Vicinity Centres Trust

Financial Report for the half year ended
31 December 2023

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

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

VICINITY
CENTRES

Contents

Directors' Report

The Directors of Vicinity Centres RE Ltd, the responsible entity (RE) of Vicinity Centres Trust (the Trust or VCT), present the Financial Report of Vicinity Centres Trust and its controlled entities (VCT Group or the Trust Group) for the half year ended 31 December 2023.

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

Directors

The following persons were members of the Vicinity Centres RE Ltd Board from 1 July 2023 and up to the date of this report unless otherwise stated:

(i) Chairman

Trevor Gerber (Independent)

(ii) Non-executive Directors

Clive Appleton

Dion Werbeloff

Georgina Lynch (Independent)

Janette Kendall (Independent)

Michael Hawker AM (Independent)

Peter Kahan (Independent)

Tiffany Fuller (Independent)

Tim Hammon (Independent)

(iii) Executive Director

Peter Huddle (CEO and Managing Director)

Company Secretaries

Carolyn Reynolds

Rohan Abeyewardene

Principal activities

The principal activity of the Trust Group during the period continued to be investment in a portfolio of retail investment properties. The principal place of business of the Trust and the RE of the Trust is Level 4, Chadstone Tower One, 1341 Dandenong Road, Chadstone, Victoria 3148.

Distributions

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

Review of results and operations

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

(a) Financial performance

The statutory net profit after tax of the Trust Group for the half year ended 31 December 2023 was $218.7 million, an increase of $39.5 million on the prior period (31 December 2022: net profit after tax of $179.2 million). This result was mainly driven by:

- Net profits[1] contributed from investment properties of $442.4 million (31 December 2022: $448.1 million). This reduction was driven by the reversals of prior year waivers and provisions as well as the disposal of a 50% interest in Broadmeadows Central in 2023. Excluding the reversals and the impact from the asset disposal, net profits contributed from investment properties increased 4.5%;
- Borrowing costs of $106.5 million (31 December 2022: $98.8 million). The increase was principally driven by rising interest rates;
- A revaluation decrement on directly owned properties of $67.4 million (31 December 2022: decrement of $56.6 million);
- Share of net loss from equity accounted investments of $21.9 million (31 December 2022: share of net loss of $9.3 million); driven by net revaluation decrement recorded on investment properties held within joint ventures;
- Net mark-to-market loss on derivatives of $17.8 million (31 December 2022: loss of $9.8 million); and
- Net foreign exchange gain on interest bearing liabilities of $39.8 million (31 December 2022: loss of $42.1 million).

Cash flows from operating activities for the half year were $309.8 million (31 December 2022: $329.9 million).

(b) Financial position

At 31 December 2023 the Trust Group's net assets were $10,646.1 million, down $65.8 million from $10,711.9 million at 30 June 2023. This decrease was largely due to the aforementioned property revaluation decrements on directly owned investment properties.

(c) Capital management

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

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

Auditor's independence declaration

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

Events occurring after the end of the reporting period

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

[1] Property ownership revenue and income less direct property expenses, allowance for expected credit losses, amortisation of incentives and leasing costs and straight-lining of rent adjustment.

Rounding of amounts

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

Signed in accordance with a resolution of Directors.

Trevor Gerber
Chairman
15 February 2024

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Auditor's Independence Declaration to the Directors of Vicinity Centres RE Ltd, The Responsible Entity (RE) of Vicinity Centres Trust (the Trust or VCT)

As lead auditor for the review of the half-year financial report of Vicinity Centres Trust for the half-year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Michael Collins
Partner
15 February 2024

Statement of Comprehensive Income

for the half year ended 31 December 2023

	Note	31-Dec-23 $m	31-Dec-22 $m
Revenue and income			
Property ownership revenue and income		602.5	579.7
Interest and other income		20.8	13.8
Total revenue and income	**2**	**623.3**	**593.5**
Share of net loss of equity accounted investments		(21.9)	(9.3)
Property revaluation decrement for directly owned properties	3(b)	(67.4)	(56.6)
Direct property expenses		(204.7)	(186.7)
Allowance for expected credit losses		1.1	16.4
Borrowing costs	5(c)	(106.5)	(98.8)
Responsible entity fees		(25.9)	(26.2)
Net foreign exchange movement on interest bearing liabilities		39.8	(42.1)
Net mark-to-market movement on derivatives		(17.8)	(9.8)
Other expenses		(1.3)	(1.2)
Net profit before tax for the half year		**218.7**	**179.2**
Income tax expense		-	-
Net income for the half year		**218.7**	**179.2**
Other comprehensive income		-	-
Total comprehensive income for the half year		**218.7**	**179.2**
Earnings per unit attributable to unitholders of the Trust Group:			
Basic earnings per unit (cents)		4.80	3.94
Diluted earnings per unit (cents)		4.79	3.93

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

Balance Sheet

as at 31 December 2023

	Note	31-Dec-23 $m	30-Jun-23 $m
Current assets			
Cash and cash equivalents		82.7	182.0
Trade receivables and other assets		145.7	124.8
Investment properties classified as held for sale	3(a)	273.5	-
Derivative financial instruments		56.7	39.1
Total current assets		**558.6**	**345.9**
Non-current assets			
Investment properties	3(a)	13,790.0	14,055.7
Equity accounted investments	4	414.9	436.5
Derivative financial instruments		154.7	227.6
Other assets		501.9	500.2
Total non-current assets		**14,861.5**	**15,220.0**
Total assets		**15,420.1**	**15,565.9**
Current liabilities			
Interest bearing liabilities	5(a)	285.0	323.0
Payables and other financial liabilities		193.5	204.0
Lease liabilities		1.2	1.2
Provisions		23.3	17.7
Derivative financial instruments		68.2	59.3
Total current liabilities		**571.2**	**605.2**
Non-current liabilities			
Interest bearing liabilities	5(a)	3,749.4	3,750.5
Lease liabilities		350.9	349.4
Derivative financial instruments		102.5	148.9
Total non-current liabilities		**4,202.8**	**4,248.8**
Total liabilities		**4,774.0**	**4,854.0**
Net assets		**10,646.1**	**10,711.9**
Equity			
Contributed equity	6	8,560.8	8,560.8
Retained profits		2,085.3	2,151.1
Total equity		**10,646.1**	**10,711.9**

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

Statement of Changes in Equity

for the half year ended 31 December 2023

		Attributable to unitholders of the Trust		
	Note	Contributed equity $m	Retained profits $m	Total $m
As at 1 July 2022		**8,560.8**	**2,420.1**	**10,980.9**
Net profit for the half year		-	179.2	179.2
Total comprehensive income for the half year		**-**	**179.2**	**179.2**
Transactions with unitholders in their capacity as unitholders:				
Distributions declared	7	-	(259.4)	(259.4)
Total equity as at 31 December 2022		**8,560.8**	**2,339.9**	**10,900.7**
As at 1 July 2023		**8,560.8**	**2,151.1**	**10,711.9**
Net profit for the half year		-	218.7	218.7
Total comprehensive income for the half year		**-**	**218.7**	**218.7**
Transactions with unitholders in their capacity as unitholders:				
Distributions declared	7	-	(284.5)	(284.5)
Total equity as at 31 December 2023		**8,560.8**	**2,085.3**	**10,646.1**

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

Cash Flow Statement

for the half year ended 31 December 2023

	Note	31-Dec-23 $m	31-Dec-22 $m
Cash flows from operating activities			
Receipts in the course of operations		719.2	708.7
Payments in the course of operations		(299.0)	(304.3)
Distributions and dividends received from equity accounted entities		-	6.6
Advances to equity accounted entities		(28.7)	(0.9)
Interest and other revenue received		19.0	10.0
Interest paid		(100.7)	(90.2)
Net cash inflows from operating activities	**8**	**309.8**	**329.9**
Cash flows from investing activities			
Payments for capital expenditure on investment properties		(142.8)	(180.6)
Deposit paid for acquisition of investment property		(15.4)	-
Payments for acquisition of other investments		(1.0)	(1.5)
Proceeds from disposal of investment property		37.5	-
Net cash outflows from investing activities		**(121.7)**	**(182.1)**
Cash flows from financing activities			
Proceeds from borrowings		713.0	410.0
Repayment of borrowings		(711.0)	(306.0)
Proceeds received from Vicinity Limited		89.7	122.1
Funds advanced to Vicinity Limited		(91.0)	(114.9)
Distributions paid to external unitholders		(284.5)	(259.4)
Debt establishment costs paid		(3.6)	(2.5)
Net cash outflows from financing activities		**(287.4)**	**(150.7)**
Net decrease in cash and cash equivalents held		**(99.3)**	**(2.9)**
Cash and cash equivalents at the beginning of the half year		182.0	43.4
Cash and cash equivalents at the end of the half year		**82.7**	**40.5**

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

About This Report

Reporting entity

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

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

Basis of preparation

The condensed consolidated financial report for the half year ended 31 December 2023 (the Financial Report):

- Has been prepared in accordance with the *Corporations Act 2001* (Cth), Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements. The accounting policies adopted are consistent with those of the previous financial year except for the impact of the new and amended accounting standards described below;
- Does not include all the notes of the type normally included in an annual financial report unless otherwise stated. Accordingly, this report is to be read in conjunction with the 30 June 2023 Annual Report and any public announcements issued by Vicinity Centres during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth) and the Listing Rules of the ASX;
- Is presented in Australian dollars ($) and rounded to the nearest tenth of a million dollars ($m) in accordance with ASIC Legislative Instrument 2016/191 (unless otherwise stated);
- Has been prepared in accordance with the historical cost convention, except for certain financial assets and liabilities, and investment properties which have been recognised at fair value; and
- Was authorised for issue by the Board of Directors of Vicinity Centres RE Ltd as the responsible entity (RE) of the Vicinity Centres Trust on 15 February 2024.

Going concern

While the Trust Group has a net current asset deficiency of $12.6 million (current liabilities exceed current assets) (30 June 2023: net deficiency $259.3 million) at reporting date, the Trust Group has available liquidity including undrawn facilities of $1,420.0 million (30 June 2023: $1,222.0 million), cash and cash equivalents of $82.7 million (30 June 2023: $182.0 million) and generates sufficient operating cash flows to pay its debts as and when they fall due for a period of 12 months from the date of these financial statements. Accordingly, the Financial Report has been prepared on a going concern basis.

Impact of new and amended accounting standards

New and amended standards that became effective as of 1 July 2023 did not have a material impact on the financial statements of the Trust Group as they are either not relevant to the Trust Group's activities or require accounting which is consistent with the Trust Group's accounting policies.

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

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

Future impact of Sustainability Reporting

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

The Trust Group will continue to monitor the regulatory developments within Australia. In the meantime, the Trust Group continues to assess the impact of climate change when preparing the financial statements where relevant, in line with emerging industry and regulatory guidance.

Significant accounting judgements, estimates and assumptions

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

The updates to the following significant judgements and estimates are included in the relevant notes to this half year financial report:

Area of judgement or estimation	Note
Valuation of investment properties	3

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

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

Operations

1. Segment information

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

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

2. Revenue and income

(a) Summary of revenue and income

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

	31-Dec-23 $m	31-Dec-22 $m
Recovery of property outgoings [1 2]	91.5	98.6
Other property-related revenue [1]	43.6	38.6
Total revenue from contracts with customers	**135.1**	**137.2**
Lease rental income [1 2 3]	467.4	442.5
Interest and other income	20.8	13.8
Total income	**488.2**	**456.3**
Total revenue and income	**623.3**	**593.5**

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

3. Investment properties

The Trust Group's investment properties represent freehold and leasehold interests in land and buildings held either to derive rental income or for capital appreciation, or both. They are initially measured at cost, including related transaction costs. Subsequently, at each reporting period, they are carried at their fair values based on the market value, being the price that would be received to sell an investment property in an orderly, arm's length transaction between market participants at the reporting date.

Fair values for investment properties are determined by independent (external) valuers or internal valuations. These valuations include the cost of capital works in progress on development projects. As at 31 December 2023, 33 assets were independently valued and 23 assets were valued internally (30 June 2023: 25 independent valuations and 31 internal valuations).

(a) Portfolio summary

	31-Dec-23				30-Jun-23			
Shopping centre type	**Number of properties**	**Value $m [4]**	**Weighted average discount rate, % [4 5]**	**Weighted average cap rate, % [4 5]**	**Number of properties**	**Value $m [4]**	**Weighted average discount rate, % [4 5]**	**Weighted average cap rate, % [4 5]**
Super Regional	1	3,375.0	6.50	4.00	1	3,325.0	6.25	3.88
Major Regional	7	1,922.8	7.19	6.38	7	1,945.3	6.94	6.16
Central Business Districts	7	1,933.2	6.72	5.34	7	1,965.7	6.52	5.14
Regional	8	1,553.0	7.60	6.85	8	1,588.7	7.41	6.59
Outlet Centre	8	2,341.1	7.13	5.95	8	2,337.5	6.88	5.71
Sub Regional	22	2,446.2	7.24	6.45	22	2,407.3	7.07	6.36
Neighbourhood	3	190.3	6.93	6.05	3	189.0	6.91	6.01
Planning and holding costs [1]	-	36.6	n/a	n/a	-	32.3	n/a	n/a
Less: Property holdings by Vicinity Limited [2]	-	(86.8)	n/a	n/a	-	(85.6)	n/a	n/a
Total	**56**	**13,711.4**	**7.00**	**5.64**	**56**	**13,705.2**	**6.78**	**5.47**
Add: Investment property leaseholds	-	352.1			-	350.5		
Less: Properties held for sale [3]	(3)	(273.5)			-	-		
Total investment properties	**53**	**13,790.0**			**56**	**14,055.7**		

1. Planning and holding costs relating to planned major development projects are capitalised and carried within the overall investment property balance. The status of each project is reviewed at each period end to determine if continued capitalisation of these costs remains appropriate.
2. Represents certain equipment which forms part of the individual fair values of the Trust Group's investment properties but is held by Vicinity Limited.
3. Represents the carrying amount of Roxburgh Village, Kurralta Central and Dianella Plaza which are classified as investment properties held for sale (current asset), as the Trust Group has entered into unconditional sale contracts as at 31 December 2023. These transactions are expected to settle by March 2024 and the properties have been recorded at their fair value at balance date.
4. The discount and cap rates are used in the 'discounted cash flow' and 'capitalisation of net income' valuation methods respectively. The adopted fair value is within the range calculated with reference to the two methods.
5. The discount and cap rates relate to the core retail component excluding non-retail or ancillary properties.

3. Investment properties (continued)

(b) Movements for the period

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

	31-Dec-23 $m	31-Dec-22 $m
Opening balance at 1 July	**13,705.2**	**13,786.5**
Capital expenditure [1]	138.9	172.8
Capitalised borrowing costs [2]	2.2	1.6
Disposals [3]	(22.7)	-
Property revaluation decrement for directly owned properties [4]	(68.7)	(58.1)
Amortisation of incentives and leasing costs [5]	(45.4)	(42.4)
Straight-lining of rent adjustment [5]	1.9	3.7
Closing balance at 31 December	**13,711.4**	**13,864.1**

1. Includes development and maintenance capital expenditure, lease incentives, fit-out, and other capital costs.
2. Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 4.9% (31 December 2022: 4.4%).
3. Current period disposals include 100% interest in Broadmeadows Homemaker Centre for $18.8 million, land disposals at Ellenbrook Central and Whitsunday Plaza for $1.8 million and $1.5 million respectively, and associated transaction costs.
4. Excludes the property revaluation increment of $1.3 million (31 December 2022: revaluation increment of $1.5 million) of investment property leaseholds held at fair value.
5. For lease arrangements where Vicinity is the lessor.

(c) Portfolio valuation

Valuation process

The Trust Group's valuation process has not changed significantly since 30 June 2023. Details of the Trust Group's valuation process are provided within Note 4(c) of the 30 June 2023 Financial Report.

Significant Judgement and Estimate

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

Key assumptions and inputs

As the capitalisation of income and discounted cash flow (DCF) valuation methods include key inputs that are not based on observable market data (namely derived capitalisation and discount rates), investment property valuations are considered "Level 3" on the fair value hierarchy (refer to Note 21 in the 30 June 2023 Financial Report for further details on the fair value hierarchy).

3. Investment properties (continued)

(c) Portfolio valuation (continued)

Key assumptions and inputs (continued)

Key unobservable inputs used by the Trust Group in determining the fair value of its investment properties are summarised below. These are consistent with key inputs assessed at 30 June 2023.

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

1. The capitalisation rate is the required annual yield of net market income used to determine the value of the property. The rate is determined with regards to comparable market transactions.
2. The discount rate is a required annual total rate of return used to convert the forecast cash flow of an asset into present value terms. It should reflect the required rate of return of the property given its risk profile relative to competing uses of capital. The rate is determined with regards to comparable market transactions.
3. The terminal yield is the capitalisation rate used to convert forecast annual income into a forecast asset value at the end of the holding period when carrying out a DCF calculation. The rate is determined with regards to comparable market transactions and the expected risk inherent in the cash flows at the end of the cash flow period. Leasehold properties with tenure less than 20 years (at the end of the 10-year investment horizon) have been excluded from this sensitivity for comparative reasons given the terminal value calculation can differ to take into account the finite term remaining on the leasehold at that time.

All of the above key assumptions have been taken from the 31 December 2023 external valuation reports and internal valuation assessments (where applicable). For all investment properties, the current use is considered the highest and best use.

Sensitivity analysis

The following sensitivities illustrate the impact of changes in key unobservable inputs (in isolation) on the fair value of the Trust Group's investment properties as at 31 December 2023. Specific key unobservable inputs may impact only the capitalisation of net income method, the DCF method or both methods.

DCF method

31-Dec-23 $m	**Carrying value**	**Discount rate -0.25%**	**Discount rate +0.25%**	**10-year rental growth rate -0.25%**	**10-year rental growth rate +0.25%**
Actual valuation [1]	13,488.1				
Impact on actual valuation		254.6	(248.8)	(198.9)	201.5
Resulting valuation		13,742.7	13,239.3	13,289.2	13,689.6

1. Excludes planning and holding costs, investment properties held for sale and investment property leaseholds, and includes property holdings by Vicinity Limited.

Capitalisation of net income method

31-Dec-23 $m	**Carrying value**	**Capitalisation rate -0.25%**	**Capitalisation rate +0.25%**
Actual valuation [1]	13,488.1		
Impact on actual valuation		673.8	(609.6)
Resulting valuation		14,161.9	12,878.5

1. Excludes planning and holding costs, investment properties held for sale and investment property leaseholds, and includes property holdings by Vicinity Limited.

4. Equity accounted investments

Equity accounted investments primarily consists of investment property joint ventures with strategic partners where the property ownership interest is held through a jointly owned trust rather than direct ownership into the property title. The Trust Group has contractual arrangements that establish joint control over the economic activities of these trusts, based on standard market terms.

These investments are accounted for using the equity method.

The Trust Group holds the following investments that are equity accounted:

	Ownership		Carrying value	
	31-Dec-23 %	**30-Jun-23 %**	**31-Dec-23 $m**	**30-Jun-23 $m**
Chatswood Chase Sydney (Joint Venture) [1 2]	51	51	326.2	342.8
Victoria Gardens Retail Trust (Joint Venture) [1 2]	50	50	88.7	93.7
Closing balance			**414.9**	**436.5**

1. The assets of investment property joint ventures substantially consist of investment properties held at fair value. As such the value of equity accounted investments recognised by the Trust Group is subject to the same significant judgement and estimate as disclosed in Note 3(c).
2. The decrease in the carrying value of the Trust Group's equity accounted investments during the period was primarily driven by property revaluation decrements recorded on the underlying investment properties held.

Acquisition of remaining interest in Chatswood Chase Sydney

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

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

Capital structure and financial risk management

5. Interest bearing liabilities and derivatives

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

(a) Summary of facilities

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

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

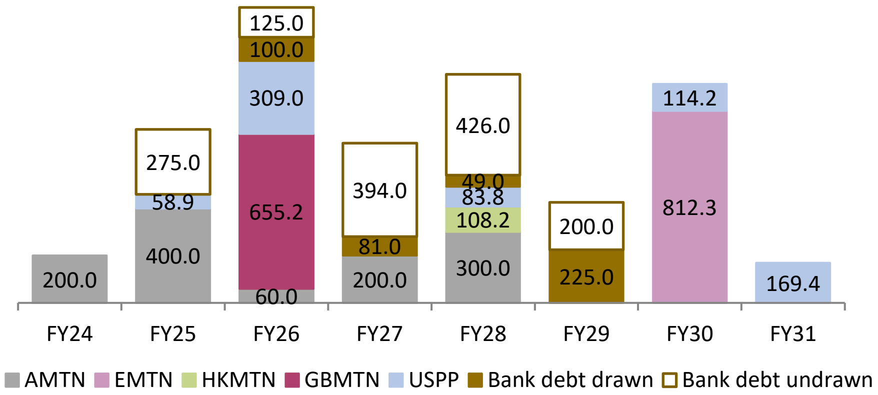
1. Non-current unsecured AMTN includes $60.0 million issued under the Trust Group's EMTN program and $300.0 million of Green Bond. The proceeds of Green Bonds were utilised to fund eligible green projects and assets with high sustainability rating (e.g. National Australian Built Environment Rating System energy rating of 5 stars or higher).
2. Deferred debt costs comprise the unamortised value of borrowing costs paid on establishment or refinance of debt facilities. These costs are deferred on the Balance Sheet and amortised at the effective interest rate to borrowing costs in the Statement of Comprehensive Income.

5. Interest bearing liabilities and derivatives (continued)

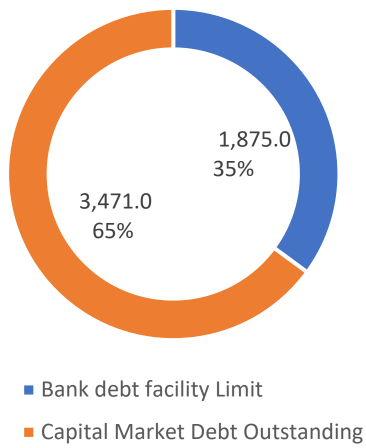
(b) Facility maturity and availability

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

Available facilities expiry profile ($m) [1]



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



1. The carrying amount of the USPP, GBMTN, HKMTN, EMTN and AMTN on the Balance Sheet is net of adjustments for fair value items and foreign exchange translation losses of $119.8 million (30 June 2023: losses $159.6 million). These adjustments are excluded from the calculation of total facilities available and amounts drawn as shown in the charts. Additionally, deferred debt costs of $11.4 million (30 June 2023: $10.1 million) are not reflected in the amount drawn.

(c) Borrowing costs

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

	31-Dec-23 $m	31-Dec-22 $m
Interest and other costs on interest bearing liabilities and derivatives	93.2	84.6
Amortisation of deferred debt costs	2.3	2.3
Amortisation of face value discounts	0.8	0.8
Amortisation of fair value adjustments relating to discontinuation of hedge accounting	(0.8)	(0.7)
Interest charge on lease liabilities	13.5	13.4
Capitalised borrowing costs	(2.5)	(1.6)
Total borrowing costs	**106.5**	**98.8**

5. Interest bearing liabilities and derivatives (continued)

(d) Capital management

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

Key metrics monitored are gearing ratio and interest cover ratio of the Vicinity Centres Group. Refer to Note 5 of the Vicinity Centres Group 31 December 2023 financial statements available at vicinity.com.au for further details of these metrics.

(e) Fair value of interest bearing liabilities

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

The carrying amount of these interest bearing liabilities was $4,034.4 million (30 June 2023: $4,073.5 million). The difference between the carrying amount and the fair value of interest bearing liabilities is due to:

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

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

(f) Defaults and covenants

At 31 December 2023, the Trust Group had no defaults on debt obligations or breaches of lending covenants (30 June 2023: nil).

6. Contributed equity

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

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

	31-Dec-23 Number (m)	31-Dec-22 Number (m)	31-Dec-23 $m	31-Dec-22 $m
Total units on issue at the beginning of the half year	4,552.3	4,552.3	8,560.8	8,560.8
Total units on issue at the end of the half year	**4,552.3**	**4,552.3**	**8,560.8**	**8,560.8**

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

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

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

7. Distributions

(a) Interim distributions for the period

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

1. Cents per VCX stapled security.

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

(b) Distributions paid during the period

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

1. Cents per VCX stapled security.

Other disclosures

8. Operating cash flow reconciliation

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

	31-Dec-23 $m	31-Dec-22 $m
Net profit after tax for the half year	**218.7**	**179.2**
Exclude non-cash items and cash flows under investing and financing activities:		
Amortisation of incentives and leasing costs	45.4	42.4
Straight-lining of rent adjustment	(1.9)	(3.7)
Property revaluation decrement for directly owned properties	67.4	56.6
Share of net loss of equity accounted investments	21.9	9.3
Amortisation of non-cash items included in interest expense	2.3	2.4
Net foreign exchange movement on interest bearing liabilities	(39.8)	42.1
Net mark-to-market movement on derivatives	17.8	9.8
Other non-cash items	1.2	1.5
Movements in working capital:		
Decrease in payables and other financial liabilities, and provisions	(3.1)	(16.0)
(Increase)/decrease in receivables including distributions receivable and other assets	(20.1)	6.3
Net cash inflows from operating activities	**309.8**	**329.9**

9. Other accounting matters

Capital commitments

Estimated maintenance, development, and leasing capital of the Trust Group committed at reporting date, but not recognised on the Balance Sheet amounted to $436.2 million (30 June 2023: $187.4 million). The increase in capital commitments is due to the Trust Group's development activities.

10. Events occurring after the end of the reporting period

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

Directors' Declaration

In the Directors' opinion:

(a) the half year financial statements and notes of Vicinity Centres Trust (the Trust) and its controlled entities (the Trust Group) set out on pages 7 to 22 are in accordance with the *Corporations Act 2001* (Cth), including:

  i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements; and

  ii. giving a true and fair view of the Trust Group's financial position as at 31 December 2023 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half year ended on that date; and

(b) there are reasonable grounds to believe that the Trust Group will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of Vicinity Centres RE Ltd.

Trevor Gerber
Chairman
15 February 2024

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Vicinity Centres Trust (the "Trust") and the entities it controlled (collectively the "Group"), which comprises the consolidated balance sheet as at 31 December 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Half-Year Financial Report

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

Building a better working world

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

Ernst & Young

Michael Collins
Partner

Melbourne
15 February 2024