution payout ratio is expected to be 100% of AFFO, with maintenance capital expenditure and incentives in total to be approximately $70 million to $80 million.[5]

FY17 earnings and FY18 guidance
Pages 08

A major highlight of our development activities this year, was the completion of the $666 million (Vicinity share: $333 million) major redevelopment of Chadstone in June 2017, which included welcoming the first LEGOLAND® Discovery Centre in the southern hemisphere into the centre.

It has been a privilege to be part of Vicinity's transformation and, together with the Board and executive team, to establish Vicinity's strategic direction. Vicinity is in a strong position and I am very confident in the highly competent executive team that we have built and their ability to drive the future growth of our business. I look forward to continuing to work with the team through to the end of 2017 and am committed to overseeing a smooth transition to incoming CEO and Managing Director, Grant Kelley.

Thank you for your ongoing support.

Angus McNaughton
CEO and Managing Director

4. Excludes transactions costs and includes contracts exchanged for the sale of Terrace Central, NSW which is expected to settle in November 2017.
5. Assuming no material deterioration to existing economic conditions.

Our Operating and Financial Review

We are pleased to present Vicinity Centres' operating and financial review for the 2017 financial year. This operating and financial review sets out Vicinity's strategy, operating model, achievements, objectives and outlook. It also provides a review of financial and operational performance over the 2017 financial year, along with key risks and opportunities.

Our vision

Reimagining destinations of the future, creating places where people love to connect.

Our purpose

To enrich community experiences. We do this by creating a better, easier and more enjoyable experience for our stakeholders – our consumers, retailers, securityholders, strategic partners and our people.

Our strategy and business prospects

Our vision is to reimagine destinations of the future, creating places where people love to connect. To achieve this, our strategy is to create unique and relevant consumer experiences, deliver compelling value for our retail partners and strive for excellence in everything we do. This means being consumer centric and understanding and responding to changing consumer trends. We focus on creating destinations that engage and excite, while making the retail journey easier so that our consumers visit more often and stay longer. Our strategy also involves partnering with our retailers to understand how we can service and support them for success. Across our business we embrace a culture of agility and innovation, constantly striving to improve the way we operate. We use data and technology to help us service our consumers and retailers, and to operate more efficiently.

With a portfolio across Australia of our scale, we have a significant opportunity to deliver on our purpose, to enrich community experiences now and into the future. The integration of broader sustainability objectives into our strategy guides how we invest in our communities and build a low-carbon and climate-resilient portfolio. This approach helps us create sustainable destinations and shape better communities. We measure our success by the shared value we create for all of our stakeholders.

We believe this strategy enables Vicinity to create long-term value and sustainable growth from our portfolio of quality Australian retail assets.

Our operating model
Pages 02–03

FY17 outcomes and FY18 focus

Vicinity's performance and achievements in FY17 and focus for FY18 can be found on the pages following.

Key performance metrics
Page 12

Achievements and focus
Pages 10–11

FY17 earnings and FY18 guidance

Over the 12 months to 30 June 2017, Vicinity generated a net profit of $1,583.6 million underpinned by solid underlying performance and strong property valuation gains. Vicinity's underlying earnings[1] per security (EPS) was 18.7 cents for the year, which reflects comparable underlying EPS growth of 4.6%, adjusting for acquisitions and divestments. The distribution per security declared totalled 17.3 cents (1H: 8.7 cents, 2H: 8.6 cents), which equates to a payout ratio of 92.3% of underlying earnings.

Vicinity has revised its earnings and distribution payout policies to harmonise them with broadly accepted market practice. Effective from FY18, Vicinity's primary earnings measure will change from underlying earnings, which includes rent lost from undertaking developments, to funds from operations (FFO). Concurrently, our distribution policy has been revised to pay out 95% to 100% of adjusted funds from operations (AFFO), which will drive more sustainable earnings growth going forward. AFFO represents FFO adjusted for annual maintenance capital expenditure and static lease incentives.

Vicinity's FFO guidance for FY18 is 18.0 to 18.2 cents per security and assumes approximately $300 million of non-core asset divestments in the period and rent lost from major remixes at Chadstone and QueensPlaza.[2] After adjusting for the impact of portfolio changes[3], this guidance reflects comparable FFO per security growth of 2.8% to 4.0%. Vicinity's distribution payout ratio for FY18 is expected to be 100% of AFFO. Maintenance capital expenditure and incentives in total for FY18 are forecast to be $70 million to $80 million.

1. Underlying earnings is net profit adjusted for fair value movements, certain unrealised and non-cash items, and other items that are not in the ordinary course of the business or are capital in nature.
2. Assuming no material deterioration to existing economic conditions.
3. Acquisitions, divestments and major remixes at Chadstone and QueensPlaza.

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Living our values

"We bring our values to life through the actions we take and the experiences we create – we embrace difference, we always collaborate, and we imagine a better way – and we believe in the power of the collective to achieve our purpose of enriching community experiences."

Damian Zahra
General Manager People and Culture

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Achievements and focus

	FY17 achievements	FY18 focus
Intensive asset management	• Improved occupancy to 99.5% • Active portfolio remixing, completing 1,276 leasing deals with an average leasing spread[(a)] of 1.9% • Established cross-functional working groups focused on improving consumer and retailer experiences • Strong growth in ancillary income of 6.4% driven by casual mall leasing, retail media and car parking	• Continue to improve the retail offer across the portfolio • Increase ancillary income revenue • Implement initiatives to drive further centre efficiencies
Development	• Completed major redevelopment of Chadstone including first LEGOLAND® Discovery Centre in the southern hemisphere • Commenced major development of The Glen In July 2017 • Completed the first retail stage of Mandurah Forum development fully leased • Commenced construction of DFO Perth	• Complete Mandurah Forum development on time and on budget • Materially advance The Glen and DFO Perth projects • Commence Chadstone Hotel project • Finalise scope and commence major redevelopment of Galleria and refurbishment and remixing project at Roselands • Commence major remixes at Chadstone and QueensPlaza • Advance select projects in the shadow pipeline

Chadstone, VIC

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	FY17 achievements	FY18 focus
Acquisition/ divestment	• Divested interests in 10 retail assets for $586 million reflecting a 2.3% premium to book values[(b)] • Acquired remaining 25% interest in strongly performing DFO South Wharf	• Continue to review acquisition opportunities • Divest ~$300 million of non-core assets
Capital	• Issued $400 million of Australian medium term notes and repaid FY18 debt expiries • Standard & Poor's raised Vicinity's credit rating to 'A/stable' from 'A-/positive' • Delivered on wholesale fund objectives, including completing Gateway Plaza redevelopment and commencing Midland Gate redevelopment • Strong performance across investor sustainability surveys[(c)]	• Optimise the cost of debt, while appropriately managing debt diversity, expiry profile and market risk • Deliver wholesale fund objectives • Utilise sustainability survey outcomes to strengthen business and sustainability practices
People	• Improved our employee engagement score in key focus areas • Launched #sheimagines campaign as part of our commitment to gender diversity • Transitioned Melbourne team into new office with activity-based and agile working • Established workplace giving and volunteering programs	• Maintain high engagement score of over 70% • Implement diversity programs relating to mental health and age
Real estate	• Achieved Green Star Performance portfolio rating of 3 Stars • Successfully trialled 100kw solar installation at Ellenbrook Central • Reduced carbon intensity[(d)] by 8% • Completed climate risk assessment across whole portfolio and across key business processes	• Develop a low-carbon target for Vicinity • Reduce dependence on electricity grid through energy efficiency measures and pursuing solar roll-out • Continue to embed climate-risk considerations into key business processes
Data and Systems	• Completed connection of centres and corporate offices to single high-speed digital network • Commenced collection of information on consumer behaviour • Established a 'data lake' to pool a range of data (accounting, property metrics and real-time consumer and operational data) • Established security governance framework and developed an information security management system to strengthen cyber security	• Continue to collect and analyse consumer data • Standardise reporting of data • Establish digital solutions for consumers and retailers • Investigate other digital initiatives
Brand and relationships	• Established Vicinity centre brand framework • Established three-year partnership with Beacon Foundation focused on unemployed and disengaged youth • Undertook internal community grants program, where $100,000 was distributed at a centre level to form local partnerships that address youth-related needs in each catchment • Spent over $300,000 on social enterprises, supporting the employment of 30 people	• Use Vicinity data and insights to tailor centre brands to our consumers • Improve retailer satisfaction scores • Continue roll-out of community investment program at corporate and centre level with Beacon Foundation

(a) The variance between the rent at the end of a lease and the rent received over the same space for a new lease.

(b) Excludes transaction costs and includes contracts exchanged for the sale of Terrace Central, NSW which is expected to settle in November 2017.

(c) Dow Jones Sustainability Indices, CDP and Global Real Estate Sustainability Benchmark.

Recent sustainability survey results
vicinity.com.au

(d) FY17 compared to FY16 on a per sqm basis.

Our performance

Key performance metrics

Performance metric	30-Jun-17	30-Jun-16	Change	Page
Financials				
Statutory net profit after tax[a]	**$1,583.6m**	$960.9m	$622.7m	14
Underlying earnings per security[a]	**18.7 cents**	19.1 cents	Down 2.1%	14
Distribution per security[a]	**17.3 cents**	17.7 cents	Down 2.3%	14
Comparable net property income growth[a],[b]	**2.5%**	3.5%	n.a.	15
Total return[a]	**15.5%**	12.8%	n.a.	53
Total securityholder return[a]	**(17.7%)**	20.4%	n.a.	53
Portfolio				
Number of retail assets[c]	**74**	81	Down 7[l]	
Occupancy rate[c]	**99.5%**	99.4%	Up 10 bps	14
Total moving annual turnover (MAT)[c]	**$16.2b**	$16.7b	n.a.	14
Specialty store MAT[c],[d] (per sqm)	**$9,429**	$8,865	Up 6.4%	14
Occupancy cost[c]	**14.6%**	14.6%	-	14
Weighted average capitalisation rate[c]	**5.61%**	5.95%	Tightened 34 bps	
Balance Sheet				
Total assets[c]	**$16.7b**	$15.8b	Up 5.1%	15
Net tangible assets per security[c]	**$2.82**	$2.59	Up 8.7%	15
Net asset value per security[c]	**$2.97**	$2.74	Up 8.3%	15
Debt				
Gearing[c],[e]	**24.7%**	25.9%	Reduced 120 bps	15
Weighted average cost of debt[a],[f]	**4.2%**	4.0%	Up 20 bps	
Debt duration[c],[g]	**5.3 years**	5.3 years	-	16
Proportion of debt hedged[c]	**90%**	91%	Down 1%	
People				
Employee engagement score[c]	**71%**	66%	Up 5%	30
Women in leadership[c],[h]	**36%**	31%	Up 5%	31
TRIFR[a],[i] (per million hours worked)	**3.84**	5.67	Improved by 1.83	30
Sustainability				
Community investment[a],[j]	**$1.8m**	$1.3m	Up $0.5m	28
Green Star Performance portfolio rating[c]	**3 Stars**	2 Stars	Up 1 Star	27
NABERS Energy rating[c],[k]	**3.7 Stars**	3.4 Stars	Up 0.3 Stars	27
NABERS Water rating[c],[k]	**3.2 Stars**	2.9 Stars	Up 0.3 Stars	27
Energy intensity (per sqm)[a]	**303MJ**	323 MJ	Improved 6%	27
Carbon intensity – scope 1 and 2 (per sqm)[a]	**71kg CO_2-e**	77kg CO_2-e	Improved 8%	27
Waste diversion rate[a]	**36%**	35%	Improved 1%	27

(a) For the 12 months to 30 June.
(b) Excludes acquisitions, divestments and development-impacted centres and is calculated on a like-for-like basis versus the prior corresponding period.
(c) As at 30 June.
(d) Comparable. Excludes divestments and development-impacted centres in accordance with SCCA guidelines.
(e) Calculated as drawn debt at Note 7(a) of the Financial Report, net of cash, divided by total tangible assets excluding cash, finance lease assets and derivative financial assets.
(f) Average for prior 12 months and inclusive of margins, drawn line fees and establishment fees.
(g) Based on facility limits.
(h) Executive Committee, senior leaders and senior managers.
(i) Total recordable injury frequency rate: the number of lost time injuries and medical treatment injuries for each million hours worked.
(j) Includes a combination of cash and in-kind contributions, accounting for associated management time and part of the operational spend on social enterprises in accordance with the LBG framework.
(k) Portfolio average calculated in accordance with NABERS guidelines and includes centres with current accredited ratings at 30 June 2017. Refer to the Portfolio NABERS Energy and Water Rating – 2017 at vicinity.com.au/sustainability for the list of centres included in the average.
(l) Vicinity retained partial interests in two of the nine retail assets divested during FY17. Note: Contracts were exchanged for the sale of Terrace Central, NSW which is expected to settle in November 2017.

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Enriching communities

"We are out in the centre every day, alongside our retail partners, creating the best retail experience we can for our consumers. We engage with our communities through informal and formal interactions, through activities that resonate and by providing attractive destinations where they can connect. Most importantly, we greet them with a smile."

Gabe North-Haney
Centre Manager, Bayside Centre

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Operations

Vicinity has significant scale and presence across Australia. At 30 June 2017, we had 84 retail assets under management, with a combined value of $25.3 billion, which generated $17.9 billion in annual sales from 8,300 leases across 2.8 million sqm of gross lettable area (GLA). Vicinity has an ownership interest in 74 of these assets[1], bringing the value of its direct portfolio to $15.5 billion. This section focuses on the performance of the direct portfolio which generates the majority of Vicinity's total income.

We continued to progress our portfolio enhancement strategy during FY17, divesting interests in 10 retail assets[2], acquiring the remaining interests in two assets we partly owned, and completing two development projects including the expansion of Chadstone.

Key highlights and commentary on our operations include:

- **Portfolio occupancy remains high at 99.5%** – Compared to 99.4% reported at June 2016.
- **Average leasing spread[3] of 1.9%** – Up from 0.5% in FY16. A strong result given the weaker sales growth environment. Of the 1,276 leasing deals completed, 53% were renewals with an average leasing spread of 3.7%.
- **Total MAT of $16.2 billion** – Up 0.4% over the past 12 months[4] but down from 2.1% reported over FY16, with only the supermarket store category showing an improvement in the growth rate over the year.
- **Specialty store MAT productivity[4] of $9,429/sqm** – Up 6.4% from $8,865 at June 2016, reflecting both improvements in the productivity of specialty stores and portfolio composition.
- **Specialty store MAT growth[4] of 0.5%** – Down from 3.0% reported over FY16, reflecting the weaker Australian retail sales environment.
- **Specialty store occupancy costs[4] of 14.6%** – Unchanged over the year.

Our portfolio
Page 22

Financial performance

The following summarised segment income statement is extracted from Note 1 of the Financial Report.

For the 12 months to:	30-Jun-17 $m	30-Jun-16 $m
Property Investment segment		
Net property income	**916.7**	953.6
Strategic Partnership segment		
Partnerships and other income	**66.0**	66.1
Total income	**982.7**	1,019.7
Corporate overheads (net of internal property management fees)	**(74.9)**	(80.8)
Net interest expense	**(166.0)**	(181.4)
Underlying earnings	**741.8**	757.5
Rent lost from undertaking developments	**(28.9)**	(18.0)
Funds from operations	**712.9**	739.5
Property revaluation increments	**906.7**	733.0
Impairment and amortisation of intangible assets	**(3.0)**	(298.3)
Other items	**(33.0)**	(213.3)
Net profit after tax	**1,583.6**	960.9
EPS (cents)	**40.0**	24.3
Underlying EPS (cents)	**18.7**	19.1
Distribution per security (DPS) (cents)	**17.3**	17.7
Payout ratio (DPS as a % of underlying EPS) (%)	**92.3**	92.5
Adjusted funds from operations (AFFO)	**641.5**	667.4
Distribution as a percentage of AFFO (%)	**106.8**	105.0

1. Includes DFO Brisbane business and excludes DFO Perth (under construction).
2. Includes contracts exchanged for the sale of Terrace Central, NSW which is expected to settle in November 2017.
3. The variance between the rent at the end of a lease and the rent received over the same space for a new lease.
4. Comparable. Excludes divestments and development-impacted centres in accordance with SCCA guidelines.

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Key commentary on financial performance:

- **Net property income (NPI) down $36.9 million or 3.9%** – A solid result considering the impact of selling $1.7 billion of assets since 1 July 2015. Comparable[1] portfolio NPI was up 2.5% reflecting fixed rental increases, growth in ancillary income and a focus on expense control offset by increased vacancies during the year as a result of administrations.
- **Corporate overheads down $5.9 million or 7.3%** – Strong focus on merger synergies and driving operational efficiencies.
- **Net interest expense down $15.4 million or 8.5%** – Primarily driven by the timing of asset sales and average debt levels over FY17 being lower than the prior year.
- **Asset valuation gains of $906.7 million** – Reflects the strength of investor demand for quality retail assets, as well as income growth. Over the period, Vicinity's weighted average capitalisation rate tightened to 5.61% (30 June 2016: 5.94%). Net valuation gain for the period was $852.5 million.[2]

Asset valuation gains of $906.7 million reflects the strength of investor demand for quality retail assets, as well as income growth.

Note 1 – Segment information
Page 73

Financial position

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

As at	30-Jun-17 $m	30-Jun-16 $m
Cash and cash equivalents	**42.2**	52.8
Investment properties held for sale	**33.5**	232.1
Investment properties	**15,633.5**	14,426.6
Intangible assets	**599.4**	602.4
Other assets	**350.2**	535.6
Total assets	**16,658.8**	15,849.5
Borrowings	**3,893.7**	3,942.2
Other liabilities	**1,017.4**	1,058.3
Total liabilities	**4,911.1**	5,000.5
Net assets	**11,747.7**	10,849.0
Net tangible assets per security (NTA) ($)	**2.82**	2.59
Net asset value per security (NAV) ($)	**2.97**	2.74
Gearing[(a)] (%)	**24.7**	25.9

(a) Calculated as drawn debt at Note 7(a) of the Financial Report, net of cash, divided by total tangible assets excluding cash, finance lease assets and derivative financial assets.

Key commentary on financial position:

- **Investment properties up $1,008.3 million** – Largely driven by valuation gains, development expenditure and the acquisition of interests in two assets, partly offset by the disposal of interests in nine[3] assets. Refer to Note 4(b) of the Financial Report for further information.
- **Borrowings down $48.5 million** – Asset sale proceeds of $542.6 million[3] offset by acquisitions and development expenditure over the period.
- **Gearing down to 24.7%** – Decrease reflects the strengthened balance sheet.

Balance Sheet
Page 68

1. Comparable portfolio excludes acquisitions, divestments and development-impacted centres and is calculated on a like-for-like basis versus the prior corresponding period.
2. Calculated as the aggregate net valuation gain for the two six-month periods. The net valuation gain excludes statutory accounting adjustments and assets divested during each period.
3. Excludes the divestment of Terrace Central, NSW which is expected to settle in November 2017.

Capital management

Vicinity's balance sheet continued to strengthen over the period. The Group diversified its debt capital sources, reduced gearing and further smoothed the expiry profile. Together with operational milestones achieved, this supported a decision by Standard & Poor's to upgrade its credit rating of Vicinity to 'A' with a 'stable' outlook. Moody's also reaffirmed its 'A2' credit rating with a 'stable' outlook in the period.

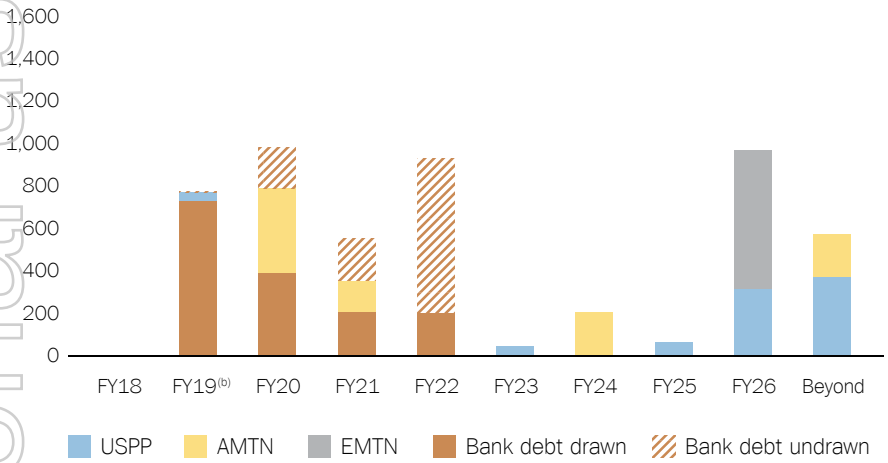
Over the year, we issued $200 million of 10-year and $200 million of 7-year Australian dollar medium term notes, repaid our FY18 debt expiries and extended the tenor of $1.5 billion of future bank debt expiries. With gearing of 24.7% and a weighted average debt duration of 5.3 years, Vicinity is well positioned to capitalise on opportunities to support future portfolio enhancement and other initiatives to create long-term value and sustainable earnings growth for securityholders.

Tax

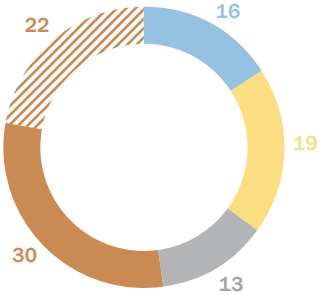
Vicinity is active in managing the impact that changes to tax law can have on our capital structure and future returns to our securityholders. Vicinity continues to engage with Federal Treasury in its review of the taxation regime applying to stapled structures and their securityholders.

Tax transparency
Page 40

Debt maturity profile ($m)[a]



Sources of debt (%)[a]



(a) Based on facility limits.
(b) FY19 includes undrawn bank debt of $7 million.

With gearing of 24.7% and a weighted average debt duration of 5.3 years, Vicinity is well positioned to capitalise on opportunities to support future portfolio enhancement.

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Shaping better communities

"Our goal is to help shape better communities, whether it is providing a safe and attractive place for locals to connect, creating low-carbon and resilient destinations, or generating economic and social benefits by investing in our communities."

Melissa Schulz
General Manager, Sustainability

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Our management of risk

Our Board and management recognise that effective risk management and internal controls are an integral part of sound management practice and good corporate governance, and are essential to executing on our strategic focus of delivering long-term value and sustainable growth to our securityholders.

Vicinity has dedicated risk, compliance and sustainability teams that are responsible for the ongoing review and monitoring of the effectiveness of group-wide compliance and risk management systems, and ensuring that appropriate compliance and risk mitigation measures are in place to manage risk within agreed risk appetite.

Throughout the reporting period, Vicinity had in place an enterprise risk management framework and system of internal controls to ensure that assets are protected and that material risks are proactively identified, managed and reported.

Vicinity has also undertaken a formal materiality assessment to identify our long-term economic, environmental and social sustainability risks. This process engaged both internal and external stakeholders to ensure that we respond to issues that matter most to Vicinity and our stakeholders. Results of this assessment have been integrated into Vicinity's enterprise risk profile.

Material risks that could affect achievement of Vicinity's financial prospects

Development delivery

Vicinity's development pipeline contains a number of current and prospective development projects. There is a risk that development projects are not delivered in accordance with Board-approved targets due to delays, increased costs and failure to realise targeted rents or valuation.

Vicinity's mitigation strategy for this risk involves rigorous project planning and management including an extensive iterative research and planning process, review and risk assessment by a third party, with oversight and approvals required progressively by an internal Investment Committee and the Board, subject to project cost. Development projects are also regularly monitored against schedule, budget and scope by a project control group.

Development
Page 23

Retail market conditions

The majority of Vicinity's earnings are derived from rental income. If retail market conditions are subdued for an extended period, this has the potential to impact tenant viability, vacancy rates, rental growth and our profitability.

Vicinity's approach to mitigating this risk involves improving the quality of our portfolio to ensure that our assets remain relevant to consumers and retailers. This may involve tenant remixes, developments, divestments and acquisitions. At an asset level, Vicinity's intensive asset management approach focuses on creating compelling consumer experiences, improving amenities and tailoring a centre's retail offer to the wants and needs of the local community. These initiatives are designed to drive greater consumer visitation, which should translate into higher sales and rental growth.

Our portfolio
Page 22

Structural changes in the retail sector

The retail sector is constantly evolving. Consumer behaviour and shopping preferences are changing, including when, where, why and how consumers shop. Changes such as the influx of international retailers into Australia, the role of digital technology and the growth in online retailing continue to influence how Vicinity operates its business. Amazon's announcement that it will move into the Australian market is also predicted to have an influence on the domestic retail landscape but the extent of its influence will depend on the product and distribution model chosen, and how consumers and existing retailers respond.

Vicinity's mitigation strategy is to continue to research, monitor, anticipate and adapt to these trends. Our centre management, leasing and development teams work together to create a development master plan, a five-year strategic leasing plan and a strategic asset plan for each asset. These plans factor in consumer preferences, development and product opportunities, tenant renewal and replacement strategies, and rent or capital requirements. The $2.0 billion pipeline (Vicinity share: $0.9 billion) of development projects is focused on ensuring our centres adapt to structural changes and remain relevant to our consumers, retailers and communities. Vicinity has also been actively remixing the tenant composition of its centres to increase the weighting towards food and services and away from mid-tier apparel retailers in line with changing consumer preferences. This overall strategy is supplemented by ongoing and more agile efforts to develop better consumer experiences which leverage our physical assets and stakeholder relationships.

Vicinity's digital strategy is focused on building a seamlessly integrated physical and digital retail property platform to assist in creating unique and relevant consumer experiences and in delivering compelling value for our retailers. This year, Vicinity completed its connectivity project to connect all of its centres and offices to the one high-speed digital network with WiFi capabilities. This will provide benefits for Vicinity and our consumers, retailers and communities.

Development
Page 23

Intensive asset management
Page 27

Digital
Page 32

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Capital allocation and the achievement of an optimal property portfolio composition

In order to meet Vicinity's return expectations, it is critical that our property portfolio composition is optimised and that capital is allocated prudently. Vicinity's portfolio composition along with any developments, divestments and acquisitions undertaken can significantly impact Vicinity's total return.

Vicinity has clear investment criteria for evaluating assets, with qualitative and quantitative factors used to assess asset quality and prospective performance. Vicinity ensures strong governance and oversight of capital allocation decisions through its internal Investment Committee.

Our portfolio
Page 22

Health and safety

Vicinity's operations expose our team, contractors, retailers and consumers to the risk of injury or illness. In addition, a health and safety incident could affect Vicinity's reputation, subject it to claims for financial compensation or have regulatory consequences.

We are committed to providing an injury-free environment for all of our stakeholders in line with our belief that everyone has the right to go home safe and healthy. Vicinity has a dedicated health and safety team that maintains our health and safety management system to support the provision of a safe and healthy environment. This includes providing induction and education, the use of competent contractors, regular reviews of our procedures and stringent health and safety assessments prior to appointing principal contractors for development and asset refurbishment works.

Vicinity maintains a crisis and emergency management system which provides the framework for Vicinity to respond to a major incident or crisis occurring at one of its centres, development sites or offices. This system is supported by a training and education program across our centres, including the use of desktop and simulated emergency management exercises. Debriefs and post incident reviews are conducted after any significant incident or event, in order to assess the effectiveness of the system and to identify and implement any opportunities for improvement.

Our people
Page 30

Funding and liquidity

Vicinity uses debt as an important source of funding for ongoing operations, developments and acquisitions. There is a risk that access to debt funding is not available at the appropriate price or cannot be accessed in the required timeframes to support the ongoing management and development of our business.

Funding and liquidity risk is managed through a prudent capital management philosophy. Key attributes of this philosophy are the maintenance of a strong balance sheet with moderate gearing (30 June 2017: 24.7%), preservation of an investment grade credit rating, diversification of debt sources and forward planning to address upcoming debt maturities. Vicinity also has policies in place to regulate the level of exposure to interest rate risk and fully hedges its exposure to foreign currency denominated debt.

Capital management
Page 16

Cyber security

Over recent years, there has been significant growth globally in the number, sophistication and severity of cyber-attacks. Breach or failure of Vicinity's information technology systems could expose it to financial loss, disruption or damage to operations, and reputational damage.

Vicinity has a strong focus on maintaining and improving its organisational resilience and has developed an information security management system, which includes strategies for managing cyber risk. Vicinity has an information security manager leading a program of work to improve its security maturity, commencing with development of a security governance framework, deployment of security tools, training and awareness for users, and assessments of third party and network security.

Climate change

Climate change presents both direct and indirect risks for Vicinity now and increasingly over the longer term. Extreme weather events such as heatwaves, cyclones and flooding increase the physical vulnerability of our centres and their communities, which may impact our operational costs, asset values, consumer visitation and retail sales. Vicinity also acknowledges the role we need to play in transitioning to a low-carbon portfolio to limit our impact on the climate.

We respond to climate change by focusing on building a resilient and low-carbon portfolio that can withstand long-term physical and non-physical risks, while supporting our consumers and retailers, and increasing our energy self-sufficiency.

In FY17, we completed a portfolio-wide climate risk assessment and embedded consideration of climate risk into key business processes such as risk management, development, asset planning, capital allocation and transaction decisions, making our business more resilient over the longer term. We are also in the process of setting a long-term low-carbon target for Vicinity and developing a pathway to achieve this target through a combination of energy efficiency and onsite renewable energy generation.

Better business
Page 27

CDP submissions
vicinity.com.au

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Engaging with our stakeholders

At Vicinity, we rely on strong relationships with our stakeholders to operate our business successfully and deliver our strategy. Proactive and ongoing engagement enables us to understand our stakeholders' wants and needs, gain better insights into material business risks, and also identify opportunities to create shared value – outcomes that are beneficial to both Vicinity and our stakeholders.

We engage with our stakeholders in many ways throughout the year to understand their expectations of Vicinity. The following table outlines Vicinity's key stakeholders, our objectives for those stakeholders and their material interests in their interactions with Vicinity; all of which helps to shape our business activities.

Proactive and ongoing engagement enables us to understand our stakeholders' wants and needs, gain better insights into material business risks, and also identify opportunities to create shared value.

Stakeholder materiality

	Our objectives	Material interests of stakeholders	Our response
Consumers	Create unique and relevant experiences through our destinations, and shape better communities	• Appropriate tenant mix to service consumers wants and needs • Providing convenient and safe shopping experiences	• Development – page 23 • Intensive asset management – page 27 • Digital – page 32
Retailers	Deliver compelling destinations and value to support the success of retail operations	• Increasing consumer visitation and dwell time • Supportive centre management and leasing services that help retailers to succeed • Successful marketing initiatives	• Acquisitions – page 22 • Development – page 23 • Intensive asset management – page 27 • Digital – page 32
Securityholders	Create long-term value and sustainable growth	• Meeting and exceeding financial expectations • Responding to changing consumer trends • Successfully delivering our development pipeline • Maintaining a strong reputation through regular and transparent disclosure	• Financial performance – page 14 • Capital management – page 16 • Tax transparency – page 40 • Acquisitions – page 22 • Divestments – page 22 • Development – page 23 • Intensive asset management – page 27 • 2017 Corporate Governance Statement – vicinity.com.au
Strategic partners	Ensure stable and growing returns	• Deliver stable and growing returns • Responding to changing consumer trends • Providing an appropriate level of timely reporting • Delivering on investment objectives	• Development – page 23 • Intensive asset management – page 27 • Digital – page 32
Our people	Support a highly engaged team that embraces our values, and deliver on our strategy	• Create a diverse and inclusive culture that promotes equal opportunities and meaningful experiences • Flexibility to balance professional and personal needs to ensure health and wellbeing • Learning and career development opportunities	• Our people – page 30
Suppliers	Create long-term relationships, and make a positive impact on our communities	• Building collaborative and mutually beneficial partnerships • Timely payment for services • Fair business practices	• Shaping better communities – page 28 • Our suppliers – vicinity.com.au

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Partnering with retailers

"We partner with our retailers to better understand how we can deliver them compelling value, while helping them to achieve success by creating mutually beneficial outcomes, ultimately, to enhance the consumer experience."

Simone Dirckze
National Retailer Experience Manager, Marketing

Our Portfolio

As one of the largest owners and managers of retail assets in Australia, our portfolio provides significant opportunity to create shared value for our stakeholders. To do this we have an ongoing focus on:

- enhancing our portfolio quality and composition through targeted acquisitions, divesting assets that no longer meet our investment criteria, and developing, refurbishing and intensively managing our assets
- strategically investing in initiatives that enhance the sustainability and resilience of our centres and strengthen their local communities, and
- delivering our strategy to create unique and relevant experiences for our consumers, deliver compelling value for our retailers and strive for excellence in everything we do.

Acquisitions

In April 2017, we took full control of DFO South Wharf in Melbourne by acquiring the remaining 25% interest for $141.3 million[1] following completion of construction of a multi-deck car park. The asset has delivered strong returns and has the potential to continue to strengthen over time with the expansion of conference facilities currently underway at the adjacent Melbourne Convention and Exhibition Centre.

In August 2016, we settled the acquisition of the remaining 50% interest in Bentons Square for $38.3 million.[1] The Neighbourhood Centre is located on Victoria's Mornington Peninsula with a strongly performing supermarket.

Divestments

We continued to refine our portfolio composition during the year with the divestment of interests in 10 retail assets for a combined value of $586 million[1,2], at a 2.3% premium to prevailing book values.

Given the difference between property yields and borrowing costs, divesting these assets has been dilutive to earnings prior to the reinvestment of any sale proceeds. However, we believe the short-term earnings dilution from the asset sales is outweighed by the long-term benefits of an enhanced portfolio generating more robust and higher-quality earnings growth, and a strengthened balance sheet which provides significant headroom for investing in our development pipeline and other investment opportunities.

Our portfolio is reviewed every six months against our investment criteria. Over the course of FY18, we intend to divest approximately $300 million of non-core assets.

Vicinity's investment criteria

Vicinity considers a range of criteria to evaluate an asset's investment potential. This provides a framework with which to benchmark the composition of the portfolio every six months and also for reference when reviewing potential acquisition opportunities.

Key criteria include:

- forecast future total returns
- catchment fundamentals
- competition
- longer term resilience (including climate change and e-commerce)
- development potential, and
- sales productivity and growth.

DFO South Wharf, VIC

1. Excluding transaction costs.
2. Including contracts exchanged for the sale of Terrace Central, NSW which is due to settle in November 2017.

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Development

Our $2.0 billion development pipeline (Vicinity share: $0.9 billion) remains an important driver of portfolio enhancement. Developments enable Vicinity to build sustainable and inclusive lifestyle destinations, introduce the latest retail concepts and revitalise our offer – enhancing the overall retail experience. This in turn helps to improve the quality of our income streams through increased market share and sales growth.

Strong progress has been made across a number of projects over the past year. The completion of the major redevelopment of Chadstone, together with the centre's continued strong trading performance, showcases Vicinity's development and asset management expertise.

Australia's premier portfolio of DFO Outlet Centres

Vicinity is the proud owner and manager of Australia's premier portfolio of DFO Outlet Centres with interests in six DFOs at a total value of $1.4 billion, representing 9% of our direct portfolio.

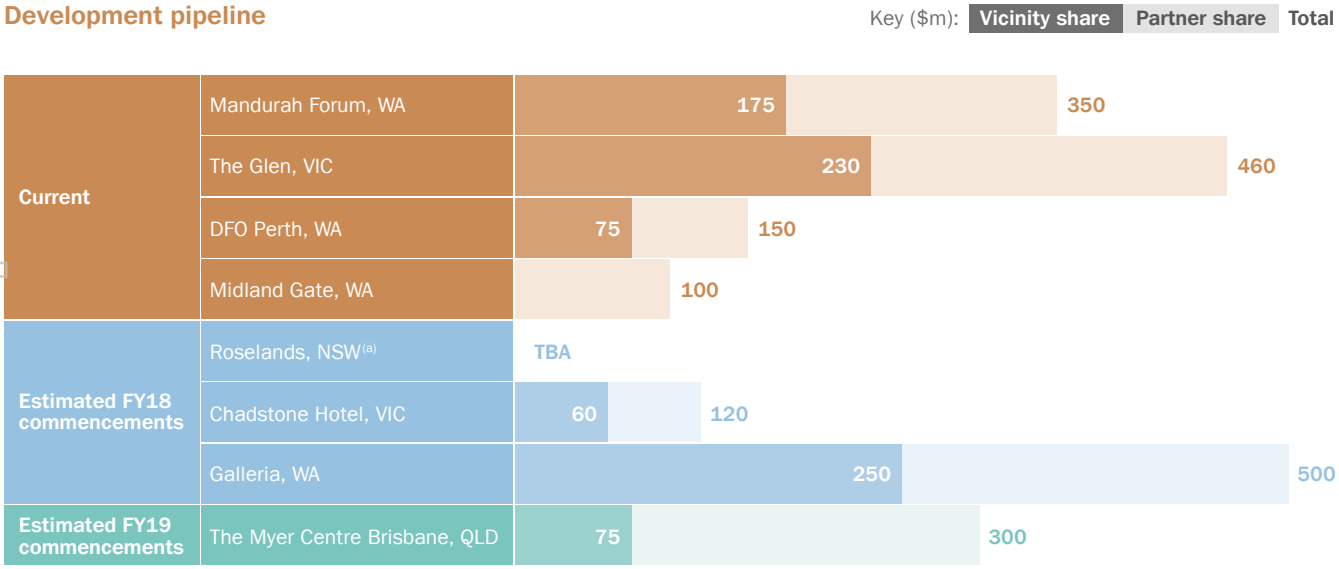
The DFO concept focuses on offering consumers a wide range of quality branded products at discounted prices.

Our DFOs continue to perform strongly, operating at full occupancy the majority of the time, driving strong leasing spreads and income growth. Over the seven years of Vicinity's ownership, the DFO portfolio has provided a total return of approximately 15.3% per annum.

During the year, we acquired the remaining 25% interest of DFO South Wharf. In July 2017, we commenced construction of Perth's first DFO, in partnership with Perth Airport Pty Ltd, which we anticipate will experience the same success as our East Coast centres.

At DFO Brisbane we have achieved significant improvements since commencing management of the asset in June 2016. We quickly introduced Vicinity's intensive asset management approach including lifting basic operational compliance and standards, improving centre marketing and the tenancy mix generating positive leasing spreads, and driving additional ancillary income. This has delivered strong results, with annual consumer traffic up 21% and MAT up 12%.

Development pipeline



Note: Timing and costs of identified projects are indicative only and may change as projects advance.
(a) Master planning continues.

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Development continued

FY17 completed projects

Chadstone

Retail in Australia has been taken to the next level with the completion of the $666 million (Vicinity share: $333 million) major redevelopment of Chadstone in FY17, creating Australia's premier retail, entertainment and dining destination and reinforcing the centre as one of the top retail assets globally.

The northern end of the centre has been transformed with the creation of an entertainment, leisure and dining precinct around a central atrium, spanned by an iconic glass column-free gridshell roof, the first of its kind in Australia. The development offers an expanded luxury mall and new large-format international flagship stores including H&M, Sephora, Uniqlo and Zara. Chadstone now also features a new state of the art HOYTS digital cinema complex, a seven restaurant Dining Terrace, a 1,300-seat 21 tenancy Food Gallery, a Tesla Motors dealership and Australia's first LEGOLAND® Discovery Centre.

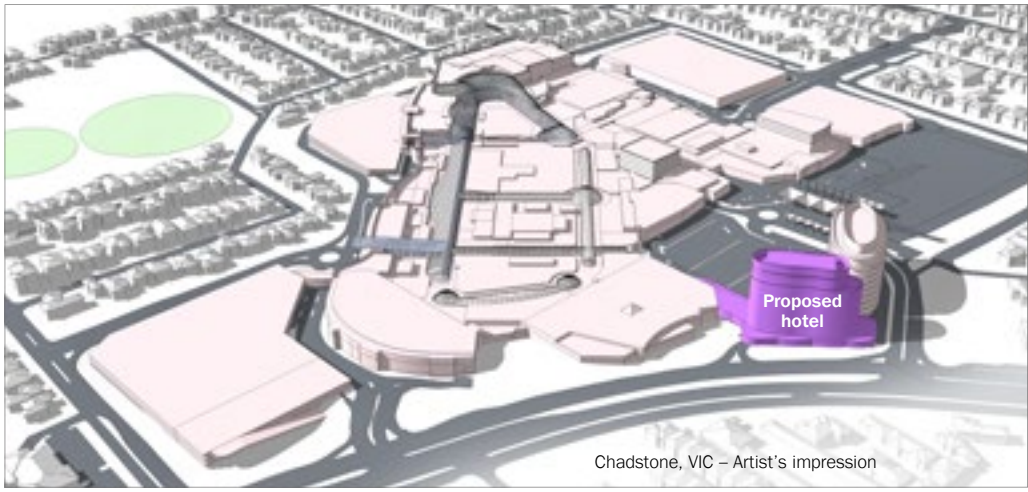
The major project also involved the creation of a 15-bay bus interchange, one of Melbourne's busiest, to service the centre and the surrounding suburbs, as well as the introduction of a new 10-level 16,500 sqm office tower, which is fully leased. Both were completed in FY16 and bring a range of new users to the asset. The centre is now also serviced by over 10,000 car spaces.

Both the retail and office developments were certified 5 Star Green Star[1], representing 'Australian Excellence' in environmentally sustainable building design and providing a range of positive outcomes for our tenants, consumers and our people.

The project will deliver a year-one yield of 6% and a forecast internal rate of return (IRR) of over 11%, while substantially enhancing the consumer and retailer experience.

This project builds upon a history of successful developments at this world-class asset and the evolution of this asset continues. The construction of a proposed 250-room, 13-level hotel adjacent to the office tower, is targeted to commence in 2018. We also have plans to remix and further expand the luxury precinct, redevelop the existing second food court and undertake external dining expansions and cross-mall reconfigurations. Master planning of larger future stages also continues.

Chadstone, VIC



Chadstone, VIC – Artist's impression

1. Retail component was certified 5 Star Green Star – Retail Design v1 and the office tower was certified 5 Star Green Star Office Rating.

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Engaging consumers

"We understand that our consumers deserve a great experience with us including excellent service and convenience, while being offered a tailored range of products and services. We strive to create sustainable destinations of the future where people love to visit and connect."

Josef Seidler
Regional General Manager, Development

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Development continued

Projects under construction

Mandurah Forum

Construction and leasing are progressing well on the $350 million (Vicinity share: $175 million) major redevelopment of Mandurah Forum. The 850-space multi-deck car park was opened prior to Christmas 2016, ahead of program. The first stage of retail, including the new-format Target and around 60 specialty stores, completed on program in July 2017 and is fully leased.

On completion, expected in mid-2018, the asset will be significantly expanded and revitalised. It will comprise over 220 retailers, including a new-format David Jones store, along with a dramatically improved dining and fresh food offer, reinforcing it as the dominant retail destination in one of Australia's fastest growing regions. The project is expected to deliver a forecast initial yield on cost of over 6% and IRR of over 10%.

The Glen

Construction commenced in March 2017 for the $460 million (Vicinity share: $230 million) expansion of The Glen. The first stage is fully leased and will open in late 2017. It will incorporate a fresh food market hall anchored by Coles, a new Aldi and the latest format Woolworths, and includes over 60 specialty stores on the lower ground floor.

The project will be completed over a number of stages to minimise retail downtime through to 2020, and is expected to deliver an initial yield greater than 6% and an IRR of more than 10%. On completion, The Glen will include the latest format David Jones, a new contemporary food gallery, an outdoor dining precinct and a complete refurbishment of the existing centre.

During the year, we divested[1] air rights to a residential developer, Golden Age, to deliver more than 500 apartments over three towers on the southern end of the site. Residential construction is expected to commence in 2019 and complete within 24 months.

Mandurah Forum, WA

DFO Perth

Construction has commenced on the $150 million (Vicinity share: $75 million) development of Perth's first DFO. This latest addition to Vicinity's DFO portfolio will include approximately 120 outlet retailers over 24,000 sqm serviced by more than 1,500 car spaces. Leasing discussions are well advanced, with strong retailer demand.

Project completion is expected in 2018 and is forecast to deliver an initial yield in excess of 10% and an IRR of greater than 15%.

Asset refurbishment projects

The Asset Refurbishment Team (ART) works on minor projects to enhance quality and consumer experience in assets that are not flagged for development in the short to medium term. ART projects involve the investment of small amounts of capital in improvements in areas such as mall space, entrances and amenities to drive consumer visitation, increase sales, enhance leasing demand and create other income opportunities.

In FY17, we completed eight ART projects at a total investment of $15 million (Vicinity's share), generating an average initial return of around 7%. Retailer and consumer feedback on these completed projects has been very positive. Additional projects have been scheduled for delivery during FY18 in line with our investment strategy and ongoing focus on improving the experience and offer for our consumers, retailers and local communities.

1. Expected to settle in 2019.

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The Glen, VIC – Artist's impression

DFO Perth, WA – Artist's impression

Intensive asset management

We have 84 retail assets under management[1], 74 of which Vicinity has direct ownership in, making us one of the leading retail landlords across Australia. How we manage our assets touches all three focal points of our strategy – the consumer, the retailer and better business.

For the consumer it is about delivering an engaging and appropriate retail mix, and creating a great experience through quality services and amenities, with easy access. By getting this right, we attract more people to our destinations – a key deliverable for our retailers. We are also focused on providing a high level of service for our retailers and helping them to succeed. Better business involves using data to gain a better understanding of consumers and our operations, managing our assets more efficiently through the use of technology and identifying operational efficiencies at our centres and our corporate offices.

During the year we established a number of cross-functional working groups called squads, five of which are focused on aspects of the consumers' experience in our centres and four of which are focused on the experience that our retailers have with us. These squads have a primary goal of identifing solutions to improve the experiences of our consumers and retailers.

Better business

We continue to improve our net income position by achieving operational efficiencies and minimising increases in controllable outgoings.

Our portfolio scale and breadth allows us to trial a number of initiatives across a range of centre types, then as appropriate, these initiatives can be rolled out across the portfolio and to new assets we acquire. After successful trials, we have installed compacting bins in 24 centres across our portfolio, with more expected to be introduced in FY18. By monitoring and compacting waste, these bins require emptying far less frequently, and where they are located outdoors, they are solar powered.

In the period, we have continued to work with our cleaning partners for them to introduce new robotic technology to assist with overnight cleans of our centres. These machines generate efficiencies by providing a better clean with less chemical and water usage.

With a portfolio of our size, energy consumption forms a large proportion of our outgoings, and we are focused on creating low-carbon, highly efficient smart assets and reducing our reliance on the grid. We have successfully trialled solar generation at a number of our assets and during FY18 we will be developing a program to roll out solar across a number of centres in our portfolio. Along with continued focus on energy efficiency, this year we will be establishing a low-carbon target for Vicinity.

We benchmark the sustainable performance of our assets using the Green Star and NABERS rating tools. This year, we were pleased to have our entire portfolio Green Star Performance rated with an average portfolio rating of 3 Stars, up from 2 Stars in FY16. We are the largest property portfolio in Australia to achieve such a rating. These ratings allow us to benchmark our current performance and identify areas where we can improve the sustainability of our assets. Our environmental improvement program drives continuous progress in resource efficiency across our portfolio. This year we continued to reduce our energy and carbon emissions intensity per square metre, as well as the proportion of waste we send to landfill.

Key performance metrics
Page 12

Sustainability performance
vicinity.com.au

1. At 30 June 2017. Salamander Bay Centre which was managed for a strategic partner was sold in July 2017.

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Intensive asset management continued

Shaping better communities

As significant local hubs, our centres have an important role to play in shaping better communities both economically and socially. In FY17, we invested $1.8 million[1] into communities, through partnerships with our retailers, suppliers and national and local community groups.

This year, Vicinity entered into a three-year partnership with Beacon Foundation, with an annual contribution of $100,000, to help deliver our community investment program, which focuses on unemployed and disengaged youth – an area that we believe Vicinity is well positioned to help address through our day-to-day business activities and extensive network of centres. In FY17, Vicinity also undertook an internal community grants program, where $100,000 was distributed at a centre level for the formation of local partnerships to kick-start this program and address specific needs within their catchments.

Social procurement benefits everyone

Partnering with social enterprises is an important facet of Vicinity's sustainability strategy and presents us with the opportunity to make a positive impact in our local communities through our day-to-day activities. We believe that our inclusive approach strengthens our communities and increases the success of our business. Our sustainability and social procurement programs aim to engage our broader communities and enhance the connection they have with our centres by creating opportunities for employment focusing on disadvantaged youth and other marginalised groups.

During the year, Vicinity has procured over $300,000 in services from social enterprises and supported the employment of approximately 30 disadvantaged individuals from our communities.

We currently have landscaping and maintenance services being undertaken at our centres in partnership with:

- YMCA Rebuild in Victoria, which employs youth out of custody and supports their re-integration into the community, and
- Activ Foundation in Western Australia and House With No Steps in New South Wales, which employ people with disabilities.

We also encourage our suppliers to create opportunities for social enterprises in their operations and supply chains through our Sustainable Procurement Policy. During the year, we partnered one of our cleaning suppliers with Marist Youth to employ at-risk youth for cleaning services at one of our centres.

Activ Foundation

Marist Youth

1. Includes a combination of cash and in-kind contributions, accounting for associated management time and part of the operational spend on social enterprises in accordance with the LBG framework.

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Celebrating difference

"We celebrate difference and encourage our people to bring their whole selves to work. By taking this approach it enables us to have a greater understanding of our diverse communities and deliver better outcomes."

Veronica Millen
Diversity and Engagement Manager

Our People

Chadstone National Office, VIC

Our approach to people and culture is designed to support a talented and highly engaged team to deliver with energy and passion a better, easier and more enjoyable experience across Vicinity and for our stakeholders.

With our desire to create a great workplace, we have focused on understanding the needs of our people. Together with the clear articulation of our group strategic direction in the year, this focus allows us to clearly define and build our desired Vicinity culture.

People and culture at Vicinity is focused on four pillars:

- developing talent and capability
- defining and nurturing our culture and values
- energising and engaging our people, and
- shaping our organisation.

These strategic pillars have enabled the people and culture team to live out their purpose of 'creating an awesome place to work'. Since formation two years ago, we have seen a shift in the culture at Vicinity, with the team embracing new ways of working; whether it is part of our newly created flexible working policy, real-time working conditions or agile stand-ups. This has been embraced at Vicinity's new national office at Chadstone, with the team becoming accustomed to the new ways of real-time working.

This positive shift has been reflected in our engagement survey results this year, with a high participation rate of 89% and our overall engagement increasing by 5 percentage points to a score of 71%. We are exceptionally proud of the direction we are heading, and we expect our engagement to continue to increase year on year.

Health and Safety

At Vicinity, we believe everyone has the right to go home safe and healthy. This belief underpins the way we do business. Essential to our health and safety goals is having effective leadership at all levels throughout the organisation. We expect our people leaders to champion good health and safety practices in the workplace and actively engage with their team members. We are pleased with the good practices embraced within Vicinity, with high scores for health and safety in both the current and prior years' engagement surveys.

Since forming two years ago, we have seen a shift in the culture at Vicinity, with the team embracing new ways of working; whether it is part of our newly created flexible working policy, real-time working conditions or agile stand-ups.

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As part of our focus on improving experiences for our people and attracting the very best talent to the business, a number of key initiatives were undertaken during the year.

Diversity and inclusion

Using both external research and feedback from our people about what matters most to them, we established three key areas of focus for our diversity and inclusion program this year – gender, age and mental health. Disability and ethnicity were also identified as important considerations for our program. To help promote a more diverse and inclusive workplace, we promote a culture of flexibility and inclusive leadership.

During the year, we undertook unconscious bias and mental health training for all senior leaders, established formal and informal flexible working arrangements for our people to achieve a better work-life balance, and introduced corporate programs that support health and wellbeing.

Leadership

Leadership has been a key focus for Vicinity. We have introduced monthly meetings of senior leaders across the business in order to provide regular updates on key activities. Twice a year we hold senior leader forums – a two-day conference where senior leaders collaborate and strategise for the future of the business. In addition, participants in our first Everyday Leader program graduated earlier in the year. The program involved 56 senior leaders mentoring 214 managers across our business, which has developed and improved the coaching skills of our leaders, while providing some great insights into behaviours and leadership for our managers.

Helping our people contribute to communities

Vicinity introduced new employee volunteering and workplace giving programs this year to enable our people to directly contribute to our communities. Our skilled volunteering program, delivered through our corporate partner Beacon Foundation, is linked to individual learning and development objectives.

This enables our people to provide valuable assistance to those in need, while also using volunteering as a platform to develop skills and experience to succeed in the workplace. We also have a workplace giving program that provides our employees the opportunity to support a wide range of social causes that are important to them, with access to over 1,800 charities across Australia.

#sheimagines

A new initiative #sheimagines was launched on International Women's Day. The #sheimagines campaign is aimed to be a conversation starter and call to action to stop assuming and start listening to what women think, and is part of an ongoing initiative designed to demonstrate our commitment to gender diversity.

#sheimagines

Chadstone National Office, VIC

Digital

Emporium Melbourne, VIC

Digital technology is changing the way consumers shop, how retailers sell and how we manage our assets. These technologies are providing Vicinity with the opportunity to enhance the consumer and retailer experience, in addition to driving operational efficiencies. In line with our digital strategy, in FY17 Vicinity has been building greater capability in digital and data analytics, while also progressing work on our digital pillars of connectivity, online and omni.

Connectivity

During the year, we completed the connection of our retail assets and corporate offices to the one high-speed digital network with WiFi connectivity throughout. Our consumers now have access to free high-speed WiFi at our centres and the rich data we are gathering from this network is enabling us to gain insight into consumer behaviour, including dwell times, foot traffic and traffic flows. The focus for FY18 is to leverage this data to enhance the consumer experience, provide insights to retailers and improve the way we manage our assets.

Online

The online experience is a critical component of our consumers' overall experience with us. This year we have invested significantly in creating leading websites that complement our physical assets. In FY18, Vicinity will continue to develop its online platform by making our centres more discoverable online, improving digital wayfinding and increasing our capability to personalise our marketing communications in order to engage with new and existing consumers. Vicinity is also developing a new online retailer portal to deliver insights and improve engagement with our retail partners.

Omni

We know our consumers blend digital and physical experiences in their everyday lives. Retail experiences should be no different, with the future to be characterised by the seamless integration of the physical and digital environments. Digital technology when combined with the physical environment has the opportunity to provide a unique and enhanced retail experience for our consumers and will also assist in reducing points of friction. For FY18, Vicinity has established three broad areas of focus within omni: wayfinding, parking and last-mile delivery. Within these focus areas, Vicinity is using an agile approach to develop digitally enabled products and solutions that will enhance the physical retail experience for our consumers.

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Knowing our consumers

"To create unique and relevant experiences we take time to understand our consumers' wants, needs and behaviours. Using a combination of qualitative and quantitative data insights, we are able to evolve and tailor our destinations to enhance the retailer and consumer experience."

Ranil Illesinghe
Consumer Intelligence Manager

Our Board

Our Board is committed to high standards of corporate governance. Our corporate governance platform is integral to supporting our strategic value drivers, protecting the rights of all of our investors and creating long-term value and sustainable growth.

Corporate governance

Throughout FY17, Vicinity Centres' governance arrangements were consistent with the Corporate Governance Principles and Recommendations (3rd edition) (Principles) published by the ASX Corporate Governance Council.

Our Corporate Governance Statement outlines our approach to governance including the structure and responsibilities of our Board and our executive.

2017 Corporate Governance Statement
vicinity.com.au

Further information

You can find more disclosure on the following topics:

Our strategy
Page 08

Our management of risk
Page 18

Sustainability
vicinity.com.au

Tax transparency
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Contact us
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Peter Hay

LLB, FAICD

Chairman, Independent Non-executive Director

Appointed June 2015

Background and Experience

Peter Hay has a strong background and breadth of experience in business, corporate governance, finance and investment banking advisory work, with a particular expertise in relation to mergers and acquisitions. Mr Hay was a partner of the legal firm Freehills until 2005, where he served as Chief Executive Officer from 2000. Mr Hay has also had significant involvement in advising governments and government-owned enterprises.

Mr Hay is Chairman of the Nominations Committee.

Current Directorships, Executive Positions and Advisory Roles

Chairman: Newcrest Mining Limited.

Director: Australian Institute of Company Directors.

Member: Australian Government Takeovers Panel and AICD Corporate Governance Committee.

Past Non-executive Directorships

(past three years)

GUD Holdings Limited, Novion Limited, Alumina Limited, Australia and New Zealand Banking Group Limited, NBN Co Limited and Myer Holdings Limited.

Angus McNaughton

BMS (HONS), FAPI

CEO and Managing Director

Appointed October 2015[1]

Background and Experience

Angus McNaughton has more than 25 years' experience in the property sector.

Previously, Mr McNaughton was the Managing Director and CEO of Novion Property Group (Novion). Before Novion, Mr McNaughton held a number of roles within Colonial First State Global Asset Management (CFSGAM) including Managing Director of Property, Head of Wholesale Property and Chief Executive of the Manager of Kiwi Income Property Trust in New Zealand (now known as Kiwi Property Group Limited).

Current Directorships, Executive Positions and Advisory Roles

Director: Shopping Centre Council of Australia and Property Council of Australia.

Past Non-executive Directorships

(past three years)

Novion Limited.

Charles Macek

BEc, M.Admin, FAICD, FCA, FCPA, SF Fin

Independent Non-executive Director

Appointed December 2011

Background and Experience

Charles Macek has extensive executive experience in the finance industry in Australia, New Zealand, the United Kingdom and Japan. Mr Macek has held numerous senior positions and directorships in a range of public companies including Telstra, and is a former Director and Chairman of IOOF, former Chairman of the Financial Reporting Council and former Vice Chairman of the International Financial Reporting Standards Advisory Committee.

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

Current Directorships, Executive Positions and Advisory Roles

Chairman: Earthwatch Institute Australia and Vivid Technology Ltd.

Director: Sinefa Pty Ltd and Windlab Limited.

Member: ASIC Director Advisory Panel and Investment Committee of UniSuper Ltd.

Past Non-executive Directorships

(past three years)

Wesfarmers Ltd.

1. Appointed as CEO in August 2015 and Managing Director following the 2015 Annual General Meeting in October 2015.

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David Thurin (Dr)

MBBS, DIP RACOG, FRACGP, MS in Management

Non-executive Director

Appointed June 2015

Background and Experience

Dr David Thurin has had extensive experience in the property industry that includes senior roles within The Gandel Group and associated companies, including being the Joint Managing Director. Dr Thurin was a Director of The Gandel Group at the time of the merger between Gandel Retail Trust and Colonial First State Retail Property Trust in 2002. Dr Thurin is the Managing Director and founder of Tigcorp Pty Ltd, which has property interests in retirement villages and land subdivision. He has a background in medicine, having been in private practice for over a decade, and was a prior President of the International Diabetes Institute.

Dr Thurin is a member of the Risk and Compliance Committee.

Current Directorships, Executive Positions and Advisory Roles

Managing Director: Tigcorp Pty Ltd.

Director: Melbourne Football Club and Baker Heart and Diabetes Institute.

Past Non-executive Directorships

(past three years)

Novion Limited.

Debra Stirling

BA, GAICD

Independent Non-executive Director

Appointed December 2011

Background and Experience

Debra Stirling has more than 20 years' experience as a senior executive in retailing, building and construction materials, manufacturing, mining and agriculture. Ms Stirling was Executive General Manager of People and Communications for Newcrest Mining Limited from January 2008 to July 2014. She has previously held executive roles with Rinker Group, CSR and Coles Myer.

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

Current Directorships, Executive Positions and Advisory Roles

Chairman: Monash University Mining & Resources Advisory Board.

Director: Mission Australia.

Member: PNG Government's Lae Technical Training Centre of Excellence Taskforce and Victorian Resources Roundtable.

Past Non-executive Directorships

(past three years)

None.

Karen Penrose

BCOMM (UNSW), CPA, FAICD

Independent Non-executive Director

Appointed June 2015

Background and Experience

Karen Penrose has a strong background and experience in business, finance and investment banking, in both the banking and corporate sectors. Ms Penrose is a full-time non-executive director. Her prior executive career includes 20 years with Commonwealth Bank and HSBC and eight years as a Chief Financial Officer and Chief Operating Officer with two ASX listed companies. Ms Penrose served Chief Executive Women (CEW) for six years as a member of CEW's Council and continues as a member of the advisory panel for CEW's Leaders Program.

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

Current Directorships, Executive Positions and Advisory Roles

Director: AWE Limited, Spark Infrastructure Group, Future Generation Global Investment Company Limited (pro bono role), Bank of Queensland Limited and Marshall Investments Pty Limited.

Past Non-executive Directorships

(past three years)

Novion Limited, Silver Chef Limited and UrbanGrowth NSW.

Peter Kahan

BCOMM, BACC, CA, MAICD

Non-executive Director

Appointed June 2015

Background and Experience

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

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

Current Directorships, Executive Positions and Advisory Roles

Executive Deputy Chairman: The Gandel Group Pty Limited.

Past Non-executive Directorships

(past three years)

Novion Limited and Charter Hall Group.

Our Board continued

Tim Hammon
BCom, LLB
Independent Non-executive Director
Appointed December 2011

Background and Experience

Tim Hammon has extensive wealth management, property services and legal experience. He is currently Chairman of The Pacific Group of Companies Advisory Board and a consultant to Mutual Trust Pty Limited.

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

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

Current Directorships, Executive Positions and Advisory Roles

Chairman: The Pacific Group of Companies Advisory Board.

Consultant: Mutual Trust Pty Limited.

Past Non-executive Directorships
(past three years)

None.

Trevor Gerber
BACC, CA, SA
Independent Non-executive Director
Appointed June 2015

Background and Experience

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

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

Current Directorships, Executive Positions and Advisory Roles

Chairman: Sydney Airport Holdings.

Director: CIMIC Group Limited, Tassal Group Limited and Regis Healthcare Limited.

Past Non-executive Directorships
(past three years)

Novion Limited.

Wai Tang
BAppSc, MBA, GAICD
Independent Non-executive Director
Appointed May 2014

Background and Experience

Wai Tang has extensive retail industry experience and knowledge gained through senior executive and board roles. Her former senior executive roles included Operations Director for Just Group and Chief Executive Officer of the Just Group sleepwear business, Peter Alexander. Prior to joining the Just Group, she was General Manager of Business Development for Pacific Brands. She was also the co-founder of the Happy Lab retail confectionery concept.

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

Current Directorships, Executive Positions and Advisory Roles

Director: Kikki K, JB Hi-Fi Limited, Visit Victoria and the Melbourne Festival.

Past Non-executive Directorships
(past three years)

Specialty Fashion Group and L'Oréal Melbourne Fashion Festival.

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Our Executive Committee

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

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

Management committees

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

- **Executive Committee** – comprised of nine members outlined on the current page and overleaf
- **Investment Committee** – includes the CEO, Chief Investment Officer (CIO) (chair), Chief Financial Officer (CFO) and the Executive General Managers of Shopping Centres, Development and Leasing
- **Capital Management Committee** – CEO, CFO (chair), CIO, General Manager (GM) Treasury and an external member
- **Diversity Forum** – includes CEO (chair) and a range of senior leaders
- **Sustainability Committee** – includes CEO (chair), CIO, EGM Shopping Centre Management, EGM Development, GM Sustainability and other senior leaders.

Angus McNaughton
CEO and Managing Director

Angus McNaughton joined Vicinity Centres in August 2015 and has more than 25 years' experience in the property sector.

Previously, Angus was the Managing Director and CEO of Novion Property Group (Novion). Before Novion, Angus held a number of roles within Colonial First State Global Asset Management (CFSGAM) including Managing Director of Property, Head of Wholesale Property and Chief Executive of the Manager of Kiwi Income Property Trust in New Zealand (now known as Kiwi Property Group Limited).

Angus is a Fellow of the Australian Property Institute, Director of the Shopping Centre Council of Australia and the Property Council of Australia, and a Property Male Champion of Change.

Carolyn Reynolds
General Counsel

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

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

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

Carolyn Viney
Executive General Manager Development

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

Prior to her current appointment, Carolyn was with Grocon where she held a number of senior roles over a 13-year period, including CEO, Deputy CEO, Head of Development and In-house Counsel. Before this, Carolyn was a Senior Associate at law firm Minter Ellison.

Carolyn is a Division Councillor of the Property Council of Australia's Victoria Division, an Advisory Board Member to the Victorian Government's Office of Projects Victoria and an Advisory Board Member of Women's Property Initiatives, a not for profit housing provider to women and children at risk of homelessness and joined the Board of the Walter + Eliza Hall Institute of Medical Research in December 2016.

Our Executive Committee continued

David Marcun
Executive General Manager Business Development

David Marcun joined Vicinity Centres in June 2015 following the Merger with Novion Property Group (Novion), and has more than 20 years' experience in the retail property sector, predominantly in finance and operations roles.

Prior to his current appointment, David was Chief Operating Officer and Head of Asset Management at Novion (and formerly CFSGAM Property) since 2009. During his career, David has been employed by Novion and its prior entities back to the float of Gandel Retail Trust in 1994. Over this time, David played a significant role in the Merger of Novion and Federation Centres and the internalisation of CFSGAM Property from Commonwealth Bank of Australia in 2013–14. David was also involved in the acquisition of Gandel Retail Management by CFSGAM Property in 2002.

David is a member of the Institute of Chartered Accountants in Australia.

Justin Mills
Executive General Manager Shopping Centre Management

Justin Mills joined Vicinity Centres in June 2015 following the Merger with Novion Property Group (Novion), and has more than 17 years' experience in the retail property sector, centre management, asset management, investment management and strategy.

Prior to his current appointment, Justin was General Manager, Retail Management and Strategy at Novion (and formerly CFSGAM Property) since 2009. Justin joined CFSGAM Property in 2002 where his roles also included Assistant Fund Manager of CFS Retail Property Trust, Centre Manager of Chadstone Shopping Centre and regional responsibilities across several Victorian assets.

Michael O'Brien
Chief Investment Officer

Michael O'Brien joined Vicinity Centres in October 2015 and has 28 years' experience in real estate including shopping centre management and development, real estate funds management and finance.

Prior to his current appointment, Michael held a number of senior roles at The GPT Group including Group Executive – Corporate Development, Chief Operating Officer and Chief Financial Officer, as well as Acting Chief Executive for a period through 2008–09. Previous to this, Michael was at Lend Lease Corporation where he held a variety of funds management and shopping centre management positions, including Chief Executive Officer of Lend Lease Retail.

Michael is a Fellow of the Australian Property Institute and a Director of the Green Building Council of Australia.

Richard Jamieson
Chief Financial Officer

Richard Jamieson joined Vicinity Centres in June 2015 and has more than 25 years' experience in banking and finance roles.

Richard was formerly Chief Financial Officer at Novion Property Group. Prior to this, Richard was Acting General Manager for Superannuation, Marketing & Direct at BT Financial Group after three years as Chief Financial Officer. Previously, Richard was Chief Financial Officer for Westpac New Zealand Limited and Infrastructure Fund Manager and Chief Financial Officer at Colonial First State Global Asset Management (CFSGAM).

Richard is a member of the Institute of Chartered Accountants in Australia.

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Simone Carroll
Executive General Manager Digital, Marketing, People and Culture

Simone Carroll joined Vicinity Centres in November 2015 and has close to 20 years' experience in business transformation, with a strong commercial background that spans human resources, marketing, sales and commercial strategy, as well as digital product development and data analytics.

Prior to her role with Vicinity, Simone held executive leadership positions and advisor roles for numerous online digitally led domestic and international businesses. Most recently, Simone was Executive General Manager People and Brand Director at digital advertising company REA Group.

In 2013, Simone was recognised as Australian HR Director of the Year.

Stuart Macrae
Executive General Manager Leasing

Stuart Macrae joined Vicinity Centres in June 2015 following the Merger with Novion Property Group (Novion), and has more than 25 years' experience in property management, development and leasing.

Prior to his current appointment, he was General Manager of Leasing with Novion (and formerly CFSGAM Property) since 2002. Stuart also held a number of senior leasing roles within Gandel Retail Management from 1989 to 2002.

Tax Transparency

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Our approach to tax

Vicinity operates under a comprehensive tax risk management framework which is designed to ensure that Vicinity always conducts itself in a lawful manner with respect to all of its tax obligations. In carrying on its activities, Vicinity:

- has robust tax governance, with ongoing oversight from Vicinity's key executives, Audit Committee and Board of Directors
- has a low risk appetite and does not engage in aggressive tax planning and strategies
- is conservatively geared with a publically disclosed target gearing range of 25% to 35%
- is wholly domestic, does not have any offshore subsidiaries and therefore has no related party cross-border transactions
- undertakes to comply with all of its statutory obligations in a timely and transparent manner, and
- engages directly with the Australian Taxation Office (ATO) to provide greater transparency and understanding of Vicinity's tax affairs.

Overall, Vicinity's tax culture and business practices are driven by our Vision and Values, and are consistent with our Purpose of enriching the communities that we serve.

Our strategy and business prospects
Page 08

Australian tax transparency

To improve the transparency of business tax affairs in Australia, the Board of Taxation designed the Tax Transparency Code (TTC) in 2016 to outline a set of principles and minimum standards for the purpose of guiding the disclosure of tax information. In adopting the TTC's guidelines for the second year, Vicinity aims to continue to provide informative disclosure on its tax affairs.

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

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Vicinity values having a good relationship with all external regulatory bodies, including the ATO. As a Key Taxpayer, Vicinity is working with the ATO in its Pre-Lodgement Compliance Review (PCR) program. Under the PCR program, Vicinity engages with the ATO on a real-time basis so that, where possible, clearance of any tax issues and transactions occurs prior to the lodgement of Vicinity's annual income tax returns. Vicinity has a history of compliance, which is reflective of its approach and attitude towards the ATO.

Tax governance

Vicinity's Tax Risk Management Framework (the Framework) enables compliance with tax laws and the management of tax risk through the implementation of a set of tax policies, procedures and systems across the Vicinity business.

The Framework outlines the role of management teams, defines their responsibility and also provides escalation protocols within management, the Audit Committee and the Board to effectively manage tax risk. The Framework guides management on how to appropriately analyse, mitigate and report tax risks. Further, a robust set of internal controls has been put in place including periodic reconciliations, information technology systems and provision for external advisor review, along with audit procedures to ensure the Framework effectively addresses tax risk. Finally, the Framework also gives authority to management to engage and consult with regulatory bodies (including the ATO) regarding tax policy, tax reform and tax law design on matters that affect Vicinity's business and its securityholders.

Group structure

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

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

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

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

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Stapled structures review

On 24 March 2017, Federal Treasury announced a review of stapled structures in Australia and released its Consultation Paper on Stapled Structures. The review is being undertaken at the direction of the Federal Treasurer with a view to protecting the integrity of Australia's corporate tax system. Federal Treasury is seeking to ensure that stapled structures are not being inappropriately used as a means of re-characterising trading income into more favourably taxed passive income. Federal Treasury has consistently indicated throughout consultation that its integrity concern regarding the use of stapled structures does not extend to traditional property staples like Vicinity.

As a leader in the Australian property industry and a stapled AREIT, Vicinity has been actively engaged in the consultation process with Treasury and also made written submissions. In its submissions, Vicinity has outlined its views and suggestions on ensuring that Australia's regime for taxing property is appropriately balanced and fosters an environment that promotes investment, growth and efficiency.

Vicinity will continue to monitor and engage with Federal Treasury to ensure that they understand the impact of any potential reforms on Vicinity's structure and its securityholder's tax position, as well as to ensure that it is in a position to appropriately adapt to the implementation of any announced reforms.

Taxation of Vicinity

Vicinity is a tax resident of Australia and operates entirely within the Australian market. Vicinity does not own any foreign assets, nor does it have any foreign subsidiaries.

As described above, Vicinity is a stapled group that consists of companies and trusts. Under Australian tax law, companies are subject to income tax at the applicable corporate tax rate (30% for FY17) on their taxable income. Trusts, in comparison, are generally taxed on a flow-through basis, meaning that a trust's taxable income is taxed in the hands of the beneficiaries (or in the case of Vicinity, its securityholders) at their applicable tax rates.

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

Vicinity Centres Trust and its controlled trusts are not liable to pay income tax (including capital gains tax), as the taxable income from their property investments flows through the trust and is taxed in the hands of securityholders annually. Vicinity's securityholders pay tax at their marginal tax rates, in the case of Australian resident securityholders, or through the Managed Investment Trust (MIT) withholding tax rules for non-resident securityholders.

Reconciliation of accounting profit to income tax paid

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

The accounting net profit that was attributable to securityholders of Vicinity Centres Trust and its controlled entities was $1,595.9 million for FY17. This accounting net profit was derived through its trust structure, so the taxable income that is referrable to this net profit is therefore taxed in the hands of securityholders, as described above.

The Vicinity Limited consolidated group generated an accounting loss of $12.3 million. With respect to its tax position for FY17, the Vicinity Limited income tax consolidated group generated a tax loss of approximately $74 million. The tax loss was primarily driven by the accounting loss, adjusted for allowable deductions (of $48.9 million[1]) that arose from the internalisation of management in 2014. Accordingly, Vicinity Limited is not required to pay income tax for FY17. Vicinity Limited's losses that are carried forward to later income years are partly recognised through its deferred tax asset balance and described in detail in the deferred and current tax disclosures at Note 3(c) of the Financial Report. Vicinity Limited will pay tax when it fully utilises its tax losses and other deferred tax assets.

It is noted that Vicinity Limited's nil taxable income and nil income tax payable will be reported in the ATO's Public Disclosure of Entity Information Report for FY17, which is expected to be released in late 2018.

Effective tax rate

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

Further information
Page 42

Given that Vicinity Centres Trust does not pay income tax (rather, tax is paid by Vicinity's securityholders), it has nil income tax expense and therefore nil ETR. Vicinity Limited will not pay income tax in respect of FY17 due to its tax losses, hence it has nil tax expense and therefore nil ETR.

1. Although the consideration for the internalisation of the funds management business was paid in FY14, the allowable deductions are required to be amortised for tax purposes over five years (refer to Note 3 of the Financial Report for further information).

Tax Transparency continued

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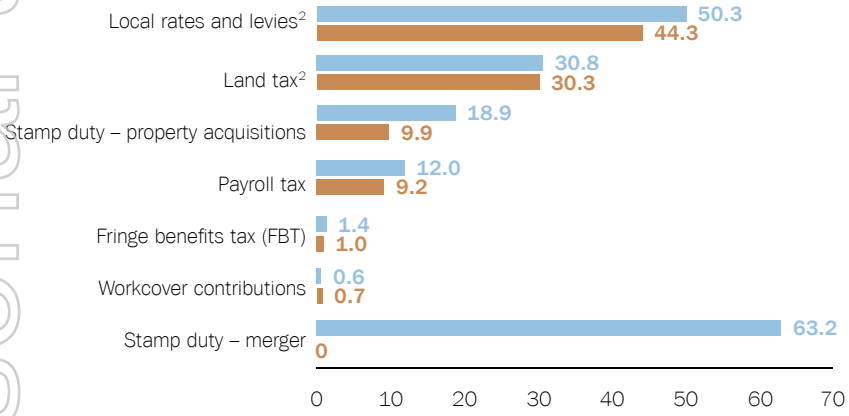
Contributions to the Australian tax system

Vicinity Centres Trust's flow-through trust status means that Vicinity securityholders pay income tax directly on Vicinity's property investments income. For FY17, Vicinity's securityholders will pay income tax on the taxable components of the $684.8 million distribution paid to them. The taxable components of the distribution will be communicated to securityholders and uploaded onto the Vicinity website, along with the Fund Payment notice for MIT withholding purposes, in late August 2017. As the majority of our non-resident securityholders hold their interests indirectly (for example through custodians), the Fund Payment notice informs these third parties of the amount of tax to withhold from our distribution.

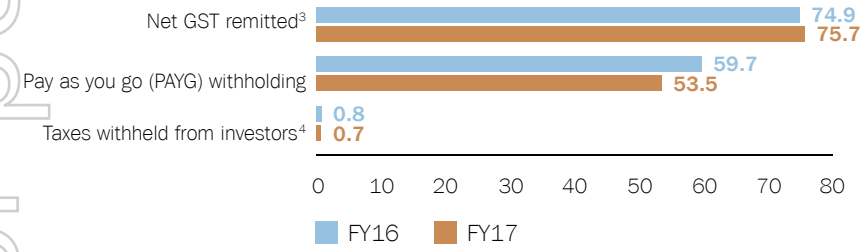
Additionally, as a business that operates in the Australian property industry, Vicinity is subject to various other taxes at the federal, state and local government levels. In FY17, these taxes amounted to approximately $225.3 million and are either borne by Vicinity as a cost of our business, or are remitted by Vicinity as part of our contribution to the administration of the tax system.[1] As can be seen below, the taxes remitted include pay as you go (PAYG) withholding taxes paid by our employees and Goods and Services Tax (GST) we collect from our retailers who rent space in our centres, net of GST claimed by Vicinity on its own purchases.

The information provided below summarises Vicinity's Australian tax contribution for FY17. The most material changes between the taxes paid in FY16 and FY17 arise in the areas of stamp duty and local rates and levies; FY16 included stamp duty paid on the merger to create Vicinity, while local rates and levies have fallen during FY17 due to asset sales through the year. Payroll taxes and PAYG withholding were also higher in the prior year due to significant people cost associated with the merger.

Total taxes borne by Vicinity ($m)
$95.4 million



Total taxes remitted by Vicinity ($m)
$129.9 million



Further information

- Vicinity Limited taxes paid information is published by the ATO in its Report of Entity Information published on: data.gov.au/dataset/corporate-transparency
- A breakdown of the taxable components that securityholders receive via their annual taxation statements will be available in late August on Vicinity's website: vicinity.com.au
- ATO's webpage on tax transparency for corporate tax entities, including background information and explanations: ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Tax-transparency--reporting-of-entity-tax-information
- The Treasury's Consultation Paper on Stapled Structures (March 2017) is published on: treasury.gov.au/ConsultationsandReviews/Consultations/2017/Stapled-Structures

1. In this regard, Vicinity includes entities which have been equity accounted in these financial statements.
2. Land tax and local rates and levies data has been extracted from the group financial statements and therefore may vary from the actual taxes paid in FY16 and FY17 due to timing differences.
3. Net GST remitted for FY17 is comprised of $180.2 million of GST collected (FY16: $185.4 million) and $104.5 million of GST claimed (FY16: $110.5 million).
4. This represents taxes withheld from Vicinity's securityholders. As the majority of our securityholders either supply their tax file number or in the case of non-residents, hold their interests indirectly, this figure is not representative of the taxes actually paid by our securityholders.

Sustainability Assurance Statement

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Building a better working world

Independent Limited Assurance Statement to the Management and Directors of Vicinity Centres

Our Conclusion

We were engaged by Vicinity Centres to undertake limited assurance as defined by Australian Auditing Standards and below, and hereafter referred to as a 'review', over Vicinity Centres' disclosures of selected sustainability performance data included in Vicinity Centres' 2017 Annual Report and Corporate Governance Statement for the year ended 30 June 2017. Based on the work we performed, nothing came to our attention that caused us to believe that the selected sustainability performance data had not been prepared and presented fairly, in all material respects, in accordance with the reporting criteria.

What our review covered

We reviewed a selection of Vicinity Centres' sustainability performance data for the year ended 30 June 2017, as shown in the table below:

Selected sustainability performance data	Annual Report page
Carbon intensity (scope 1 and 2) (kg CO_2-e/sqm)	3, 12
Energy intensity (MJ/sqm)	12
Waste diversion rate (% recovered for recycling)	12
Community investment ($)	3, 4, 12 & 28
TRIFR (Total recordable injury frequency rate)	12
Diversity (% representation of women by level)	12 (13 & 14 of Corporate Governance Statement)
Gross lettable area (GLA) (sqm)	14

Criteria applied by Vicinity Centres

The following criteria have been applied:

- specific criteria from the Global Reporting Initiative Standards
- Vicinity Centres' own criteria and management methods as set out in its publicly disclosed Sustainability Reporting Criteria, available at: http://www.vicinity.com.au/sustainability/governance-and-performance.

Key responsibilities

EY's responsibility and independence

Our responsibility was to express a limited assurance conclusion on the disclosures of selected sustainability metrics.

We were also responsible for maintaining our independence and confirm that we have met the independence requirements of the APES 110 Code of Ethics for Professional Accountants and have the required competencies and experience to conduct this assurance engagement.

Vicinity Centres' responsibility

Vicinity Centres' management was responsible for selecting the Criteria, and preparing and fairly presenting the selected sustainability performance data in accordance with that Criteria. This responsibility includes establishing and maintaining internal controls, adequate records and making estimates that are reasonable in the circumstances.

Our approach to conducting the review

We conducted this review in accordance with the *Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (ASAE 3000), *Assurance Engagements on Greenhouse Gas Statements* (ASAE 3410) and the terms of reference for this engagement as agreed with Vicinity Centres 21 June 2017.

Summary of review procedures performed

Our procedures included, but were not limited to:

- Gaining an understanding of the processes supporting the development of data for Vicinity Centres' sustainability disclosures
- Conducting interviews with key personnel to understand Vicinity Centres' process for collecting, collating and reporting the selected sustainability performance data during the reporting period
- Checking that the Criteria has been correctly applied in the calculation of the selected sustainability performance data
- Undertaking analytical review procedures to support the reasonableness of the data
- Identifying and testing assumptions supporting calculations
- Testing the calculations performed by Vicinity Centres
- Testing, on a sample basis, underlying source information to check the accuracy of the data
- Reviewing the appropriateness of the presentation of information.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Ernst & Young
Melbourne, Australia

Terence Jeyaretnam
Partner

16 August 2017

Limited Assurance

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

While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Use of our Assurance Statement

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of Vicinity Centres, or for any purpose other than that for which it was prepared.

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Financial Report

For the year ended 30 June 2017

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Directors' Report

The Directors of Vicinity Limited present the Financial Report of Vicinity Centres (Vicinity or the Group) for the year ended 30 June 2017. 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, 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 2016 and up to the date of this report unless otherwise stated:

(i) Chairman

Peter Hay (Independent)

(ii) Non-executive Directors

Charles Macek (Independent)[1]

David Thurin

Debra Stirling (Independent)[1]

Karen Penrose (Independent)

Peter Kahan

Richard Haddock AM (Independent) (retired 30 April 2017)

Tim Hammon (Independent)

Trevor Gerber (Independent)

Wai Tang (Independent)

(iii) Executive Director

Angus McNaughton (CEO and Managing Director)[2]

Further information on the background and experience of the Directors is contained on pages 34 to 36 of this report.

Company Secretaries

Carolyn Reynolds

Michelle Brady

Principal activities

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

The principal activities of the Group during the year were property investment, property management, property development, leasing and funds management.

Review of results and operations

The Operating and Financial Review is contained on pages 08 to 20 of this report.

Significant matters

The Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report or the financial statements that has significantly affected or may significantly affect, the operations of the Group, the results of those operations, or the state of the Group's affairs in future financial years.

1. Mr Charles Macek and Ms Debra Stirling have announced their intention to retire as Non-executive Directors at the Annual General Meeting to be held on 16 November 2017.
2. As announced on 22 June 2017, CEO and Managing Director, Mr Angus McNaughton, has advised of his intention to retire during the 2018 financial year. On 11 August 2017, the Group announced Mr Grant Kelley would succeed Mr Angus McNaughton CEO and Managing Director, with a planned commencement date of 1 January 2018.

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Distributions

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

	Total $m	Cents per stapled security
Interim – 31 December 2016	**344.4**	8.7
Final – 30 June 2017	**340.4**	8.6
Total – year end	**684.8**	17.3

The final distribution of 8.6 cents per stapled security will be paid on 30 August 2017.

Director-related information

Meetings of Directors held during the year

	Board		Special Purpose Board[1]		Audit Committee		Remuneration Committee		Risk and Compliance Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Peter Hay	7	7	3	3	-	-	-	-	-	-
Angus McNaughton	7	7	3	3	-	-	-	-	-	-
Charles Macek	7	7	3	3	-	-	6	6	-	-
David Thurin	7	7	3	3	-	-	-	-	4	4
Debra Stirling	7	7	3	3	-	-	6	6	4	4
Karen Penrose	7	7	3	3	7	7	-	-	4	4
Peter Kahan	7	7	3	3	7	7	6	6	-	-
Richard Haddock	6	6	2	2	6	6	-	-	3	3
Tim Hammon	7	7	3	3	-	-	6	6	4	4
Trevor Gerber	7	7	3	3	7	7	6	6	-	-
Wai Tang	7	7	3	3	7	7	-	-	4	4

1. Special purpose Board meetings were scheduled and convened at short notice to consider special purpose approvals.

Vicinity also has a Nominations Committee consisting of Mr Hay, Mr Hammon, Mr Macek and Mr Kahan. All members attended the three Nominations Committee meetings held during the year.

Director security holdings

Director security holdings as at 30 June 2017 are detailed within the Remuneration Report. There have been no movements in security holdings between 30 June 2017 and the date of this report.

Indemnification and insurance of Directors and Officers

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

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

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Auditor-related information

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

Indemnification of auditor

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

Non-audit services

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

Details of the amounts paid or payable to EY for audit and non-audit services provided during the year are set out in Note 17 to the Financial Report.

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

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

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

Environmental regulation

The Group is subject to the reporting obligations under the *National Greenhouse and Energy Reporting (NGER) Act 2007* (Cth). This requires the Group to report annual greenhouse gas emissions, energy use and production for all assets under management for years ending 30 June. The Group met this obligation by submitting its NGER report to the Department of the Environment and Energy for the year ended 30 June 2016 by 31 October 2016. The 2017 NGER report will be submitted by the 31 October 2017 deadline. The Group monitors its other environmental legal obligations and is compliant for the reporting period.

Corporate governance

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

Options over unissued securities

As at 30 June 2017 and at the date of this report, there were 6,121,419 unissued ordinary securities under option in the form of performance rights. Refer to the Remuneration Report for further details of the options outstanding for Key Management Personnel.

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

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Events occurring after the end of the reporting period

On-market securities buy-back

On 25 July 2017, the Group announced an on-market buy-back program of up to 5% of ordinary securities on issue. The Group will only purchase securities where doing so is accretive to earnings per security and NTA, while also preserving ample capacity to fund other capital requirements.

Appointment of new Chief Executive Officer (CEO) and Managing Director

On 11 August 2017, the Group announced Mr Grant Kelley would succeed Mr Angus McNaughton as CEO and Managing Director, with a planned commencement date of 1 January 2018.

Vicinity Board changes

On 31 July 2017 the Group announced the appointment of Ms Janette Kendall as an Independent Non-executive Director to the Boards of Vicinity Limited and Vicinity Centres RE Ltd, effective from 1 December 2017. Mr Charles Macek and Ms Debra Stirling will retire as Independent Non-executive Directors at the Annual General Meeting to be held on 16 November 2017.

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

Rounding of amounts

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

Remuneration Report

Charles Macek
Chairman – Remuneration and Human Resources Committee

Letter from Chairman of the Remuneration and Human Resources Committee

Dear Securityholders

On behalf of the Board, I am pleased to present our FY17 Remuneration Report for which we will seek your approval at our Annual General Meeting in November 2017. The Remuneration Report is designed to provide you with the necessary information to demonstrate the link between Vicinity's strategy, performance, and the remuneration outcomes for our Executive Key Management Personnel (KMP).

In FY17, Vicinity delivered solid financial performance and made strong progress towards our strategic objectives.

Integration activities were successfully concluded well ahead of program and merger synergy targets were exceeded. Occupancy of 99.5%, which is ahead of target despite a challenging retail environment, together with a strong leasing spread outcome enabled net property income to exceed budget. This contributed to underlying earnings per security of 18.7 cents, which, when combined with strong valuation gains, resulted in a total return of 15.5% being recorded for the year ended 30 June 2017. Statutory net profit for the year was $1,583.6 million.

In our second year since formation in June 2015, the Vicinity culture continues to evolve. Embedding a digital mindset in the DNA of our culture is an imperative. Central to this is agility, with a focus on customers, both consumers and retailers. Pleasingly, much progress in this transformation has occurred over the past 12 months. There has been a significant improvement in our employee engagement score from 66% to 71% and our people have embraced our refined company values: We Always Collaborate, We Embrace Diversity and We Imagine a Better Way.

This year, we placed significant emphasis on developing senior leadership capability, implementing our diversity and inclusion program which is focused on gender, age and mental health, and strengthening the connection we have with our communities through investment, volunteering and workplace giving programs.

With underlying earnings per security in line with target and strong total returns achieved, an average of 65% of the maximum Short Term Incentive (STI) Plan opportunity available was awarded to Executive KMP.

Once again, to recognise the importance of the contribution by all employees we maintain an Exempt Employee Security Plan (EESP). This enables Vicinity to gift up to $1,000 worth of securities to each eligible employee. This year we expect just over 1,000 employees to benefit from the EESP.

The retirement of Angus McNaughton, CEO and Managing Director, effective 31 December 2017 will signify a new era for Vicinity, but with our strong executive team and operating platform, and a strong alignment between our strategy, performance and remuneration framework, I am confident that Vicinity is well positioned for the future.

Charles Macek
Chairman – Remuneration and Human Resources Committee

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Report overview

This Remuneration Report outlines:

- Vicinity's reward principles and framework;
- Vicinity's performance for the 2017 financial year and the remuneration outcomes for Executive KMP; and
- Remuneration received by Directors and Executive KMP.

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

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1. Remuneration framework

1.1 Reward principles and framework

The objective of Vicinity's remuneration framework is to build capability by attracting, retaining and engaging a talented executive team while aligning their actions with securityholder interests. This is achieved through linking executive remuneration to both short and long-term company performance. Our framework encourages executives to focus on creating long-term growth and complements our purpose of enriching community experiences by ensuring that short-term actions do not have a detrimental effect in the longer term.

The diagram below provides a snapshot, linking our reward principles to the components of our remuneration framework and how these components are measured to ensure that executive and securityholder interests are aligned.

Reward principles

Attract, retain and motivate high-performing executives.	Demonstrate link between performance, strategy execution and value creation.	Encourage executives to manage from the perspective of securityholders.

Remuneration framework

Components	Performance measures	Strategic objective
Total Fixed Remuneration (TFR) *Base salary, superannuation and any salary sacrifice amounts.* Further details are contained in section 3.1. +	• Benchmarked to competitive rates. • Size, scope and complexity of the role. • The relevant job market. • Individual experience, capability and performance.	• Remuneration set at competitive levels, to attract, retain and engage key talent.
Short Term Incentive (STI) *Annual bonus opportunity, 12-month performance period subject to performance targets.* *Partially paid in cash and partially deferred into equity (24-month deferral for the CEO and Managing Director and 18 months for other Executive KMP).* Further details are contained in section 3.2. +	Measured against four performance categories: • **Financial:** targets include underlying earnings per security, net property income (NPI) and management expense ratio. • **Strategic:** relates to portfolio enhancement, development pipeline and digital strategy. • **People and leadership:** includes culture, capability, employee engagement and diversity and inclusion. • **Operational excellence:** comprises innovation, risk management, systems, processes, sustainability and safety metrics.	• Financial targets relate to Vicinity's capacity to pay distributions and generate securityholder returns. • Strategic measures focus on asset and business planning. • People and leadership objectives aim to promote a culture and behaviours that drive company performance and reflect our long-term objectives. • Operational excellence areas focus on providing safe and sustainable environments for employees, consumers and retailers, and a drive for efficiency and innovation across the business.
Long Term Incentive (LTI) *Performance rights, three-year performance period, additional one-year holding lock.* Further details are contained in section 3.3.	The performance rights vest subject to achievement of an: • Internal hurdle based on total return (TR); and • External hurdle based on total securityholder return (TSR) relative to the S&P/ASX 200 A-REIT (Australian Real Estate Investment Trust) Index, excluding Westfield Corporation (ASX:WFD).	• Encourages sustainable high performance over the medium to long term and securityholder value creation. • Provides retention element. • TR measures the extent to which Vicinity efficiently manages and extracts value from Vicinity's assets. • Relative TSR hurdle aligns remuneration with Vicinity's long-term return relative to its nominated peer group.

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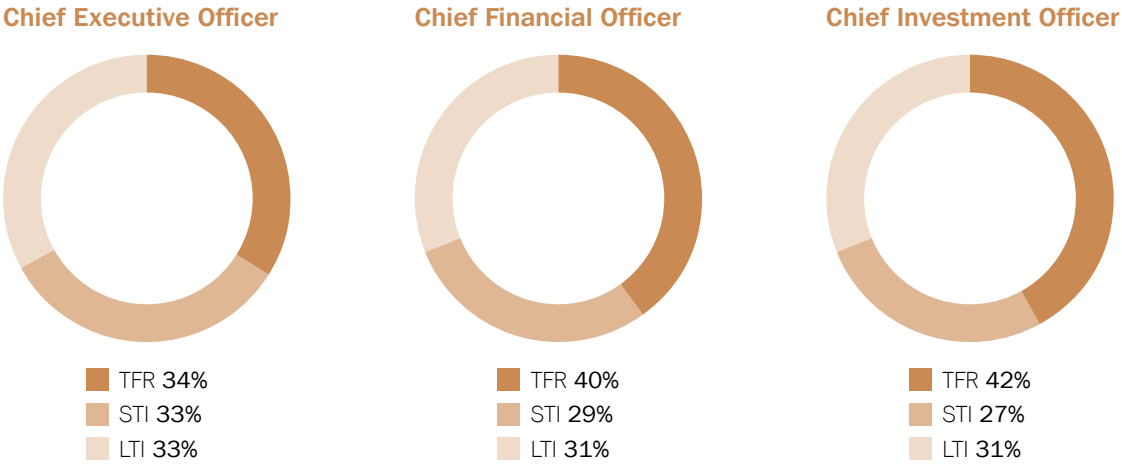
1. Remuneration framework continued

1.2 Pay mix

A significant component of executive remuneration is linked to short and long-term company performance to assist in aligning executive interests with those of securityholders. The relative weightings of the fixed and at risk components of total target remuneration for Executive KMP are detailed in Figure 1.1 below. A higher proportion of the CEO's total remuneration is at risk as he has the greatest scope to influence Vicinity's long-term performance.

Figure 1.1



1.3 Key Management Personnel (KMP)

The KMP of Vicinity includes all Non-executive Directors and those executives who are deemed to have authority and responsibility for planning, directing and controlling the activities of Vicinity (Executive KMP).

A summary of Executive KMP during the year and their tenure as KMP is shown in Table 1.2 below.

Table 1.2

Name[1]	Position	Tenure
Angus McNaughton	CEO and Managing Director (CEO)	Full year
Richard Jamieson	Chief Financial Officer (CFO)	Full year
Michael O'Brien	Chief Investment Officer (CIO)	Full year

1. Former Executive KMP who held KMP positions during the year ended 30 June 2016 are included in the statutory remuneration tables in section 2.4.

The list of Non-executive Directors during the current and prior years can be found in section 4.2.

2. Company performance and executive remuneration outcomes

2.1 Overview of company performance

Over the 12 months to 30 June 2017, Vicinity's net profit was $1,583.6 million, underpinned by solid underlying portfolio performance and strong property valuation gains. Net tangible assets per security increased 23 cents, or 8.9%, to $2.82 contributing to a total return of 15.5% for the period.

Vicinity's underlying earnings for the year was $741.8 million, or 18.7 cents on a per security basis, in line with guidance. This represented a decrease of $15.7 million, or 2.1%, from the prior year due to the impact of the non-core asset divestment program which saw interests in 19 retail assets disposed since 1 July 2015. The impact of the disposals was partially offset by comparable NPI growth, as a result of base rental and ancillary income growth, prudent property expense management and additional NPI from developments and acquisitions. Additionally, a 7.3% reduction in net corporate overheads was achieved, reflecting the strong focus on operational efficiencies and the realisation of merger synergies.

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A continued focus on capital management was recognised by Standard & Poor's raising Vicinity's credit rating to 'A' with stable outlook in January 2017. Prudent capital allocation decisions and the divestment of interests in $1.7 billion of assets over the past 24 months have put Vicinity in a strong capital position. Gearing is 24.7% at 30 June 2017 and the weighted average debt duration is 5.3 years, with no debt expiries in FY18.

Vicinity's TSR relative underperformance in the period, together with other retail REITs, is primarily due to a continuation of the perception of stronger conditions in office markets (particularly Sydney and Melbourne), softer retail trading conditions and the announcement by Amazon confirming its expansion into Australia.

Table 2.1 below summarises details of Vicinity's performance for key financial metrics for the current and past four financial years:

Table 2.1

Performance metric	FY13	FY14	FY15	FY16	FY17
Security price as at 30 June ($)	2.37	2.49	2.92	3.32	2.57
Distributions declared per security (cents)	14.1	15.7[1]	16.9	17.7	17.3
TSR for the year ended 30 June	27.3%	11.8%	24.4%	20.4%	(17.7%)
S&P/ASX 200 A-REIT Index	24.2%	11.1%	20.3%	24.6%	(6.3%)
Total return[2]	6.9%	14.1%	10.6%	12.8%	15.5%

1. FY14 includes a 0.4 cent distribution declared post 30 June 2014, relating to FY14.
2. Calculated as: (change in NTA during the period + distributions declared)/opening NTA.

2.2 FY17 Short Term Incentive (STI) outcomes

Summary

Vicinity's STI provides employees with the opportunity to be rewarded for achieving a combination of group financial, strategic and individual performance objectives, through an annual, performance-based reward. Many of these objectives contribute towards medium to longer term performance outcomes aligned to Vicinity's strategy. The STI outcome is weighted against four performance categories that are outlined in Table 2.2.

Specific measures for individuals are set within these performance categories and approved by the Board. Further details of the STI are set out in section 3.2.

Performance for each measure is assessed on a range from 'threshold' to 'maximum'. Maximum is set at a level that ensures that the maximum amount of STI is payable only when performance has significantly exceeded target measures. Further detail on the assessment of each performance measure is contained in Table 2.3 below and details of STI awarded are contained in Table 2.4.

Outcomes

The calculation of financial performance for FY17 was undertaken in July 2017 by comparing actual performance against the agreed performance objectives. Tables 2.2, 2.3 and 2.4 below outline the FY17 STI outcomes.

Table 2.2 below shows the range of outcomes achieved by the Executive KMP against each performance category relating to the 2017 financial year.

Table 2.2: FY17 STI outcomes for Executive KMP

		Performance level achieved[1]		
Performance category	Weighting at target	Threshold	Target	Maximum
Financial	20%–40%			
Strategic	30%–50%			
People and Leadership	15%			
Operational Excellence	15%			

1. The line represents that range of outcomes achieved by the Executive KMP. The circles indicate the average outcome. Please refer to Table 2.3 for more detail on business performance against FY17 measures.

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2. Company performance and executive remuneration outcomes continued

Table 2.3: Business performance against FY17 measures

Performance category and weighting	Performance measure	Reason chosen	Performance outcome
Financial (20%–40%)	Underlying earnings per security (EPS), net property income (NPI) and NPI growth, total return, management expense ratio (MER) and capital management objectives	Underlying EPS, NPI, total return and MER are key financial measures of performance, while balance sheet strength is a critical foundation for future success	• Delivered underlying EPS of 18.7 cents, in line with guidance • Delivered comparable NPI growth of 2.5% • Achieved a total return of 15.5% • MER reduced from 34 bps to 31 bps • Standard & Poor's credit rating raised to 'A/stable'
Strategic (30%–50%)	Strategy objectives focused on portfolio enhancement, delivery of the development pipeline, merger synergies realisation, digital strategy and stakeholder management	Developing and implementing Vicinity's key strategic initiatives will underpin future opportunities and growth	• Merger successfully completed with the integration of our people, systems and processes, and merger synergy targets exceeded and delivered ahead of program • Improved portfolio occupancy rate from 99.4% to 99.5% • Divested $586m of non-core assets at a 2.3% premium to book value and acquired the remaining 25% of DFO South Wharf and the remaining 50% of Bentons Square • Significant progress across live projects and the shadow pipeline, including: – Chadstone major redevelopment successfully completed – First retail stage at Mandurah Forum opened in July 2017 fully leased – Approvals received and construction commenced at DFO Perth and The Glen • Completed rollout of high-speed digital network within program and budget • Strong engagement and working relationships with co-owners
People and Leadership (15%)	People objectives focused on enhancing culture, strengthening capability, improving employee engagement and developing our diversity and inclusion agenda	Creating and maintaining a team that is high performing, highly engaged and diverse is fundamental to long-term performance	• Significant improvement in employee engagement score to 71% from 66% in FY16 • Commenced roll out of initiatives under the three key focus areas of the Diversity and Inclusion Strategy • Talent management plan and succession planning for the Executive Committee and broader senior leadership team in place
Operational Excellence (15%)	Operational objectives centred on a review of corporate overheads, risk management and our sustainability agenda	Focus on business transformation, operational efficiency, risk management and sustainability will underpin sustainable performance	• Net corporate overheads were reduced by 7.3% • Improvement in Green Star Performance portfolio average rating from 2 Stars to 3 Stars • Established a three-year partnership with Beacon Foundation focused on unemployed and disengaged youth

Table 2.4

	Target STI as % of TFR	Maximum STI opportunity as % of TFR	Actual STI awarded $	% of target STI opportunity awarded	% of maximum STI opportunity awarded	% of maximum STI opportunity forfeited
Executive KMP						
Angus McNaughton	100%	125%	1,611,000	107.4%	86.0%	14.0%
Richard Jamieson	75%	150%	534,375	95.0%	47.5%	52.5%
Michael O'Brien	65%	130%	568,750	125.0%	62.5%	37.5%

Note: the maximum STI opportunity as % of TFR is the theoretical maximum the Executive KMP can receive.

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2.3 FY17 Long Term Incentive (LTI) outcomes

Summary

The LTI provides an annual opportunity for the CEO, the direct reports to the CEO (Executive Committee) and other Senior Executives (Senior Leaders) for an equity award (through performance rights), subject to the achievement of performance hurdles over three years and a further 12-month holding lock. The LTI aligns a significant portion of overall remuneration to securityholder value over the longer term.

Please refer to section 3.3 for further details of the LTI Plan.

Outcomes

The FY15 LTI grant was tested at 30 June 2017 and nil overall vesting level was achieved. The relative TSR hurdle was not achieved and as the underlying EPS target did not meet threshold, nil vesting was achieved against the Return on Equity (ROE) and underlying EPS tranche.

No current Executive KMP were employees of Vicinity at the time these performance rights were granted in FY15. The first period in which the Executive KMP will be eligible for performance rights to vest will be the year ending 30 June 2018 (three years after the FY16 performance rights were granted). Details of all current LTI holdings for Executive KMP are contained in section 3.5.

FY17 grants

The FY17 LTI grant was made to the Executive Committee and Senior Leaders with effect from 1 July 2016, with a three-year performance period.

Table 2.5 shows the number of performance rights granted to the Executive KMP under the FY17 LTI. The number of performance rights granted was allocated using the 'face value' methodology.

The fair value of the performance rights at grant date are also included in Table 2.5 and are calculated in accordance with AASB 2 *Share Based Payment*.

As outlined, these performance rights may vest in three years' time provided TSR and TR hurdles are met. If the performance rights vest, there is an additional 12-month holding lock during which they cannot be traded. Further details on the hurdle requirements are contained in section 3.3 below.

Table 2.5: FY17 LTI grants

	Number of performance rights granted[1]	Grant date	Face value of rights on grant date $	LTI face value as a percentage of TFR at grant date %	Fair value of rights on grant date[2,3] $	LTI fair value as a percentage of TFR at grant date %
Executive KMP						
Angus McNaughton	528,820	9 December 2016	1,500,000	100	856,688	57.1
Richard Jamieson	211,528	9 December 2016	600,000	80	342,675	45.7
Michael O'Brien	185,087	9 December 2016	525,000	75	299,842	42.8
Total	**925,435**		**2,625,000**	**89**	**1,499,205**	**50.8**

1. The grants made to Executive KMP represented their full LTI entitlement for the relevant financial year. The security price used in the calculation is the volume weighted average price of Vicinity's securities 10 trading days immediately following the 2016 Annual General Meeting.
2. Calculated based on a fair value per performance right of:
   Grant date: 9 December 2016
   TR hurdle: $2.27
   TSR hurdle: $0.97
   The fair value per performance right was calculated by independent consultants as at the grant date identified above. The valuation of the TSR performance rights incorporates the probability of achieving market conditions whereas the valuation of TR performance rights does not. This results in a lower fair value for TSR performance rights than for TR performance rights. Further details on assumptions used to determine the fair value of the performance rights are included in Note 14(a) to the Financial Report. The fair value is recognised as an expense in the Statement of Comprehensive Income over the three-year vesting period.
3. The value of the grant has been determined based on the fair value per instrument as at the date of grant. The minimum total value of the grant to the Executive KMP is nil should none of the applicable performance conditions be met.

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2. Company performance and executive remuneration outcomes continued

2.4 Statutory remuneration tables

Table 2.6 below details the remuneration received by each Executive KMP during the current and prior years, for the period which they were a KMP. Table 2.7 provides the same information for former Executive KMP. This table has been prepared in accordance with the requirements of the Corporations Act and the relevant Accounting Standards. The figures provided under the performance rights columns are accounting values and do not reflect actual payments received. As noted above in section 2.3, no performance rights vested to any Executive KMP during FY17.

Table 2.6: Total Executive KMP remuneration for FY17 and FY16

		Short-term benefits			Other benefits		Share-based payments		Post-employment			
Executive KMP	Period	Base Salary[1] $	STI cash[2] $	Non-monetary[3] $	Other[4] $	Leave entitle-ments[5] $	Perfor-mance rights[6] $	STI Deferred[7] $	Super-annuation contributions $	Termin-ation benefits $	Total $	% Perfor-mance related[8]
Angus McNaughton	**FY17**	**1,463,412**	**1,611,000**	**4,277**	**108,333**	**-**	**531,706**	**-**	**25,000**	**-**	**3,743,728**	**57%**
	FY16	1,342,519	1,314,844	22,585	204,033	-	246,143	438,281	17,699	-	3,586,104	56%
Richard Jamieson	**FY17**	**733,303**	**267,188**	**3,305**	**-**	**3,469**	**220,730**	**267,187**	**25,000**	**-**	**1,520,182**	**50%**
	FY16	714,984	393,750	3,441	-	-	106,505	393,750	25,000	-	1,637,430	55%
Michael O'Brien	**FY17**	**677,681**	**284,375**	**5,374**	**-**	**7,178**	**186,097**	**284,375**	**19,616**	**-**	**1,464,696**	**52%**
	FY16	530,723	228,867	3,649	-	-	86,150	228,867	14,481	-	1,092,737	50%
Total – Executive KMP	**FY17**	**2,874,396**	**2,162,563**	**12,956**	**108,333**	**10,647**	**938,533**	**551,562**	**69,616**	**-**	**6,728,606**	**54%**
	FY16	2,588,226	1,937,461	29,675	204,033	-	438,798	1,060,898	57,180	-	6,316,271	54%

1. Base salary includes the net movement of annual leave entitlement balance.
2. The cash component is 50% of the FY17 STI for Executive KMP (excluding the CEO), and is scheduled to be paid in September 2017 (following Board approval of the audited FY17 financial statements). Due to the resignation of Mr Angus McNaughton effective 31 December 2017, his FY17 STI will not be subject to deferral into share-based payments. 75% of his total FY17 STI is scheduled to be paid in September, with the remaining 25% subject to cash deferral and payable upon termination.
3. Non-monetary benefits include motor vehicles and other non-cash fringe benefits (including the value of death and total permanent disability insurance premiums paid by Vicinity on behalf of the Executive KMP).
4. Other benefits for Mr Angus McNaughton include relocation allowances or reimbursements (30 June 2016: $183,333 relocation allowance, $20,700 reimbursements) and (30 June 2017: $108,333 relocation allowance).
5. Leave entitlements reflect long service leave accrued for the period. Mr Angus McNaughton will not be entitled to long service leave upon retirement given he has not met the seven-year service requirement.
6. In accordance with the requirements of Australian Accounting Standards, remuneration includes a proportion of the fair value of the equity compensation granted or outstanding during the year (that is, a portion of performance rights awarded under the LTI that remained unvested as at 30 June 2017). The fair value of the equity instruments is determined as at the grant date and is progressively expensed over the vesting period. This amount included as remuneration is not related to or indicative of the benefit (if any) that Executive KMP may ultimately realise should the performance rights vest. The fair value of the performance rights at the date of their grant has been determined in accordance with AASB 2, applying a Monte Carlo simulation valuation method.
7. The amount presented represents the value of STI deferred that has been recognised as an expense in the current period as required by accounting standards.
8. Represents the sum of STI cash and share-based payments divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year.

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Table 2.7: Total former Executive KMP remuneration for FY17 and FY16

		Short-term benefits			Other benefits		Share-based payments		Post-employment			
Former Executive KMP	Period	Base salary $	STI cash[1] $	Non-monetary[1] $	Other $	Leave entitlements[1] $	Performance rights[1] $	STI deferred[1] $	Superannuation contributions $	Termination benefits $	Total $	% Performance related[1] $
Steven Sewell[2]	FY16	135,332	-	1,709	78,285[4]	-	267,376	-	1,717	1,092,307[4]	1,576,726	17.0%
Stuart Macrae[3]	FY16	240,206	99,054	-	450,000[5]	3,749	21,617	99,054	5,450	-	919,130	23.9%
Jonathan Timms[3]	FY16	223,649	65,742	2,054	-	-	107,365	-	5,449	-	404,259	42.8%
Total – Former Executive KMP	FY16	599,187	164,796	3,763	528,285	3,749	396,358	99,054	12,616	1,092,307	2,900,115	22.8%

1. Refer to corresponding footnotes on Table 2.6.
2. Mr Steven Sewell ceased to be KMP on 3 August 2015 following the appointment of Mr Angus McNaughton as CEO. Mr Sewell's employment ceased on 2 December 2015.
3. Mr Stuart Macrae and Mr Jonathan Timms ceased as KMP on 12 October 2015. Mr Timms subsequently ceased employment on 29 April 2016.
4. Comprises balance of notice period and relocation and accrued annual leave entitlement paid out on termination.
5. $450,000 special payment subject to performance and retention.

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3. Executive remuneration – further information

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

- Fixed remuneration;
- STI; and
- LTI.

3.1 Fixed remuneration

Fixed remuneration comprises base salary, superannuation contributions and any salary sacrifice amounts (for example, motor vehicle leases). Vicinity aims to provide a competitive level of fixed remuneration that recognises the size, scope and complexity of the role; the relevant job market; and the experience, capability and performance of the incumbent.

3.2 STI

Refer to section 2.2 for a summary of the STI and outcomes for FY17.

STI arrangements	
Opportunity	For the CEO, the FY17 STI opportunity at a target level of performance is 100% of TFR. For other Executive KMP, the STI opportunity at a target level of performance is between 65% and 75% of TFR. Each Executive KMP (other than the CEO) has a theoretical maximum of two times target for exceptional individual and Vicinity performance. For the CEO, the maximum is limited to 1.25 times target opportunity.
Performance period	The applicable STI performance period is the full financial year. Where an Executive KMP commences employment during the year, their STI is evaluated and paid on a pro rata basis. Where an Executive KMP ceases employment during the year, if the STI is not forfeited, it is evaluated and paid on a pro rata basis at the same time as all others.
Grant date, payment and deferral[1]	STI is provided as a combination of cash and deferred equity payments. Partial payment is deferred into equity for a period of 24 months for the CEO and 18 months for other Executive KMP. Dividends are paid on the deferred equity component during the holding lock period. Outcomes are calculated following the Board's review of Vicinity's FY17 audited financial results and the cash component will be paid in September 2017.
Performance targets and measurement	Section 2.2 provides a detailed summary of the performance objectives and measures and the subsequent results for Executive KMP for FY17. Performance objectives for FY17 were finalised by the Board in the case of the CEO, and by the CEO and Remuneration and Human Resources Committee (the Committee) in the case of other Executive KMP. The Committee, with input from the Chairman of the Board, assesses the CEO's performance against his objectives and makes the recommendation to the Board for final determination. The CEO assesses the performance of all other Executive KMP relative to their individual objectives and makes recommendations to the Committee for determination.

1. Due to the resignation of the CEO effective 31 December 2017, the CEO's FY17 STI will not be subject to deferral into equity. 75% of the CEO's FY17 STI is scheduled to be paid in September, with the remaining 25% subject to cash deferral and payable upon termination.

For FY18, our remuneration framework relating to the STI Plan has been adapted slightly to further align STI payments to shareholder interests. The performance objectives and measures for FY18 reinforce that STI payments are awarded for delivery of performance, strategy execution and value creation, and achievement of operational or 'Business As Usual' objectives are rewarded through fixed remuneration.

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3.3 LTI

Refer to section 2.3 for a summary of the LTI and awards during FY17.

LTI arrangements

Type of equity awarded	Vicinity stapled securities at a future time for nil consideration, subject to the achievement of agreed performance hurdles at the end of the performance period (as set out below). Until the performance rights vest, an Executive KMP has no entitlement to receive dividends or distributions from, no legal or beneficial interest in, and no voting rights associated with, the underlying stapled securities.
Performance period	Three years. There is an additional holding lock period of 12 months after the three-year performance period ends. During this period, the vested performance rights cannot be traded but the holder is entitled to receive dividends, distributions and vote.
Performance hurdles	Allocations of performance rights are tested against two performance hurdles: • 50% are subject to the achievement of a relative TSR[1]; and • 50% are tied to the achievement of TR[2]. Each hurdle will be measured independently at the end of the performance period.
Opportunity	For the CEO, the FY17 LTI opportunity at a target level of performance is 100% of TFR. For other Executive KMP, the LTI opportunity at a target level of performance is between 75% and 80% of TFR. The number of rights allocated was determined based on the 10-day Volume Weighted Average Price (VWAP) of Vicinity securities immediately following the 2016 Annual General Meeting.
Vesting scale	The following vesting scales apply:

TSR

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

TR

Target total return	Percentage vesting
< 9.0%	0%
Between 9.0% and 9.5%	Between 50% and 100%
≥ 9.5%	100%

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

1. Relative TSR combines the security price movement and dividends (which are assumed to be re-invested) to show total return to securityholders, relative to that of other companies in the TSR Comparator Group. The Board decided that an appropriate comparator group for the relative TSR performance hurdle was the S&P/ASX 200 A-REIT Index excluding Westfield Corporation. Where appropriate, the Board has discretion to adjust the comparator group to take into account events, including but not limited to takeovers, mergers or de-mergers, that might occur with respect to the entities in the comparator group.
2. TR is calculated as the change in Vicinity's Net Tangible Assets per security (NTA) during the performance period plus total distributions made divided by the NTA at the beginning of the performance period.

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

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

- If terminated for cause, any existing STI and LTI entitlements will be forfeited.
- In the event of cessation of employment for such reasons as redundancy, death, total and permanent disablement or retirement:
  - a pro rata amount of unvested performance rights will remain on foot, with the balance forfeited. Performance rights may then vest at the end of the performance period subject to meeting the performance measures under the associated plan and will be subject to the holding lock; and
  - STI for the year will be pro-rated over the employment period and paid fully in cash at the same time as all others (no amounts are deferred into equity).

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3. Executive remuneration – further information continued

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

The Board also has the right to reduce future award payments or adjusted unvested amounts to 'clawback' from participants if there has been serious misconduct or a material misstatement in Vicinity's financial results.

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

With respect to the resignation of the CEO effective from 31 December 2017, the following treatment of the CEO's incentives will apply:

- Deferred securities granted under the FY16 STI offer will be released in September 2018 in the ordinary course;
- FY17 STI will not be subject to deferral into equity. 75% of the CEO's FY17 STI is scheduled to be paid in September 2017, with the remaining 25% subject to cash deferral and payable upon termination;
- Any FY18 STI will be pro-rated up to the termination date and paid fully in cash (deferral will not apply) in the ordinary course in September 2018;
- Performance rights granted under the FY16 and FY17 LTI offers will be pro-rated and will vest at the end of the respective performance periods subject to achievement of the performance hurdles and the additional holding lock;
- No grant to the CEO will be made under the FY18 LTI offer; and
- No other termination payments will be made.

3.5 Total LTI holdings

Total performance rights held by Executive KMP including the FY17 LTI grants detailed above are as follows:

	Opening performance rights	Granted as remuneration	Forfeited/ lapsed	Vested	Closing
Angus McNaughton	457,232	528,820	-	-	986,052
Richard Jamieson	197,841	211,528	-	-	409,369
Michael O'Brien	160,031	185,087	-	-	345,118
Total	**815,104**	**925,435**	**-**	**-**	**1,740,539**

3.6 Service agreements

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

Key features of the Executive KMP ESAs include the following:

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

Notice period provisions are detailed below.

	Termination by Vicinity			
	For cause	Other	Termination by Executive KMP	Termination payment[1]
Angus McNaughton	Immediately	12 months	6 months	12 months x TFR
Richard Jamieson	Immediately	6 months	6 months	6 months x TFR
Michael O'Brien	Immediately	6 months	6 months	6 months x TFR

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

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4. Non-executive Director remuneration

4.1 Remuneration philosophy

Non-executive Director fee levels are set with regard to time commitment and workload, the risk and responsibility attached to the role and external market benchmarking. To promote independence and impartiality, no element of Non-executive Director remuneration is 'at risk', that is, no element is based on the performance of Vicinity.

The current maximum fee pool of $2.25 million was approved by Vicinity securityholders in November 2011.

Board and committee fees

FY17 Board and committee fees are outlined in the table below:

Table 4.1: FY17 Board and committee fees

Board/Committee	Role	FY17 fees[1] $
Board	Chairman	450,000
	Non-executive Director	160,000
Audit Committee	Chairman	40,000
	Member	20,000
Risk and Compliance Committee	Chairman	40,000
	Member	20,000
Nominations Committee	Chairman	No additional fee
	Member	No additional fee
Remuneration and Human Resources Committee	Chairman	40,000
	Member	20,000

1. Fees are inclusive of superannuation.

The Chairman of the Board receives no further remuneration for committee membership, although he may attend committee meetings.

Non-executive Directors are entitled to be reimbursed for all reasonable business-related expenses, including travel on company business, that may be incurred in the discharge of their duties.

4. Non-executive Director remuneration continued

4.2 Fees and benefits paid

Table 4.2: Non-executive Directors' fees for FY17 and FY16

		Short-term benefits		Post-employment benefits[2]	
Non-executive Director	Period	Fees[1] $	Committee fees $	Superannuation contributions $	Total fees $
Non-executive Directors					
Peter Hay, Chair	**FY17**	**430,384**	**-**	**19,616**	**450,000**
(appointed 11 June 2015)	FY16	430,692	-	19,308	450,000
Trevor Gerber[3]	**FY17**	**146,118**	**36,530**	**17,352**	**200,000**
(appointed 28 October 2015)	FY16	122,164	36,530	15,076	173,770
Tim Hammon	**FY17**	**146,118**	**54,795**	**19,087**	**220,000**
(appointed 15 December 2011)	FY16	146,118	54,795	19,087	220,000
Peter Kahan[4]	**FY17**	**160,000**	**40,000**	**-**	**200,000**
(appointed 11 June 2015)	FY16	160,000	40,000	-	200,000
Charles Macek	**FY17**	**146,118**	**36,530**	**17,352**	**200,000**
(appointed 15 December 2011)	FY16	146,118	36,530	17,352	200,000
Karen Penrose	**FY17**	**146,118**	**54,795**	**19,087**	**220,000**
(appointed 11 June 2015)	FY16	146,118	54,795	19,087	220,000
Debra Stirling[3]	**FY17**	**146,118**	**36,530**	**17,352**	**200,000**
(appointed 28 October 2015)	FY16	122,164	36,530	15,076	173,770
Wai Tang	**FY17**	**146,118**	**36,530**	**17,352**	**200,000**
(appointed 30 May 2014)	FY16	146,118	36,530	17,352	200,000
David Thurin	**FY17**	**146,118**	**18,266**	**15,616**	**180,000**
(appointed 11 June 2015)	FY16	146,119	18,265	15,616	180,000
Subtotal Non-executive Directors	**FY17**	**1,613,210**	**313,976**	**142,814**	**2,070,000**
	FY16	1,565,611	313,975	137,954	2,017,540

1. Unless otherwise stated, fees represent fees paid to Non-executive Directors in their capacity as Directors of Vicinity Limited (the Company) and Vicinity Centre RE Ltd as Responsible Entity for Vicinity Centres Trust (the RE) which meet concurrently.
2. Non-executive Directors receive no post-employment benefits other than statutory superannuation.
3. Mr Gerber and Ms Stirling were appointed as Directors of the Company on 28 October 2015. The remuneration disclosed in Table 4.2 for FY16 for Mr Gerber and Ms Stirling is consequently for the period from 28 October 2015 to 30 June 2016. From 1 July 2015 to 28 October 2015 Mr Gerber and Ms Stirling were engaged as consultants and appointed as alternate directors of the company for which they each earned fees of $26,230.
4. Mr Kahan's Director fees are paid to the Gandel Group Pty Limited and therefore no superannuation contributions are made by Vicinity on his behalf.

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Table 4.2.1: Former Non-executive Directors' fees

Non-executive Director	Period	Short-term benefits: Fees[1] $	Short-term benefits: Committee fees $	Post-employment benefits[2]: Superannuation contributions $	Total fees $
Former Non-executive Directors					
Richard Haddock AM	**FY17**	**121,765**	**30,441**	**14,460**	**166,666**
(ceased as Director on 30 April 2017)	FY16	146,118	36,530	17,352	200,000
Subtotal Former	**FY17**	**121,765**	**30,441**	**14,460**	**166,666**
Non-executive Directors	FY16	146,118	36,530	17,352	200,000
Total	**FY17**	**1,734,975**	**344,417**	**157,274**	**2,236,666**
	FY16	1,711,729	350,505	155,306	2,217,540

1. Fees represent fees paid to Non-executive Directors in their capacity as Directors of the Company and the RE which meet concurrently.
2. Non-executive Directors receive no post-employment benefits other than statutory superannuation.

5. Other remuneration information

5.1 Remuneration governance

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

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

5.2 External advisors and consultants

To assist in performing its duties, and making recommendations to the Board, the Committee directly engages external advisors to provide input to the process of reviewing Executive KMP and Non-executive Director remuneration, and to provide advice on various aspects of the remuneration framework.

During FY17, KPMG was engaged by the Committee and management to provide a number of services.

The work undertaken by KPMG in FY17 did not constitute a remuneration recommendation for the purposes of the Corporations Act.

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5. Other remuneration information continued

5.3 Security trading restrictions

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

5.4 Minimum executive securityholdings

A mandatory security ownership policy is in place for executives. This requires Executive KMP and other senior executives to acquire and retain a minimum holding of securities equal to 60% of TFR (100% of TFR for CEO) within five years. Deferred STI and LTI count towards the holding level.

5.5 Minimum NED securityholdings

A minimum security holding policy for Independent Non-executive Directors is currently in place. This policy encourages Directors to acquire a holding of securities equal in value to one year of base Board fees (on an after-tax basis) within five years from the introduction of the policy in 2016 or from the Director's commencement date, whichever is the latter.

5.6 Executive KMP and Non-executive Directors' securityholdings

The table below shows the securities held (directly or indirectly) by Non-executive Directors and Executive KMP as at 30 June 2017. There were no changes in holdings between 30 June 2017 and the date of this report.

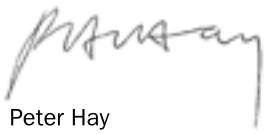
	Opening Securities[1]	Granted as remuneration[2]	Additions during the year	Other Movements	Closing
Non-executive Directors					
Peter Hay	72,291	-	47,500	-	**119,791**
Trevor Gerber	50,000	-	-	-	**50,000**
Richard Haddock AM	125,402	-	25,000	(150,402)[3]	**-**
Tim Hammon	25,000	-	25,000	-	**50,000**
Peter Kahan[4]	-	-	-	-	**-**
Charles Macek	50,000	-	-	-	**50,000**
Karen Penrose	20,563	-	19,437	-	**40,000**
Debra Stirling	10,000	-	-	-	**10,000**
Wai Tang	2,980	-	-	-	**2,980**
David Thurin	13,895,373	-	-	-	**13,895,373**
Total	**14,251,609**	**-**	**116,937**	**(150,402)**	**14,218,144**
Executive KMP					
Angus McNaughton	182,512	141,286	75,911	-	**399,709**
Richard Jamieson	-	126,931	-	-	**126,931**
Michael O'Brien	-	73,779	-	-	**73,779**
Total	**182,512**	**341,996**	**75,911**	**-**	**600,419**

1. Reflects securities balance as at 1 July 2016.
2. Reflects deferred securities allocated under the FY16 STI Plan.
3. Reflects securities held at the date Richard Haddock AM ceased to be a Director.
4. As Mr Kahan and Dr Thurin represent The Gandel Group Pty Limited, a substantial securityholder of Vicinity, they are not Independent Non-executive Directors and therefore are not required to meet the minimum NED securityholding policy.

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

End of the Remuneration Report.

Signed in Melbourne on 16 August 2017 in accordance with a resolution of the Directors.



Peter Hay
Chairman

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Auditor's Independence Declaration

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Building a better working world

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Auditor's Independence Declaration to the Directors of Vicinity Limited

As lead auditor for the audit of Vicinity Centres for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

David Shewring
Partner
16 August 2017

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Statement of Comprehensive Income

for the year ended 30 June 2017

	Note	30-Jun-17 $m	30-Jun-16 $m
Revenue			
Property ownership revenue		**1,235.8**	1,259.5
Management fee revenue from strategic partnerships		**66.3**	66.9
Interest and other income		**9.4**	15.4
Total revenue and income		**1,311.5**	1,341.8
Share of net profit/(loss) of equity accounted investments	5(a)	**18.2**	(6.0)
Property revaluation increment for directly owned properties	4(b)	**906.7**	733.0
Direct property expenses		**(332.2)**	(323.3)
Borrowing costs	6(b)	**(154.9)**	(175.1)
Employee benefits expense	13	**(98.7)**	(106.9)
Other expenses from ordinary activities		**(33.0)**	(38.0)
Net foreign exchange movement on interest bearing liabilities		**60.7**	42.4
Net mark-to-market movement on derivatives		**(55.1)**	(147.5)
Impairment and amortisation of intangible assets	15(a)	**(3.0)**	(298.3)
Integration costs		**(26.7)**	(41.1)
Stamp duty and other costs written off on acquisition of investment properties	4(b)	**(9.9)**	(20.1)
Profit before tax for the year		**1,583.6**	960.9
Income tax expense	3	**-**	-
Net profit for the year		**1,583.6**	960.9
Other comprehensive income		**-**	-
Total comprehensive income for the year		**1,583.6**	960.9
Total profit/(loss) and total comprehensive income/(loss) for the year attributable to stapled securityholders as:			
Securityholders of Vicinity Limited	18(b)	**(12.3)**	(305.6)
Securityholders of other stapled entities of the Group		**1,595.9**	1,266.5
Net profit and total comprehensive income for the year		**1,583.6**	960.9
Earnings per security attributable to securityholders of the Group:			
Basic earnings per security (cents)	2	**40.00**	24.27
Diluted earnings per security (cents)	2	**39.95**	24.25

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

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Balance Sheet

as at 30 June 2017

	Note	30-Jun-17 $m	30-Jun-16 $m
Current assets			
Cash and cash equivalents		**42.2**	52.8
Receivables and other assets	9	**88.3**	105.5
Investment properties held for sale	4(a)	**33.5**	232.1
Financial assets carried at fair value through profit or loss		**4.3**	3.6
Derivative financial instruments	6(d)	**-**	15.6
Total current assets		**168.3**	409.6
Non-current assets			
Investment properties	4(a)	**15,633.5**	14,426.6
Investments accounted for using the equity method	5	**88.0**	80.5
Intangible assets	15	**599.4**	602.4
Plant and equipment		**14.5**	13.8
Derivative financial instruments	6(d)	**68.3**	112.2
Deferred tax assets	3(c)	**84.3**	84.3
Receivables and other assets	9	**2.5**	120.1
Total non-current assets		**16,490.5**	15,439.9
Total assets		**16,658.8**	15,849.5
Current liabilities			
Interest bearing liabilities	6	**-**	193.1
Distribution payable		**340.4**	352.3
Payables and other financial liabilities	10	**209.6**	237.8
Provisions	11	**78.5**	85.8
Derivative financial instruments	6(d)	**2.3**	-
Total current liabilities		**630.8**	869.0
Non-current liabilities			
Interest bearing liabilities	6	**3,893.7**	3,749.1
Other financial liabilities	10	**202.7**	200.4
Provisions	11	**7.8**	2.3
Derivative financial instruments	6(d)	**176.1**	179.7
Total non-current liabilities		**4,280.3**	4,131.5
Total liabilities		**4,911.1**	5,000.5
Net assets		**11,747.7**	10,849.0
Equity			
Contributed equity	8	**8,493.2**	8,493.2
Share based payment reserve		**4.6**	4.7
Retained profits		**3,249.9**	2,351.1
Total equity		**11,747.7**	10,849.0

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

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Statements of Changes in Equity

for the year ended 30 June 2017

	Attributable to securityholders of Vicinity Limited				Attributable to securityholders of other stapled entities of the Group				
	Contributed equity $m	Reserves $m	Retained profits/ (losses) $m	Total $m	Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Total equity $m
As at 1 July 2015	**481.1**	**11.5**	**8.5**	**501.1**	**8,012.1**	**-**	**2,082.4**	**10,094.5**	**10,595.6**
Net (loss)/profit for the year	-	-	(305.6)	(305.6)	-	-	1,266.5	1,266.5	960.9
Total comprehensive (loss)/income for the year	**-**	**-**	**(305.6)**	**(305.6)**	**-**	**-**	**1,266.5**	**1,266.5**	**960.9**
Transactions with securityholders in their capacity as securityholders:									
Net movements in share based payment reserve	-	(6.8)	-	(6.8)	-	-	-	-	(6.8)
Distributions declared	-	-	-	-	-	-	(700.7)	(700.7)	(700.7)
Total equity as at 30 June 2016	**481.1**	**4.7**	**(297.1)**	**188.7**	**8,012.1**	**-**	**2,648.2**	**10,660.3**	**10,849.0**
Net (loss)/profit for the year	-	-	(12.3)	(12.3)	-	-	1,595.9	1,595.9	1,583.6
Total comprehensive (loss)/income for the year	**-**	**-**	**(12.3)**	**(12.3)**	**-**	**-**	**1,595.9**	**1,595.9**	**1,583.6**
Transactions with securityholders in their capacity as securityholders:									
Net movements in share based payment reserve	-	(0.1)	-	(0.1)	-	-	-	-	(0.1)
Distributions declared	-	-	-	-	-	-	(684.8)	(684.8)	(684.8)
Total equity as at 30 June 2017	**481.1**	**4.6**	**(309.4)**	**176.3**	**8,012.1**	**-**	**3,559.3**	**11,571.4**	**11,747.7**

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

Cash Flow Statement

for the year ended 30 June 2017

	Note	30-Jun-17 $m	30-Jun-16 $m
Cash flows from operating activities			
Receipts in the course of operations		**1,469.5**	1,508.7
Payments in the course of operations		**(591.3)**	(618.3)
Distributions and dividends received from associates, joint venture partnerships and managed investments		**6.8**	12.6
Interest and other revenue received		**4.6**	9.5
Interest paid		**(158.4)**	(170.7)
Net cash inflows from operating activities	16	**731.2**	741.8
Cash flows from investing activities			
Payments for capital expenditure on investment properties		**(398.9)**	(422.2)
Payments for acquisition of investment properties		**(141.3)**	(358.0)
Proceeds from disposal of investment properties		**436.0**	1,146.7
Payments for plant and equipment and other investments		**(6.6)**	(3.4)
Proceeds from other investments		**-**	3.5
Payment for intangibles		**-**	(9.3)
Integration costs		**(18.4)**	(40.0)
Payment to settle other financial liability – Bentons Square acquisition		**(38.3)**	-
Stamp duty paid		**(9.9)**	(83.4)
Net cash (outflows)/inflows from investing activities		**(177.4)**	233.9
Cash flows from financing activities			
Proceeds from borrowings		**1,972.6**	4,519.2
Repayment of borrowings		**(1,946.3)**	(4,837.8)
Proceeds from repayment of loan to Tuggeranong Town Centre Trust		**117.4**	-
Distributions paid to external securityholders		**(696.7)**	(684.9)
Debt establishment costs paid		**(3.8)**	(14.6)
Acquisition of shares on market for settlement of share based payments		**(7.6)**	(12.2)
Net cash outflows from financing activities		**(564.4)**	(1,030.3)
Net decrease in cash and cash equivalents held		**(10.6)**	(54.6)
Cash and cash equivalents at the beginning of the year		**52.8**	107.4
Cash and cash equivalents at the end of the year		**42.2**	52.8

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

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Notes to the Financial Statements

The index of notes to the financial statements is shown below. Similar notes have been grouped into sections with relevant accounting policies and judgement and estimate disclosures incorporated within the notes to which they relate.

Operations

1. Segment information
2. Earnings per security
3. Taxes
4. Investment properties
5. Equity accounted investments

Capital structure and financial risk management

6. Interest bearing liabilities and derivatives
7. Capital and financial risk management
8. Contributed equity

Working capital

9. Receivables and other assets
10. Payables and other financial liabilities
11. Provisions

Remuneration

12. Key management personnel
13. Employees
14. Share based payments

Other disclosures

15. Intangible assets
16. Notes to the Cash Flow Statement
17. Auditor's remuneration
18. Parent entity financial information
19. Related parties
20. Commitments and contingencies
21. Other Group accounting matters
22. Events occurring after the reporting date

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About This Report

Vicinity Centres (the Group) is listed on the Australian Securities Exchange (ASX) under the code VCX. It comprises Vicinity Limited (the Company) and Vicinity Centres Trust (the Trust). 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. The Company and the Trust are for-profit entities that are domiciled and operate wholly in Australia.

Basis of preparation

This general purpose Financial Report:

- has been prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards (AASBs) issued by the Australian Accounting Standards Board. Compliance with AASBs ensures compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- is presented in Australian dollars ($) and rounded to the nearest tenth of a million dollars ($m) in accordance with ASIC Legislative Instrument 2016/191 (unless otherwise stated);
- has been prepared in accordance with the historical cost convention, except for certain financial assets and liabilities and investment properties which have been recognised at fair value; and
- was authorised for issue by the Board of Directors on 16 August 2017. The Directors have the power to amend and reissue the Financial Report.

Although the Group has a net current deficiency of $462.5 million (current liabilities exceed current assets) at reporting date, the Group has sufficient current undrawn borrowing facilities (of $1,126.0 million, refer to Note 6(a)) and generates sufficient operating cash flows to meet its current obligations as they fall due. Accordingly, this Financial Report has been prepared on a going concern basis.

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

Accounting policies

The Group's accounting policies are contained within the relevant notes to these financial statements. Other accounting policies that relate to the financial statements as a whole, detail of any changes in accounting policies and the impact of new or amended accounting standards are contained in Note 21.

Critical accounting judgements and estimates

The preparation of financial statements requires the Group to make judgements, estimates and assumptions. These are based on historical experience and other factors considered to be reasonable under the circumstances, but which are inherently uncertain, the results of which form the basis of the carrying value of those assets and liabilities. Consequently, future actual results could differ from these estimates. Judgements and estimates considered material to this Financial Report are:

Judgement or estimate	Reference
Recognition of deferred tax assets	Note 3
Valuation of investment properties	Note 4
Valuation of derivatives	Note 6
Recoverability of goodwill and intangibles	Note 15

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1. Segment information

The Group's operating segments identified for internal reporting purposes are Property Investment and Strategic Partnerships:

- **Property Investment:** comprises net property income derived from investment in retail property; and
- **Strategic Partnerships:** represents fee income from property management, development, leasing and management of wholesale property funds.

The internal reporting on these segments is provided to the Chief Operating Decision Makers to make strategic decisions. During the year, the Chief Operating Decision Makers were the CEO and Managing Director (CEO) and the Chief Financial Officer (CFO).

Segment performance is assessed based on Underlying Earnings, which is calculated as statutory net profit, adjusted for fair value movements, certain unrealised and non-cash items, and other items that are not in the ordinary course of business or capital in nature. In addition to Underlying Earnings, the CEO and CFO also review Adjusted Funds From Operations (AFFO) in assessing the performance of the Group. AFFO is determined by adjusting Underlying Earnings for certain items in accordance with the guidelines published by the Property Council of Australia.

(a) Segment results

For the 12 months to:	30-Jun-17 $m	30-Jun-16 $m
Property Investment segment		
Net property income	**916.7**	953.6
Strategic Partnerships segment		
Property management, development and leasing fees	**56.3**	56.3
Funds management fees	**9.7**	9.8
Total segment income	**982.7**	1,019.7
Corporate overheads (net of internal property management fees)	**(74.9)**	(80.8)
Net interest expense	**(166.0)**	(181.4)
Underlying earnings	**741.8**	757.5
Adjusted for:		
Rent lost from undertaking developments	**(28.9)**	(18.0)
Funds From Operations	**712.9**	739.5
Maintenance capital expenditure and tenant incentives given	**(71.4)**	(72.1)
Adjusted Funds From Operations	**641.5**	667.4
Distribution declared	**684.8**	700.7
Distribution as a percentage of AFFO	**106.8%**	105.0%
Distribution as a percentage of underlying earnings	**92.3%**	92.5%

Group performance is also monitored on Underlying Earnings per security (underlying EPS). The calculation of underlying EPS for each year uses the basic weighted average number of shares on issue as calculated in Note 2.

For the 12 months to:	30-Jun-17 Cents	30-Jun-16 Cents
Underlying EPS	**18.74**	19.14
Distribution per security	**17.30**	17.70

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1. Segment information continued

(b) Reconciliation of underlying earnings to net profit after tax

For the 12 months to:	30-Jun-17 $m	30-Jun-16 $m
Underlying earnings	**741.8**	757.5
Property revaluation increment for directly owned properties[1]	**906.7**	733.0
Non-distributable gain/(loss) relating to equity accounted investments[1]	**9.1**	(15.6)
Amortisation of static lease incentives[2]	**(11.3)**	(10.2)
Amortisation of other project items[2]	**(16.8)**	(22.4)
Straight-lining of rent adjustment[3]	**16.8**	4.8
Rent lost from undertaking developments[4]	**(28.9)**	(18.0)
Stamp duty and transaction costs written off on acquisition of investment properties	**(9.9)**	(20.1)
Net mark-to-market movement on derivatives[5]	**(55.1)**	(147.5)
Net foreign exchange movement on interest bearing liabilities	**60.7**	42.4
Integration costs[6]	**(26.7)**	(41.1)
Impairment and amortisation of intangible assets[7]	**(3.0)**	(298.3)
Other non-distributable items	**0.2**	(3.6)
Net profit after tax	**1,583.6**	960.9

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

1. Underlying earnings excludes non-distributable fair value movements relating to directly owned investment properties and equity accounted investments.
2. Certain payments such as lease incentives relating to investment properties are capitalised to investment properties. Amortisation of these items is then recognised as an expense in accordance with Australian Accounting Standards. Tenant incentives paid during the year are reflected in the AFFO calculation at Note 1(a). Accordingly, amortisation of these amounts is excluded from underlying earnings.
3. Straight-lining of rental revenue, which is required by Australian Accounting Standards, is an unrealised non-cash amount and excluded from underlying earnings.
4. The Group recognises rent lost from undertaking developments in underlying earnings. This income does not meet the definition of revenue under Australian Accounting Standards and is therefore not recognised in statutory net profit.
5. Fair value movements in derivatives comprise mark-to-market movements required by Australian Accounting Standards for valuation purposes, including realised and unrealised amounts and are excluded from underlying earnings.
6. The Group has incurred costs in the current year in relation to integration activities following the merger of Federation Centres and Novion Property Group on 11 June 2015. Further information on the merger can be found in the 30 June 2015 and 30 June 2016 financial statements.
7. Underlying earnings excludes non-cash charges relating to intangible assets.

(c) Reconciliation of segment income to total revenue

The following is a reconciliation of total segment income to total revenue and other income in the Statement of Comprehensive Income:

For the 12 months to:	30-Jun-17 $m	30-Jun-16 $m
Total segment income (Note 1(a))	**982.7**	1,019.7
Adjusted for:		
Net property income from equity accounted investments included in segment income	**(13.7)**	(20.2)
Straight-lining revenue	**16.8**	4.8
Property related expenses included in segment income	**379.2**	377.9
Amortisation of static lease incentives and other project items	**(28.1)**	(32.6)
Rent lost from undertaking developments	**(28.9)**	(18.0)
Interest and other revenue not included in segment income	**3.5**	10.2
Total revenue and other income per Statement of Comprehensive Income	**1,311.5**	1,341.8

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(d) Segment assets and liabilities

The property investment segment reported to the CEO and CFO includes investment properties held directly and those that are included in equity accounted investments. The property investment values are measured in a manner consistent with the Balance Sheet. A breakdown of the total investment properties in the property investment segment is shown below:

	Note	30-Jun-17 $m	30-Jun-16 $m
Investment properties	4(a)[1]	**15,410.5**	14,418.7
Investment properties included in equity accounted investments	5(b)	**138.2**	267.1
Total interests in directly owned investment properties		**15,548.7**	14,685.8
Assets under management on behalf of strategic partners[2]		**9,725.3**	8,920.6
Total assets under management		**25,274.0**	23,606.4

1. Excludes planning and holding costs, finance lease assets relating to investment properties and DFO Perth which is under construction as disclosed in Note 4(a).
2. Represents the value of property interests managed, but not owned, consolidated or otherwise accounted for by the Group.

All other assets and liabilities are not allocated by segment for reporting to the CEO and CFO.

2. Earnings per security

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

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

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security by taking into account the interest and other financing costs associated with dilutive potential ordinary securities and the weighted average number of securities assumed to have been issued for no consideration in relation to dilutive potential ordinary securities.

Basic and diluted earnings per security are as follows:

For the 12 months to:	30-Jun-17	30-Jun-16
Earnings per security attributable to securityholders of the Group:		
Basic earnings per security (cents)	**40.00**	24.27
Diluted earnings per security (cents)	**39.95**	24.25
Loss per security attributable to securityholders of the Parent:		
Basic loss per security (cents)	**(0.31)**	(7.72)
Diluted loss per security (cents)	**(0.31)**	(7.72)

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

For the 12 months to:	30-Jun-17 $m	30-Jun-16 $m
Earnings used in calculating basic and diluted earnings per security of the Group	**1,583.6**	960.9
Loss used in calculating basic and diluted earnings per security of the Parent	**(12.3)**	(305.6)

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

For the 12 months to:	30-Jun-17 Number (m)	30-Jun-16 Number (m)
Weighted average number of securities used as the denominator in calculating basic earnings per security	**3,958.6**	3,958.6
Adjustment for potential dilution from performance rights granted	**5.0**	3.8
Weighted average number of securities and potential securities used as the denominator in calculating the diluted earnings per security	**3,963.6**	3,962.4

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3. Taxes

(a) Group taxation

Income tax

Vicinity Centres Trust (flow through trust structure)

Vicinity Centres Trust (the Trust) and its controlled trusts are not liable to pay income tax (including capital gains tax) on the basis that their beneficiaries are presently entitled to the net income of the trusts. This means that the taxable income from the Trust's property investments is taxed on a flow through basis in the hands of the Trust's securityholders. The Trust's securityholders pay tax at their marginal tax rates, in the case of Australian resident securityholders, or through the Managed Investment Trust withholding rules for non-resident securityholders. As a result, the Group has zero income tax expense recognised in respect of the Trust's profit.

Vicinity Limited (corporate tax group)

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

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

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

A summary of Vicinity Limited's current and deferred tax expense, and recognised deferred tax assets, is shown below:

For the 12 months to:	30-Jun-17 $m	30-Jun-16 $m
Current income tax benefit	**5.9**	6.3
Deferred income tax expense	**(3.5)**	(2.8)
Adjustment for current year tax of prior periods	**2.1**	0.7
Benefit from tax losses not recognised	**(4.5)**	(4.2)
Income tax expense	**-**	-

Statutory taxes and levies

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

Further details of these taxes can be found in the Tax Transparency section of this Annual Report.

Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables and payables in the Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Further details of these taxes can be found in the Tax Transparency section of this Annual Report.

(b) Reconciliation between income tax expense/(benefit) to net profit

For the 12 months to:	30-Jun-17 $m	30-Jun-16 $m
Profit before tax for the year	**1,583.6**	960.9
Less: Profit attributed to the Trust and not subject to tax	**1,595.9**	1,266.5
Net loss before tax attributable to securityholders of Vicinity Limited	**(12.3)**	(305.6)
Prima facie income benefit at 30%	**3.7**	91.7
Tax effect of amounts not taxable in calculating income tax expense:		
Non-deductible impairment and amortisation of intangible assets	**(0.9)**	(89.5)
Net adjustment relating to acquisition of share based payments	**(0.2)**	2.4
Prior period adjustments	**2.1**	0.7
Other non-deductible items	**(0.2)**	(1.1)
Benefit from tax losses not recognised	**(4.5)**	(4.2)
Income tax expense	**-**	-

(c) Movement in temporary differences

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

	Provisions $m	Intangible assets $m	Other $m	Allowable deductions[1] $m	Tax losses $m	Total $m
At 30 June 2015	**19.4**	**(4.3)**	**7.3**	**23.9**	**38.0**	**84.3**
Transfers	-	-	-	(15.0)	15.0	-
Charged to profit	(1.5)	1.0	(2.3)	0.6	2.2	-
At 30 June 2016	**17.9**	**(3.3)**	**5.0**	**9.5**	**55.2**	**84.3**
Transfers	-	-	-	(9.5)	9.5	-
Charged to profit	0.3	0.9	(4.7)	-	3.5	-
At 30 June 2017	**18.2**	**(2.4)**	**0.3**	**-**	**68.2**	**84.3**

1. The Group is entitled to tax deductions under s40-880 of the *Income Tax Assessment Act 1997* primarily resulting from the termination of funds management contracts in March 2014.

The deferred tax assets are recognised as it is probable that the Group will earn sufficient taxable income in future periods for them to be utilised.

Unrecognised deferred tax assets will be reviewed on an annual basis and may be recognised at a later date if considered likely to be recovered. These totalled $29.8 million at 30 June 2017 (30 June 2016: $25.3 million) comprising:

- allowable deductions of $16.6 million (30 June 2016: $21.3 million); and
- tax losses of $13.2 million (30 June 2016: $4.0 million).

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4. Investment properties

The Group's investment properties represent freehold and leasehold interests in land and buildings held to derive rental income. 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 determined by independent (external) valuers or internal valuations. These valuations include the cost of capital works in progress on development projects. Further detail on the Group's valuation process and valuation methods is described in Note 4(c).

(a) Portfolio summary

	30-Jun-17			30-Jun-16		
Shopping centre type	Number of properties	Value $m	Weighted average cap rate %	Number of properties	Value $m	Weighted average cap rate %
Super Regional	**1**	**2,675.0**	**4.25**	1	2,215.0	4.75
Major Regional	**7**	**3,358.0**	**5.45**	7	3,144.2	5.79
City Centre	**4**	**1,726.7**	**4.97**	4	1,849.5	5.06
Regional	**10**	**2,240.4**	**6.17**	10	2,105.4	6.33
Outlet Centre	**6**	**1,391.7**	**6.29**	5	1,084.8	6.49
Sub Regional	**31**	**3,308.0**	**6.37**	34	3,272.5	6.75
Neighbourhood	**15**	**728.4**	**6.51**	19	747.3	6.86
Planning and holding costs[1]	**-**	**21.3**	**-**	-	25.8	-
Total	**74**	**15,449.5**	**5.61**	80	14,444.5	5.94
Add: Finance lease assets[2]		**217.5**			214.2	
Less: Properties held for sale (current asset)[3]		**(33.5)**			(232.1)	
Total investment properties		**15,633.5**			14,426.6	

1. Planning and holding costs relating to potential major development projects are capitalised and carried within the overall investment property balance. These costs are reviewed each period and the status of the project assessed to determine if continued capitalisation of these costs remains appropriate.
2. Refer to Note 21(b) for further detail.
3. Represents the carrying amount of properties which the Group had an agreement to sell. At 30 June 2017, the value represented a 100% freehold interest in Terrace Central, which is due to settle in 2017. The 30 June 2016 balance included a 25% freehold interest in The Myer Centre Brisbane, a 50% freehold interest in Mornington Central and a 100% freehold interest in Bowes Street. The prior year properties held for sale all settled during the year.

(b) Movements for the year

	30-Jun-17 $m	30-Jun-16 $m
Opening balance at 1 July	**14,444.5**	14,109.7
Acquisitions including associated stamp duty and transaction costs[1]	**151.1**	378.1
Capital expenditure[2]	**397.1**	406.5
Capitalised borrowing costs[3]	**8.0**	11.8
Disposals	**(436.0)**	(1,146.7)
Property revaluation increment for directly owned properties	**906.7**	733.0
Stamp duty and other costs written off on acquisition of investment properties	**(9.9)**	(20.1)
Amortisation of incentives and leasing costs	**(28.8)**	(32.6)
Straight-lining of rent adjustment	**16.8**	4.8
Closing balance at 30 June	**15,449.5**	14,444.5

1. Excludes $38.3 million deferred consideration paid for the acquisition of the remaining 50% of Bentons Square in July 2016, as this asset was previously accounted for in investment properties on a 100% ownership basis based on the terms of the acquisition agreement.
2. Includes development costs, maintenance capital expenditure, lease incentives and fit-out costs.
3. Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 4.3% (30 June 2016: 4.1%).

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(c) Portfolio valuation

Process

Each investment property is valued either independently (externally) or internally in December and June each year as part of the biannual valuation process. This process requires:

- each property to be independently valued at least once per year;
- independent valuers (who are selected from a pre-approved panel) that are appropriately qualified. This is considered to be when they are authorised by law to carry out such valuations and have at least five years' valuation experience (including at least two years in Australia);
- internal valuations to be undertaken if a property is not due for an independent valuation;
- where an internal valuation shows a variance greater than 10% from the last independent valuation, a new independent valuation to be undertaken (even if this results in a property being independently valued twice in one year); and
- internal valuations to be reviewed by a director of an independent valuation firm to assess the assumptions adopted and the reasonableness of the outcomes.

The valuation process is governed by the Board and the internal management Investment Committee, with input from key executives as required. The process is reviewed periodically to take into account any regulatory changes, changes in market conditions and any other requirements that would need to be adopted.

Methodology

To determine fair value:

- Independent valuations commonly adopt the midpoint of the 'capitalisation of net income' and 'discounted cash flow' (DCF) methods.
- Internal valuations utilise the latest available property financial information in the 'capitalisation of net income' method with a cross-check using the DCF method.
- Both independent and internal valuations employ the 'residual value' method when valuing development properties.
- Properties that have sale agreements in place by the end of the financial year are valued at the agreed sale amount.

Method	Description
Capitalisation of net income	The fully leased annual net income of the property is capitalised in perpetuity from the valuation date. Various adjustments are then made to the calculated result, including estimated future incentives, capital expenditure, vacancy allowances and reversions to market rent. The capitalisation rate reflects the nature, location and tenancy profile of the property together with current market investment criteria, as evidenced by current sales results.
Discounted cash flow	Projected cash flows for a selected investment period (usually 10 years) are derived from contracted or market rents, operating costs, lease incentives, capital expenditure and future income on vacant space. The cash flows assume the property is sold at the end of the investment period for a terminal value. This terminal value is calculated by capitalising in perpetuity assumed rents at the end of the investment period by an appropriate terminal yield. Fair value is determined to be the present value of these projected cash flows, which is calculated by applying a market-derived discount rate to the cash flows.
Residual value (for properties under development)	The value of the asset on completion is calculated using the capitalisation of net income and DCF methods as described above, based on the forecast income profile at development completion. The estimated cost to complete the development, including construction costs and associated expenditures, finance costs, and an allowance for developer's risk and profit is deducted from the value of the asset on completion to derive the current value.

4. Investment properties continued

(c) Portfolio valuation continued

Key inputs and sensitivities

The Group has classified fair value measurements (such as those performed on investment properties) into the following hierarchy as required by AASB 13 *Fair Value Measurement*:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Inputs to investment property valuations are considered Level 3 of the fair value hierarchy as the capitalisation of income and DCF methods require assumptions to be made to determine certain inputs that are not based on observable market data.

At reporting date, the key unobservable inputs used by the Group in determining fair value of its investment properties are summarised below:

	30-Jun-17		30-Jun-16		
Unobservable inputs	**Range of inputs**	**Weighted average inputs**	**Range of inputs**	**Weighted average inputs**	**Sensitivity**
Capitalisation rate[1]	**4.25%–7.50%**	**5.61%**	4.75%–8.50%	5.94%	The higher the discount rate, terminal yield, capitalisation rate and expected downtime due to tenants vacating, the lower the fair value.
Discount rate[2]	**6.75%–8.50%**	**7.55%**	7.00%–9.25%	7.95%	
Terminal yield[3]	**4.50%–7.75%**	**5.85%**	5.00%–8.75%	6.18%	
Expected downtime (for tenants vacating)	**2 months to 9 months**	**5 months**	2 months to 12 months	4 months	
Rental growth rate	**2.27%–4.44%**	**3.52%**	2.70%–4.50%	3.70%	The higher the 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 regard to comparable market transactions.
2. The discount rate is a required annual total rate of return used to convert a forecast cash flow of an asset into a present value. 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 regard to comparable market transactions.
3. The terminal yield is the capitalisation rate used to convert forecast annual income into a forecast asset value at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regard to comparable market transactions and the expected risk of the asset at the end of the cash flow period.

All of the above key assumptions have been taken from the latest external valuation reports and internal valuation assessments. DFO Perth is excluded from the 30 June 2017 inputs as it is currently under construction.

For all investment properties, the current use equates to the highest and best use.

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(d) List of investment properties held

i. Super Regional

	Ownership interest %	30-Jun-17 Valuation type	Carrying value 30-Jun-17 $m	Carrying value 30-Jun-16 $m
Chadstone	50	Internal	**2,675.0**	2,215.0
Total Super Regional			**2,675.0**	2,215.0

ii. Major Regional

	Ownership interest %	30-Jun-17 Valuation type	Carrying value 30-Jun-17 $m	Carrying value 30-Jun-16 $m
Bankstown Central	50	External	**350.0**	343.0
Bayside	100	External	**622.5**	570.0
Chatswood Chase Sydney	100	External	**1,121.2**	1,011.2
Galleria	50	Internal	**395.0**	382.5
Northland	50	External	**487.5**	482.5
Roselands	50	External	**179.7**	185.0
The Glen	50	Internal	**202.1**	170.0
Total Major Regional			**3,358.0**	3,144.2

iii. City Centre

	Ownership interest %	30-Jun-17 Valuation type	Carrying value 30-Jun-17 $m	Carrying value 30-Jun-16 $m
Emporium Melbourne[1]	50	External	**605.0**	570.0
Myer Bourke Street[1]	33	Internal	**156.2**	151.3
The Myer Centre Brisbane[2]	25	Internal	**195.0**	384.2
QueensPlaza	100	External	**770.5**	744.0
Total City Centre			**1,726.7**	1,849.5

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

iv. Regional

	Ownership interest %	30-Jun-17 Valuation type	Carrying value 30-Jun-17 $m	Carrying value 30-Jun-16 $m
Broadmeadows Central	100	External	**330.5**	322.8
Colonnades	50	External	**155.6**	155.5
Cranbourne Park	50	Internal	**153.0**	147.5
Eastlands	100	Internal	**170.0**	163.0
Elizabeth City Centre	100	External	**384.1**	374.1
Grand Plaza	50	External	**215.0**	205.0
Mandurah Forum	50	External	**256.5**	172.5
Mt Ommaney Centre	25	Internal	**105.2**	105.0
Rockingham Centre	50	External	**313.0**	300.0
Runaway Bay Centre	50	External	**157.5**	160.0
Total Regional			**2,240.4**	2,105.4

4. Investment properties continued

(d) List of investment properties held continued

v. Outlet Centre

	Ownership interest %	30-Jun-17 Valuation type	Carrying value 30-Jun-17 $m	Carrying value 30-Jun-16 $m
DFO Brisbane[3]	100	External	**59.0**	55.0
DFO Essendon[4]	100	Internal	**170.0**	163.0
DFO Homebush	100	Internal	**425.0**	390.0
DFO Moorabbin[5]	100	External	**122.0**	110.5
DFO Perth[6]	50	Internal	**17.7**	-
DFO South Wharf[7]	100	External	**598.0**	366.3
Total Outlet Centre			**1,391.7**	1,084.8

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

vi. Sub Regional

	Ownership interest %	30-Jun-17 Valuation type	Carrying value 30-Jun-17 $m	Carrying value 30-Jun-16 $m
Altona Gate Shopping Centre	100	Internal	**102.5**	94.0
Armidale Central	100	External	**46.0**	45.5
Belmont Village	100	Internal	**50.0**	46.3
Box Hill Central (North Precinct)	100	External	**103.0**	86.6
Box Hill Central (South Precinct)[8]	100	Internal	**192.0**	161.0
Brandon Park	50	External	**65.0**	57.5
Buranda Village	100	Internal	**42.5**	41.5
Carlingford Court	50	Internal	**114.0**	108.5
Castle Plaza	100	Internal	**174.0**	168.9
Corio Central	100	Internal	**131.0**	126.0
Ellenbrook Central	100	Internal	**240.0**	233.0
Gympie Central	100	External	**79.0**	78.0
Halls Head Central	50	External	**54.6**	47.4
Karratha City	50	External	**52.5**	56.6
Kurralta Central	100	Internal	**42.0**	37.0
Lake Haven Centre	100	Internal	**298.0**	273.5
Lavington Square	100	Internal	**62.3**	58.0
Livingston Marketplace	100	Internal	**86.0**	84.0
Maddington Central	100	Internal	**122.0**	119.0
Mornington Central[2]	50	Internal	**36.0**	65.0
Nepean Village	100	Internal	**181.0**	164.0
Northgate	100	External	**108.0**	103.5
Roxburgh Village	100	External	**122.1**	111.9
Sunshine Marketplace	50	External	**58.5**	57.5
Taigum Square	100	External	**100.0**	91.0
Toormina Gardens	50	Internal	**40.5**	40.0
Warnbro Centre	100	Internal	**125.0**	123.5
Warriewood Square	50	External	**142.5**	132.5
Warwick Grove	100	Internal	**200.0**	197.5
West End Plaza	100	External	**70.0**	64.4
Whitsunday Plaza	100	Internal	**68.0**	63.0
Maitland Hunter Mall[9]	-	-	**-**	20.0
Tweed Mall[9]	-	-	**-**	70.0
Wodonga Plaza[9]	-	-	**-**	46.4
Total Sub Regional			**3,308.0**	3,272.5

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

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vii. Neighbourhood

	Ownership interest %	30-Jun-17 Valuation type	Carrying value 30-Jun-17 $m	Carrying value 30-Jun-16 $m
Bentons Square	100	Internal	**82.0**	77.3
Currambine Central	100	Internal	**105.0**	98.0
Dianella Plaza	100	Internal	**89.0**	81.5
Flinders Square	100	Internal	**32.5**	31.0
Goldfields Plaza	100	External	**27.2**	27.0
Kalamunda Central	100	Internal	**38.5**	37.5
Lennox Village	50	Internal	**36.5**	32.5
Milton Village	100	Internal	**27.5**	25.5
North Shore Village	100	Internal	**25.0**	23.5
Oakleigh Central	100	External	**71.6**	62.0
Oxenford Village	100	External	**33.1**	28.4
Stirlings Central	100	Internal	**50.0**	50.0
Terrace Central[10]	100	Internal	**33.5**	32.5
The Gateway	100	Internal	**46.0**	42.5
Victoria Park Central	100	External	**31.0**	29.5
Albany Brooks Garden[9]	-	-	**-**	23.8
Bowes Street[9]	-	-	**-**	7.5
Hilton Plaza[9]	-	-	**-**	17.8
Monier Village[9]	-	-	**-**	19.5
Total Neighbourhood			**728.4**	**747.3**

1. The titles to these properties are leasehold and expire in 2306.
2. A 25% interest in The Myer Centre Brisbane and a 50% interest in Mornington Central were disposed during the year.
3. The right to operate the DFO Brisbane business expires in 2046.
4. The title to this property is leasehold and expires in 2048.
5. The title to this property is leasehold with an option to extend the ground lease to 2034 at the Group's discretion.
6. This property is currently under construction. The carrying value at 30 June 2017 represents costs incurred to date. The title is leasehold and expires in 2047.
7. An additional 25% interest in DFO South Wharf was acquired during the year. The title to this property is leasehold and expires in 2108.
8. The title to this property is leasehold with options to extend the ground lease to 2134 at the Group's discretion.
9. Disposed during the year.
10. Property is currently contracted for sale with settlement expected in 2017.

(e) Operating lease receivables

The investment properties are leased to tenants under operating leases with rentals payable monthly. Future minimum rental revenue receivables under non-cancellable operating leases of investment properties are as follows:

	30-Jun-17 $m	30-Jun-16 $m
Not later than one year	**861.6**	833.2
Later than one year and not later than five years	**2,282.2**	2,077.3
Later than five years	**1,123.9**	1,091.6
Total operating lease receivables	**4,267.7**	4,002.1

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5. Equity accounted investments

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

	Ownership		Carrying value	
	30-Jun-17 %	30-Jun-16 %	30-Jun-17 $m	30-Jun-16 $m
Victoria Gardens Retail Trust joint venture	**50.0**	50.0	**86.4**	76.3
Other associates and joint ventures	**-**	-	**1.6**	4.2
Closing balance			**88.0**	80.5

(a) Movements for the year

	30-Jun-17 $m	30-Jun-16 $m
Opening balance	**80.5**	93.9
Additional investments made during the year	**0.4**	2.0
Share of net profit/(loss) of equity accounted investments	**18.2**	(6.0)
Distributions of net income from equity accounted investments	**(9.4)**	(8.9)
Disposal of ownership in equity accounted investments	**(1.7)**	(0.5)
Closing balance	**88.0**	80.5

(b) Summarised financial information for Victoria Gardens Retail Trust[1]

	30-Jun-17 $m	30-Jun-16 $m
Investment properties – non-current	**138.2**	127.1
Interest bearing liabilities – non-current	**(46.6)**	(46.6)
Other net liabilities	**(5.2)**	(4.2)
Net assets	**86.4**	76.3
Total income	**10.3**	9.3
Aggregate net profits after income tax	**14.8**	10.1
Interest expense	**(1.9)**	(1.9)
Distributions receivable by the Group	**5.8**	3.6

1. Summarised financial information represents 50% of the underlying financial statement information of the joint venture with no adjustments made.

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

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

Asset management fees earned by the Group for management services provided to Victoria Gardens Retail Trust totalled $894,123 (30 June 2016: $827,485). At 30 June 2017, $551 remains payable to the Group (30 June 2016: $66,127). The Group also has distributions receivable of $5,825,157 at balance date (30 June 2016: $3,667,754).

Vicinity Asset Operations Pty Ltd (VAO) (associate, 33% ownership interest)

Rent and outgoings earned from VAO as a tenant of the Group's centres was $12,464,918 (30 June 2016: $13,513,859). Dividends paid to the Group were $2,715,813 (30 June 2016: $904,717). The Group has receivables from VAO of $5,101,446 at 30 June 2017 (30 June 2016: $4,110,279).

Tuggeranong Town Centre Trust (joint venture, 50% ownership interest disposed on 30 November 2016)

Asset management fees earned by the Group for management services provided to Tuggeranong Town Centre Trust (TTCT), prior to disposal, totalled $593,914 (30 June 2016: $1,368,659). The loan receivable from TTCT of $117,387,000 was repaid upon disposal. Interest income for the year was $2,834,142 (30 June 2016: $7,132,051). There are no outstanding balances related to this joint venture at 30 June 2017.

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6. 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 Australian Dollars (A$) at the applicable exchange rate at year end with the gain or loss attributable to exchange rate movements recognised in profit or loss in the Statement of Comprehensive Income.

During the year, the following financing activities have occurred:

- US $144.0 million of US$ Private Placement Notes (USPPs) expired on 7 February 2017 and were repaid through existing available bank debt facilities.
- $200.0 million of 7-year and $200.0 million of 10-year A$ Medium Term Notes (AMTNs) were issued on 26 April 2017. The proceeds of the issue were used to repay existing bank facilities and for general corporate purposes. $260.0 million of existing bank debt facilities were cancelled following this issue.
- A 13-month extension of certain bank debt facilities to improve the debt expiry profiles.
- Net repayments of existing facilities have been made throughout the year from asset sales, partially offset by funds drawn for capital expenditure.

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

	30-Jun-17 $m	30-Jun-16 $m
Current liabilities		
Unsecured		
USPPs	-	193.1
Total current liabilities	-	193.1
Non-current liabilities		
Secured		
AMTNs	**317.4**	323.2
Unsecured		
Bank debt	**1,506.3**	1,696.3
AMTNs	**645.7**	250.0
GBP European Medium Term Notes (EMTNs)	**588.1**	619.9
USPPs	**852.2**	877.6
Deferred debt costs[1]	**(16.0)**	(17.9)
Total non-current liabilities	**3,893.7**	3,749.1
Total interest bearing liabilities	**3,893.7**	3,942.2

1. Deferred debt costs comprise the unamortised value of borrowing costs on establishment or refinance of debt facilities. These costs are deferred on the Balance Sheet and amortised to borrowing costs in the Statement of Comprehensive Income.

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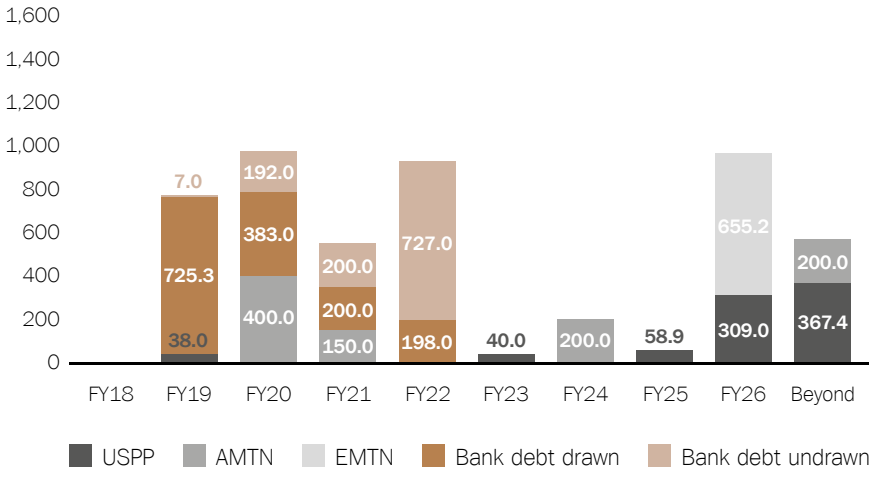
6. Interest bearing liabilities and derivatives continued

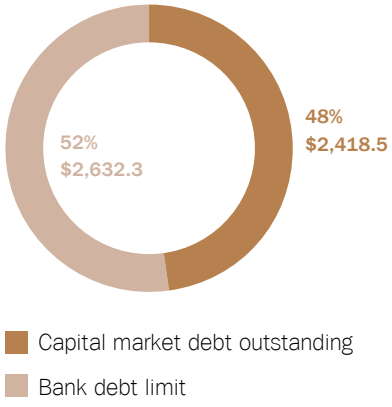
(a) Financing facilities

The charts below outline the maturity of the Group's total available facilities at 30 June 2017 by type, and the bank to capital markets debt ratio. Of the $5,050.8 million total available facilities (30 June 2016: $5,088.4 million), $1,126.0 million remains undrawn at 30 June 2017 (30 June 2016: $1,196.0 million).

Available facilities expiry profile ($m)[1,2]



Bank to capital market debt ratio



1. The carrying amount of the USPPs, EMTNs and AMTNs in the Balance Sheet is net of adjustments for fair value items and foreign exchange translation of -$15.1 million (30 June 2016: +$67.7 million). These adjustments are excluded from the calculation of total facilities available and amounts drawn as shown in the charts. Additionally, deferred debt costs of $16.0 million (30 June 2016: $17.9 million) are not reflected in the amount drawn.
2. Total bank debt facilities are reduced by bank guarantees of $17.7 million drawn against bank debt facilities (30 June 2016: $17.7 million).

(b) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with borrowing funds such as establishment fees, legal and other fees. Borrowing costs are expensed to the Statement of Comprehensive Income using the effective interest rate method, except for borrowing costs incurred for the development of investment properties which are capitalised to the cost of an investment property during the period of development.

For the 12 months to:	30-Jun-17 $m	30-Jun-16 $m
Interest costs on interest bearing liabilities and derivatives	**167.4**	188.4
Amortisation of borrowing costs	**5.2**	5.9
Amortisation of fair value adjustments relating to discontinuation of hedge accounting[1]	**(7.9)**	(1.9)
Amortisation of AMTN and EMTN fair value adjustments	**(5.1)**	(5.5)
Finance lease interest	**3.3**	-
Less: Capitalised borrowing costs	**(8.0)**	(11.8)
Total borrowing costs	**154.9**	175.1

1. On 1 May 2016, the Group elected to discontinue hedge accounting that it previously applied for its existing USPPs and Cross Currency Swap derivatives. AASB 139 *Financial Instruments Recognition and Measurement* required that upon discontinuation, the historical hedge accounting adjustment applied to the carrying value of the USPPs relating to movements in interest rates since the USPPs were entered into be recognised as part of the carrying value of the USPP. This adjustment is then amortised to zero over the remaining life of the USPPs using the effective interest rate method. This amortisation is included in borrowing costs in the Statement of Comprehensive Income.

(c) Defaults and covenants

At 30 June 2017, the Group had no defaults on debt obligations or breaches of lending covenants (30 June 2016: None).

(d) Derivatives

As detailed further in Note 7, derivative instruments are held to hedge against the interest rate risk and foreign currency risk of the Group's borrowings. The fair value of these derivatives are estimated using valuation techniques, including referencing to the current fair value of other instruments that are substantially the same or calculation of discounted cash flows. These valuation techniques use observable Level 2 inputs, mainly interest rates and interest rate curves as well as foreign currency rates and foreign currency curves.

The carrying value and notional principal amounts of these instruments are shown in the table below:

	Carrying amount		Notional principal value	
	30-Jun-17 $m	30-Jun-16 $m	30-Jun-17 $m	30-Jun-16 $m
Cross currency swaps (pay A$ floating receive US$ fixed) – Assets	**-**	15.6	**-**	177.5
Total current assets	**-**	15.6	**n/a**	n/a
Cross currency swaps (pay A$ floating receive US$ fixed) – Assets	**68.3**	112.2	**340.6**	435.0
Total non-current assets	**68.3**	112.2	**n/a**	n/a
Interest rate swaps (floating to fixed) – Liabilities	**(2.3)**	-	**1,187.0**	-
Total current liabilities	**(2.3)**	-	**n/a**	n/a
Cross currency swaps (pay A$ floating receive US$ fixed) – Liabilities	**(36.2)**	(1.0)	**357.8**	263.3
Cross currency swaps (pay A$ floating receive GBP fixed) – Liabilities	**(67.5)**	(14.8)	**655.2**	655.2
Interest rate swaps (floating to fixed) – Liabilities	**(72.4)**	(163.9)	**1,275.0**	2,870.1
Total non-current liabilities	**(176.1)**	(179.7)	**n/a**	n/a

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7. Capital and financial risk management

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

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

The key financial risks monitored by the CMC and strategies adopted by the Group to assist in achieving these objectives are set out below:

Risk	Primary source(s)	Explanation and risk management strategy	Details
Interest rate risk	Floating rate borrowings	Interest rate risk represents the potential for changes in market interest rates to impact the total interest expense for the Group. Floating-to-fixed interest rate swaps[1] are used to manage this risk. None of the Group's derivatives are currently in designated hedge relationships. Under the terms of these swaps, the Group agrees to exchange, at specified intervals, amounts based on the difference between the fixed contract interest rate and the floating market interest rate calculated by reference to an agreed notional principal amount.	Note 7(a)
Foreign exchange rate risk	Foreign denominated interest bearing liabilities (USPPs and EMTNs)	Foreign exchange risk refers to the risk that cash flows arising from a financial commitment, asset or liability, denominated in a foreign currency, will fluctuate due to changes in a foreign exchange rate. This risk is managed through the use of cross currency swaps[1] which swap the foreign currency interest payments into Australian Dollars and fix the exchange rate for the conversion of the principal repayment. None of these derivatives are currently in designated hedge relationships.	Note 7(b)
Liquidity risk	Interest bearing liabilities	Liquidity risk represents the risk that the Group will be unable to meet financial obligations as they fall due. To manage this risk, sufficient capacity under the Group's financing facilities is maintained to meet the needs arising from the Board approved short-term and medium-term business strategy. This is achieved through securing and maintaining funding from a range of sources (e.g. Banks and Australian and foreign debt capital markets), maintaining sufficient undrawn debt capacity and cash balances, and managing the amount of borrowings that mature, or facilities that expire, in any one year.	Note 7(c)
Credit risk	Tenant receivables, derivative counterparties and bank deposits	Credit risk is the risk that a tenant or counterparty to a financial instrument fails to meet their financial obligations to the Group. To mitigate tenant credit risk, an assessment is performed taking into consideration the financial background of the tenant and the amount of any guarantee or bank guarantee provided as collateral under the lease. To mitigate credit risk in relation to derivative counterparties and bank deposits, the Group has policies to limit exposure to any one financial institution. The maximum exposure to credit risk at the balance date is the carrying amount of the Group's financial assets.	Note 9 Note 6(d)

1. Derivative financial instruments such as interest rate swaps and cross currency swaps are not permitted to be entered into for speculative purposes under the Group's hedging policy. Limits are in place in respect of their use to hedge cash flows subject to interest rate and foreign exchange risk. None of these derivatives are currently in hedge relationships.

(a) Interest rate risk

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

	30-Jun-17 $m	30-Jun-16 $m
Total interest bearing liabilities (Note 6)	**3,893.7**	3,942.2
Add: Deferred debt costs	**16.0**	17.9
Add: Fair value and foreign exchange adjustments to EMTNs	**67.1**	35.3
Less: Fair value and foreign exchange adjustments to USPPs	**(38.9)**	(79.9)
Less: Fair value adjustments to AMTNs	**(13.1)**	(23.1)
Total drawn debt	**3,924.8**	3,892.4
Less: Fixed rate borrowings	**(1,065.0)**	(665.0)
Variable rate borrowings exposed to cash flow interest rate risk	**2,859.8**	3,227.4
Less: Notional principal of outstanding interest rate swap contracts	**(2,462.0)**	(2,870.1)
Net variable rate borrowings exposed to cash flow interest rate risk	**397.8**	357.3
Hedge ratio[1]	**90%**	91%

1. Calculated as total drawn debt less representative net variable rate borrowings exposed to cash flow interest rate risk divided by total drawn debt.

Sensitivity to interest rates

A shift in the forward interest rate curve of +/- 25 bps, assuming the net exposure to cash flow interest rate risk as at 30 June 2017 remains unchanged for the next 12 months, would impact the Group's cash interest cost for the next 12 months by $1.0 million (30 June 2016 +/-25 bps: $0.9 million).

The fair values of derivatives used by the Group are also sensitive to interest rates. A shift in the forward interest rate curve of +/ 25 bps, assuming the net exposure to fair value interest rate risk as at 30 June 2017 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $8.6 million (30 June 2016 +/-25 bps: $10.0 million).

This sensitivity analysis should not be considered a projection.

(b) Foreign exchange rate risk

At 30 June 2017, the Group has the following net exposure to foreign currency translation risk arising from US$ and GBP denominated borrowings:

US$ borrowings	30-Jun-17 US$ $m	30-Jun-16 US$ $m
Total interest bearing liabilities in US$	**553.0**	693.0
Less: Notional value of cross currency swaps (pay A$ receive US$)	**(553.0)**	(693.0)
Net exposure to US$ translation risk	**-**	-
Hedge ratio for interest bearing liability in US$	**100%**	100%

GBP borrowings	30-Jun-17 GBP $m	30-Jun-16 GBP $m
Total interest bearing liabilities in GBP	**350.0**	350.0
Less: Notional value of cross currency swaps (pay A$ receive GBP)	**(350.0)**	(350.0)
Net exposure to GBP translation risk	**-**	-
Hedge ratio for interest bearing liability in GBP	**100%**	100%

The carrying values of debt and derivatives held by the Group are also sensitive to foreign exchange rates. A shift in the forward USD and GBP exchange rate curves of +/- 5.0 cents, assuming the net exposure to fair value exchange rate risk as at 30 June 2017 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $16.5 million (30 June 2016 +/- 5.0 cents: $27.0 million).

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7. Capital and financial risk management continued

(c) Liquidity risk

The contractual maturity of interest bearing liabilities and the interest payment profile is shown below. Estimated interest and principal payments are calculated based on the forward interest and foreign exchange rates prevailing at year end and are undiscounted. Timing of payments is based on current contractual obligations which may not align to the classifications of current and non-current liabilities. Refer to Note 10 for details on trade and other liabilities that are not included in the table below.

30-Jun-17	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m	Carrying amount $m
Bank debt	-	1,108.3	398.0	**1,506.3**	**1,506.3**
AMTNs	-	400.0	550.0	**950.0**	**963.1**
USPPs	-	39.4	851.9	**891.3**	**852.2**
EMTNs	-	-	694.5	**694.5**	**588.1**
Estimated interest payments on borrowings	121.8	245.8	481.0	**848.6**	**n/a**
Estimated net interest rate swap cash outflow	26.5	40.5	12.3	**79.3**	**74.7**
Estimated gross cross currency swap cash outflows	52.6	153.7	1,761.1	**1,967.4**	**35.4**
Estimated gross cross currency swap cash (inflows)	(48.6)	(135.9)	(1,761.8)	**(1,946.3)**	**n/a**
Total contractual outflows	152.3	1,851.8	2,987.0	**4,991.1**	**4,019.8**

30-Jun-16	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m	Carrying amount $m
Bank debt	-	1,539.3	157.0	1,696.3	1,696.3
AMTNs	-	-	550.0	550.0	573.2
USPPs	189.8	41.5	885.8	1,117.1	1,070.7
EMTNs	-	-	720.4	720.4	619.9
Estimated interest payments on borrowings	139.2	243.6	486.0	868.8	n/a
Estimated net interest rate swap cash outflow	17.6	62.2	104.2	184.0	163.9
Estimated gross cross currency swap cash outflows	235.7	142.5	1,745.8	2,124.0	n/a
Estimated gross cross currency swap cash (inflows)	(251.0)	(145.2)	(1,889.9)	(2,286.1)	(112.0)
Total contractual outflows	331.3	1,883.9	2,759.3	4,974.5	4,012.0

(d) Fair value of borrowings

As at 30 June 2017, the Group's debt has a fair value of $3,987.3 million (30 June 2016: $4,081.6 million).

The difference between the carrying amount and fair value is due to fixed rate borrowings held. The fair value of fixed rate borrowings is calculated by discounting the contractual cash flows using the yield to maturity or prevailing market discount rates for market fixed interest debt instruments, with similar terms, maturity and credit quality. Had the fixed debt been recognised at fair value, these inputs would have been classified as Level 2 under the fair value hierarchy as the market discount rates used are indirectly observable.

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(e) Capital risk management

The Group maintains a strong and conservative capital structure with appropriate liquidity, a strong Balance Sheet and a diversified debt profile (by source and tenor). The Group has long-term credit ratings of 'A2' from Moody's Investors Service and 'A' from Standard & Poor's. The two key metrics monitored by the Group are the bank facilities to capital markets debt ratio and gearing ratio. These metrics are shown in the tables below:

Bank facilities to capital market debt

Facility type	30-Jun-17 $m	30-Jun-16 $m
Total bank debt limit[1]	**2,632.3**	2,910.0
Total capital market outstanding	**2,418.5**	2,196.1
Total debt facilities available to the Group	**5,050.8**	5,106.1
Bank facilities as a proportion of total debt facilities	**52.1%**	57.0%
Capital market debt as a proportion of total debt facilities	**47.9%**	43.0%

1. Total bank debt facilities are reduced by bank guarantees of $17.7 million drawn against bank debt facilities (30 June 2016: $17.7 million).

Gearing

	30-Jun-17	30-Jun-16
Total drawn debt ($m)	**3,924.8**	3,892.4
Drawn debt net of cash ($m)	**3,882.6**	3,839.6
Total tangible assets excluding cash, finance lease assets and derivative financial assets ($m)	**15,731.4**	14,852.3
Gearing ratio (target range of 25.0% to 35.0%)	**24.7%**	25.9%

8. Contributed equity

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

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

The number of ordinary securities of the Group is shown in the table below. All ordinary securities are fully paid. There were no movements in the number of ordinary securities on issue during the current or prior financial year.

	30-Jun-17 Number (m)	30-Jun-16 Number (m)	30-Jun-17 $m	30-Jun-16 $m
Total stapled securities on issue during and at the end of the year	**3,958.6**	3,958.6	**8,493.2**	8,493.2

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9. Receivables and other assets

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Debts that are individually known to be uncollectable are written off when identified. An allowance account (provision for doubtful debts) is used when there is objective evidence that the Group may not be able to collect all amounts due according to the original terms of the receivables.

	Note	30-Jun-17 $m	30-Jun-16 $m
Trade debtors		**14.8**	17.4
Accrued income		**15.5**	22.7
Receivables from strategic partnerships		**15.6**	25.2
Distribution receivable from joint ventures and associates		**5.8**	5.1
Less: Provision for doubtful debts		**(6.0)**	(4.6)
Total receivables		**45.7**	65.8
Prepayments		**12.9**	7.5
Levies		**13.1**	13.4
Tenant security deposits held		**1.2**	1.9
Other		**15.4**	16.9
Total current receivables and other assets		**88.3**	105.5
Loan to Tuggeranong Town Centre Trust	5(c)	**-**	117.4
Investment in related party		**2.5**	2.7
Total non-current receivables and other assets		**2.5**	120.1

Risk of tenant default

Tenant debtor balances are continually monitored with the Group considering receivables that have not been paid for 30 days after the invoice date as past due. Prompt recovery of these balances is sought. Where there are indicators that full recovery will not occur, provision is made for these amounts.

Of the $51.7 million trade and related party receivables outstanding (30 June 2016: $70.4 million), $12.1 million, which represents approximately 0.92% of total combined revenue, is considered past due but not impaired at 30 June 2017 (30 June 2016: $10.6 million).

The Group has recognised a loss of $5.6 million (30 June 2016: $3.6 million) in respect of impaired trade receivables during the year. The loss has been included in direct property expenses from ordinary activities in the Statement of Comprehensive Income.

The Group does not hold any collateral in relation to trade or other receivables, other than security deposits or bank guarantees as is usual in leasing agreements.

The maximum exposure to credit risk at the balance date is the carrying amount of each class of receivables outlined above.

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10. Payables and other financial liabilities

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

	30-Jun-17 $m	30-Jun-16 $m
Current		
Trade payables and accrued expenses	**64.3**	70.4
Rents received in advance	**34.5**	27.1
Accrued interest expense	**16.8**	16.7
Accrued capital expenditure	**70.2**	62.0
Security deposits	**0.6**	1.3
Other financial liability – Bentons Square[1]	**-**	38.6
Finance lease liabilities[2]	**14.8**	13.8
Other	**8.4**	7.9
Total current liabilities	**209.6**	237.8
Non-current		
Finance lease liabilities[2]	**202.7**	200.4
Total non-current liabilities	**202.7**	200.4

1. Refer footnote 1 in Note 4(b).
2. Refer Note 21(b).

At 30 June 2017, the carrying value of payables and other financial liabilities approximated their fair value. All current payables, excluding finance lease liabilities, are expected to be due and payable within the next three months.

11. Provisions

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

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

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

	30-Jun-17 $m	30-Jun-16 $m
Current		
Current employee entitlements	**51.6**	55.8
Other current provisions	**26.9**	30.0
Total current provisions	**78.5**	85.8
Non-current		
Non-current employee entitlements	**3.6**	2.3
Other non-current provisions	**4.2**	-
Total non-current provisions	**7.8**	2.3

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

	30-Jun-16 $m	Arising during the year	Paid during the year	Other movements	30-Jun-17 $m
Current					
Stamp duty	9.0	9.9	(9.9)	-	**9.0**
Levies	13.4	13.1	(13.4)	-	**13.1**
Other	7.6	0.3	-	(3.1)	**4.8**
Total other current provisions	30.0	23.3	(23.3)	(3.1)	**26.9**
Non-current					
Other	-	4.2	-	-	**4.2**
Total other non-current provisions	-	4.2	-	-	**4.2**

12. Key management personnel

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

For the 12 months to:	30-Jun-17 $'000	30-Jun-16 $'000
Short-term employee benefits – Executive KMP	**5,158**	5,527
Short-term employee benefits – Non-executive KMP	**2,079**	2,114
Termination benefits	**-**	1,092
Share based payments	**1,490**	1,995
Post-employment benefits	**227**	225
Other long-term employee benefits	**11**	532
Total remuneration of KMP of the Group	**8,965**	11,485

13. Employees

Employee benefits expense consists of:

For the 12 months to:	30-Jun-17 $m	30-Jun-16 $m
Salaries and wages	**88.1**	97.6
Share based payments expense	**7.5**	5.3
Other employee benefits expense	**3.1**	4.0
Total employee benefits expense	**98.7**	106.9

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14. Share based payments

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

Plan	Description
Long Term Incentive (LTI)	Executives and senior management are granted performance rights to acquire Vicinity securities for nil consideration. These rights vest when certain hurdle requirements, which are set when the rights are granted, are met. Achievement of the hurdle requirements are assessed three years after the rights are granted (the vesting period). The detailed hurdle requirements are set out in Note 14(a).
Short Term Incentive (STI)	STI provides the opportunity to receive an annual, performance based incentive payment, when a combination of short-term Group financial and individual performance objectives is achieved. Certain executives and senior management are then required to defer a portion of their annual STI payment into equity for a period of 12 to 24 months. The amounts deferred will become available to the employee at the end of the deferral period, provided they remain employed by the Group.
$1,000 Employee Plan	$1,000 worth of Vicinity securities are granted annually to eligible employees for nil consideration. Securities granted under the plan are subject to a three-year trading restriction unless the employee ceases to be employed by the Group.

Further details relating to the LTI and STI plans are included in Note 14(a).

The following expenses were recognised in relation to the share based payment compensation plans:

For the 12 months to:	30-Jun-17 $m	30-Jun-16 $m
Long Term Incentive (formerly Performance Reward Payment Long)	**2.9**	2.6
Short term incentive (formerly Performance Reward Payment Short)[1]	**3.6**	1.7
$1,000 Employee Plan[2]	**1.0**	1.0
Total share based payments	**7.5**	5.3

1. As described in Note 14(a) this amount represents the value of STI deferred into equity relating to the prior financial year.
2. A total of 359,040 securities were granted under the $1,000 Employee Plan during the year (30 June 2016: 360,828).

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

	30-Jun-17 Number	30-Jun-16 Number
Opening balance at the beginning of the year	**4,385,154**	5,913,252
Granted	**3,074,501**	2,918,865
Forfeited and lapsed	**(605,374)**	(1,164,940)
Vested	**(732,862)**	(3,282,023)
Outstanding at the end of the year	**6,121,419**	4,385,154
Exercisable at the end of the year	**Nil**	Nil
Weighted average remaining contractual life	**2.38 years**	2.28 years

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(a) Plan details

Long Term Incentive Plan conditions

Features of the LTI performance rights currently on issue are:

Grant years	FY17 and FY16
Performance period	Three years
Holding lock	12 months after the end of the performance period
Performance hurdles[1]	**50% relative total securityholder return (TSR)** Relative TSR combines the security price movement and dividends (which are assumed to be reinvested) to show total return to securityholders, relative to that of other companies in the TSR Comparator Group. **50% total return (TR)** TR is calculated as: Change in Vicinity's Net Tangible Assets (NTA) value during the performance period plus total distributions made divided by the NTA value at the beginning of the performance period.
TSR Comparator Group	S&P/ASX 200 A-REIT Index excluding Westfield Corporation

1. For the purposes of LTI plan assessment, each performance hurdle operates independently of the other.

Long Term Incentive Plan – performance rights valuation

The fair value of performance rights granted under the LTI is estimated at the date of grant using a Monte Carlo Simulation Model taking into account the terms and conditions upon which the performance rights were granted. The total grant date fair value is expensed over the vesting period (three years) and is adjusted to reflect the actual number of rights for which the related service and non-market vesting conditions are expected to be met.

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

Assumption	Basis	FY17	FY16
Distribution yield	Expected annual distribution rate over the next three years.	**5.9%**	6.0%
Risk-free interest rate	Three-year government bond yields as at grant date.	**1.9%**	2.1%
Volatility correlation between Vicinity and other comparator companies	Analysis of historical total security return volatility (i.e. standard deviation) and the implied volatilities of exchange traded options.	**50.0%**	35.0%
Volatility of Vicinity securities	As above.	**21.0%**	23.0%
TSR of Vicinity securities	Performance between the start date of the testing period and the valuation date.	**(9.1%)**	(5.1%)
Holding lock adjustment	Adjustment for 12-month holding lock period.	**7.5%**	7.5%
Security price at measurement date	Closing Vicinity securities price at grant date.	**$2.92**	$2.75
Fair value per right – TR		**$2.27**	$2.19
Fair value per right – TSR		**$0.97**	$1.04

Short Term Incentive Plan

The number of securities granted and deferred under the STI plan during the year ended 30 June 2017 relating to incentive payments earned in the year ended 30 June 2016 was 1,144,541 (30 June 2016: 620,482) and the fair value of these securities was $3.29 per security (30 June 2016: $2.79) determined based on the security price of Vicinity at the grant date of 22 September 2016.

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15. Intangible assets

(a) Background

Intangible asset balances relate to the value of external management contracts and goodwill.

External management contracts

External management contracts reflect the right to provide asset and funds management services to external parties in accordance with management agreements. They were recognised at their fair value at both the date of Novion Property Group's internalisation of management from the Commonwealth Bank of Australia (on 24 March 2014) and the merger of Novion Property Group and Federation Centres (Merger, on 11 June 2015). The value of these contracts is allocated to the Strategic Partnerships cash-generating unit (CGU) which is also an operating and reportable segment.

Finite life

External management contracts that are considered to have a finite life are amortised on a straight-line basis depending on the timing of the projected cash flows under the management agreements. The amortisation period is based on termination dates reflected in the management agreements (with consideration given to renewals). The Group amortises intangible assets with a finite life using the straight-line method over periods ranging from one to seven years.

Indefinite life

External management contracts, primarily those associated with strategic partners who co-own assets with the Group and that have management agreements without termination dates, are considered to have indefinite useful lives and are therefore not amortised. No deferred tax liability has been recognised in respect of these contracts as their carrying value is not expected to be recovered through use.

Goodwill

Goodwill relates to the internalised management of the owned properties and the portfolio premium associated with being a large listed Real Estate Investment Trust (REIT). This balance is allocated to the Property Investment CGU, which is also an operating and reportable segment.

Portfolio premium

The 'portfolio premium' that was recognised upon Merger relates to value elements not captured in the underlying fair value of the individual properties. This portfolio premium represents, amongst other items, development potential, liquidity, diversified portfolio benefits and the Group's ability to obtain and attract debt funding.

Internal management contracts

Internal management contracts relate to the incremental value created in relation to the Group's investment properties by replacing property management fees with an internalised cost structure (asset management business), i.e. the value of management contracts relating to internally-owned assets.

A reconciliation of the movements in the value of intangible assets for the current and prior year is shown below:

	Goodwill $m	Indefinite life management contracts $m	Finite life management contracts $m	Total $m
Carrying value 1 July 2015	**712.7**	**164.2**	**14.5**	**891.4**
Impairment[1] and amortisation charge	(295.0)	-	(3.3)	(298.3)
Arising from acquisitions	9.3	-	-	9.3
Carrying value 30 June 2016	**427.0**	**164.2**	**11.2**	**602.4**
Impairment and amortisation charge	-	-	(3.0)	(3.0)
Carrying value 30 June 2017	**427.0**	**164.2**	**8.2**	**599.4**

1. The impairment charge of $295.0 million to goodwill was recorded at 31 December 2015 based on the assessment of the recoverable amount performed at that time.

15. Intangible assets continued

(b) Impairment testing

The Group performs impairment testing for goodwill and indefinite life intangible assets on an annual basis (at 30 June each year) or when there are other indicators of impairment. Summarised below are the results of the Group's annual impairment testing process performed at 30 June 2017.

External management contracts

As described in Note 15(a), external management contracts are allocated to the strategic partnerships CGU for the purposes of impairment testing. The recoverable amount of the Strategic Partnerships CGU is determined using a fair value less cost of disposal (fair value) approach. This is performed using a discounted cash flow (DCF) valuation of the external asset and funds management business which is based on the following key assumptions:

Key assumption	30-Jun-17	30-Jun-16
Cash flows for forecast Earnings Before Interest and Tax on management fees	**5 years**	5 years
Terminal growth rates	**2.20%–2.70%**	2.30%–3.00%
Post tax discount rate range	**7.36%–7.86%**	7.64%–8.14%

Sensitivities to these assumptions have been tested and the Group has determined that no reasonably possible changes would give rise to impairment at 30 June 2017. The future disposal of interests in directly owned or equity accounted investment property assets, where the Group also gives up any future rights under existing finite life or indefinite life contracts, may lead to the derecognition of the associated carrying values of these management contracts, as the Group may no longer be entitled to the management fees under disposal arrangements.

Goodwill

As described in Note 15(a), Goodwill is allocated to the Property Investment CGU for the purposes of impairment testing. The recoverable amount of the Property Investment CGU is determined using a fair value approach. In order to determine the fair value of the Property Investment CGU as a whole, an Enterprise Value (EV) approach has been adopted. This approach estimates fair value based on a DCF analysis using underlying earnings adjusted for interest expense, cash flows from the Strategic Partnerships CGU and capital expenditure requirements. The recoverable amount, which is equal to the carrying value, has been determined as the Group's net asset value less the value of the finite and indefinite life management contracts.

The table below summarises key assumptions used in the EV model:

Key assumption	30-Jun-17	30-Jun-16
Cash flows for forecast underlying earnings and operational capital expenditure	**3 years**	3 years
Terminal growth rate	**2.20%**	2.30%
Post-tax discount rate range	**7.11%–7.61%**	7.64%–8.14%
Cost of equity	**7.69%–8.19%**	8.36%–8.86%

The carrying amount of the Property Investment CGU includes the value of the Group's investment properties which are held at fair value. These fair values are determined based on a number of assumptions, as outlined in Note 4(c). As the carrying amount of the Property Investment CGU is equal to its recoverable amount, any reasonably possible change in the assumptions that impact the property valuations and EV model may have a corresponding impact on the carrying amount of the Property Investment CGU, including goodwill.

Process for determination of key assumptions

The key assumptions used in the fair value assessment of both goodwill and the external management contracts have been determined as follows:

- Relevant discount rates are calculated based on the Capital Asset Pricing Model with reference to the Group's cost of debt, cost of equity and target gearing ratios.
- Terminal growth rates are estimated with reference to macro-economic conditions and the Group's expected earnings growth through fixed rental increases.
- Forecast underlying earnings, operational capital expenditure and asset and funds management cash flows are based on the values determined by the Group's budgeting and planning process.

The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

As forecast underlying earnings, discount rates and growth rates are unobservable inputs into the valuation process, the key assumptions are considered to be Level 3 in the fair value hierarchy.

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16. Notes to the cash flow statement

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

	30-Jun-17 $m	30-Jun-16 $m
Net profit after tax for the financial year	**1,583.6**	960.9
Exclude non-cash items and cash flows under investing and financing activities:		
Amortisation of incentives and leasing costs	**28.8**	32.6
Straight-lining of rent adjustment	**(16.8)**	(4.8)
Property revaluation increment for directly owned properties	**(906.7)**	(733.0)
Stamp duty and other costs written off on acquisition of investment properties	**9.9**	20.1
Share of net (profit)/loss of equity accounted investments	**(18.2)**	6.0
Distributions of net income from equity accounted investments	**9.4**	8.9
Amortisation of non-cash items included in interest expense	**(4.5)**	(1.5)
Net foreign exchange movement on interest bearing liabilities	**(60.7)**	(42.4)
Net mark-to-market movement on derivatives	**55.1**	147.5
Share based payment expense	**7.5**	5.3
Integration costs	**26.7**	41.1
Impairment and amortisation of intangible assets	**3.0**	298.3
Other non-cash items	**3.0**	(2.3)
Movements in working capital:		
Decrease in payables, provisions and other liabilities	**(6.4)**	(23.7)
Decrease in receivables and other assets	**17.5**	28.8
Net cash inflow from operating activities	**731.2**	741.8

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17. Auditor's remuneration

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

For the 12 months to:	30-Jun-17 $'000	30-Jun-16 $'000
Audit services		
Statutory audit and review of financial reports	**1,287.5**	1,309.2
Other assurance services	**592.4**	462.5
Taxation services	**544.0**	291.3
Total auditor's remuneration	**2,423.9**	2,063.0

18. Parent entity financial information

(a) Summary financials

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

	30-Jun-17 $m	30-Jun-16 $m
Balance Sheet		
Current assets	**3.3**	303.0
Total assets	**667.1**	1,035.8
Current liabilities	**(65.3)**	(439.8)
Total liabilities	**(584.8)**	(951.1)
Equity		
Contributed equity	**455.3**	455.3
Share based payment reserve	**(4.1)**	(4.1)
Accumulated losses	**(368.9)**	(366.5)
Total equity	**82.3**	84.7
Net loss for the financial year of Vicinity Limited as parent entity	**(2.4)**	(285.9)[1]
Total comprehensive loss for the financial year of Vicinity Limited	**(2.4)**	(285.9)[1]

1. The loss of Vicinity Limited for the year ended 30 June 2016 included an impairment of the goodwill value of $295.0 million. No impairment has been recognised in the current year.

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

The parent entity has no capital expenditure commitments which have been contracted but not provided for, or operating lease commitments and contingencies as at reporting date. Guarantees provided to subsidiary entities are disclosed at Note 20(c) and predominantly relate to fulfilling capital requirements under Australian Financial Services Licences held by these subsidiaries.

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(b) Stapled entity allocation of net profit

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

The following illustrates the contribution of the Company to the stapled Group's net profit after tax:

Vicinity Limited and controlled entities	30-Jun-17 $m	30-Jun-16 $m
Operating result of the Company	**17.4**	22.6
Less: Integration and transaction costs incurred by the Company	**(26.7)**	(29.9)
Less: Impairment and amortisation of intangibles	**(3.0)**	(298.3)
Net loss attributable to securityholders of Vicinity Limited (as the Companies)	**(12.3)**	(305.6)
Net profit attributable to securityholders of Vicinity Centres Trust (as other stapled entities of the Group)	**1,595.9**	1,266.5
Net profit of the Stapled Group	**1,583.6**	960.9

19. Related parties

(a) Background

The deemed parent entity of the Group is Vicinity Limited, which is domiciled and incorporated in Australia. All subsidiaries and sub-trusts of the Group are wholly-owned subsidiaries of Vicinity Limited or sub-trusts of Vicinity Centres Trust as at 30 June 2017.

(b) Information on related party transactions and balances

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

- Direct Property Investment Fund A (DPIF-A);
- Direct Property Investment Fund B (DPIF-B);
- Vicinity Enhanced Retail Fund (VERF);
- International Private Equity Real Estate Fund (IPERE); and
- Australian Investments Trust (AIT).

The transactions with the Wholesale funds, on normal commercial terms, and the balances outstanding at 30 June 2017 are outlined in the tables below.

Related party balances with Wholesale funds

	Property jointly owned[1]		Funds management fee receivable		Alignment fee payable	
	30-Jun-17 $'000	30-Jun-16 $'000	30-Jun-17 $'000	30-Jun-16 $'000	30-Jun-17 $'000	30-Jun-16 $'000
Wholesale funds managed by the Group	**528,000**	505,000	**2,140**	2,043	**285**	262

1. Represents the value of the Group's 50% interest in Grand Plaza and 50% interest in Rockingham which are jointly owned with Wholesale funds.

An impairment assessment is undertaken each financial year by examining the financial position of the related party to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss. Outstanding related party trade receivables balances at year end are unsecured and settlement occurs in cash. Interest is charged on an arm's length basis on amounts greater than 90 days outstanding. The Group does not hold any collateral in relation to related party receivables.

19. Related parties continued

Related party transactions with Wholesale funds

For the 12 months to:	30-Jun-17 $'000	30-Jun-16 $'000
Asset and funds management fee income	**19,265**	17,791
Reimbursement of expenses to the property manager	**5,291**	5,374
Distribution income	**115**	110
Alignment fee expense	**(1,137)**	(1,049)
Rent and outgoings expenses	**(519)**	(665)

20. Commitments and contingencies

(a) Operating lease commitments

Estimated operating lease expenditure contracted for at reporting date, but not provided for in the financial statements:

	30-Jun-17 $m	30-Jun-16 $m
Not later than one year	**5.2**	5.7
Later than one year and not later than five years	**19.7**	18.2
Later than five years	**7.5**	4.3
Total operating lease commitments	**32.4**	28.2

(b) Capital commitments

Estimated capital expenditure contracted for at reporting date, but not provided for:

	30-Jun-17 $m	30-Jun-16 $m
Not later than one year	**168.9**	182.3
Later than one year and not later than five years	**52.5**	66.2
Total capital commitments	**221.4**	248.5

(c) Contingent assets and liabilities

Bank guarantees totalling $48.1 million have been arranged by the Group, primarily to guarantee obligations for three of the Group's Responsible Entities to meet their financial obligations under their Australian Financial Services Licences.

As at reporting date, there were no other material contingent assets or liabilities.

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21. Other Group accounting matters

(a) Other accounting policies

This section contains other accounting policies that relate to the financial statements as a whole, detail of any changes in accounting policies and the impact of new or amended accounting standards.

Principles of consolidation

These consolidated financial statements comprise the assets and liabilities of all controlled entities at 30 June 2017 and the results of all controlled entities for the financial year unless otherwise stated. Controlled entities are:

- all entities over which the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity; and
- fully consolidated from the date on which control is transferred to the Group, and, where applicable, deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities, and the balances and effects of transactions between all controlled entities are eliminated in full.

In accordance with AASB 3 *Business Combinations*, Vicinity Limited is the deemed parent of the stapled Group. The results and equity attributable to Vicinity Centres Trust (that is, the amounts shown as attributable to securityholders of other stapled entities of the Group) are shown prior to the elimination of transactions between Vicinity Limited and Vicinity Centres Trust.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the following activities:

Property ownership revenue and lease income

As the owner of a number of shopping centres, the Group derives rental revenue as lessor from the leasing of the retail space in these properties. Lease income is recognised on a straight-line basis over the lease term. Items included in the straight-lining calculation as required by accounting standards are lease incentives given to tenants and fixed rental increases that form part of rental contracts.

Management fee revenue

Property management and leasing fees are generated from existing properties, and development fees are derived in respect of new developments and redevelopments. Funds management revenue relates to income received for the management of externally-owned properties, wholesale property funds and property mandates. Fees are in accordance with generally accepted commercial terms and conditions.

Fee revenue is recognised on an accruals basis as earned and when it can be reliably measured.

Interest revenue

Interest revenue is recognised using the effective interest method.

Investments in joint operations

Included in investment properties are shopping centres that are accounted for as joint operations – in the form of direct ownership of a partial freehold or leasehold interest in a shopping centre with a strategic partner, based on standard market joint operation agreements. The Group accounts for joint operations by recognising its share of the shopping centre, classified as investment property, and its share of other assets, liabilities, income and expenses from the use and output of the joint operation.

21. Other Group accounting matters continued

Impact of new and amended standards

There are no new and amended standards that became effective for the Group on 1 July 2016 that have a material impact on the financial statements.

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

AASB 9 *Financial Instruments (effective for the Group from 1 July 2018)*

This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It introduces a new approach for classification and measurement, impairment and hedge accounting of financial instruments and introduces a forward looking 'expected loss' impairment model for recording expected credit losses. The adoption of this standard is not expected to have a material impact for the Group.

AASB 15 *Revenue from Contracts with Customers (effective for the Group from 1 July 2018)*

This standard replaces AASB 118 *Revenue* and other revenue related standards and interpretations. The core principle of AASB 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of those goods or services passes to customers. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard has introduced a five-step model as the framework for applying that core principle. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

This standard is not expected to have a significant impact on the Group's financial statements as the majority of the Group's revenue and income is base rental income derived from lease agreements with tenants. The recognition of other revenue items derived by the Group, including variable payments linked to lease agreements, cost recoveries from tenants and fee income from strategic partners is not expected to be materially impacted by the adoption of this standard.

AASB 16 *Leases (effective for the Group from 1 July 2019)*

This standard replaces AASB 117 *Leases*. It provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the potential impact of this standard and the transition method to be adopted however does not expect a material impact on the financial statements.

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(b) Finance lease liabilities

As disclosed in the footnotes to Note 4(d), a number of the Group's investment properties are held under long-term leasehold arrangements. As per market practice, external and internal valuations performed to determine the fair values of these properties at reporting date (as disclosed in Note 4) have deducted the estimated lease payments from the valuation cash flows.

As required by AASB 140 *Investment Properties*, where the fair value model is used to value investment property, the present value of these minimum payments under the leasehold arrangements must then be presented separately as a:

- finance lease asset that is added to the overall investment property balance (refer Note 4(a)); and
- corresponding finance lease liability (refer Note 10).

The minimum lease payments under finance leases fall due as follows:

	30-Jun-17 $m			30-Jun-16 $m		
	Minimum lease payments	Future finance charges	Present value of payments	Minimum lease payments	Future finance charges	Present value of payments
Not later than one year	**14.8**	**-**	**14.8**	13.8	-	13.8
Later than one but not more than five years	**64.5**	**(13.5)**	**51.0**	62.4	(13.1)	49.3
More than five years	**580.7**	**(429.0)**	**151.7**	597.7	(446.6)	151.1
Total[1]	**660.0**	**(442.5)**	**217.5**	673.9	(459.7)	214.2

1. For details of properties subject to leasehold arrangements, refer to the footnotes in Note 4(d).

22. Events occurring after the reporting date

On-market securities buy-back

On 25 July 2017, the Group announced an on-market buy-back program of up to 5% of ordinary securities on issue. The Group will only purchase securities where doing so is accretive to earnings per security and NTA, while also preserving ample capacity to fund other capital requirements.

Appointment of new Chief Executive Officer (CEO) and Managing Director

On 11 August 2017, the Group announced Mr Grant Kelly would succeed Mr Angus McNaughton as CEO and Managing Director, with a planned commencement date of 1 January 2018.

Vicinity Board changes

On 31 July 2017 the Group announced the appointment of Ms Janette Kendall as an Independent Non-executive Director to the Boards of Vicinity Limited and Vicinity Centres RE Ltd, effective from 1 December 2017. Mr Charles Macek and Ms Debra Stirling will retire as Independent Non-executive Directors at the Annual General Meeting to be held on 16 November 2017.

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

Directors' Declaration

In accordance with a resolution of the Directors of Vicinity Limited, we declare that:

(a) in the opinion of the Directors, the financial statements and notes set out on pages 67 to 105 are in accordance with the *Corporations Act 2001* (Cth), including:

   i. giving a true and fair view of the Group and its controlled entities' financial position as at 30 June 2017 and of the performance for the financial year ended on that date, and

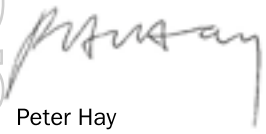
   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001* (Cth), and

   iii. complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in the notes to the financial statements on page 72 of the 2017 Annual Report, and

(b) in the opinion of the Directors, there are reasonable grounds to believe that the Group and its controlled entities will be able to pay their debts as and when they become due and payable, and

(c) the Directors have been given the Declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* (Cth) for the financial year ended 30 June 2017.

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



Peter Hay
Chairman

Melbourne
16 August 2017

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Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Members of Vicinity Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vicinity Centres, comprising the stapled entities Vicinity Limited (the "Company"), Vicinity Centres Trust (the "Trust") and the entities they controlled (collectively the "Group"), which comprises the balance sheet as at 30 June 2017, the statement of comprehensive income, the statements of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion:

the accompanying financial report of Vicinity Centres is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Shopping Centre Investment Property Portfolio – Carrying Values and Revaluations

Why significant	How the matter was addressed in the audit
Vicinity Centres owns a portfolio of retail property assets valued at $15,633.5 million at 30 June 2017, excluding assets held for sale, which represents 93.8% of total assets of the Group. The valuation of the property portfolio, which includes properties in a development phase and jointly held investments, is based on a number of assumptions, such as capitalisation rates, discount rates and terminal yield, which require significant estimation and judgement. This also includes the estimations for costs to complete and an allowance for developer's risk and profit for properties in the development phase. Minor adjustments to certain assumptions can lead to significant changes in the valuation of the retail property assets. As outlined in Note 4, the Group's basis for determining the portfolio valuation is underpinned by valuations sourced from suitably qualified valuation experts and internal valuations. Refer to Note 4 for a description of the accounting policy, overview of the valuation methodology, process for valuation (including the use of independent expert valuers and internal valuations), significant assumptions and the relative sensitivity of the valuation to changes in these assumptions.	In performing our audit procedures, with assistance from our real estate valuation specialists, on a sample basis, we: ▸ Assessed the competence of valuers, as well as the independence of external valuers, and appropriateness of the scope and methodology of the valuation commissioned for the purposes of the financial report. ▸ Assessed the key inputs and assumptions adopted in the valuation methodologies including comparing capitalisation rates to those derived from relevant transactions and other external market sources. ▸ Compared the data used in the valuation to the actual and budgeted financial performance of the underlying properties, tested as part of the audit process. ▸ For properties under development, we compared the costs incurred to date plus estimated costs to complete to the expected value of the completed project, as advised by external valuers. ▸ Discussed key developments in progress with Development Management. ▸ Assessed the design and operating effectiveness of key controls surrounding the development process and tested a sample of significant development spend on major projects to progress billing reports. ▸ Performed an analytical review of the portfolio assets with reference to external market data and portfolio performance in order to identify and investigate items that were outside of our audit expectations. ▸ Assessed the disclosures included in Note 4 to the financial report.

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2. Carrying Value of Intangible Assets

Why significant	How the matter was addressed in the audit
As at 30 June 2017 the Group held $599.4 million in goodwill and identifiable intangible assets (relating to indefinite life and finite life external management contracts). As outlined in the disclosures in note 15, under the Group's accounting policy, goodwill and indefinite life external management contracts are tested for impairment annually, or when there is an impairment trigger. The recoverable amount of the indefinite life external management contracts has been determined based on a fair value less cost of disposal ("Fair Value") method using discounted cash flows ("DCFs") of the external asset and funds management business. The recoverable amount of the Property Investment Cash Generating Unit ("CGU"), to which Goodwill is allocated, has been determined using the Fair Value method based on DCFs of the CGU's underlying earnings, adjusted for interest expense and capital expenditure requirements. The impairment calculation includes judgements and estimates made by management such as the growth rate of forecasted cash flows, discount rate and terminal value within the model. As a result of the assessment performed at 30 June 2017, no impairment of goodwill or identifiable intangible assets was recorded during the year.	In obtaining sufficient audit evidence regarding the recoverable value of goodwill and identifiable intangible assets, with assistance from our valuations specialists, we: ▸ Considered the appropriateness and application of valuation methodologies applied. ▸ Considered the key inputs and assumptions such as forecast cash flows, discount rates and overhead allocations adopted in the valuation. ▸ Compared the data used in the DCFs to the actual and budgeted financial performance of the Group. ▸ Compared earnings multiples derived from the Group's intangible model to that observable from external market data obtained from comparable listed Real Estate Investment Trust ("REIT") entities in addition to comparing the market capitalisation of the business to the net assets on the balance sheet. ▸ Benchmarked key assumptions used by the Group to the independent views of EY and external data obtained. ▸ Assessed the disclosures included in Note 15 to the financial report.

3. Interest Bearing Liabilities and Derivatives

Why significant	How the matter was addressed in the audit
The Group had interest bearing liabilities of $3,893.7 million at 30 June 2017. During the year the Group repaid US private placement notes which matured in February 2017 and issued Australian Medium Term Notes. The Group maintains a portfolio of facilities with varying counterparties, currencies and terms. This portfolio influences the Group's gearing, liquidity, solvency, covenant obligations and financing cost profile. In relation to this portfolio, the Group incurred $162.9 million in borrowing costs during the year, of which, $154.9 million were expensed and $8.0 million were capitalised to assets under development. Refer to Note 6 of the financial report for a description of the accounting policy treatment for these liabilities and information of the Group's interest bearing liabilities. Interest rate and currency risks are managed by floating-to-fixed interest rate swaps and cross currency swaps ("derivatives") which have been set out in Note 7 of the financial report. These derivatives involve judgement to assess the fair value (carrying amounts), which are estimated using valuation techniques and are sensitive to movements in financial markets, as outlined in Note 7.	▸ We assessed the design and operating effectiveness of relevant controls over the recording and reporting of drawdowns and repayments, the valuation of interest bearing liabilities, the recording and reporting of derivatives, and the monitoring of compliance. ▸ We assessed the Group's compliance with material facility agreements, including covenants, and the Group's maturity profile, to test the appropriate classification of the interest bearing liabilities as current or non-current. ▸ We confirmed all interest bearing liabilities and derivatives directly with counterparties at 30 June 2017. ▸ We tested the calculation of interest recognised in the consolidated statement of comprehensive income and capitalised to development properties. ▸ On a sample basis, with involvement of our treasury specialists, we tested the calculation of the fair value of derivatives at the reporting date and disclosures outlined in Note 6. ▸ We assessed the disclosures included in Note 6 and Note 7 to the financial report.

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4. Property Portfolio Transactions

Why significant	How the matter was addressed in the audit
Vicinity Centres undertook a significant number of acquisitions and disposals during the year, which had a material effect on the financial report. Refer to Note 4 for the impact of the transactions on Investment Properties.	For material transactions, we: ▸ Reviewed the sale and purchase agreements and other related documents. ▸ Assessed these transactions against the recognition, derecognition, measurement and classification criteria of the Group's accounting policies set out in Note 4 of the financial report and applicable Australian Accounting Standards. We assessed the adequacy of the disclosures in the financial report.

Information Other than the Financial Report and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information included in the Vicinity Centres' Annual Report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Vicinity Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

David Shewring
Partner
Melbourne
16 August 2017

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Summary of Securityholders

as at 14 August 2017

Spread of securityholders

Range	Number of securityholders	Number of securities	% of issued securities
100,001 and over	232	3,761,452,247	95.02
10,001 to 100,000	6,058	133,946,564	3.38
5,001 to 10,000	5,114	37,563,117	0.95
1,001 to 5,000	8,366	23,550,455	0.59
1 to 1,000	5,072	2,138,253	0.05
Total	**24,842**	**3,958,650,636**	**100.00**

The number of securityholders holding less than a marketable parcel of 187 securities ($2.68 on 14 August 2017) is 1,197 and they hold 61,404 securities.

On–market purchase of securities

During FY17, 2,300,000 Vicinity securities were purchased on-market at an average price per security of $3.28685 by the trustee for the EESP, STI and LTI to satisfy entitlements under these plans.

Substantial securityholders

Company name	Effective date	Number of securities	% of issued securities
The Gandel Group Pty Ltd and its associates	11 June 2015	682,861,296	17.25
BNP Paribas Nominees Pty Limited as Custodian for UniSuper Ltd	9 September 2016	344,450,895	8.70
Vanguard Investments Australia Ltd	29 December 2016	294,495,326	7.44
BlackRock Group (BlackRock Inc. and its associates)	5 June 2015	228,545,589	5.77
Legg Mason Asset Management Limited	31 January 2017	199,165,452	5.03

20 largest securityholders

Rank	Name	Number of securities held	% of issued securities
1	HSBC Custody Nominees (Australia) Limited	1,184,357,173	29.92
2	J P Morgan Nominees Australia Limited	616,767,004	15.58
3	Citicorp Nominees Pty Limited	420,104,972	10.61
4	BNP Paribas Nominees Pty Ltd	398,117,361	10.06
5	National Nominees Limited	185,630,331	4.69
6	Rosslynbridge Pty Ltd	83,062,778	2.10
7	Besgan No. 1 Pty Ltd	79,856,234	2.02
7	Besgan No. 2 Pty Ltd	79,856,234	2.02
7	Besgan No. 3 Pty Ltd	79,856,234	2.02
7	Besgan No. 4 Pty Ltd	79,856,234	2.02
8	Allowater Pty Ltd	55,755,286	1.41
9	Cenarth Pty Ltd	41,223,461	1.04
10	BNP Paribas Noms Pty Ltd	40,249,029	1.02
11	Braybridge Pty Ltd	39,385,610	0.99
12	HSBC Custody Nominees (Australia) Limited	35,784,614	0.90
13	Ledburn Proprietary Limited	33,556,774	0.85
14	Broadgan Proprietary Limited	32,906,624	0.83
15	Citicorp Nominees Pty Limited	31,157,497	0.79
16	AMP Life Limited	17,894,952	0.45
17	Australian Foundation Investment Company Limited	15,627,500	0.39
18	Applebrook Pty Ltd	11,926,250	0.30
18	Jadecliff Pty Ltd	11,926,250	0.30
18	Moondale Pty Ltd	11,926,250	0.30
18	Rosecreek Pty Ltd	11,926,250	0.30
19	HSBC Custody Nominees (Australia) Limited – GSCO ECA	9,309,818	0.24
20	Ledburn Proprietary Limited	9,207,633	0.23
Total 20 largest securityholders		**3,617,228,353**	**91.38**
Balance of register		341,422,283	8.62
Total issued capital		**3,958,650,636**	**100.00**

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Corporate Directory

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Vicinity Centres

comprising:

Vicinity Limited
ABN 90 114 757 783

and

Vicinity Centres RE Ltd
ABN 88 149 781 322

as Responsible Entity for

Vicinity Centres Trust
ARSN 104 931 928

ASX listing

Vicinity Centres is listed on the ASX under the listing code VCX

Board of Directors

Peter Hay (Chairman)
Angus McNaughton
Charles Macek
David Thurin (Dr)
Debra Stirling
Karen Penrose
Peter Kahan
Tim Hammon
Trevor Gerber
Wai Tang

Company Secretaries

Carolyn Reynolds
Michelle Brady

Registered office

Chadstone Tower One
Level 4, 1341 Dandenong Road
Chadstone Victoria 3148 Australia

Telephone: +61 3 7001 4000
Facsimile: +61 3 7001 4001
Website: vicinity.com.au

Auditors

Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000 Australia

Security registrar

If you have queries relating to your securityholding or wish to update your personal or payment details, please contact the Security Registrar.

Link Market Services Limited
Level 1, 333 Collins Street, Melbourne
Victoria 3000 Australia

General securityholder enquiries:

Toll Free: +61 1300 887 890
Facsimile: +61 2 9287 0303
Facsimile: +61 2 9287 0309 (for proxy voting)
Email: vicinity@linkmarketservices.com.au
Post: Locked Bag A14
Sydney South NSW 1235
Australia

Access your securityholding online

You can update your personal details and access information about your securityholding online by clicking 'Securityholder login' on our home page at vicinity.com.au, or via the 'Investor Services' section of the security registrar's website at linkmarketservices.com.au, or scan the QR Code (below) to take you to the investor centre.

Securityholders can use the online system to:

- view your holding balances, distribution payments and transaction history
- choose your preferred annual report and communications options
- confirm whether you have lodged your Tax File Number (TFN) or Australian Business Number (ABN)
- update your contact details
- update your bank account details
- check Vicinity Centres' security price, and
- download various securityholder instruction forms.

Contact Vicinity Centres

We are committed to delivering a high level of service to all securityholders. Should there be some way you feel that we can improve our service, we would like to know. Whether you are making a suggestion or a complaint, your feedback is always appreciated.

Investor Relations

Email: investor.relations@vicinity.com.au

The Responsible Entity is a member (member no. 28912) of the Financial Ombudsmen Service (FOS), an external complaints resolution scheme. FOS offers consumers a single national source of accessible information and expertise for banking, insurance and investment disputes. If you are not satisfied with the resolution of your complaint by the Responsible Entity, you may refer your complaint to FOS.

Key dates[1]

30 August 2017	June 2017 distribution payment
16 November 2017	2017 Annual General Meeting
28 December 2017	Ex-distribution date for December 2017 distribution
29 December 2017	Record date for December 2017 distribution
14 February 2018	FY18 interim results
2 March 2018	December 2017 distribution payment
28 June 2018	Ex-distribution date for June 2018 distribution
29 June 2018	Record date for June 2018 distribution
15 August 2018	FY18 annual results
30 August 2018	June 2018 distribution payment

1. These dates may be subject to change.

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