CREATING NEW EXPERIENCES

ANNUAL REPORT 2016

ABOUT US

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.

INSIDE

About this report
This annual report is a summary of Vicinity Centres' operations, activities and financial position as at 30 June 2016. 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 'FY16' refer to the financial year ended 30 June 2016 unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

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.

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 (17 August 2016). 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.

Welcome to Vicinity Centres' inaugural Annual Report

PERFORMANCE HIGHLIGHTS

Statutory net profit	Total return	Portfolio occupancy
$960.9m	12.8%	99.4%
		June 2015: 98.9%

Net property income growth[1]	Underlying earnings growth	Distribution per security growth
3.5%	9.5%	4.7%
June 2015: 2.5%	June 2015: 6.2%	June 2015: 4.3%

1. On a comparable basis which excludes acquisitions, divestments and development-impacted centres.

Cover image: Emporium Melbourne, VIC
Chadstone, VIC

AN ACTIVE FIRST 12 MONTHS AS VICINITY CENTRES

Assets under management

Total value
$23.6b

Retail assets
91

Annual retail sales
$18.2b

Gross lettable area
2.9m sqm

Leases
9,100+

June 2015

Merger of Novion Property Group and Federation Centres completed.

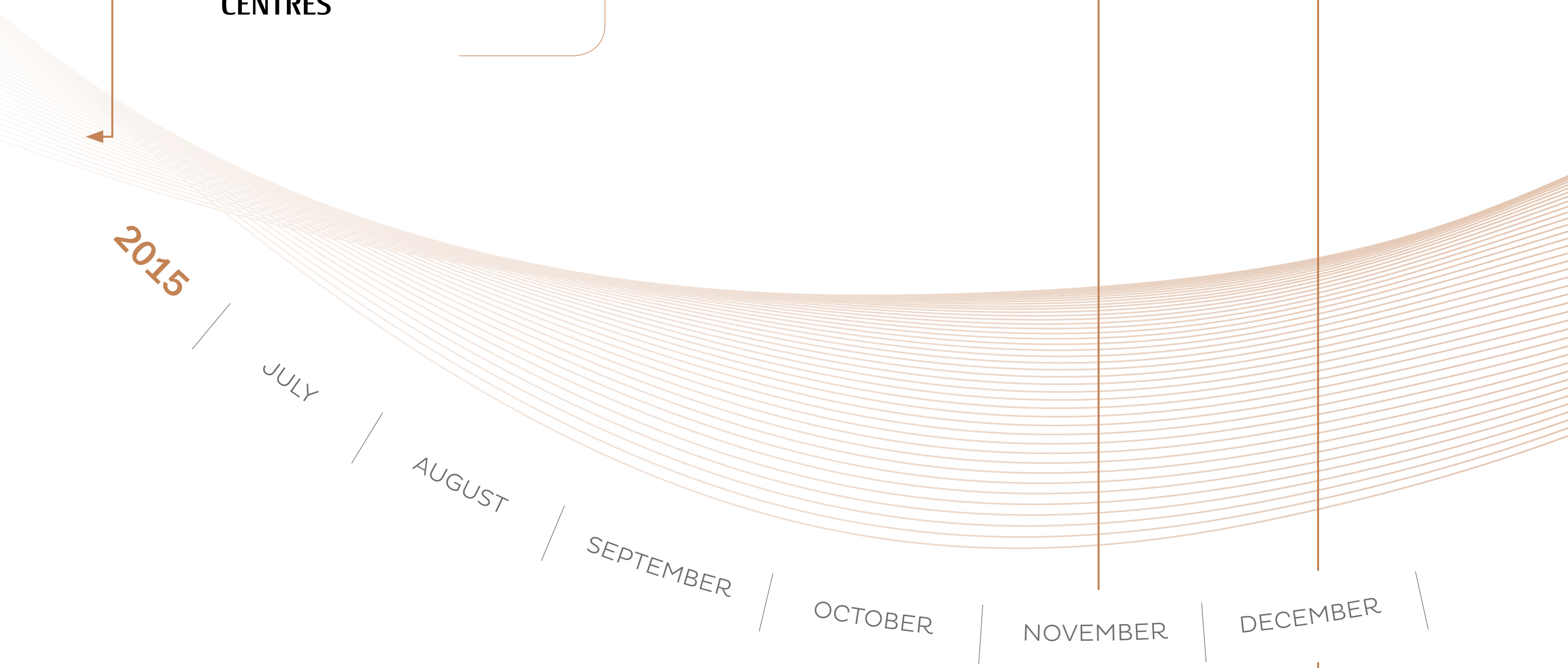
November 2015

Rebrand to Vicinity Centres.

December 2015

Merger refinancing completed.

Two assets acquired in Perth for $303m[1].



December 2015

Reiterated strategy and announced ~$750m to $1b divestment program.

1. Excluding acquisition costs.

Direct portfolio

Total value

$14.6b

Retail assets

81

Annual specialty store sales[1]

$8,865 per sqm

Occupancy rate

99.4%

Net property income growth[1,2]

3.5%

February 2016

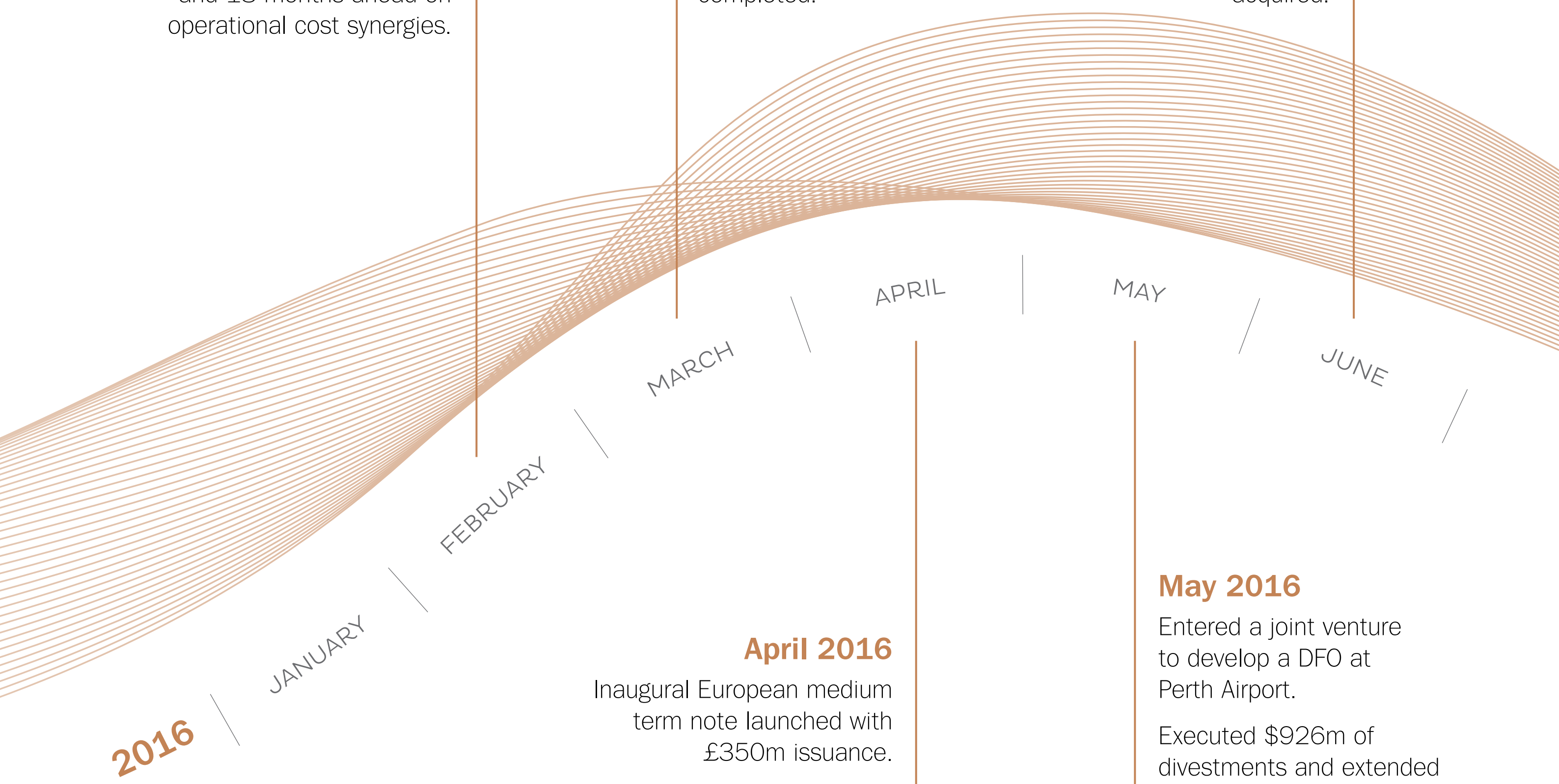
Strong FY16 interim result and 18 months ahead on operational cost synergies.

March 2016

$103m of developments completed.[3]

June 2016

DFO Brisbane business acquired.



April 2016

Inaugural European medium term note launched with £350m issuance.

$350m Mandurah Forum development commenced.

May 2016

Entered a joint venture to develop a DFO at Perth Airport.

Executed $926m of divestments and extended divestment program to ~$1.5b.

1. On a comparable basis which excludes acquisitions, divestments and development-impacted centres.
2. Growth reflects comparison of FY16 to FY15.
3. Vicinity's share is $60 million.

CHAIRMAN'S REVIEW

Peter Hay
Chairman

Dear Securityholders
I am pleased to present to you Vicinity Centres' (Vicinity) inaugural Annual Report. The first 12 months since the merger of Federation Centres and Novion Property Group in June 2015 has been an active time for the Group.

Substantial progress has been made on integration activities and capturing the synergies of the merger, in addition to improving key portfolio metrics significantly and delivering on our portfolio enhancement strategy. We have also refinanced to strengthen the balance sheet. These achievements have been reflected in the strong results delivered for the 12 months to 30 June 2016.

Vicinity delivered a statutory net profit of $960.9 million and underlying earnings of $757.5 million, up 9.5%[1], driving underlying earnings per security (EPS) of 19.1 cents for the year. This was supported by comparable[2] net property income growth of 3.5% compared to 2.5% in the prior year, and the material reduction in expenses as a result of the merger. Full year distribution per security was 17.7 cents, up 4.7%[1], on a lower underlying earnings payout ratio.

The team has made great progress delivering on the benefits of the merger. We have already exceeded the operational cost synergies targeted, more than 24 months ahead of program. We have completed the merger refinancing program and also advanced integration activities.

One of our first priorities for the year was to establish our portfolio strategy to continue to position us as a leading Australian retail property group. Following a comprehensive review of the portfolio, in December 2015 we reiterated our strategic focus of creating long-term value and sustainable growth by owning, managing and developing quality Australian assets across the retail spectrum. We established financial hurdles, targeting total returns of over 9.0% p.a. and underlying EPS growth of over 3.0% p.a., both on a through-cycle basis. This year I am pleased to say that Vicinity has performed well in excess of those targets delivering a 12.8% total return[3] and 9.0% growth in underlying EPS.

We launched an asset divestment program of up to $1 billion, which was upsized to approximately $1.5 billion on the back of successfully selling five assets for $926.4 million, collectively at a 1% premium to book value. To date we have agreed approximately $1.2 billion of asset sales[4]. While there is some short-term dilution in earnings prior to reinvestment of the sale proceeds, we believe this will be far outweighed by the likely improvement in growth and resilience of a better quality portfolio over the long term.

This divestment program is complemented by reinvestment opportunities in the form of selective acquisitions and development. We increased our weighting to Outlet Centres, a sub-sector where Vicinity has a clear competitive advantage, securing two additional DFO opportunities during the year. We also acquired two strongly performing Sub Regional centres in Perth.

The merger created a leading Australian retail property group with 91 retail assets under management totalling $23.6 billion in value (Vicinity share: $14.6 billion) as at 30 June 2016

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1. Comparisons to aggregate of Federation Centres (Federation) and Novion Property Group (Novion) for the 12 months to 30 June 2015.
2. Comparable portfolio excludes acquisitions, divestments and development-impacted centres.
3. Calculated as: (Change in net tangible assets during the period + distributions)/Opening net tangible assets. Excluding unrealised mark-to-market of derivatives, unrealised foreign exchange and transaction costs from the change in NTA, the total return is 14.6%.
4. Excludes five assets sold for $218.1 million in the first half of FY16 and includes the in principle agreement to sell stakes in two assets to ISPT for $224.6 million.

We are also directing asset sale proceeds into our substantial development pipeline of $3.7 billion (Vicinity share: $1.7 billion) to enhance the portfolio and grow organically, including further investment into Australia's number one retail asset by turnover, Chadstone Shopping Centre.

During the year, we established our strategies for people, digital and sustainability which provide a robust framework for business activities going forward. Our people strategy is designed to attract and nurture talented and highly engaged people. Our digital strategy embraces the role of technology in the retail environment with a vision of creating a seamlessly integrated physical and digital retail property platform. While on sustainability, our strategy focuses on creating shared value and positively impacting on our communities.

In the year ahead, we expect the economic and retail growth outlook to remain relatively stable although key economic indicators are likely to continue to report mixed signals. While this may see consumers continue to be cautious, lower interest rates and a low unemployment rate should continue to support solid retail sales growth.

Vicinity expects to achieve underlying EPS in the range of 18.6 to 18.8 cents for the 2017 financial year (FY17)[5]. After adjusting for the impact of acquisitions and divestments[6], this guidance range reflects underlying earnings growth for FY17 of 4.5% to 5.6%. Vicinity's payout ratio is expected to be 90% to 95% of underlying earnings.

On behalf of your Board, I would like to thank the Vicinity team who have worked tirelessly to unify Vicinity while delivering strong financial and portfolio performance. They have laid the foundations for a great business. I would also like to thank our securityholders for their continued support throughout this transformational year and I look forward to having the chance to meet up with many of you at our 2016 Annual General Meeting that will be held in Melbourne on 18 November 2016.

Peter Hay
Chairman


Chadstone, VIC

5. Assuming no material deterioration to existing economic conditions.
6. Assumes the $1.5 billion divestment program completes in the first half of FY17.

CEO AND MANAGING DIRECTOR'S REVIEW

Angus McNaughton
CEO and Managing Director

Dear Securityholders
In our inaugural year as Vicinity Centres, I am pleased to present to you the highlights of the past 12 months. Against a relatively subdued economic backdrop, we have generated solid performance from our underlying portfolio and realised significant operational cost synergies to deliver strong earnings growth over the year.

We have also made substantial progress in reshaping the portfolio through developments and capital transactions, while also delivering on post-merger initiatives.

Vicinity has delivered strong growth in underlying EPS this year of 9.0% to 19.1 cents. This is supported by net property income (NPI) growth of 3.5% on a comparable[1] basis, or 1.8% total NPI growth impacted by portfolio changes (including the impact of 24 non-core assets sold over FY15 and in FY16). Total expenses have reduced on the back of locking-in more than 100% of targeted operational cost synergies[2], realising a cash benefit of $29 million in FY16, and also lower borrowing costs, largely as a result of the merger.

We ended the year with a much stronger balance sheet. During the first half of the year, we completed the merger refinancing program with the repayment of the $1.8 billion bridge facility and later in the year we materially improved debt duration and further diversified our debt sources. We launched our first European medium term note program with a £350 million 10-year note issuance, issued A$433 million of 10 and 15-year US private placement notes and negotiated $1.1 billion of debt with new international bank counterparties, all at competitive margins.

In addition to our substantial refinancing activities, the proceeds of the 10 asset sales during the year were applied to repay short-term debt. As a result, gearing is at 25.9% which is at the lower end of our target range of 25% to 35%, with minimal debt expiring in FY17 and FY18. Vicinity's weighted average debt cost for FY16 was 4.0% and the weighted average debt duration at 30 June 2016 was 5.3 years, up from 3.0 years at 30 June 2015.

We successfully delivered on our portfolio enhancement strategy over the year, a primary component of which has been the asset divestment program. In a little over three months after commencing the marketing campaign for up to approximately $1 billion of asset sales, we sold $926.4 million of shopping centres collectively at a 1% premium to book value. As a result of this strong demand for retail assets, the asset divestment program was increased to approximately $1.5 billion. We have made great progress on the expanded program which we expect to complete in the first half of FY17.

In November 2015, we acquired two assets in Perth with strong fundamentals and potential for future growth, The Shops at Ellenbrook and Livingston Marketplace.

We also secured two DFO opportunities in the year, reinforcing our leadership in a retail sub-sector where Vicinity has a clear competitive advantage. In May 2016, we entered a joint venture to develop a DFO at Perth Airport, and in June 2016 we acquired the DFO Brisbane business, expanding our national coverage of Outlet Centres.

Development is also a key contributor to our portfolio enhancement strategy. During the year, we completed five projects for $309 million (Vicinity share: $158 million) with an average forecast initial yield on cost of 9.1% and forecast internal rate of return in excess of 14%.

Our major redevelopment at Chadstone Shopping Centre in Victoria for $666 million (Vicinity share: $333 million) is nearing completion of the first retail stage. The column free grid shell roof is now in place around what will be an impressive atrium which will be the centrepiece to a new world-class leisure and entertainment precinct to create a premier customer experience. The project also includes a new food gallery, seven restaurants, international flagship stores and an expanded luxury mall.

We commenced a major redevelopment of Mandurah Forum in Western Australia in April 2016. This $350 million expansion (Vicinity share: $175 million) will be home for brand new David Jones and Target stores, with the existing Coles and Kmart

1. Comparable portfolio excludes acquisitions, divestments and development-impacted centres.
2. On a run-rate or annualised basis as per the merger scheme booklet.

tenancies to be refurbished. It will provide an additional 80 stores and introduce a new food court, alfresco dining and fresh food market hall.

Planning of a major $450 million redevelopment (Vicinity share: $225 million) of The Glen advanced with Board and joint owner approval received during the year, subject to a number of conditions precedent, and it remains on track to commence in 2017.

Our development pipeline provides scope for portfolio enhancement well into the foreseeable future with a range of projects continuing to progress in the current pipeline which totals $3.7 billion (Vicinity share: $1.7 billion) as well as a number of additional projects in various stages of planning in our shadow pipeline.

We also have an asset refurbishment team (ART) focused on enhancing asset quality and customer experience in assets that are not flagged for development in the short term. The team invests small amounts of capital to improve presentation standards focused on common spaces, food courts, entrances and amenities. These projects enhance the sustainability of rents and can provide ancillary income opportunities or operational benefits. The ART team has invested $6 million this year across five projects with an average initial yield on cost of over 10%, and great feedback has been received to date from customers and retailers on the centre improvements.

It has been a very active period making improvements to our portfolio quality from capital transactions and intensive asset management, through to developments. This has been reflected in stronger portfolio metrics.

During the course of FY16, we enhanced our portfolio through development, acquisitions, divestments and asset refurbishment projects. Continued refinement of our portfolio will further improve the quality of our earnings, make our portfolio more resilient and deliver superior long-term value

Our leasing team completed over 1,300 leasing deals over the year, excluding developments. With an intensive focus on leasing vacant stores and converting short-term leases into long-term deals, the portfolio occupancy rate increased from 98.9% last year, to 99.4%.

Specialty store moving annual turnover (MAT) growth is 3.0% for the year to 30 June 2016, relatively unchanged throughout the year with the retail market remaining solid despite a softening in the Australian economy. However specialty productivity, as measured by MAT per sqm, is up 5.4% to $8,865, partly reflecting the improvement in portfolio quality.

We are also excited to announce our first step of our newly formed digital strategy. We will be connecting all of our retail assets and corporate offices to a single high-speed digital network with WiFi capabilities. This project will enable Vicinity to advance a number of digital initiatives aimed at enhancing the customer experience and improving operational performance and productivity, while also preparing our portfolio for the future.

I am very pleased with progress made on integration activities this year, particularly how the teams have come together to establish strong foundations for our business going forward. We co-located teams early in the year and launched our new brand, Vicinity Centres, in November 2015, to reflect our position as a leading Australian retail property group. We have consolidated property data reporting onto the one platform, providing operational and internal reporting benefits. Over the first half of FY17, important integration milestones include consolidating our Melbourne corporate offices into the new office tower at Chadstone and migrating onto one IT platform.

In the year ahead, we will also continue to intensively manage our assets to enhance the customer experience and improve retailer performance, drive cost efficiencies and revenue growth, and continue to improve portfolio quality through delivering our development pipeline, select acquisitions and completing our divestment program.

I would like to reiterate the Chairman's sentiments in thanking the team for a mighty effort this year, and for helping to make Vicinity an exciting place to work. I also would like to thank you, our securityholders for your ongoing support.

Angus McNaughton
CEO and Managing Director

OPERATING AND FINANCIAL REVIEW


Emporium Melbourne, VIC

We are pleased to present the operating and financial review for the 2016 financial year, our first year as Vicinity Centres following the merger of Federation Centres (Federation) and Novion Property Group (Novion) in June 2015.

Strategy and business prospects

At Vicinity, our purpose is enriching community experiences through a vision of delivering the leading retail property and lifestyle experience in Australia. Our strategic focus is to create long-term value and sustainable growth by owning, managing and developing quality Australian assets across the retail spectrum. To achieve this, we have identified three key drivers of value and four strategic enablers.

A key component of our strategy is to continually improve the quality of rental income received from our retail assets, which is Vicinity's primary revenue stream. We do this by improving the performance of our assets through intensive asset management and development, and by improving the quality of our portfolio composition through acquisitions and divestments. Providing funds management and asset management services to a range of wholesale funds and joint venture partners (together our 'strategic partners') generates an additional income stream for Vicinity.

Our purpose is enriching community experiences through a vision of delivering the leading retail property and lifestyle experience in Australia

Value drivers

Our intensive asset management approach focuses on creating the best experience for our customers while optimising the operational performance of each asset. The quality and scale of our portfolio allows us to attract the leading national and international retailers, and we tailor our centres to meet the needs of our local communities and to enhance the customer experience. This in turn drives greater customer visitation, which should translate into higher sales, rental income and capital values over the long term. Operationally, our aim is to maximise occupancy, minimise downtime on vacant stores, and optimise rent. We have a rigorous approach to managing our operational costs and capital expenditure and increasing ancillary income streams to further enhance the returns derived from each asset.

By undertaking regular development and refurbishment of our assets, Vicinity is able to revitalise a centre's offer, introduce the latest retailers and concepts, and adapt to changing customer preferences. Developments also allow us to evolve our assets, enable the integration of digital technology, introduce more environmentally sustainable design with enhanced operational features and provide better community connectivity. This approach increases the relevance and resilience of our assets and the quality of our income streams.

We believe that enhancing the quality of our direct portfolio through strategic investments is a key driver of long-term value. Our comprehensive set of investment criteria provides a consistent benchmark to identify acquisition and divestment opportunities. These criteria include factors such as expected total returns, surrounding competition and our ability to add value through management and development.

Strategy and business prospects continued

We are focused on creating long-term value and sustainable growth from owning, managing and developing quality Australian assets across the retail spectrum

Enablers

The quality, expertise and engagement of our people is integral to our business performance. We are committed to investing in our people, with a focus on diversity and inclusion, to attract and retain the best talent and to ensure that they can deliver on our brand purpose of delivering better, easier and more enjoyable experiences for all of our stakeholders.

Digital technology is fundamentally changing how people work, interact, relax and play. It impacts where, when and how they shop. Vicinity's digital vision is to create a seamlessly integrated physical and digital retail experience. Digital technology provides Vicinity with an opportunity to enhance the experiences of, and connections with, our customers, retailers and other stakeholders. It will enable a greater understanding of customer behaviour and better-informed decision making, improve operational performance and drive efficiencies.

Another key enabler of our business is operational excellence. For Vicinity, this means focusing on superior economic, environmental and social outcomes throughout our business and across the entire shopping centre management process, having the right governance protocols in place and targeting best practice systems and processes. These elements improve efficiency, enhance risk management, drive better-informed decision making and support a more robust and sustainable business model over the long term.

Having access to a diverse range of capital sources, including debt, equity and strategic partner investment, is a key enabler for Vicinity to deliver superior outcomes. A strong and conservative capital structure enables investment in existing assets and new opportunities through the property cycle. Accordingly, we are focused on maintaining an investment grade credit rating, modest gearing and diverse debt sources with a staggered maturity profile and long duration. Our strategic partners provide an additional source of capital and scale to our platform, generate incremental revenue and provide acquisition opportunities.

FY16 outcomes and FY17 focus

Vicinity's FY16 outcomes and FY17 focus for each of our value drivers and enablers are outlined on page 11.

FY17 earnings guidance

Vicinity expects to achieve underlying earnings per security in the range of 18.6 to 18.8 cents for the 2017 financial year[1]. After adjusting for the impact of acquisitions and divestments[2], this guidance range reflects underlying earnings growth for FY17 of 4.5% to 5.6%.

Vicinity's payout ratio is expected to be 90% to 95% of underlying earnings.

Emporium Melbourne, VIC

1. Assuming no material deterioration to existing economic conditions.
2. Assumes the $1.5 billion divestment program completes in the first half of FY17.

FY16 outcomes and FY17 focus

	FY16 outcomes	FY17 focus
Value drivers		
Investment	• Completed comprehensive portfolio review and launched asset divestment program • Completed ~$1.1 billion of asset sales • Acquired three assets for ~$358 million and entered a joint venture agreement to develop a DFO at Perth Airport	• Complete the ~$1.5 billion asset divestment program[1] • Continue to review portfolio composition (annually) • Review acquisition opportunities for potential capital redeployment
Development	• Delivered five projects totalling $309 million with an average yield of 9.1% and IRR of 14+% • Made significant progress on Chadstone Retail and Office project • Commenced major redevelopment of Mandurah Forum and advanced the broader pipeline	• Complete Chadstone Retail and Office project • Achieve strong progress at Mandurah Forum • Commence The Glen and DFO at Perth Airport • Achieve project hurdles for Roselands and Galleria • Progress broader pipeline
Intensive asset management	• Executed 1,397 leases, with an average leasing spread of +0.5%, up from -2.2% over FY15 • Achieved occupancy rate of 99.4%, up from 98.9% in the prior year • Delivered strong ancillary income growth while controlling expenses • Asset refurbishment team completed five projects • Completed materiality assessment and established sustainability strategy	• Continue to drive improvements in key portfolio metrics • Deliver nine asset refurbishment projects • Set community investment strategy • Invest in selective rooftop solar projects • Investigate long-term low carbon target for Vicinity • Embed new sustainability strategy and increase the focus on creating shared value
Enablers		
People	• Rolled out Group purpose, vision and values • Established a diversity forum • Employee engagement survey completed, with key actions identified and implemented	• Roll out new human resources management system, talent management framework and diversity strategies • Introduce innovative 'real time' working practices • Enhance the Vicinity culture
Digital	• Established digital strategy, centred around three pillars of connectivity, online and omni-channel • Commenced project to connect all assets to a single high-speed network with WiFi capability (connectivity project)	• Complete connectivity project • Harness value from digitally acquired data • Significantly advance digital initiatives aimed at enhancing the customer experience and improving operational performance
Operational excellence	• Locked-in over 100% of merger operational cost synergies two years ahead of target date • Selected preferred Enterprise Resource Planning (ERP) platform and well progressed on systems consolidation • Established enterprise risk management framework • Completed Green Star performance rating of entire portfolio and high-level climate resilience review	• Complete the consolidation of the ERP platform and other systems • Melbourne head office consolidation into new office tower at Chadstone • Implement planning system and streamline associated process across business
Capital and strategic partnerships	• Completed merger refinancing program • Standard & Poor's raised 'A-' credit rating outlook from 'stable' to 'positive' and strong initiation from Moody's at 'A2/stable' • Enhanced key debt metrics, including significantly lower gearing and increased duration and diversity • Executed on strategic partner strategies	• Optimise the cost of debt, while appropriately managing debt diversity, duration and hedging • Maintain investment grade credit rating • Continue to strengthen strategic partner relationships

1. Includes five assets sold for $926 million in FY16.

Operations

Vicinity's first full year of operations has been transformational. We started the year as a newly merged entity with two groups combining to create a leading Australian retail property group with significant scale and diversification benefits. Since then we have actively enhanced our portfolio. We completed five developments, divested 10 assets, acquired three assets and completed five asset refurbishment projects, putting Vicinity's portfolio in a stronger position at year end.

At 30 June 2016, we had 91 retail assets under management[1] with a combined value of $23.6 billion which generated $18.2 billion in annual sales with 9,113 leases across 2.9 million sqm of gross lettable area (GLA). Vicinity has an ownership interest in 81 of these assets[1], bringing the value of its direct portfolio to $14.6 billion. This section focuses on the performance of the direct portfolio which generates the majority of Vicinity's total income.

Vicinity's portfolio is comprised of 100% Australian retail assets which operate within a relatively stable economic environment. The Australian economy has experienced some softening over the past 12 months, with the commodity sector weighing on the State economies of Western Australia and Queensland, partly offset by stronger services sector growth in New South Wales and Victoria, which has kept the national economy growing at a little below the long-term average. Despite fluctuating consumer sentiment, the retail market is being buoyed by lower interest rates, with two 25 basis points cash rate cuts in May 2016 and August 2016 and an unemployment rate which remains below 6%.

Against this backdrop, retailer performance varies. With rapid and ongoing changes in consumer and retail trends, retailers need to continue to evolve and adapt, and those that are responding to and anticipating these changes are proving to be the most successful. Customers are rewarding retailers with a strong brand or point of difference. We have seen a willingness for international and luxury brands to invest in the Australian market with an appetite for larger stores. Apparel retailers are also moving towards larger store formats to showcase their multi-brand offerings.

Food retailing continues to be popular, with strong demand for café and restaurant offers, while fresh food operators are responding to consumers' desires for higher quality and increased product range. Beauty, health and wellbeing retailers such as hairdressing, manicurists, laser clinics and massage, are also becoming increasingly popular, reflecting Australian consumers' willingness to spend on discretionary items. However, rationalisation occurring in government and banking services is reducing their store numbers, while pharmacies have been impacted by regulatory changes.

Across Vicinity's portfolio, total retail sales or moving annual turnover (MAT) growth for the comparable[2] portfolio continues to improve, reporting 2.1% growth for the 12 months to 30 June 2016, up from 1.3% over the prior year. This pick-up was primarily driven by major tenants, in particular department stores, who have had success following the recent implementation of revitalisation strategies. Total sales of department stores, discount department stores and supermarkets have rebounded to +1.0% growth compared to -0.3% over the prior year.

For specialty stores, comparable MAT growth was 3.0% compared to 3.3% reported for the prior year. This result is despite two prime assets, Chadstone and Emporium Melbourne, not being in the comparable basket in both FY15 and FY16. Changes to portfolio composition over the year have increased portfolio quality, with specialty MAT per sqm increasing to $8,865, up 5.4% compared to a year earlier, while occupancy costs were 14.6% compared to 15.4% at 30 June 2015.

This growth in specialty store sales, including a particularly strong performance across the DFO Outlet Centre portfolio, underpinned a marked improvement in leasing spreads[3], which are now positive at 0.5% across renewals and replacements, up from -2.2% a year ago. Our specialty store leases typically have a lease term of five to six years with fixed 5% annual increases.

The portfolio occupancy rate improved significantly over the year from 98.9% to 99.4% at 30 June 2016, benefiting from vacancies being leased and the conversion of short-term temporary leases into long-term deals, leveraging the broad network of retailer relationships that we have across the portfolio.

Fixed rental increases, strong growth in ancillary income and percentage rent, and a focus on expense control, combined to drive a 3.5% increase in comparable net property income over the year, compared to 2.5% for the prior year. Total net property income was up 1.8% for the year, impacted by changes to the portfolio composition, with 24 assets sold over FY15 and in FY16, three assets acquired during the year and various centres under development.

Vicinity's rental income is well diversified, with over 8,300 leases across the direct portfolio with a weighted average lease expiry of 5.5 years. No single retail group provides more than 11% of gross rental income and the top 10 retail groups comprise just 28.7%. Our intensive asset management approach focuses on replacing underperforming tenants and introducing new retailers and concepts. These tenant remixes enhance the customer experience and attractiveness of our centres, and also improve the quality of our rental income.

1. Includes DFO Brisbane business.
2. Excludes acquisitions, divestments and development-impacted centres.
3. Leasing spreads include all store types other than majors and ATMs.

Fixed rental increases, strong growth in ancillary income and percentage rent, and a focus on expense control, combined to drive a 3.5% increase in comparable net property income over the year, compared to 2.5% for the prior year

Emporium Melbourne, VIC

Financial results

Vicinity's performance for the 2016 financial year was underpinned by income growth in the underlying property portfolio and the realisation of overhead and financing merger synergies. Portfolio quality was enhanced by the divestment of over $1.1 billion of non-core assets, the acquisition of three quality assets and the completion of five major development projects. The balance sheet was strengthened through valuation gains and the completion of the merger refinancing program.

Statutory net profit
$960.9m

Earnings per securities (EPS)
24.3¢

Underlying EPS
19.1¢
Up 9.0% on FY15

Operating cash flows
$741.8m

Net tangible assets per security
$2.59
June 2015: $2.45

Distribution per security growth
4.7%
June 2015: 4.3%

Weighted average interest rate
4.0%
June 2015: 4.2%

Gearing
25.9%
June 2015: 28.0%

Weighted average debt duration
5.3 years
June 2015: 3.0 years

Financial performance

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

For the 12 months to:	30-Jun-16 $m	30-Jun-15[1] $m
Property Investment segment		
Net property income	**953.6**	936.9
Strategic Partnership segment		
Property management, development and leasing fees	**56.3**	54.0
Funds management fees	**9.8**	12.0
Total income	**1,019.7**	1,002.9
Corporate overheads (net of internal property management fees)	**(80.8)**	(105.4)
Net interest expense	**(181.4)**	(205.7)
Underlying earnings	**757.5**	691.8
Subtract pre-merger underlying earnings	**-**	(240.8)
Property revaluation increments	**733.0**	430.9
Rent lost from undertaking developments	**(18.0)**	(12.5)
Amortisation of static lease incentives and other project items	**(32.6)**	(28.6)
Net movement on mark-to-market of derivatives	**(147.5)**	(23.0)
Impairment and amortisation of intangible assets	**(298.3)**	(3.3)
Integration and transaction costs	**(41.1)**	(135.4)
Other items	**7.9**	(4.0)
Net profit after tax	**960.9**	675.1
EPS (cents)	**24.3**	25.6
Underlying EPS (cents)	**19.1**	17.6
Distribution per security (DPS) (cents)	**17.7**	16.9
Payout ratio (DPS as a % of underlying EPS) (%)	**92.5**	96.6
Adjusted funds from operations (AFFO)	**667.4**	-
Distribution as a percentage of AFFO (%)	**105.0**	-

1. Comparative information reflects the underlying earnings of the aggregated group comprising 12 months of Novion and 12 months of Federation. Information disclosed below underlying earnings is impacted by the accounting for the merger (refer to the Financial Report for further details) and represents 12 months of Novion and one month of Federation. Net profit is on a statutory basis and represents 12 months of Novion and one month of Federation. Changes in the definition of underlying earnings adopted by Vicinity, to exclude the amortisation of static lease incentives, have resulted in a net increase of $8.7 million to the previously reported 30 June 2015 amount.

Key highlights and commentary on financial performance

- Net property income (NPI) up $16.7 million or 1.8%: Comparable[2] portfolio NPI was up 3.5%, reflecting fixed rental increases, strong growth in ancillary income and percentage rent, and a focus on expense control. Disposal of non-core assets net of acquisitions over FY15 and FY16 reduced the net segment NPI income growth to 1.8%.
- Corporate overheads down $24.6 million or 23.3%: Largely driven by merger-related savings from across the business. The largest contributions were from salaries, statutory expenses and insurance.
- Net interest expense down $24.3 million or 11.8%: Primarily impacted by merger refinancing. The largest contribution was the weighted average cost of debt falling to 4.0% over the period, due to refinancing and favourable market movements.
- Property revaluation increments for directly owned properties of $733 million: Reflects income growth and the strength of investor demand for quality retail assets. Over the period, Vicinity's weighted average capitalisation rate tightened to 5.94% (30 June 2015: 6.30%).
- Impairment and amortisation of intangible assets of $298.3 million: Largely driven by the $295 million impairment of intangibles recognised at 31 December 2015 following an increase in investment property values. Refer to Note 21(b) of the Financial Report for further information.
- Integration and transaction costs of $41.1 million: Transaction costs incurred over the period primarily related to redundancy and advisor costs and are in line with expectations as outlined in the merger scheme booklet.

2. Comparable portfolio excludes acquisitions, divestments and development-impacted centres.

Chatswood Chase Sydney, NSW

Financial results continued

Financial position

The following table outlines a summarised balance sheet for Vicinity based on the full Financial Statements included in the Financial Report.

As at:	30-Jun-16 $m	30-Jun-15 $m
Cash and cash equivalents	**52.8**	107.4
Held for sale properties	**232.1**	-
Investment properties	**14,426.6**	14,109.7
Intangible assets	**602.4**	891.4
Other assets	**535.6**	529.4
Total assets	**15,849.5**	15,637.9
Borrowings	**3,942.2**	4,303.1
Other liabilities	**1,058.3**	739.2
Total liabilities	**5,000.5**	5,042.3
Net assets	**10,849.0**	10,595.6
Net tangible assets backing per security (NTA) ($)	**2.59**	2.45
Net asset value per security (NAV) ($)	**2.74**	2.68
Gearing[1] (%)	**25.9**	28.0

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

Key highlights and commentary on financial position

- Investment properties up $549 million[2]: Largely driven by valuation gains, capital expenditure and the acquisition of three assets, partly offset by the disposal of 10 non-core assets. Refer to Note 4(b) of the Financial Report for further information.
- Intangible assets down $289.0 million: Decrease primarily reflects impairment to goodwill recognised as at 31 December 2015. Refer to Note 21(b) of the Financial Report for further information.
- Borrowings down $360.9 million: Largely driven by the disposal of $1.1 billion of non-core assets, offset by acquisitions and development expenditure over the period.
- Gearing down to 25.9%: The decrease reflects the strengthened balance sheet and is at the lower end of Vicinity's target range of 25% to 35%.

2. Includes properties held for sale.

Our active capital management program strengthened our balance sheet during the period. Standard & Poor's raised our 'A-' credit rating outlook from 'stable' to 'positive' and Moody's initiated coverage at a rating of 'A2/stable', being one notch higher rating than the generally regarded equivalent Standard & Poor's rating

Capital management

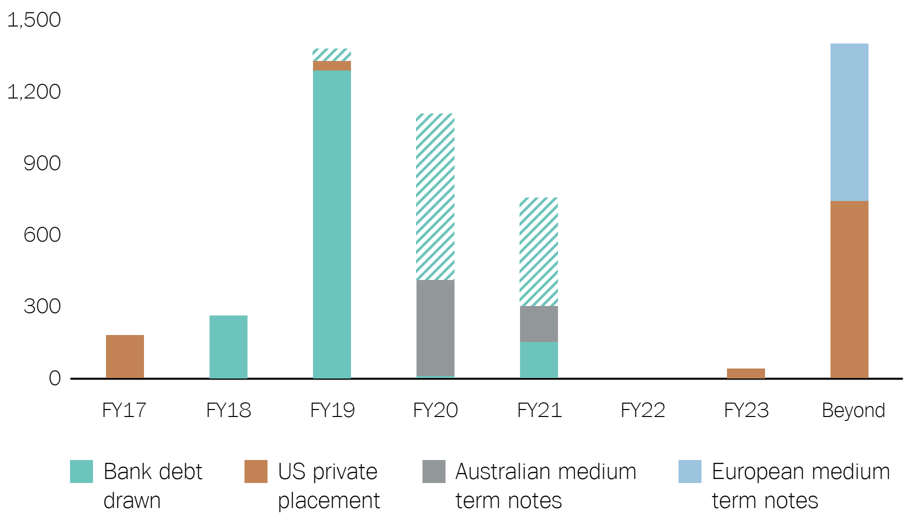
With the merger completing on 11 June 2015, it has been an active year of capital management for Vicinity resulting in a significant refinancing of the combined debt book. The $1.8 billion bridge facility was repaid in the first six months of the year, completing the merger refinancing program. We also negotiated a number of longer term debt instruments and reduced near-term debt expiries following the settlement of $1.1 billion of non-core asset sales. These activities have combined to strengthen our balance sheet through a reduction in gearing, extension of our debt duration and diversification of our funding sources.

Summary of key debt statistics

As at:	30-Jun-16	30-Jun-15
Weighted average interest rate[1] (%)	**4.0**	4.2
Debt duration[2] (years)	**5.3**	3.0[3]
Proportion of debt hedged[4] (%)	**91**	74
Gearing[5] (%)	**25.9**	28.0
Interest coverage ratio (ICR) (times)	**5.2**	4.0[6]
Credit ratings:		
– Moody's	**A2/stable**	N/A
– Standard & Poor's	**A-/positive**	A-/stable

1. Prior year is as at 30 June 2015. Current year is the average for prior 12 months and inclusive of margins, drawn line fees and establishment fees.
2. Based on facility limits.
3. Assumed option to extend term of $1.8 billion bridge facility was not exercised.
4. As at 30 June.
5. Calculated as: Drawn debt net of cash/total tangible assets excluding cash, financial lease assets and derivative financial assets.
6. ICR reported as at 30 June 2015 is based on one month of Vicinity data and 11 months of Novion data.

Debt maturity profile ($m)



Sources of debt (%)

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 to deliver long-term value and sustainable growth to our securityholders.

Vicinity has dedicated risk, compliance and sustainability teams that are responsible for reviewing and monitoring the effectiveness of group-wide compliance and risk management systems on an ongoing basis and ensuring that appropriate compliance and risk mitigation measures are in place.

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.

The material risks that could affect Vicinity's achievement of the 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 management including an extensive iterative research and planning process with progressive review and approvals required by a Property Investment Committee and the Board. Development projects do not commence without Board approval, terms being agreed with major tenants, construction contracts being finalised and the project feasibility supporting a minimum financial return hurdle. Development projects are also regularly monitored against schedule, budget and scope by project control groups.

Development
Page 22

Retail market conditions

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

Vicinity's approach to mitigating this risk involves improving portfolio quality through acquisitions, divestments, tenant remixes and developments. At an asset level, Vicinity's intensive asset management approach focuses on financial elements such as improving occupancy, reducing controllable costs and generating additional ancillary income, and non-financial elements such as customer experience, amenities and tailoring a centre's tenant mix. These initiatives drive greater customer visitation which should translate into higher sales and rental growth.

Enhancing the portfolio
Page 20

Structural changes in the retail sector

The retail sector is constantly evolving. Customer behaviour and shopping preferences are changing, including when, where, why and how they shop. Other sector trends include the influx of international retailers into Australia, changing store formats, evolving retailer strategies, regulatory and industry changes, the role of digital technology and online retailing.

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 an operational plan for each asset. These plans factor in customer preferences, development and product opportunities, tenant renewal and replacement strategies and rent or capital requirements. The $3.7 billion pipeline (Vicinity share: $1.7 billion) of development projects is focused on ensuring that our centres adapt to structural changes and remain relevant to our customers, retailers and communities.

Vicinity has also developed a digital strategy and is increasing resourcing in this area, with the aim of seamlessly integrating Vicinity's physical and digital retail property platform. This year, Vicinity launched a connectivity project to connect all of its centres and offices to the one high-speed digital network with WiFi capabilities. This will provide significant benefits for Vicinity and our customers, retailers and communities.

Development page 22
Digital page 26

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, acquisitions and divestments undertaken, can significantly impact on Vicinity's total return.

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

Enhancing the portfolio
Page 20

Health and safety

Vicinity's operations expose our team, contractors, retailers and customers 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 our team, contractors, retailers and customers. This underpins our belief that everyone has the right to go home safe and healthy. Vicinity has a dedicated health and safety team that has developed and implemented an integrated health and safety management system to support the provision of a safe and healthy environment. This includes having appropriate induction and education, the use of competent contractors, regular audits and the appointment of principal contractors for development works.

Vicinity has also developed a crisis and emergency management system which provides the structure and guidelines for Vicinity to respond to a major incident or crisis occurring at one of its shopping 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 'live' emergency management exercises.

Our people
Page 28

Funding and liquidity

Vicinity uses debt as an important source of funding for ongoing operations and for development projects and asset acquisitions. There is a risk that access to debt funding is not available at the appropriate price 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 2016: 25.9%), 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 17

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 corporate reputation.

Vicinity has a strong focus on maintaining and improving its organisational resilience and has developed strategies for managing cyber risk including employee education and awareness, maintaining information security policies, procedures and systems, and regular monitoring and review of cyber risk exposures and controls.

Climate change resilience

Climate change presents both a direct and an indirect risk to Vicinity's business and operations currently, and increasingly over the longer term. Risks related to extreme weather events, such as cyclones, heatwaves, bushfires and flooding, increase the vulnerability of our assets and their communities, which may have an impact on customer visitation levels, operational costs and asset values.

We manage climate change risk by understanding our current and future potential exposure from climate-related events through a portfolio-wide risk assessment. The results of the risk assessment are then used to underpin management strategies for our assets and further strengthen our due diligence process for developments, acquisitions and divestments.

Sustainability
Page 30

ENHANCING THE PORTFOLIO

A fundamental driver of value creation for Vicinity's securityholders is our ongoing portfolio enhancement strategy, which is underpinned by targeting selective acquisitions, executing on Vicinity's significant development pipeline, intensively managing our assets and the divestment of non-core assets.

Portfolio strategy

One of our first priorities post merger was to undertake a comprehensive review of our portfolio to ensure that we have an optimal mix of assets. This included reviewing our competitive landscape and establishing clear investment criteria for our portfolio. We reiterated that our strategic focus is to create long-term value and sustainable growth from owning, managing and developing a portfolio of quality Australian assets across the retail spectrum. With different retail sub-sectors exhibiting similar risk and return characteristics over the long term, our strategy is to own the best centres in each sub-sector.

With Vicinity having a clear competitive advantage in owning and managing Outlet Centres, which we brand as DFOs, we will continue to increase our weighting to this segment over time. We have generated strong returns from our Outlet Centres, with the four acquired in 2010 generating an internal rate of return (IRR) of 15.1% to date, and this year we accessed two additional Outlet Centre opportunities (see 'Acquisitions' page 21).

We also announced an asset divestment program, noting that we had significant reinvestment opportunities in the form of our sizeable development pipeline and selective acquisitions.

Divestments

In the first quarter of FY16, we sold five non-core assets for a combined total of $218 million. In December 2015, we announced a major asset divestment program of approximately $750 million to $1 billion. In a little over three months after the marketing campaign began, we agreed the sale of $926 million of assets. We sold Brimbank Shopping Centre and Forest Hill Chase in Victoria and Clifford Gardens, Indooroopilly Central and Toombul in Queensland, on aggregate at a 1% premium to book value. The speed of the sale, and premium to book value achieved, reaffirmed our view that this was the right time in the cycle to be selling assets.

In May 2016, we increased the size of our asset divestment program to approximately $1.5 billion. This included:

- a second tranche of smaller assets totalling approximately $350 million, and
- the proposed sale of interests in two assets to ISPT[1], being a 25% interest in The Myer Centre Brisbane in Queensland and a 50% interest in Mornington Central in Victoria for approximately $225 million.

Given the difference between property yields and borrowing costs, these asset sales are expected to be dilutive to earnings prior to any reinvestment of proceeds. 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 $3.7 billion development pipeline (Vicinity share: $1.7 billion) or selective acquisitions.

Vicinity's ongoing portfolio enhancement strategy is a major driver of long-term value creation and sustainable growth through the cycle

Livingston Marketplace, WA

1. Exchange and settlement is expected in the first half of FY17.

The Shops at Ellenbrook, WA


DFO Brisbane, QLD

The Shops at Ellenbrook

This well-located Sub Regional centre was acquired in November 2015 for $220 million[1]. Leveraging the depth and breadth of Vicinity's expertise on the ground in Perth, the team was active on site and quickly introduced Vicinity's intensive asset management approach. Since acquisition, our leasing team has completed 13 lease transactions, at an average leasing spread of 14.1%, improving the occupancy rate from 98.3% to 99.7%.

A new centre website and risk and compliance training were complete on day one of Vicinity ownership. A casual mall leasing executive was appointed to the centre and has increased revenue from casual mall sites. We have also been able to improve the profit from on-selling electricity following the inclusion of the site into Vicinity's Western Australian electricity supply contract.

An expansion of the centre is currently underway to include Aldi and five bulky goods sites, which are due to open in November 2016. The centre also has great fundamentals for future growth, with occupancy costs sitting below industry benchmarks. We are also investigating a potential further expansion of the centre utilising the five hectares of adjacent land.

Acquisitions

During the year, we enhanced our portfolio by acquiring two strongly performing Sub Regional assets in Perth and accessing two outstanding Outlet Centre opportunities.

In November 2015, we acquired two quality shopping centres in Perth in Western Australia. The Shops at Ellenbrook, a 34,979 sqm Sub Regional centre with 72 specialty stores, was acquired for $220 million[1] at a capitalisation rate of 5.75%. Located in a strong and growing catchment, the centre has potential for future expansion with five hectares of adjacent land on the site. Livingston Marketplace, a 15,553 sqm Sub Regional centre with 31 specialty stores, was acquired for $83 million[1] at a capitalisation rate of 6.00%. Both of these assets have great fundamentals with high retail spending growth forecast in their catchments and were also under-rented, with specialty stores reporting high sales productivity and low occupancy costs compared to other similar-sized centres.

We also consolidated our leadership position in the Australian Outlet Centre sector during the year. In May 2016, we entered into agreements with Perth Airport Pty Ltd for a joint venture to develop a DFO at Perth Airport in Western Australia. Development plans and approvals are expected to be finalised and construction is expected to commence by June 2017. On completion, which is expected in 2018, the new DFO asset will include over 110 stores across 24,000 sqm of GLA with a forecast initial yield on cost for the project of over 8% and a forecast IRR of over 13%. Importantly, the asset will benefit from being within 30 minutes' drive of the majority of Perth metropolitan residents, the 12 million plus passengers who use Perth Airport annually and a number of major transport infrastructure projects around the airport.

In June 2016, we acquired the DFO Brisbane business in Queensland, a 26,093 sqm Outlet Centre with 138 specialty stores. The purchase price of $55 million[2] reflects an initial yield on cost of 7.50% and a 10-year forecast IRR of 9.50%. Located adjacent to Brisbane Airport, approximately 8 kilometres north-east of the central business district, DFO Brisbane is ideally placed to service approximately 1.3 million residents who live within 30 minutes' drive of the asset and over 22 million plus travellers who use Brisbane Airport annually. The asset also benefits from an affluent and growing catchment which is forecast to experience 4.1% growth in retail expenditure annually over the next 10 years[3].

1. Excluding acquisition costs.
2. Excluding transaction costs and other costs associated with the acquisition.
3. Main trade area forecasts by MacroPlanDimasi.

Development

Our $3.7 billion development pipeline (Vicinity share: $1.7 billion) is a key value driver of our portfolio enhancement strategy.

The retail environment is rapidly evolving, with changing customer preferences and new retailers and concepts regularly coming to market. Developing our assets allows us to revitalise our centres, ensuring that they maintain their relevance while adding to the overall customer experience. This in turn helps to improve the quality of our income streams through increased market share and sales growth.

The chart below outlines five main development projects that we completed in FY16, along with projects in our identified pipeline. We also have a sizeable number of additional projects that are in various stages of pre-development planning in addition to those listed in our development pipeline. As planning progresses on our 'shadow pipeline', these projects advance into our identified pipeline replacing those live projects as they complete. This provides a forward pipeline of development projects for Vicinity well into the future.

Artist's impression Chadstone, VIC

Development pipeline

The following chart illustrates Vicinity's development projects completed in FY16 and current identified pipeline.

Key ($m): Vicinity share | Partner share | Total

	Project	Vicinity share	Total
Completed in FY16	Cranbourne Park	54	109
	Colonnades	24	47
	Halls Head Central	27	54
	DFO South Wharf	9	12
	Warriewood Square	44	87
Current	Chadstone Retail and Office	333	666
	Gateway Plaza		85
	Mandurah Forum	175	350
	DFO South Wharf car park	46	61
	Other[1]	22	28
Estimated FY17 commencements	The Glen	225	450
	Midland Gate		100
	Roselands	325	650
	DFO Perth Airport	73	145
	Chadstone hotel	40	80
Estimated FY18+ commencements	Galleria	400	800
	The Myer Centre Brisbane[2]	75	300

1. Includes Rockingham $8 million (Vicinity share: $4 million), The Shops at Ellenbrook $15 million and Galleria $5 million (Vicinity share: $3 million).
2. Assumes completion of the proposed sale of a 25% interest in The Myer Centre Brisbane to ISPT.

FY16 completed projects

During the year, we completed five projects with a total development spend of $309 million (Vicinity share: $158 million), with a forecast average initial yield on cost of 9.1% and an average forecast IRR of over 14%.

In September 2015, we completed the redevelopment of Cranbourne Park in Victoria. The project included new Coles and Target stores, a refurbished Kmart, 46 additional specialty tenants, the introduction of a new-concept children's play area as well as a complete revitalisation of the existing centre.

The redevelopment of Colonnades in South Australia involved adding a new fresh 'food hall' mall with 14 additional specialty stores anchored by an expanded Woolworths and a new Aldi, creating a point of difference for the centre within its region. The project was completed in March 2016.

The project at Halls Head Central in Western Australia tripled the size of the existing Neighbourhood centre, transforming it into a Sub Regional asset. The existing Coles supermarket was refurbished, and new Kmart and Aldi stores were added to the centre, along with 42 specialty stores and an alfresco dining area which has been very popular since its opening in March 2016.

There was a mini major tenancy remix completed in March 2016 at DFO South Wharf in Victoria. A former mini major tenancy was reconfigured, creating a new loop mall on the lower ground floor with 22 new specialty stores added to the centre. The project also included a food court refurbishment and remix.

In June 2016, the redevelopment of Warriewood Square in New South Wales was completed. The project included the addition of a new wing to the centre leading into a new car park deck. The Woolworths supermarket was expanded, while Aldi, A Mart, Cotton On Mega and 26 specialty stores, including a new fashion and lifestyle precinct, were added to the centre.

FY16 completed project metrics

	Project cost ($m)		Initial yield	IRR
	100%	Vicinity	%	%
Cranbourne Park, VIC	109	54	8.5	>14
Colonnades, SA	47	24	9.5	>13
Halls Head Central, WA	54	27	9.6	>15
DFO South Wharf, VIC	12	9	20.0	>28
Warriewood Square, NSW	87	44	7.3	>11
Total – five projects	**309**	**158**	**9.1**	**>14**

Colonnades, SA

Halls Head Central, WA

Development continued

Projects under construction

The major expansion and redevelopment of Australia's number one retail asset, Chadstone Shopping Centre, in Victoria, which commenced in 2014 is now well advanced. The project includes the complete demolition of the northern end of the centre to create a world-class entertainment and leisure precinct around a central atrium. Above this is a column-free glass grid-shell roof which sits up to 100 feet above the lower ground floor and is one of the largest of its kind in the world. On completion, the centre will have an expanded luxury tenant offer, international flagship stores, seven new restaurants, a 1,300-seat food gallery with 27 outlets, a new 13-screen Hoyts digital cinema complex and the first LEGOLAND® Discovery Centre in the southern hemisphere. A 10-level 17,000 sqm office building on site has also just completed and is close to being fully leased, a great outcome for a suburban office asset.

Already completed on site is the new Target store, which has traded strongly despite sitting in a construction zone, and a 14-bay bus interchange, Melbourne's second busiest, servicing much of the city's south-eastern suburbs. The first stage of the retail project is due to open in late 2016, with final completion in 2017. The project cost is $666 million (Vicinity share: $333 million), with a forecast initial yield on cost of over 6% and IRR of greater than 10%.

Our $3.7 billion development pipeline (Vicinity share: $1.7 billion) is a key value driver of our portfolio enhancement strategy

We commenced a major redevelopment of Mandurah Forum in Western Australia in May this year. The project will completely reposition the centre, with 80% of the existing building being demolished and total GLA increasing by 26,400 sqm to over 64,000 sqm. The development will consolidate the centre's position as the dominant retail destination in the trade area, with the introduction of a new-format David Jones store, along with a new Target store and refurbished Kmart and Coles stores. It will include up to five mini major tenancies including international retailers, a range of fresh food options including indoor and outdoor dining areas, two children's play areas and an additional 675 car parking spaces. The $350 million project (Vicinity share: $175 million) will take two years to build and is expected to deliver a forecast initial yield on cost of over 6% and IRR of over 10%.

Planned projects

The next major project expected to commence is the $450 million major redevelopment (Vicinity share: $225 million) of The Glen in Victoria. This project will involve a complete refurbishment and repositioning of the centre, featuring a relocated David Jones store, the introduction of major international and national retailers, and a new town square surrounded by cafés and restaurants over two levels. There is planning approval for up to 500 apartments across three towers on the southern end of the site, which will be delivered by a third-party residential developer, which the centre will benefit from. The council has approved the development application (DA) and Board and joint owner approval has been received subject to a number of conditions precedent. The project is expected to commence in 2017.

Plans are also progressing rapidly for a major redevelopment of Roselands in New South Wales, which is forecast to cost $650 million (Vicinity share: $325 million). Roselands is well overdue for a development and this project will completely transform the centre. The proposed development, includes a new fashion precinct anchored by a department store, the introduction of major international and national brands, a new Kmart and relocated Target, together with a new cinema and entertainment precinct to complement an upmarket leisure and dining offer. The DA has been lodged and major tenant discussions are well underway, with project commencement expected in FY17.

Chadstone Office construction

Mandurah Forum artist's impression, WA

A DA has also been submitted for the major redevelopment of Galleria in Western Australia for $800 million (Vicinity share: $400 million). The plan seeks to almost double the size of the centre to around 130,000 sqm in total, transforming the asset into a Super Regional centre. The expanded centre is proposed to include the addition of a department store, international retailers, mini major tenancies and over 180 new specialty stores. The project is targeted to commence in FY18.

Asset refurbishment projects

The Asset Refurbishment Team (ART) was established to enhance asset quality and customer experience in assets that are not flagged for development in the immediate future. ART projects involve the investment of small amounts of capital to improve presentation standards and centre ambience, focusing on areas such as common mall space, food courts, entrances and amenities. The projects also aim to assist with securing sustainable rents, driving ancillary income, generating operational efficiency and improving workplace health and safety standards.

In FY16, we completed five ART projects at a total investment of $6.0 million and generating an average return of over 10%. Customer and retailer feedback on these completed projects has been positive. A further nine projects are expected to be completed in FY17 at an expected total cost of $17.3 million and delivering similar returns on investment.

Intensive asset management

Another fundamental driver of our portfolio enhancement strategy is Vicinity's intensive asset management approach – a collaborative approach across our centre management, operations, leasing and marketing teams focused on enhancing customer experience and optimising the performance of every asset in the portfolio.

With 91 retail assets under management, we are the largest landlord to the Wesfarmers and Woolworths groups. A portfolio of this scale drives a significant knowledge base, with each of our centre teams able to build on the learnings from other centres across our portfolio. Notably as a result of the merger, we are also able to generate a wide range of synergies. In procurement this year, we have significantly reduced the number of suppliers, creating fewer but larger and more meaningful supplier relationships. This has resulted in an improvement in overall service delivery standards across our business, driven operational efficiencies, enhanced risk management and lowered operating costs.

Vicinity also generates ancillary income from casual mall leasing, retail media, electricity on-selling and storage. During the year, we identified a number of opportunities to improve the productivity of these revenue streams. We completed negotiations for a major third-party media contract, expanded our large format digital screen roll-out, focused on generating additional rent from storage space and increased the number of assets where we buy electricity in bulk and on-sell it to retailers.

Centre strategic plans

As an extension of the master-planning of our assets, which focuses on the long-term plan for a centre, every asset in our portfolio has a centre strategic plan which is refreshed annually. With a focus on driving superior outcomes over the short to medium term at an asset level, market research, customer insights and retailer strategies are overlaid on the master-planning and vision for an asset to identify opportunities to enhance a centre's offer. These plans are created with the collaboration of the centre management, operations, leasing and development teams to focus on the strategic direction of an asset, and progress is monitored quarterly. The plan identifies key focus areas for a centre including: customer requirements, stronger performing retailers, product opportunities, tenant renewal and replacement strategies, and rent and capital requirements.

DIGITAL

The retail marketplace is constantly changing and digital is playing a fundamental role in driving this evolution. Digital technology is changing how people work, interact, relax and play. It impacts where, when and how they shop. This is why Vicinity is focused on a retail experience and customer engagement that is enhanced through digital technology.

In line with our purpose of enriching community experiences, our digital strategy aspires to make our centres Australia's most frequented and most loved retail destinations through seamlessly combined physical and digital customer experiences.

As a newly merged group with a portfolio of greater scale, we took this year as an opportunity for us to take stock, and to take a fresh look at the role that digital plays in the retail experience, now and into the future.

To deliver on our digital vision, we are focused on having people with the appropriate skills and enabling them with the right technology to build a 'digital culture' at Vicinity. In FY17, we have committed to building greater capability in digital and data analytics, while also progressing work on our digital pillars of connectivity, online and omni-channel.

Connectivity

During the year, we commenced a major project to connect all of our retail assets and corporate offices to a single high-speed digital network with WiFi capabilities. This will enable us to better connect with our millions of customers and gain greater insight into their behaviour, allowing us to further enhance and tailor their retail experiences. The data gathered from this network will also provide real-time insights into the operation of our assets, taking our intensive asset management to the next level, and transforming the way we manage, lease and develop our centres.

Online

To best connect with our customers, we need to provide them with an engaging online experience that makes it easy and enjoyable for them to find what they are looking for. To do this, we will focus on creating leading websites that complement our physical assets. In FY17, we will commence investment in our websites to ensure that they have the appropriate functionality to create a consistent and optimised user experience regardless of how our sites are accessed.

Omni-channel

The future state of digital in the retail environment is one where the physical and digital experiences are seamlessly integrated. This seamless integration will ultimately enhance the customer experience by addressing the pain points of the retail journey. Digitally integrated shopping centres will also make the retail experience with Vicinity more engaging for customers and also for retailers. We will have greater connection with our retailers, the ability to provide them with a range of new services and partner with them to achieve common goals in a new retail landscape.

The uses of digital technology in the retail environment will be broad and significant. They include connecting directly with customers, marketing, retail applications and support, advertising and other new income streams, operational efficiencies, improved analytics of our centres and our customers, and enhanced internal communications.

To help us advance in the digital space, we will seek partners and co-source with technology leaders who have well-developed products and services and who are aligned with our company purpose. Our sizeable portfolio provides significant opportunity to trial new technologies across a range of centre types and to differentiate the user experience accordingly.

At Vicinity, we embrace the digital future and are excited about the opportunities ahead to create a more tailored experience for our customers, a deeper relationship with our retailers, and enhance the value proposition for our securityholders.

In FY17, we are focused on connecting all of our retail assets and corporate offices to the one high-speed digital network with WiFi capabilities throughout. We will also significantly advance a number of digital initiatives aimed at improving operational performance and enhancing the customer experience

Emporium Melbourne, VIC

OUR PEOPLE

As a leading retail property group, we realise that our assets are the focal point of a large number of communities across Australia, and our millions of customers are at the heart of everything we do. Every day, our people strive to enhance their local community's experience by not only engaging with our customers and their communities, but also engaging with our retailers, suppliers and other stakeholders.

With our desire to create a great workplace, in our inaugural year as Vicinity, we have focused on better understanding the needs of our people. Together with the clear articulation of our group strategic direction in the year, this focus has allowed us to clearly define and start our journey to build our desired Vicinity culture. As part of this discovery phase, a group-wide engagement survey was conducted in March 2016.

More than 80% of our people from across the business responded to the engagement survey, which reflects the willingness of our people to share their opinions and their passion to make Vicinity a great place to work. The survey highlighted that our people understand and are aligned with Vicinity's purpose and strategy, and that they have a strong safety focus. We also identified a number of areas for greater focus in the future, such as further investment in people development and career pathways.

The overall engagement score of 66% recorded is a solid result in a post-merger environment and marginally above the industry benchmark[1]. We will be focused on improving that score over the coming years. The survey feedback has also helped to guide the creation and priorities of our people and culture strategy.

People and culture strategy

Our people and culture strategy 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. The four pillars of our people and culture strategy comprise:

- Developing talent and capability: investing in talent management, succession planning and learning and development
- Defining and nurturing our culture and values: embedding our desired culture and values, which focus on a 'workplace of the future'
- Energising and engaging our people: clearly articulating performance and reward opportunities and career pathways, and
- Shaping our organisation: building a diverse and inclusive workplace with a competitive value proposition through targeted workforce planning.

Additional focus areas include:

- Senior leadership: We are focused on education, training and support tools for our senior leaders to drive desired cultural outcomes and enhance engagement and collaboration across our business. Vicinity held a senior leadership forum this year, which will become a regular event and, in FY17, each people leader will participate in our customised 'everyday leadership program'.
- Learning and development: Retail property is always changing and we believe that, by investing in our people, we enable them to grow with and drive the evolution of our business.
- Graduate program: The program focuses on building a pool of talent for our future whilst enhancing the mentoring skills of our existing team. The program involves attracting quality graduates and immersing them in a range of disciplines throughout the business over an 18-month period.
- Employee benefits: A range of services and financial and non-financial benefits for our employees help to attract and retain quality people.

Our people and culture strategy 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

1. Professional services sector.

Health and safety

At Vicinity, we believe everyone has the right to go home safe and healthy. To deliver on our commitment of providing an injury-free environment, we have developed and implemented an integrated health and safety management system which is aligned to AS/NZS 4801.

We have 48 health and safety champions across our business who attended a two-day induction and education workshop during the year on the health and safety management system and are helping to educate relevant team members across the broader business. For us, it is about developing a strong health and safety culture through effective leadership and teamwork, not just complying with policy and procedure. We are pleased with the existing appreciation for safety within the team, with high scores for safety achieved in this year's engagement survey.

Diversity and inclusion

Throughout the year, we expanded our focus on diversity and inclusion. This is facilitated through the diversity forum chaired by the CEO with senior leadership representation.

We believe that building on our culture of trust and encouraging our people to bring their whole selves to work will drive a greater variety of ideas, increase collaboration, enable our people to reach their potential, and ultimately drive superior outcomes.

We are building a workplace environment that expects and celebrates differences in people, thoughts and actions, and in turn, reflects the diversity of the communities we serve.

Gender diversity

We recognise the importance of, and are focused on improving, gender balance across all levels of Vicinity.

Our CEO and Managing Director, Angus McNaughton, is a member of the Property Male Champions of Change for the property industry to address inequality and proactively remove barriers.

While we still have work to do on gender balance in the senior levels of the business, across our operational teams we have a greater proportion of women, which better reflects our customer base.

Vicinity's gender reporting can be found in the 2016 Corporate Governance Statement on our website vicinity.com.au

SUSTAINABILITY

Our shopping centres are the focal point of a large and diverse range of communities across Australia, reflecting the millions of customers who visit them each year. In our inaugural year as Vicinity, we have focused on identifying and understanding the needs of some of our key stakeholders including our customers, retailers, suppliers, investors and our people. This has helped to inform and define our newly developed and fully integrated sustainability strategy.

By integrating our business and sustainability strategies, we are able to drive superior economic, environmental and social outcomes for Vicinity and our communities.

FY16 achievements

During FY16 we completed initiatives aimed at improving Vicinity's current and future sustainability performance. Key activities for the year included:

- Integrated strategy: The Board endorsed our fully integrated sustainability strategy, which provides a clear roadmap to position us to become a leading global retail property group.
- Materiality analysis: To garner a greater understanding of Vicinity's long-term economic, environmental and social risks and opportunities, we conducted our first materiality assessment as a merged group. This included extensive internal engagement, as well as connecting with a number of key external stakeholders to understand their views on Vicinity's material risks and opportunities. This work has informed and validated our sustainability strategy and will be refreshed on an annual basis.
- Green Star Performance – Portfolio rating: Vicinity completed a Green Star Performance – Portfolio rating. With 91 centres rated, Vicinity has the largest portfolio of assets to undertake such a rating. The results have been used to identify areas for improvement and also high-performing assets that can be used to illustrate and promote great practices across our broader portfolio.
- Climate resilience: With retail assets being large, long-life assets, it is important to understand the potential impact that climate change may have on our portfolio. We completed a high-level assessment of climate change resilience across our portfolio, gaining greater insight into our climate-related risks and opportunities. The results of this work will be used in the coming year to refresh existing asset continuity plans and enhance the climate resilience of our portfolio.
- Investor surveys: Vicinity reports on its sustainability agenda and performance through three main surveys: Dow Jones Sustainability Index (DJSI), CDP (formerly Carbon Disclosure Project) and Global Real Estate Sustainability Benchmark (GRESB). This reporting allows us to provide transparency to investors and other stakeholders on our sustainability practices, benchmark ourselves against our peers globally and track our performance over time.

By integrating our business and sustainability strategies, we are able to drive superior economic, environmental and social outcomes for Vicinity and our communities

Community engagement through furniture recycling

As a part of our commitment to enriching our communities' experiences, we are always looking for ways in which we can give back to our local communities.

This year, Vicinity commenced a program to repurpose furniture no longer being used in a centre that otherwise would have been sent to landfill. In partnership with KFive, one of Vicinity's preferred suppliers, this furniture is refurbished and donated to create living and social spaces for people within our communities. To date, we have piloted this program at two centres.

At Tuggeranong Hyperdome, refurbished furniture was used to furnish two houses of Indigenous student accommodation in North Coburg in Victoria. This project was completed in collaboration with the Wunan Foundation, a community support group for Aboriginal people.

At Broadmeadows Shopping Centre, furniture was donated to create a new recreational space at a local school where the centre also runs a youth engagement program. Importantly, the furniture initiative highlighted to the students that reusing the furniture was not only providing value for the school and reducing disposal costs, but was also more sustainable for the environment.

Following the success of this program to date, this will be an ongoing initiative across our business and is an example of how our community engagement strategy, to be formalised in FY17, will create value for our communities.

Shared value and social licence to operate pillars

Pillar	Value proposition
Creating shared value	
Centre significance in the community	Improving our communities and the appeal of our centres through both local and national activities
Climate resilience	Ensuring that our assets are resilient to increasingly variable climatic patterns and can continue to serve their communities over the long term
Transition to low carbon smart assets	Making a positive contribution to an increasingly carbon constrained economy, by creating smarter and more efficient assets
Strategic sustainability partnerships	Engaging with partners (capital, suppliers and retailers) to derive enhanced sustainability outcomes in addition to those achievable by Vicinity in isolation
Highly engaged people	Leveraging our sustainability agenda to foster a highly engaged workforce to drive superior outcomes for Vicinity and its stakeholders
Social licence to operate	
Strong governance	Targeting and maintaining the highest standards throughout our business
High transparency	Providing open and honest communications internally and externally
Minimising our direct environmental impact	Recognising that we operate in an environment with finite resources by focusing on minimising our environmental impact through all aspects of investment, operations and development
Enhanced risk and reputation management	Undertaking activities that uphold our reputation and appropriately manage risk

Sustainability strategy

This year, we developed a fully integrated sustainability strategy that aspires to position us as a leading global retail property group. Our strategy focuses on creating shared value by conducting our business in a way that creates financial and non-financial value for Vicinity and our stakeholders. Equally important is maintaining and enhancing our social licence to operate to improve our risk-adjusted returns for securityholders while also building on the trust of our stakeholders.

The table above outlines each of our shared value and social licence to operate pillars and their value proposition.

FY17 focus

Our key sustainability focus areas and initiatives for FY17 are as follows:

- Produce Vicinity's inaugural sustainability report due for release in the first half of FY17
- Investigate a long-term low carbon target for Vicinity
- Establish a community investment program
- Invest in selective rooftop solar projects, and
- Introduce initiatives for employees to engage with and own our sustainability program.

Other initiatives to progress:

- Sustainability survey reporting
- Climate resilience of our assets
- Establish key sustainability policies in line with our new strategy
- Set asset environmental performance targets and roll out improvement programs
- Continue National Australian Built Environment Rating System (NABERS) and Green Star asset ratings, and
- Investigate sustainability partnership opportunities.

Further information

More disclosure on Vicinity's sustainability framework and achievements can be found on our website vicinity.com.au

You can find more disclosure on the following topics:

Strategy and business prospects
Page 9

Governance and sustainability policies
vicinity.com.au

CDP survey submissions
vicinity.com.au

Our people
Page 28

Corporate Governance
Page 32

Management of risk
Page 18

Other stakeholders including retailers, suppliers, customers and our communities
vicinity.com.au/sustainability

CORPORATE GOVERNANCE

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 FY16, 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. It is available at: vicinity.com.au/about-us/corporate-governance

Further information

You can find more disclosure on the following topics:

- Strategy and business prospects
  Page 9
- Management of risk
  Page 18
- Sustainability
  Page 30
- Tax transparency
  Page 38
- Corporate directory
  Page 112

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 eight members outlined on pages 36 and 37
- Property Investment Committee: includes the CEO, Chief Investment Officer (CIO) (chair), Chief Financial Officer (CFO), Executive General Manager (EGM) Shopping Centres, EGM Development and EGM Leasing
- Capital Management Committee: CEO, CFO (chair), CIO, General Manager (GM) Treasury and an external member
- Diversity Forum: includes CEO and a range of senior leaders, and
- Sustainability Committee: includes the CEO (chair), CIO, EGM Shopping Centres, GM Sustainability and other senior leaders.

BOARD OF DIRECTORS

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, 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. He 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 Greenearth Energy Ltd.

Director: Sinefa Pty Ltd.

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

Past Non-executive Directorships
(past three years)

Wesfarmers Ltd.

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

Director: Tigcorp Pty Ltd, Melbourne Football Club and Baker IDI Heart and Diabetes Institute.

Past Non-executive Directorships
(past three years)

Novion Limited.

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

BOARD OF DIRECTORS continued

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 Resources Advisory Board.

Member: PNG Government's Lae Technical Training Centre of Excellence Taskforce.

Past Non-executive Directorships
(past three years)

None.

Karen Penrose
BCOMM (UNSW), CPA, GAICD

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. She 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, Marshall Investments Pty Limited, and UrbanGrowth NSW.

Past Non-executive Directorships
(past three years)

Novion Limited and Silver Chef Limited.

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
Director: Charter Hall Group.

Executive Deputy Chairman: The Gandel Group Pty Limited.

Past Non-executive Directorships
(past three years)

Novion Limited.

Richard Haddock AM
BA, LLB, FAICD

Independent Non-executive Director

Appointed June 2015

Background and Experience
Richard Haddock has had a long career in financial services and was Deputy General Manager, Australia at BNP Paribas, Sydney from 1988 to 2001.

Mr Haddock is a member of the Audit Committee and the Risk and Compliance Committee.

Current Directorships, Executive Positions and Advisory Roles
Chairman: Catholic Care, Australian Catholic Superannuation and Retirement Fund and St Vincent's Curran Foundation.

Director: Retirement Villages Group Ltd and CCI Limited.

Past Non-executive Directorships
(past three years)

Novion Limited and Tishman Speyer Australia Limited.

Tim Hammon

BCom, LLB, MAICD

Independent Non-executive Director

Appointed December 2011

Background and Experience

Tim Hammon has extensive wealth management, property services and legal experience. He is currently Chief Executive Officer of Mutual Trust Pty Limited and previously 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 Chairman of the Risk and Compliance Committee, a member of the Remuneration and Human Resources Committee and the Nominations Committee.

Current Directorships, Executive Positions and Advisory Roles

Chief Executive Officer: 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.

EXECUTIVE COMMITTEE

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.

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 Group, Centre Manager of Chadstone Shopping Centre and regional responsibilities across several Victorian assets.

Michael O'Brien
Chief Investment Officer and Acting Executive General Manager Development

Michael O'Brien joined Vicinity Centres in October 2015 and has over 27 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.

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 across human resources, marketing and commercial strategy.

Prior to her current appointment, Simone has held executive leadership positions and advisor roles for numerous online domestic and international businesses. Most recently Simone was Executive General Manager People and Brand Director at REA Group, which has operations that include Australia's leading residential and commercial property sites, realestate.com.au and realcommercial.com.au, where her responsibilities included all marketing and human resource functions across its international businesses.

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

Our approach to tax

Vicinity Centres operates under a comprehensive tax risk management policy which is designed to ensure that it 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 within a publicly disclosed range of 25% to 35%
- is wholly domestic, does not have any offshore subsidiaries and therefore has no related party cross-border transactions, and
- undertakes to comply with all of its statutory obligations in a timely and transparent manner.

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.

Australian tax transparency

To improve the transparency of business tax affairs, the Board of Taxation has designed a Tax Transparency Code (TTC) that outlines a set of principles and minimum standards to guide the disclosure of tax information. In adopting the TTC's guidelines, Vicinity aims to provide more 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 Australian Taxation Office's (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.

Vicinity values having good relations with all external stakeholders, including the ATO. 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.

Group structure

Vicinity has a dual 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 regulated by Australian Securities and Investments Commission (ASIC) and the *Corporations Act 2001*. 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, is common in the Australian property industry. 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 investors the opportunity to invest in property through a regulated and managed scheme, while at the same time allowing investors 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 in the hands of the investor.

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 FY16) 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 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 investors annually. Vicinity's investors pay tax at their marginal tax rates, in the case of Australian resident investors, or through the Managed Investment Trust (MIT) withholding rules for non-resident investors.

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. An entity'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 $1,266.5 million for FY16. 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 income tax consolidated group generated an accounting net loss of $305.6 million. Therefore Vicinity Limited was also in a tax loss position, albeit a much lower tax loss for the year of approximately $70 million, due to integration costs and costs relating to the internalisation of the Novion Property Group. Therefore, Vicinity Limited will pay nil income tax for FY16. 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 become tax payable 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 the 2016 financial year, which is expected to be released in late 2017.

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 explaining such variances (refer to 'Further information' on page 40).

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 FY16 due to its tax losses, hence it has nil tax expense and therefore nil ETR.


Chadstone, VIC

Contributions to the Australian tax system

Vicinity Centres Trust's flow-through trust status means that Vicinity investors pay income tax directly on Vicinity's property investments income. For FY16, Vicinity's investors will pay income tax on the taxable components of the $700.7 million distribution paid to them. The taxable components of the distribution will be communicated to retail investors and uploaded onto the Vicinity website, along with the Fund Payment notice for MIT withholding purposes, in late August 2016. As the majority of our non-resident investors 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.

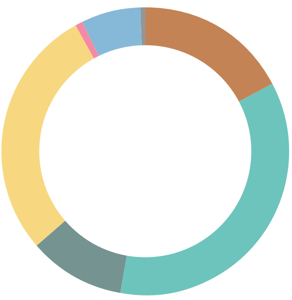
Additionally, as a business that operates in the Australian property industry, Vicinity is subject to various other taxes at the federal, state and local government levels. These taxes amount to approximately $312.6 million and are either borne by Vicinity as a cost of our business, or are remitted by Vicinity as part of our contribution to the administration of the tax system. 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 FY16.

Further information

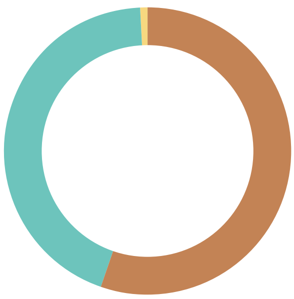
- Vicinity Limited taxes paid information is published by the ATO in its Report of Entity Information published on data.gov.au
- A breakdown of the taxable components that investors receive via their annual taxation statements will be available in late August on Vicinity's website: vicinity.com.au
- 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
- Further details on the merger can be found in the 'Merger of Federation Centres and Novion Property Group' section under 'About this report' in the Notes to the Financial Statements.

Total taxes borne by Vicinity $177.2m[1,2]



- Land tax **$30.8m**
- Stamp duty – merger **$63.2m**
- Stamp duty – property acquisitions **$18.9m**
- Local rates and levies **$50.3m**
- Fringe benefits tax **$1.4m**
- Payroll tax **$12.0m**
- WorkCover contributions **$0.6m**

Total taxes remitted by Vicinity $135.4m[2]



- Net GST remitted **$74.9m**
  – GST collected **$185.4m**
  – Less GST claimed **$110.5m**
- PAYG withholding **$59.7m**
- Taxes withheld from investors[3] **$0.8m**

1. 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 due to timing differences.
2. In respect of the financial year ended 30 June 2016.
3. This represents taxes withheld from Vicinity's investors. As the majority of our investors either supply their tax file number or in the case of non-residents, hold their interests indirectly, this figure is not representative of the actual tax paid by our investors.

Emporium Melbourne, VIC

FINANCIAL REPORT
For the year ended 30 June 2016

INSIDE

DIRECTORS' REPORT

The Directors of Vicinity Limited present the financial report of Vicinity Centres for the year ended 30 June 2016. Vicinity Centres (Vicinity or the Group) 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 ASX code 'VCX'.

Directors

The Board of Directors of Vicinity Limited and Vicinity Centres RE Ltd, as Responsible Entity (RE) of Vicinity Centres Trust (together, the Vicinity Board) consist of the same Directors. The following persons were members of the Vicinity Limited Board from 1 July 2015 and up to the date of this report unless otherwise stated:

Chairman

Peter Hay (Independent)

Non-executive Directors

Charles Macek (Independent)
David Thurin
Debra Stirling (Independent) (appointed 28 October 2015)[1]
Karen Penrose (Independent)
Peter Kahan
Richard Haddock AM (Independent)
Trevor Gerber (Independent) (appointed 28 October 2015)[1]
Tim Hammon (Independent)
Wai Tang (Independent)

Executive Director

Angus McNaughton (appointed as Chief Executive Officer on 3 August 2015 and Managing Director on 28 October 2015)[1]

Further information on the background and experience of the Directors is contained on pages 33 to 35 of this report.

Company Secretaries

Carolyn Reynolds (appointed 20 November 2015)
Michelle Brady

Principal activities

The Group has its principal place of business at Chadstone Shopping Centre, 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.

1. The Vicinity Limited constitution contained a limit on the maximum number of Directors being eight. Following securityholder approval of amendments to the Vicinity Limited constitution at the 2015 Annual General Meeting, this limit was removed and Mr Gerber, Ms Stirling and Mr McNaughton were appointed as Directors of Vicinity Limited. Prior to their appointment as Directors, Mr Gerber and Ms Stirling were alternate Directors of Vicinity Limited.

Merger of Federation Centres and Novion Property Group

On 11 June 2015, the stapled entities Federation Centres (Federation) and Novion Property Group (Novion) merged (the Merger) to create Vicinity Centres, one of Australia's leading real estate investment trusts. Under the terms of the Merger, each Novion Security was exchanged for 0.8225 Federation Securities, resulting in Federation as the legal acquirer and Novion as the legal acquiree. Under accounting standards (AASB 3 *Business Combinations*), the transaction was accounted for as a reverse acquisition and Novion was identified as the accounting acquirer and Federation as the accounting acquiree. Accordingly, the following amounts are represented in the financial statements:

	12 months to 30-Jun-16	12 months to 30-Jun-15
Statement of Comprehensive Income Statement of Changes in Equity Cash Flow Statement	**Vicinity Centres**	1 month Federation + 12 months Novion
Underlying Earnings	**Vicinity Centres**	12 months Federation + 12 months Novion
	As at 30-Jun-16	**As at 30-Jun-15**
Balance Sheet	**Vicinity Centres**	Vicinity Centres

Change of corporate name

On 28 October 2015 the securityholders of the Group approved the change of the Company's name from Federation Limited to Vicinity Limited. Consequently, on 2 November 2015, the Group was rebranded as Vicinity Centres, Federation Centres Trust No.1 was renamed Vicinity Centres Trust and Federation Centres Limited was renamed Vicinity Centres RE Ltd.

Review of results and operations

The operating and financial review is contained on pages 9 to 19 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 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.

Distributions

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

	Total $m	Cents per stapled security
Interim – 31 December 2015	348.4	8.8
Final – 30 June 2016	352.3	8.9
Total – year end	**700.7**	**17.7**

The final distribution of 8.9 cents per stapled security will be paid on 30 August 2016.

Director related information

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.

Director security holdings

Director security holdings as at 30 June 2016 are detailed on page 65 of the Remuneration Report. There have been no movements in security holdings between 30 June 2016 and the date of this report.

Meetings of Directors

Details of the number of meetings of the Board of Vicinity Limited and the number of meetings attended by each Director is shown in the table below. (A) represents number of meetings eligible to attend and (B) represents the number of meetings attended.

	Board – General Meetings		Board – Special Purpose Meetings[1]		Audit Committee		Remuneration Committee		Risk & Compliance Committee	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Peter Hay	9	9	8	8	-	-	-	-	-	-
Angus McNaughton[2]	6	6	6	6	-	-	-	-	-	-
Charles Macek	9	9	8	8	-	-	8	8	-	-
David Thurin	9	9	8	7	-	-	-	-	5	5
Debra Stirling[2]	6	6	6	6	-	-	8	7	5	5
Karen Penrose	9	9	8	7	8	8	-	-	5	5
Peter Kahan	9	9	8	8	8	8	8	8	-	-
Richard Haddock AM	9	9	8	7	8	8	-	-	5	5
Trevor Gerber[2]	6	6	6	5	8	7	8	8	-	-
Tim Hammon	9	9	8	8	-	-	8	8	5	5
Wai Tang[3]	9	8	8	8	8	7	-	-	5	4

1. Special Purpose Board meetings were scheduled and convened at short notice to consider special purpose approvals.
2. The Vicinity Limited constitution contained a limit on the maximum number of Directors being eight. Following securityholder approval of amendments to the Vicinity Limited constitution at the 2015 Annual General Meeting, this limit was removed and Mr Gerber, Ms Stirling and Mr McNaughton were appointed as Directors of Vicinity Limited. Prior to their appointment as Directors, Mr Gerber and Ms Stirling were alternate Directors of Vicinity Limited.
3. Ms Tang was granted a personal leave of absence for the June 2016 meetings.

Vicinity had a Nominations Committee, consisting of Mr Hay, Mr Hammon, Mr Macek and Mr Kahan, which did not meet during the year.

Auditor related information

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

Indemnification of Auditors

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). 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 their statutory audit duties where the auditor's expertise and experience with the Group are essential and will not compromise their 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 during the 2016 financial year by submitting its NGER report to the Department of the Environment for the year ended 30 June 2015 by 31 October 2015. The Group monitors its other environmental legal obligations and is compliant for the reporting period.

Corporate Governance

In recognising the need for high standards of corporate behaviour and accountability, the Directors of Vicinity Limited support and have followed 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 the Company's website at vicinity.com.au.

Options over unissued securities

As at 30 June 2016 and at the date of this report, there were 4,385,154 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.

Events after the end of the reporting period

No matters 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 Class Order 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 Class Order, 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 FY16 Remuneration Report for which we will seek your approval at our Annual General Meeting in November 2016. 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.

While the first full year as Vicinity has seen significant change and transition take place across the business, we have achieved or exceeded a number of key financial and strategic milestones.

Planned merger synergies and related activities have been well progressed. Substantial progress has been made on enhancing the quality of the portfolio through delivery of the development pipeline and successfully executing an asset divestment program as well as select acquisitions. Pleasingly, these initiatives have contributed to underlying earnings per security growth of 9.0% to 19.1 cents[1], net tangible assets of $2.59 per security up 5.7%, and a total return of 14.6% for the year ended 30 June 2016. Statutory net profit for the year was $960.9 million.

As part of our evolution in our inaugural year post merger, we have made a number of new executive appointments and reviewed our Executive Key Management Personnel. This has resulted in several changes and further details can be found in section 1.3.

The evolving journey of bringing two cultures together with a focus on best of both is well advanced, one which values a strong community purpose, and health, safety and wellbeing.

With underlying earnings and total return targets exceeded, and the substantial progress made on post-merger integration and portfolio quality enhancement initiatives, an average of 77.8% of the maximum Performance Reward Plan Short (PRPS) opportunity available was awarded to Executive Key Management Personnel. No Performance Reward Plan Long (PRPL) vested to current KMPs due to them commencing employment after the awards were granted.

During the year, a minimum security holding policy for Independent Non-executive Directors was introduced. 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.

To recognise the importance of the contribution by all employees we maintain an Exempt Employee Security Plan (EESP). This enables Vicinity Centres to gift up to $1,000 worth of securities to each eligible employee. This year we expect some 1,100 employees to benefit from the EESP.

Vicinity's reward principles and framework remained consistent throughout FY16 but are being reviewed. A key focus remains on motivating performance and further aligning the interests of executives and securityholders.

Charles Macek
Chairman – Remuneration and Human Resources Committee

1. Comparisons to aggregate of Federation Centres (Federation) and Novion Property Group (Novion) for the 12 months to 30 June 2015.

Report overview

This Remuneration Report outlines:

- Vicinity's reward principles and framework
- The Group's performance for the 2016 financial year and the outcomes for Executive KMP remuneration, and
- Remuneration received by Directors and Executive KMP.

The contents of the Remuneration Report (as set out below) are governed by the *Corporations Act 2001*, s300A 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.

Impact of the merger on comparative information

As highlighted in the 'Merger of Federation Centres and Novion Property Group' section on page 44 of the Directors report, the merger was accounted for as a reverse acquisition in the year ended 30 June 2015. This means that the comparative information in this Remuneration Report for the year ended 30 June 2015 comprises remuneration of:

- KMP of the Federation Group for the pre-merger period, and
- KMP of Vicinity for the post-merger period (11 June 2015 to 30 June 2015).

Remuneration of former Novion KMP and Non-executive Directors prior to the merger is not included in the comparative information.

1. Remuneration framework

1.1 Reward principles and framework

At Vicinity, the objective of our remuneration framework is to build capability through attracting, retaining and engaging the right executive team while aligning their actions with securityholder interests. This is achieved through linking remuneration to both short and long-term company performance. This encourages executives to focus on creating long-term growth and complements our Vision of enriching community experiences by minimising actions that focus only on the short 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.
Performance Reward Plan Short (PRPS) Annual bonus opportunity, 12 month performance period subject to performance targets. Partially paid in cash and partially deferred into equity (24 months deferral for the CEO 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, net property income and management expense ratio. • **Strategic:** relates to embedding values across the organisation and delivering Group strategy. • **People & Leadership:** employee engagement and relationships with key stakeholders. • **Operational Excellence:** comprises innovation, 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, customers and retailers, and a drive for efficiency and innovation across the business.
Performance Reward Plan Long (PRPL) 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.

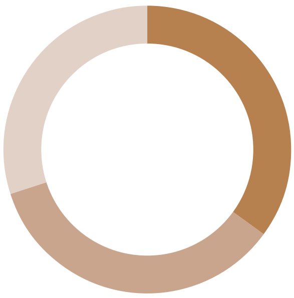
1. Remuneration framework continued

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 Current 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.

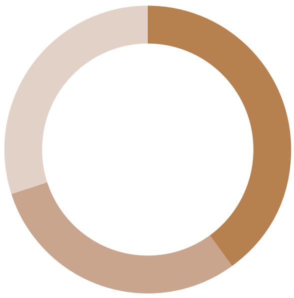
Figure 1.1

Chief Executive Officer



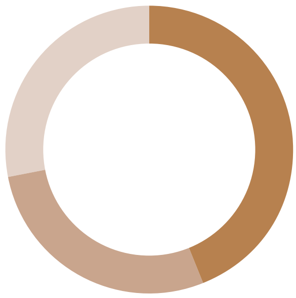
- TFR 35%
- PRPS 35%
- PRPL 30%

Chief Financial Officer



- TFR 40%
- PRPS 30%
- PRPL 30%

Chief Investment Officer



- TFR 44%
- PRPS 28%
- PRPL 28%

1.3 Key Management Personnel (KMP)

The KMP of the Group 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 the executives who held KMP positions during the year and their tenure as KMP is shown in Table 1.2 below. Throughout this report the term:

- 'Current Executive KMP' is used to refer to those persons who were Executive KMP at 30 June 2016, and
- 'Former Executive KMP' refers to those persons who held Executive KMP position for part of the current or prior year.

Table 1.2

Name	Position	Tenure
Current Executive KMP		
Angus McNaughton	CEO and Managing Director (CEO)	Part year (appointed 3 August 2015)
Richard Jamieson	Chief Financial Officer (CFO)	Full year
Michael O'Brien[1]	Chief Investment Officer (CIO)	Part year (appointed 12 October 2015)
Former Executive KMP[2]		
Steven Sewell	Chief Executive Officer and Managing Director	Part year (ceased 3 August 2015)
Stuart Macrae[1]	Executive General Manager Leasing	Part year (until 12 October 2015)
Jonathan Timms[1]	Executive General Manager Development	Part year (until 12 October 2015)

1. During the year, a Chief Investment Officer (CIO) was appointed who is responsible for oversight of the Group's asset strategy. This resulted in a review of KMP being completed with the Executive General Manager Leasing and Executive General Manager Development no longer considered KMP from the date of the CIO's appointment.
2. The Former Executive KMP noted in this table are those who held a KMP position during FY16. Former Executive KMP who held KMP positions during the year ended 30 June 2015 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

In FY16, Vicinity delivered strong financial performance and made excellent progress against the Group's overall strategic focus.

Statutory net profit for the year was $960.9 million. Underlying earnings for the year increased by 9.5% to $757.5 million and underlying EPS grew by 9.0% to 19.1 cents. The distribution per security for the full year of 17.7 cents was up 4.7% from 16.9 cents in the prior year. Net tangible assets per security increased by 5.7% to $2.59. Total net corporate overheads were reduced by $24.6 million and borrowing costs by $24.3 primarily through the realisation of merger synergies and a greater focus on expense management.

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	FY12[1]	FY13	FY14	FY15	FY16
Security price as at 30 June ($)	1.98	2.37	2.49	2.92	**3.32**
Distributions declared per security (cents)	6.5	14.1	15.7[2]	16.9	**17.7**
TSR for the year ended 30 June	17.6%	26.8%	11.5%	24.2%	**19.8%**
S&P/ASX 200 A-REIT Index	10.8%	24.2%	11.1%	20.3%	**24.6%**

1. FY12 figures are for the period 1 December 2011 to 30 June 2012 post Aggregation.
2. FY14 includes a 0.4 cent distribution declared post 30 June 2014, relating to FY14.

2.2 FY16 Performance Reward Plan Short (PRPS) outcomes

Summary

Vicinity's PRPS provides employees with the opportunity to share in the value created for shareholders where they achieve a combination of group financial and individual strategic performance objectives through an annual, performance-based reward. Many of these objectives contribute towards medium to longer term performance outcomes aligned to the Group's strategy. The PRPS outcome is weighted against four performance categories that are outlined below.

Table 2.2

Performance category	CEO Weighting	Other Executives Weighting
Financial	35%	15 – 40%
Strategic	35%	30 – 50%
People and Leadership	15%	15 – 30%
Operational Excellence	15%	15%

Specific measures for individuals are set within these performance categories. These are cascaded from those set for the CEO as approved by the Board. Further details of the PRPS are set out in section 3.2.

Outcomes

The calculation of financial performance for FY16 was undertaken in July 2016 by comparing actual performance against the agreed performance objectives. Table 2.3 below outlines the FY16 PRPS outcomes.

Table 2.3

	Target PRPS as % of TFR	Maximum PRPS opportunity as % of TFR	Actual PRPS awarded $	% of maximum PRPS opportunity awarded	% of maximum PRPS opportunity forfeited
Current Executive KMP					
Angus McNaughton	100%	125%	1,753,125	93.5%	6.5%
Richard Jamieson	75%	150%	787,500	70%	30%
Michael O'Brien[1]	65%	130%	457,734	70%	30%

1. PRPS awarded and maximum PRPS opportunity for Michael O'Brien have been pro rated from date of commencement (12 October 2015).

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

2. Company performance and executive remuneration outcomes continued

2.2 FY16 Performance Reward Plan Short (PRPS) outcomes continued

Table 2.4: CEO performance against FY16 PRPS targets

Objective and weighting	Measure	Reason chosen	Result as assessed by the Board
Financial (35%)	Underlying earnings per security (EPS)	Underlying EPS is a key measure of underlying performance and a key driver of Vicinity's capacity to pay distributions, which is typically a primary focus of investors in the S&P/ASX 200 A-REIT Index.	**Objective exceeded** • Delivered underlying EPS growth of 9.0% to 19.1 cents. EPS at the top end of the guidance range of 18.8 to 19.1 cents (before asset acquisitions and divestments)
	Net property income (NPI)	NPI is a key measure of underlying property operating performance.	**Objective exceeded** • Outperformed NPI targets (as adjusted for asset acquisitions and divestments)
	Occupancy rate	Ensures security of base income.	**Objective exceeded** • Portfolio occupancy rate of 99.4%, a strong improvement on 98.9% at 30 June 2015
	Management expense ratio (MER)	Focuses management attention on the efficient management of operating expenses	**Objective exceeded** • Achieved an MER of 0.34%, exceeding the target of 0.36%
Strategic (35%)	Organisational culture and strategy	Organisational culture and business strategy are two fundamental drivers of business success.	**Objective met** • Group purpose, vision and values defining Vicinity's aspirational culture were rolled out and embedded throughout the organisation • Group strategy, including Vicinity's strategic drivers and enablers, was developed and is being implemented
	Merger synergies realisation	Synergy realisation was one of the key objectives of the merger and drives investor returns, allowing for redeployment of funds to other strategic initiatives.	**Objective exceeded** • Locked-in operational cost savings of $50 million on a run rate basis and $29 million on a cash basis, well ahead of program and targets • Achieved targeted financing cost savings
	Effective capital management	Balance sheet strength is a critical foundation for future success.	**Objective exceeded** • Moody's credit rating of 'A2' (stable outlook) achieved, while Standard and Poor's affirmed their 'A-' credit rating with a revised rating outlook of positive from stable • $4.5 billion merger refinancing program completed, including repayment of the $1.8 billion bridge facility • Duration extended from 3.2 years at 30 June 2015 to 5.3 years at 30 June 2016, debt sources diversified and a new market established via the £350 million EMTN issue • Gearing at 25.9% at the bottom end of the target range of 25% – 35%

Objective and weighting	Measure	Reason chosen	Result as assessed by the Board
Strategic (35%) continued	Portfolio optimisation and enhancement	Optimising the portfolio underpins the quality and security of base income.	**Objective exceeded** • Sold $218 million of non-core assets in the first half of FY16 • Sold (and settled) five assets for $926 million in the second half of FY16 • Acquired The Shops at Ellenbrook, Livingston Marketplace and the DFO Brisbane business, and entered into a joint venture to develop a DFO at Perth Airport • The Asset Refurbishment Team delivered favourable returns and significantly enhanced centre presentation and experience
	Delivery of development pipeline	Shopping centre development is a key driver of future growth.	**Objective exceeded** • Successfully delivered Cranbourne Park, Halls Head Central, Colonnades, DFO South Wharf and Warriewood Square projects. Total cost of $310 million with an average yield of 9.1% and an Internal Rate of Return (IRR) of 14+% • Chadstone retail and office projects progressing to program and budget • Development pipeline expanded to $3.7 billion (Vicinity share $1.7 billion) • Commenced the Mandurah Forum development and The Glen development is approved subject to conditions precedent • Significant progress on the Roselands project and across the shadow pipeline
People and Leadership (15%)	Implement best practice reward framework	A reward framework which retains talent and promotes diversity underpins ongoing business stability and success.	**Objective partially met** • Initial review of Performance Reward Payment framework completed, with further review deferred to FY17 • Diversity strategy approved and Diversity Forum established
	Strengthen capability and depth of talent	A high performing team is a key driver of business performance.	**Objective met** • A number of high quality appointments to the Executive Committee and broader senior leadership team completed • Development programs and talent mapping implemented
	Stakeholder management	Stakeholder relationships are critical for ensuring support for group strategy and initiatives.	**Objective met** • Active engagement with institutional investors • Strong engagement and working relationship developed between Board and Management

2. Company performance and executive remuneration outcomes continued

2.2 FY16 Performance Reward Plan Short (PRPS) outcomes continued

Table 2.4: Performance against FY16 PRPS targets continued

Objective and weighting	Measure	Reason chosen	Result as assessed by the Board
Operational Excellence (15%)	Technology and innovation	Technology and innovation provide opportunities for enhancing experiences and driving efficiency gains.	**Objective met** • Business systems review completed and integration on track for completion in FY17 • Digital and brand strategies developed and being implemented, including the centre connectivity project
	Sustainability	Reducing our environmental impact and supporting and enhancing our communities are key to the long-term sustainability of our business.	**Objective met** • Group sustainability strategy developed, approved by the Board and being implemented
	Safety framework and processes	Providing safe environments for our staff, retailers and customers is paramount.	**Objective met** • Implemented a range of initiatives to improve organisational safety, including development of the integrated health and safety management system, safety leadership guidelines for Vicinity boards and executives and the Vicinity Health & Safety Policy • No material safety issues outstanding

2.3 FY16 Performance Reward Plan Long (PRPL) outcomes

Summary

The PRPL provides an annual opportunity for the Executive Committee and 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 PRPL 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 plan.

Outcomes

The FY14 PRPL grant was tested at 30 June 2016 and the overall vesting level achieved was 60%. 100% was achieved against the Return on Equity (ROE) and EPS hurdles (growth of 120.6% and 20.9% respectively). Nil vesting was achieved against the relative TSR hurdle.

No PRPL performance rights vested to any Current Executive KMP during the year as they were not employees of the Group at the time these performance rights were granted in FY13. The first period in which the Current Executive KMP will be eligible for performance rights to vest will be the year ending 30 June 2019 (that is, three years after the FY16 performance rights were granted). Details of the FY16 grant to current Executive KMP are contained in Table 2.5.

FY16 Grants

The FY16 PRPL grant was made to the Executive Committee and senior leaders from 1 July 2015.

Table 2.5 shows the number of performance rights granted to the Current Executive KMP under the FY16 PRPL. 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 the table below, 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 in which they cannot be traded. Further details on the hurdle requirements are contained in section 3.3 below.

Table 2.5: FY16 PRPL grants

	Number of performance rights granted[1]	Grant date	Face value of rights on grant date $	PRPL face value as a percentage of TFR at grant date %	Fair value of rights on grant date[2,3] $	PRPL fair value as a percentage of TFR at grant date %
Current Executive KMP						
Angus McNaughton	457,232	27 November 2015	1,300,000	86.7	738,430	49.2
Richard Jamieson	197,841	27 November 2015	562,500	75.0	319,514	42.6
Michael O'Brien	160,031	27 November 2015	455,000	65.0	258,451	36.9
Total	**815,104**		**2,317,500**	**78.6**	**1,316,395**	**44.6**

1. The grants made to Executive KMP represented their full PRPL 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 2015 Annual General Meeting.
2. Calculated based on a fair value per performance right of:
   Grant date: 27 November 2015
   TR hurdle: $2.19
   TSR hurdle: $1.04

   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.

2. Company performance and executive remuneration outcomes continued

2.4 Statutory remuneration tables

Table 2.6 below shows the remuneration received by each Current Executive KMP during the current and prior years, for the period which they were a KMP. Table 2.6.1 shows the same information for Former Executive KMP. These tables have 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.

Table 2.6: Total Current Executive KMP remuneration for FY16 and FY15

		Short-term benefits			Other long-term benefits		Share-based payments		Post-employment			
Current Executive KMP	Period	Base salary $	PRPS cash[1] $	Non-monetary[2] $	Other $	Leave entitlements[4] $	Performance rights[5] $	PRPS Deferred[6] $	Superannuation contributions $	Termination benefits $	Total $	% Performance related[7]
Angus McNaughton (commenced 3 August 2015)	**FY16**	**1,342,519**	**1,314,844**	**22,585**	**204,033**[3]	**-**	**246,143**	**438,281**	**17,699**	**-**	**3,586,104**	**56%**
	FY15	-	-	-	-	-	-	-	-	-	-	-
Richard Jamieson (became KMP on 11 June 2015)	**FY16**	**714,984**	**393,750**	**3,441**	**-**	**-**	**106,505**	**393,750**	**25,000**	**-**	**1,637,430**	**55%**
	FY15	33,644	-	-	-	-	-	-	1,250	-	34,894	-
Michael O'Brien (commenced 12 October 2015)	**FY16**	**530,723**	**228,867**	**3,649**	**-**	**-**	**86,150**	**228,867**	**14,481**	**-**	**1,092,737**	**50%**
	FY15	-	-	-	-	-	-	-	-	-	-	-
Total – Current Executive KMP	**FY16**	**2,588,226**	**1,937,461**	**29,675**	**204,033**	**-**	**438,798**	**1,060,898**	**57,180**	**-**	**6,316,271**	**54%**
	FY15	33,644	-	-	-	-	-	-	1,250	-	34,894	-

1. The cash component is 50% of the FY16 PRPS for Executive KMP (75% for the CEO), and is scheduled to be paid in September 2016 (following Board approval of the audited FY16 financial statements).
2. 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).
3. Other benefits include relocation allowances or reimbursements ($183,333 relocation allowance, $20,700 reimbursements).
4. Leave entitlements reflect long-service leave accrued for the period.
5. 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 PRPL that remained unvested as at 30 June 2016). The fair value of the equity instruments is determined as at the grant date and is progressively allocated 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.
6. The amount presented represents the value of PRPS deferred that has been recognised as an expense in the current period as required by accounting standards.
7. The percentage performance related for the FY16 financial year is the sum of PRPS cash and share-based payments divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year.

Table 2.6.1: Total Former Executive KMP remuneration for FY16 and FY15

		Short-term benefits			Other long-term benefits		Share-based payments		Post-employment			
Former Executive KMP	Period	Base salary $	PRPS cash[1] $	Non-monetary[1] $	Other $	Leave entitlements[1] $	Performance rights[1] $	PRPS Deferred[1] $	Superannuation contributions $	Termination benefits $	Total $	% Performance related[7]
Steven Sewell[2]	**FY16**	**135,332**	**-**	**1,709**	**78,285[7]**	**-**	**267,376**	**-**	**1,717**	**1,092,307[6]**	**1,576,726**	**17.0**
	FY15	1,363,606	1,250,000	7,722	-	-	880,636	877,865	18,784	-	4,398,613	68.4
Stuart Macrae[3]	**FY16**	**240,206**	**99,054**	**-**	**450,000[8]**	**3,749**	**21,617**	**99,054**	**5,450**	**-**	**919,130**	**23.9**
	FY15	42,480	-	-	-	649	-	-	939	-	44,068	-
Jonathan Timms[3]	**FY16**	**223,649**	**65,742**	**2,054**	**-**	**-**	**107,365**	**-**	**5,449**	**-**	**404,259**	**42.8**
	FY15	687,930	362,500	5,151	-	-	354,647	252,250	18,784	-	1,681,262	57.7
Peter Coroneo[4]	**FY16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	FY15	468,887	295,377	6,044	-	-	86,955	189,522	17,793	-	1,064,578	53.7
Colleen Harris[4]	**FY16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	FY15	432,327	212,671	3,625	-	-	185,673	188,469	17,824	-	1,040,589	56.4
Carolyn Reynolds[4]	**FY16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	FY15	386,688	165,411	2,469	-	-	29,624	66,164	17,793	-	668,149	39.1
Tom Honan[4]	**FY16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	FY15	767,605	732,534	7,191	-	-	249,387	307,044	17,793	485,516	2,567,070	50.7
Kerrie Lavey[5]	**FY16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	FY15	270,015	10,000	15,835	-	-	115,671	63,814	12,523	439,378	927,236	20.4
Mark Wilson[4]	**FY16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	FY15	703,757	448,973	12,682	-	10,471	363,254	134,826	17,793	984,208	2,675,964	35.4
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**
	FY15	5,123,295	3,477,466	60,719	-	11,120	2,265,847	2,079,954	140,026	1,909,102	15,067,529	52.0

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 finished on 2 December 2015.
3. Mr Stuart Macrae and Mr Jonathan Timms ceased as KMP on 12 October 2015 following the KMP review discussed in section 1.3. Mr Timms subsequently ceased employment on 29 April 2016.
4. Ceased as KMP on the date of the Merger (11 June 2015). Ms Carolyn Reynolds remains an employee of the Group.
5. Ms Kerrie Lavey ceased employment on 13 February 2015.
6. Comprises balance of notice period and relocation.
7. Accrued annual leave entitlement paid out at termination.
8. $450,000 special payment subject to performance and retention.

3. Executive remuneration – further information

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

- Fixed remuneration;
- Performance Reward Plan Short; and
- Performance Reward Plan Long.

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 Performance Reward Plan Short (PRPS)

Refer to section 2.2 for a summary of the PRPS and outcomes for FY16.

PRPS arrangements	
Opportunity	For the CEO, the FY16 PRPS opportunity at a target level of performance is 100% of TFR. For other Executive KMP, the PRPS 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's performance. For the CEO, the maximum is limited to 1.25 times target opportunity.
Performance period	The applicable PRPS performance period is the full financial year. Where an Executive KMP commenced or ceased employment during the year, their PRPS was evaluated and paid on a pro-rata basis. The CEO will be eligible for the full financial year as per his Executive Services Agreement.
Grant date, payment and deferral	PRPS is provided as a cash payment except for Executive KMP and senior executives where it is partially deferred into equity for a period of 12 to 24 months (24 months for the CEO, 18 months for Executive KMP and other Executive Committee members). Executives receive dividends on the deferred equity during the holding lock period. Outcomes are calculated following the Board's review of Vicinity's FY16 audited financial results and will be paid in September 2016.
Performance targets and measurement	Section 2.2 provides a detailed summary of the performance objectives and measures and the subsequent results for the CEO and Executive KMP for FY16 respectively. Performance objectives for FY16 were finalised by the Board in the case of the CEO, and by the CEO and Board in the case of other Executive KMP. The Remuneration and Human Resources Committee (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 consideration. In turn, the Committee makes recommendations to the Board for final determination.

3.3 Performance Reward Plan Long (PRPL)

Refer to section 2.3 for a summary of the PRPL and awards during FY16.

PRPL arrangements	
Type of equity awarded	Performance rights which provide participants with the right to receive one Vicinity stapled security 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	An Executive KMP may receive a PRPL award equal in value to 65%–87% 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 2015 Annual General Meeting.
Vesting scale	The following vesting scales apply:

Total securityholder return (TSR)

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

Total return (TR)

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

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

1. Broadly, TSR measures the return to a securityholder over the relevant performance period in terms of changes in market value of the securities plus the value of any dividends and distributions paid on the securities. 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 (NTA) value during the performance period plus total distributions made divided by the NTA value at the beginning of the performance period.

3.4 PRPS and PRPL – Cessation of employment, clawback or change of control

The Board retains discretion to determine the treatment of the PRPS and PRPL awards on the cessation of employment, however generally:

- If terminated for cause, any existing PRPL and PRPS 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.
  - PRPS 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).

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 the Group financial results.

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

3. Executive remuneration – further information continued

3.5 Total PRPL holdings

Total performance rights held by KMP including the FY16 Grant detailed above are as follows:

	Opening Performance Rights	Granted as remuneration	Forfeited/ lapsed	Vested	Closing
Current KMP					
Angus McNaughton	-	457,232	-	-	457,232
Richard Jamieson	-	197,841	-	-	197,841
Michael O'Brien	-	160,031	-	-	160,031
Total	**-**	**815,104**	**-**	**-**	**815,104**
Former Executive KMP[4]					
Steven Sewell[1,2]	1,963,069	-	423,902	796,855	742,312
Stuart Macrae	-	142,295	-	-	142,295
Jonathan Timms[1,3]	772,284	197,841	231,886	383,672	354,567
Total	**2,735,353**	**340,136**	**655,788**	**1,180,527**	**1,239,174**

1. After performance testing, 98.5% of the FY13 PRPL vested and 1.5% lapsed.
2. As Mr Steven Sewell ceased employment on 2 December 2015, he forfeited 19% of his FY14 and 53% of his FY15 PRPL performance rights.
3. As Mr Jonathan Timms ceased employment on 29 April 2016, he forfeited 6% of his FY14, 39% of his FY15 and 72% of his FY16 PRPL performance rights.
4. The Former Executive KMP noted in this table are those who held a KMP position during FY16.

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 2001*.

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 endorsed by Vicinity securityholders in November 2011.

Board and committee fees

FY16 Board and committee fees are outlined in the table below:

Table 4.1: FY16 Board and committee fees

Board/Committee	Role	FY16 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 HR 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.

The Committee engaged KPMG to undertake a benchmarking analysis in February 2016 of non-executive director fees in the external market. This resulted in the FY17 fees for Board and committee membership remaining unchanged from FY16.

4. Non-executive Director remuneration continued

4.2 Fees and benefits paid

Table 4.2: Current Non-executive Directors fees for FY16 and FY15

		Short-term benefits		Post-employment benefits[2]	
Non-executive Director	**Period**	**Fees[1] $**	**Committee fees $**	**Superannuation contributions $**	**Total fees $**
Current Non-executive Directors					
Peter Hay, Chair	**FY16**	**430,692**	**-**	**19,308**	**450,000**
(appointed 11 June 2015)	FY15	7,500	1,950	898	10,348
Trevor Gerber[4]	**FY16**	**122,164**	**36,530**	**15,076**	**173,770**
(appointed 28 October 2015)	FY15[5]	3,697	1,637	507	5,841
Richard Haddock AM	**FY16**	**146,118**	**36,530**	**17,352**	**200,000**
(appointed 11 June 2015)	FY15	8,000	-	-	8,000
Tim Hammon	**FY16**	**146,118**	**54,795**	**19,087**	**220,000**
(appointed 15 December 2011)	FY15[3]	146,839	45,887	17,274	210,000
Peter Kahan[7]	**FY16**	**160,000**	**40,000**	**-**	**200,000**
(appointed 11 June 2015)	FY15	7,500	1,637	-	9,137
Charles Macek	**FY16**	**146,118**	**36,530**	**17,352**	**200,000**
(appointed 15 December 2011)	FY15	146,119	36,529	17,352	200,000
Karen Penrose	**FY16**	**146,118**	**54,795**	**19,087**	**220,000**
(appointed 11 June 2015)	FY15	7,500	2,300	931	10,731
Debra Stirling[4]	**FY16**	**122,164**	**36,530**	**15,076**	**173,770**
(appointed 15 December 2011)	FY15[6]	142,317	36,529	16,990	195,836
Wai Tang	**FY16**	**146,118**	**36,530**	**17,352**	**200,000**
(appointed 30 May 2014)	FY15	146,119	46,575	18,306	211,000
David Thurin	**FY16**	**146,119**	**18,265**	**15,616**	**180,000**
(appointed 11 June 2015)	FY15	7,500	550	765	8,815
Subtotal Current	**FY16**	**1,711,729**	**350,505**	**155,306**	**2,217,540**
Non-executive Directors	FY15	623,091	173,594	73,023	869,708

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. During the year ended 30 June 2015, Mr Tim Hammon was also remunerated in the capacity as a Non-executive Director of Retail Responsible Entity Limited, a wholly owned subsidiary which acts as responsible entity for various Retail Property Syndicates. The total remuneration received for these services in the year ended 30 June 2015 was $50,000. No amounts were paid in the current year.
4. Mr Gerber was appointed a Director of the RE on 11 June 2015, the effective date of the merger, and Ms Stirling continued as a Director of the RE. Both Mr Gerber and Ms Stirling were engaged as consultants and appointed as Alternate Directors of the Company for the period from the merger to the Company's 2015 Annual General Meeting (AGM), due to the Company's constitution capping the number of Directors at eight. The removal of this limit was approved by security holders on 28 October 2015 at the 2015 AGM and Mr Gerber and Ms Stirling were appointed as Directors of the Company and their consultancy arrangements terminated.

   The fees in Table 4.2 were paid to Mr Gerber and Ms Stirling as a Director of the RE for the entirety of FY16 and as a Director of the Company for the period 28 October 2015 to 30 June 2016.

   Details of consultancy fees paid to Mr Gerber and Ms Stirling for the period until appointment as a Director of the Company are contained in section 5.6.
5. The total payments made to Mr Gerber as shown in the FY15 Remuneration Report include both Director fees and payments as a consultant.
6. The remuneration shown as paid to Ms Stirling in FY15 includes fees paid as a Director of the RE throughout the FY15 period and as a Director of the Company for the period from 1 July 2014 to 11 June 2015. The total payments made to Ms Stirling as shown in the FY15 Remuneration Report include both Director fees and payments as a consultant. Refer to footnote (4).
7. Mr Peter Kahan is paid via invoice therefore no superannuation contributions are made by Vicinity on his behalf.

Table 4.2.1: Former Non-executive Directors fees for FY16 and FY15

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					
Bob Edgar	**FY16**	**-**	**-**	**-**	**-**
(ceased as Director on 11 June 2015)	FY15	410,208	-	18,637	428,845
Clive Appleton	**FY16**	**-**	**-**	**-**	**-**
(ceased as Director on 11 June 2015)	FY15	139,000	34,750	16,507	190,257
Fraser MacKenzie	**FY16**	**-**	**-**	**-**	**-**
(ceased as Director on 11 June 2015)	FY15	139,000	62,147	19,110	220,257
Subtotal Former	**FY16**	**-**	**-**	**-**	**-**
Non-executive Directors	FY15	688,208	96,897	54,254	839,359
Total	**FY16**	**1,720,673**	**340,763**	**155,230**	**2,216,666**
	FY15	1,303,904	267,217	126,264	1,697,385

1. 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).
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 good 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 a Remuneration and HR Committee (the Committee) comprised of Non-executive Directors. The Committee 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.
- When considering the recommendations of the Committee, the Board applies a policy prohibiting the CEO and other 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 FY16, KPMG and 3 degrees consulting were engaged by the Committee and management to provide a number of services.

The work undertaken by KPMG and 3 degrees consulting in FY16 did not constitute a remuneration recommendation for the purposes of the *Corporations Act*.

5. Other remuneration information continued

5.3 Share 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 PRPS and PRPL count toward the holding level.

5.5 Minimum Non-executive Director securityholdings

During FY16, a minimum security holding policy for Non-executive Directors was introduced. 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.

5.6 Other transactions with KMP

Under the consultancy arrangements described in footnote 4 to Table 4.2, the annual fee payable to each of Mr Gerber and Ms Stirling (each in their personal capacity and as an independent contractor) was $80,000 for the provision of consultancy services such as attending Board and committee meetings, and undertaking analysis, strategic planning and other related services (Services).

The consultancy arrangements imposed obligations on each of Mr Gerber and Ms Stirling in relation to the time required to discharge the Services, the management of conflicts and obligations of confidentiality, required that they be provided with professional indemnity insurance coverage, and provided for automatic termination on appointment as a Director of the Company or on resignation or termination as a Director of the RE.

The consultancy fees paid under these arrangements were:

	FY16[1] $	FY15[2] $
Debra Stirling	**26,230**	4,164
Trevor Gerber	**26,230**	4,164
Total	**52,460**	8,328

1. For the period from 1 July 2015 to appointment as a director on 28 October 2015. Refer to footnote 4 on table 4.2.
2. For the period from 12 June 2015 to 30 June 2015. Refer to footnote 4 on table 4.2.

5.7 Executive KMP and Non-executive Director securityholdings

The table below shows the securities held (directly or indirectly) by Non-executive Directors and Executive KMP as at 30 June 2016. There were no changes in holdings between 30 June 2016 and the date of this report.

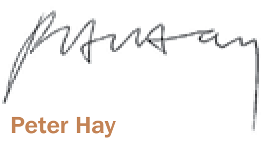
	Opening Securities[1]	Granted as remuneration	Additions during the year	Other Movements	Closing
Non-executive Directors					
Peter Hay	37,291	-	35,000	-	**72,291**
Trevor Gerber	20,563	-	29,437	-	**50,000**
Richard Haddock AM	45,402	-	80,000	-	**125,402**
Tim Hammon	10,000	-	15,000	-	**25,000**
Peter Kahan	-	-	-	-	**-**
Charles Macek	50,000	-	-	-	**50,000**
Karen Penrose	20,563	-	-	-	**20,563**
Debra Stirling	10,000	-	-	-	**10,000**
Wai Tang	980	-	2,000	-	**2,980**
David Thurin	13,895,373	-	-	-	**13,895,373**
Total	**14,090,172**	**-**	**161,437**	**-**	**14,251,609**
Executive KMP					
Angus McNaughton	37,729	-	144,783	-	**182,512**
Steven Sewell	1,284,367	796,855	-	(2,081,222)[2]	**-**
Richard Jamieson	-	-	-	-	**-**
Michael O'Brien	-	-	-	-	**-**
Stuart Macrae	61,005	-	-	(61,005)[2]	**-**
Jonathan Timms	99,052	-	-	(99,052)[2]	**-**
Total	**1,482,153**	**796,855**	**144,783**	**(2,241,279)**	**182,512**

1. Reflects securities balance as at 1 July 2015 or as at the date of appointment as a Director or KMP.
2. Closing security balance at date person ceased to be a Director or Executive KMP.

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 17 August 2016 in accordance with a resolution of Directors.



Peter Hay
Chairman

AUDITOR'S INDEPENDENCE DECLARATION

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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 2016, 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
17 August 2016

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Note	30-Jun-16 $m	30-Jun-15[1] $m
Revenue			
Property ownership revenue		**1,259.5**	802.7
Management fee revenue from strategic partnerships		**66.9**	53.4
Interest and other income		**15.4**	5.1
Total revenue and income		**1,341.8**	861.2
Share of net (loss)/profit of equity accounted investments	5(a)	**(6.0)**	7.7
Property revaluation increment for directly owned properties	4(b)	**733.0**	430.9
Net movement on mark-to-market of derivatives		**(147.5)**	(23.5)
Foreign exchange gain		**42.4**	-
Direct property expenses		**(319.7)**	(194.2)
Borrowing costs	6(b)	**(175.1)**	(150.1)
Employee benefits expenses	13	**(106.9)**	(77.4)
Other expenses from ordinary activities		**(41.6)**	(35.8)
Impairment and amortisation of intangible assets	15	**(298.3)**	(3.3)
Integration and transaction costs		**(41.1)**	(135.4)
Stamp duty and transaction costs written off on acquisition of investment properties	4(b)	**(20.1)**	-
Profit before tax for the year		**960.9**	680.1
Income tax expense	3	**-**	(5.0)
Net profit for the year		**960.9**	675.1
Other comprehensive income		**-**	-
Total comprehensive income for the year		**960.9**	675.1
Net profit/(loss) and total comprehensive income/(loss) for the year attributable to stapled securityholders as:			
Securityholders of Vicinity Limited	18(b)	**(305.6)**	10.8
Securityholders of other stapled entities of the Group		**1,266.5**	664.3
Net profit and total comprehensive income for the year		**960.9**	675.1
Earnings per security attributable to securityholders of the Group:			
Basic earnings per security (cents)	2	**24.27**	25.56
Diluted earnings per security (cents)	2	**24.25**	25.21

1. As described in the 'About this report – Merger of Federation Centres and Novion Property Group' section in the Notes to the Financial Statements, the comparative information for the year ended 30 June 2015 represents results for 12 months of Novion and 1 month of Federation.

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

BALANCE SHEET
As at 30 June 2016

	Note	30-Jun-16 $m	30-Jun-15 $m
Current assets			
Cash and cash equivalents		**52.8**	107.4
Receivables and other assets	9	**105.5**	123.5
Investment properties held for sale	4(a)	**232.1**	-
Financial assets carried at fair value through profit or loss		**3.6**	6.3
Derivative financial instruments	6(d)	**15.6**	-
Investments accounted for using the equity method		**-**	0.5
Total current assets		**409.6**	237.7
Non-current assets			
Investment properties	4(a)	**14,426.6**	14,109.7
Investments accounted for using the equity method	5	**80.5**	93.4
Intangible assets	15	**602.4**	891.4
Plant and equipment		**13.8**	14.3
Derivative financial instruments	6(d)	**112.2**	87.1
Deferred tax assets	3(c)	**84.3**	84.3
Receivables and other assets	9	**120.1**	120.0
Total non-current assets		**15,439.9**	15,400.2
Total assets		**15,849.5**	15,637.9
Current liabilities			
Interest bearing liabilities	6	**193.1**	1,357.4
Distribution payable		**352.3**	336.5
Payables and other financial liabilities	10	**237.8**	199.5
Provisions	11	**85.8**	157.9
Derivative financial instruments	6(d)	**-**	0.3
Total current liabilities		**869.0**	2,051.6
Non-current liabilities			
Interest bearing liabilities	6	**3,749.1**	2,945.7
Other financial liabilities	10	**200.4**	38.9
Provisions	11	**2.3**	5.4
Derivative financial instruments	6(d)	**179.7**	0.7
Total non-current liabilities		**4,131.5**	2,990.7
Total liabilities		**5,000.5**	5,042.3
Net assets		**10,849.0**	10,595.6
Equity			
Contributed equity	8	**8,493.2**	8,493.2
Share-based payment reserve		**4.7**	11.5
Retained profits		**2,351.1**	2,090.9
Total equity		**10,849.0**	10,595.6

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

	Attributable to securityholders of Vicinity Limited				Attributable to securityholders of other stapled entities of the Group				
	Contributed equity $m	Reserves $m	Retained profits/ (Accumulated losses) $m	Total $m	Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Total equity $m
As at 1 July 2014[1]	**224.1**	**-**	**(2.3)**	**221.8**	**3,914.9**	**-**	**1,965.0**	**5,879.9**	**6,101.7**
Net profit for the year	-	-	10.8	10.8	-	-	664.3	664.3	675.1
Total comprehensive income for the year	**-**	**-**	**10.8**	**10.8**	**-**	**-**	**664.3**	**664.3**	**675.1**
Transactions with securityholders in their capacity as securityholders:									
Issue of securities, net of transaction costs	4.4	-	-	4.4	117.4	-	-	117.4	121.8
Consideration issued on Merger	252.8	11.1	-	263.9	3,982.4	-	-	3,982.4	4,246.3
Equity raising costs on Merger	(0.2)	-	-	(0.2)	(2.6)	-	-	(2.6)	(2.8)
Movement in share based payment reserve	-	0.4	-	0.4	-	-	-	-	0.4
Distributions paid and payable	-	-	-	-	-	-	(546.9)	(546.9)	(546.9)
Total equity as at 30 June 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:									
Movement in share based payment reserve	-	(6.8)	-	(6.8)	-	-	-	-	(6.8)
Distributions paid and payable	-	-	-	-	-	-	(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**

1. As described in the 'About this report – Merger of Federation Centres and Novion Property Group' section in the Notes to the Financial Statements, the comparative information for the year ended 30 June 2015 represents results for 12 months of Novion and 1 month of Federation.

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

CASH FLOW STATEMENT
For the year ended 30 June 2016

	Note	30-Jun-16 $m	30-Jun-15[1] $m
Cash flows from operating activities			
Receipts in the course of operations		**1,508.7**	987.2
Payments in the course of operations		**(618.3)**	(400.6)
Distributions and dividends received from associates, joint venture partnerships and managed investments		**12.6**	3.0
Interest and other revenue received		**9.5**	3.1
Interest paid		**(170.7)**	(174.7)
Net cash inflows from operating activities	16	**741.8**	418.0
Cash flows from investing activities			
Payments for capital expenditure on investment properties		**(422.2)**	(198.8)
Payments for acquisition of investment properties		**(358.0)**	-
Proceeds from disposal of investment properties		**1,146.7**	267.0
Payments for plant and equipment and other investments		**(3.4)**	(7.7)
Proceeds from other assets		**3.5**	7.7
Payments for intangibles		**(9.3)**	-
Proceeds from capital distribution from equity accounted investments		**-**	38.0
Net cash received in business combination		**-**	60.1
Integration and transaction costs paid		**(40.0)**	(56.1)
Stamp duty paid		**(83.4)**	-
Net cash inflows from investing activities		**233.9**	110.2
Cash flows from financing activities			
Proceeds from borrowings		**4,519.2**	4,579.5
Repayments of borrowings		**(4,837.8)**	(4,690.0)
Distributions paid to external securityholders		**(684.9)**	(294.6)
Termination payments for derivatives		**-**	(95.6)
Debt establishment costs paid		**(14.6)**	(8.4)
Acquisition of securities on market for settlement of share based payment plans		**(12.2)**	-
Stapled security issue costs paid		**-**	(2.8)
Net cash outflows from financing activities		**(1,030.3)**	(511.9)
Net (decrease)/increase in cash and cash equivalents held		**(54.6)**	16.3
Cash and cash equivalents at the beginning of the year		**107.4**	91.1
Cash and cash equivalents at the end of the year		**52.8**	107.4

1. As described in the 'About this report – Merger of Federation Centres and Novion Property Group' section in the Notes to the Financial Statements, the comparative information for the year ended 30 June 2015 represents 12 months for Novion and 1 month for Federation.

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

STREAMLINED FINANCIAL STATEMENTS

This year, the Group's financial statements have been presented in a more streamlined manner by changing the format and layout to simplify the information disclosed and make it more relevant to users. Similar notes have been grouped into sections with relevant accounting policies and judgement and estimate disclosures incorporated within the notes to which they relate.

Notes

NOTES TO THE FINANCIAL STATEMENTS

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 traded collectively. The Company and 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 Constitutions of entities within the Group, the *Corporations Act 2001* (Cth) and Australian Accounting Standards (AASB) 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 Class Order 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 17 August 2016. The Directors have the power to amend and reissue the financial report.

Although the Group has a net current deficiency of $459.4 million (current liabilities exceed current assets) at reporting date, the Group has sufficient current undrawn Australian dollar borrowing facilities (of $1,196.0 million, refer to Note 6(a)) and generates sufficient operating cashflows to meet its current obligations as they fall due. Accordingly, this financial report has been prepared on a going concern basis.

Accounting policies

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

Critical accounting estimates and judgements

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 result 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(b) and Note 21(b)

Merger of Federation Centres and Novion Property Group

On 11 June 2015, the stapled entities Federation Centres (Federation) and Novion Property Group (Novion) merged (the Merger). Under the terms of the Merger, each Novion Security was exchanged for 0.8225 Federation Securities, resulting in Federation as the legal acquirer and Novion as the legal acquiree. Under accounting standards (AASB 3 *Business Combinations*), the transaction was accounted for as a reverse acquisition and Novion was identified as the accounting acquirer and Federation as the accounting acquiree. Accordingly, the following amounts are represented in the financial statements:

	12 months to 30-Jun-16	12 months to 30-Jun-15
Statement of Comprehensive Income Statement of Changes in Equity Cash Flow Statement	**Vicinity Centres**	1 month Federation + 12 months Novion
Underlying Earnings	**Vicinity Centres**	12 months Federation + 12 months Novion
	As at 30-Jun-16	**As at 30-Jun-15**
Balance Sheet	**Vicinity Centres**	Vicinity Centres

Further information on the consideration transferred on the Merger and the net assets acquired can be found in Note 2 to the 30 June 2015 Vicinity Centres (then Federation Centres) financial statements.

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.

OPERATIONS

1. Segment reporting

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

- **Property Investment:** net property income derived from investment in retail property; and
- **Strategic Partnerships:** 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 Managing Director & Chief Executive Officer (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 adjustments, certain unrealised and non-cash items, and other items that are non-recurring or capital in nature. In addition to Underlying Earnings, from 1 July 2015, 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 other items in accordance with the guidelines published by the Property Council of Australia.

(a) Segment results

For the 12 months to:	30-Jun-16 $m	30-Jun-15[1] $m
Property Investment segment		
Net property income	**953.6**	936.9
Strategic Partnership segment		
Property management, development and leasing fees	**56.3**	54.0
Funds management fees	**9.8**	12.0
Total income	**1,019.7**	1,002.9
Corporate overheads (net of internal property management fees)	**(80.8)**	(105.4)
Net interest expense	**(181.4)**	(205.7)
Underlying Earnings	**757.5**	691.8
Adjusted for:		
Rent lost from undertaking developments	**(18.0)**	
Maintenance capital expenditure and tenant incentives paid	**(72.1)**	
Adjusted Funds From Operations[2]	**667.4**	
Distribution declared	**700.7**	666.9[3]
Distribution as a percentage of Underlying Earnings	**92.5%**	96.4%
Distribution as a percentage of AFFO[2]	**105.0%**	-

1. Although the Merger occurred on 11 June 2015, for comparison purposes, management assesses Group performance against aggregated Federation and Novion results for the year ended 30 June 2015. Changes in the definition of underlying earnings adopted by Federation and the distributable income definition adopted by Novion (to exclude the amortisation of static lease incentives from Net Property Income) have resulted in a net increase in underlying earnings of $8.7 million from the previously reported underlying earnings and distributable income of Federation and Novion respectively at 30 June 2015.
2. AFFO was not previously used by Novion as a measure of segment performance. As such, information for the comparative year is not reported.
3. Represents aggregate distributions for Federation and Novion for the year ended 30 June 2015. Distributions shown in the Statement of Changes in Equity of $546.9 million exclude Federations 31 December 2014 distribution of $119.9 million.

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-16 cents	30-Jun-15[1] cents
Underlying EPS	**19.14**	17.56
Distribution per security	**17.70**	16.90

1. As Underlying Earnings for year ended 30 June 2015 represents the aggregated Federation and Novion result, the underlying EPS is calculated based on the weighted average securities of Novion on issue plus the weighted average securities of Federation on issue for the year.

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

For the 12 months to:	30-Jun-16 $m	30-Jun-15 $m
Underlying Earnings	**757.5**	691.8
Subtract Federation Underlying Earnings prior to the Merger[1]	**-**	(240.8)
Property revaluation increments for directly owned properties[2]	**733.0**	430.9
Non-distributable (loss)/gain relating to equity accounted investments[2]	**(15.6)**	2.8
Amortisation of static lease incentives[3]	**(10.2)**	(6.9)
Amortisation of other project items[3]	**(22.4)**	(21.7)
Straight-lining of rent adjustment[4]	**4.8**	6.4
Rent lost from undertaking developments[5]	**(18.0)**	(12.5)
Stamp duty and transaction costs written off on acquisition of investment properties	**(20.1)**	-
Net movement on mark-to-market of derivatives[6]	**(147.5)**	(23.0)
Net unrealised foreign exchange gain	**42.4**	-
Integration and transaction costs[7]	**(41.1)**	(135.4)
Impairment and amortisation of intangible assets[8]	**(298.3)**	(3.3)
Income tax expense	**-**	(5.0)
Other non-distributable items	**(3.6)**	(8.2)
Net profit after tax	**960.9**	675.1

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

1. Represents Federation's contribution to underlying earnings in the comparative period which does not form part of the comparative net profit after tax. Refer to the 'About this report – Merger of Federation Centres and Novion Property Group' section.
2. Net profit includes non-distributable fair value movements relating to directly owned properties and equity accounted investments.
3. Certain payments such as lease incentives relating to investment properties are capitalised in 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 incentives is excluded from underlying earnings.
4. Straight-lining of rental revenue, which is required by Australian Accounting Standards, is an unrealised non-cash amount.
5. The Group recognises rent lost from undertaking developments in net property income. This income does not meet the definition of revenue under Australian Accounting Standards and is therefore not recognised in statutory net profit.
6. Fair value movements in derivatives comprise mark-to-market movements required by Australian Accounting Standards for valuation purposes, including realised and unrealised amounts.
7. The Group has incurred costs in the current and prior year in relation to the Merger.
8. Net profit includes the impairment and amortisation of intangible assets as outlined in Note 15 and 21(b). These are non-cash expenses.

1. Segment reporting continued

(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. Segment income is the share of net property income of investment properties, services revenue earned from management of assets on behalf of strategic partners or wholesale funds and distributions received from managed fund investments. Therefore, to reconcile to total revenue per the Statement of Comprehensive Income, we deduct distributions received from equity accounted investments, then add back expenses deducted in determining net property income and interest revenue not included in segment income, as shown below:

For the 12 months to:	30-Jun-16 $m	30-Jun-15 $m
Total segment income	**1,019.7**	1,002.9
Adjusted for:		
Federation Group segment income prior to the Merger	**-**	(340.0)
Net property income from equity accounted investments not shown in revenue per the Statement of Comprehensive Income	**(20.2)**	(5.1)
Straight-lining revenue	**4.8**	6.4
Property related expenses included in net property income	**359.9**	220.5
Amortisation of static lease incentives and other project items	**(32.6)**	(28.6)
Interest and other revenue not included in segment income	**10.2**	5.1
Total revenue and other income per Statement of Comprehensive Income	**1,341.8**	861.2

(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:

	30-Jun-16 $m	30-Jun-15 $m
Investment properties Note 4(a)[1]	**14,418.7**	14,095.3
Investment properties included in equity accounted investments	**267.1**	245.4
Total interests in directly owned investment properties	**14,685.8**	14,340.7
Assets under management on behalf of strategic partners[2]	**8,920.6**	8,317.5
Total assets under management	**23,606.4**	22,658.2

1. Excludes planning and holding costs relating to investment properties 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 unallocated 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-16	30-Jun-15
Earnings per security attributable to securityholders of the Vicinity Group:		
Basic earnings per security (cents)	**24.27**	25.56
Diluted earnings per security (cents)	**24.25**	25.21
Earnings per security attributable to securityholders of the Parent (Vicinity Limited):		
Basic (loss)/earnings per security (cents)	**(7.72)**	0.41
Diluted (loss)/earnings per security (cents)	**(7.72)**	0.39

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

For the 12 months to:	30-Jun-16 $m	30-Jun-15 $m
Earnings used in calculating basic earnings per security of the Vicinity Group	**960.9**	675.1
Adjusted for:		
Borrowing costs attributable to convertible notes	**-**	17.4
Less: Amount capitalised in qualifying assets	**-**	(1.7)
Earnings used in calculating diluted earnings per security of the Vicinity Group	**960.9**	690.8
Earnings used in calculating basic and diluted earnings per security of the Parent (Vicinity Limited)	**(305.6)**	10.8

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-16 Number (m)	30-Jun-15[1] Number (m)
Weighted average number of securities used as the denominator in calculating basic earnings per security	**3,958.6**	2,641.3
Adjustment for potential dilution from performance rights granted	**3.8**	2.3
Adjustment for potential dilution from convertible notes	**-**	97.4
Weighted average number of securities and potential securities used as the denominator in calculating the diluted earnings per security	**3,962.4**	2,741.0

1. Due to accounting for the Merger as a reverse acquisition (as described in the 'About this report – Merger of Federation Centres and Novion Property Group' section) the number of securities used in the calculation of earnings per security for the year ended 30 June 2015 represents the weighted average number of securities of Novion pre-merger, multiplied by the Merger exchange ratio of 0.8225, plus the weighted average number of securities on issue post-merger to the end of the year.

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 investors. The Trust's investors pay tax at their marginal tax rates, in the case of Australian resident investors, or through the Managed Investment Trust withholding rules for non-resident investors. 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 and its subsidiaries have formed a tax consolidated group (TCG). Under this arrangement, Vicinity Limited, 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 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 will be available to utilise them or deferred tax liabilities. 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-16 $m	30-Jun-15 $m
Current income tax benefit/(expense)	**6.3**	(0.4)
Deferred income tax expense	**(2.8)**	(4.3)
Adjustment for current year tax of prior periods	**0.7**	(0.3)
Benefit from tax losses not recognised	**(4.2)**	-
Income tax expense	**-**	(5.0)

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 our Vicinity Centres Approach to Taxes section of this Annual Report. The taxes paid report has been prepared in accordance with the Board of Tax Voluntary Tax Transparency Code.

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 our Vicinity Centres Approach to Taxes section of this Annual Report.

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

The reconciliation below takes the Group's net profit before tax and deducts:

- The component of the Group's profit attributable to the Trust (which, as described in Note 3(a), is not subject to tax provided that unitholders are presently entitled to the income of the Trust); and
- Items included in net profit before tax which are not subject to tax.

For the 12 months to:	30-Jun-16 $m	30-Jun-15 $m
Profit before tax for the year	**960.9**	680.1
Less: Profit attributed to the Trust and not subject to tax	**(1,266.5)**	(664.3)
Net (loss)/profit before tax attributable to securityholders of Vicinity Limited	**(305.6)**	15.8
Prima facie income benefit/(expense) at 30%	**91.7**	(4.7)
Tax effect of amounts not taxable in calculating income tax expense:		
Non-deductible impairment and amortisation of intangible assets	**(89.5)**	(1.0)
Net adjustment relating to acquisition of share based payments	**2.4**	-
Prior period adjustments	**0.7**	(0.3)
Other non-deductible items	**(2.4)**	(1.3)
Other items	**1.3**	2.3
Benefit from tax losses not recognised	**(4.2)**	-
Income tax expense	**-**	(5.0)

(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 1 July 2014	**17.3**	**(5.3)**	**2.2**	**38.6**	**10.5**	**63.3**
Acquired through business combination	7.4	-	4.9	-	13.6	25.9
Allowable deductions	-	-	-	(14.7)	14.7	-
Charged:						
– to profit	(5.3)	1.0	0.1	-	(0.8)	(5.0)
– directly to equity	-	-	0.1	-	-	0.1
At 30 June 2015	**19.4**	**(4.3)**	**7.3**	**23.9**	**38.0**	**84.3**
Allowable deductions	-	-	-	(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**

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 asset of $84.3 million is recognised based on forecasts as it is probable the Group will earn sufficient taxable income in future periods to utilise the tax deductions.

Unrecognised deferred tax assets at 30 June 2016 are $25.3 million (30 June 2015: $19.8 million) which will be reviewed on an annual basis and may be recognised at a later date if considered likely to be recovered.

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-16			30-Jun-15		
Shopping centre type	Number of properties	Value $m	Weighted average cap rate %	Number of properties	Value $m	Weighted average cap rate %
Super Regional	**1**	**2,215.0**	**4.75**	1	1,871.8	5.00
Major Regional	**7**	**3,144.2**	**5.79**	7	3,068.7	5.84
City Centre	**4**	**1,849.5**	**5.06**	4	1,665.0	5.56
Regional	**10**	**2,105.4**	**6.33**	12	2,520.1	6.67
Outlet Centre	**5**	**1,084.8**	**6.49**	5	952.2	6.82
Sub Regional	**34**	**3,272.5**	**6.75**	36	3,197.2	7.19
Neighbourhood and other	**19**	**747.3**	**6.86**	22	820.3	7.17
Planning and holding costs[1]	**-**	**25.8**	**-**	-	14.4	-
Total	**80**	**14,444.5**	**5.94**	87	14,109.7	6.30
Add: Finance lease assets[2]		**214.2**			-	
Less: Properties held for sale (current asset)[3]		**(232.1)**			-	
Total investment properties		**14,426.6**			14,109.7	

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(c) for further detail.
3. Represents the carrying amount of investment properties which the Group had an agreement to sell. At 30 June 2016, the value represents a 25% freehold interest in The Myer Centre Brisbane, a 50% freehold interest in Mornington Central and a 100% freehold interest in Bowes St. These sales are expected to settle in FY17.

(b) Movements for the year

	30-Jun-16 $m	30-Jun-15[1] $m
Opening balance	**14,109.7**	8,830.4
Investment properties acquired through business combination[1]	**-**	4,734.4
Acquisitions including associated stamp duty and transaction costs[2]	**378.1**	-
Capital expenditure[3]	**406.5**	192.8
Capitalised interest[4]	**11.8**	10.4
Disposals	**(1,146.7)**	(67.0)
Property revaluation increment for directly owned properties	**733.0**	430.9
Stamp duty and transaction costs written off on acquisitions	**(20.1)**	-
Amortisation of incentives	**(32.6)**	(28.6)
Straight-lining of rent adjustment	**4.8**	6.4
Closing balance	**14,444.5**	14,109.7

1. Federation's investment properties were acquired by Novion as part of the Merger described in the 'About this report – Merger of Federation Centres and Novion Property Group' section.
2. Comprises purchase price of $358.0 million plus stamp duty and transaction costs of $20.1 million.
3. Includes development costs, maintenance capital expenditure and lease incentives.
4. Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 4.1% (30 June 2015: 5.3%).

(c) Portfolio valuation

Process

Each investment property is valued either independently (externally) or internally in December and June each year as part of the bi-annual 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 Property 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 use industry software to 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; and
- 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 evidence.
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-16		30-Jun-15		
Unobservable inputs	Range of inputs	Weighted average inputs	Range of inputs	Weighted average inputs	Sensitivity
Capitalisation rate[1]	**4.75% – 8.50%**	**5.94%**	5.00% – 10.00%	6.30%	The higher the discount rate, terminal yield, capitalisation rate and downtime for tenants vacating, the lower the fair value.
Discount rate[2]	**7.00% – 9.25%**	**7.95%**	8.00% – 10.25%	8.50%	
Terminal yield[3]	**5.00% – 8.75%**	**6.18%**	5.25% – 10.25%	6.54%	
Expected downtime (for tenants vacating)	**2 months to 12 months**	**4 months**	2 months to 12 months	4 months	
Rental growth rate	**2.70% – 4.50%**	**3.70%**	2.50% – 4.60%	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 regards to comparable market transactions.
2. The discount rate is a required annual total rate of return used to convert a forecast cashflow 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 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 discounted cash flow calculation. The rate is determined with regards to comparable market transactions and the expected risk of the asset at the end of the cashflow period.

All of the above key assumptions have been taken from the latest external valuation reports and internal valuation assessments. Bowes St is excluded from the 30 June 2016 inputs as it is a commercial property and held for sale.

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

(d) List of investment properties

i. Super Regional

	Ownership interest %	Valuation type	Carrying value 30-Jun-16 $m	Carrying value 30-Jun-15 $m
Chadstone Shopping Centre	50	Internal	**2,215.0**	1,871.8
Total Super Regional			**2,215.0**	1,871.8

ii. Major Regional

	Ownership interest %	Valuation type	Carrying value 30-Jun-16 $m	Carrying value 30-Jun-15 $m
Bankstown Central	50	External	**343.0**	320.0
Bayside Shopping Centre	100	External	**570.0**	556.2
Chatswood Chase Sydney	100	External	**1,011.2**	952.1
Galleria	50	Internal	**382.5**	360.0
Northland Shopping Centre	50	External	**482.5**	482.5
Roselands	50	External	**185.0**	179.8
The Glen	50	Internal	**170.0**	218.1
Total Major Regional			**3,144.2**	3,068.7

iii. City Centre

	Ownership interest %	Valuation type	Carrying value 30-Jun-16 $m	Carrying value 30-Jun-15 $m
Emporium Melbourne[1]	50	External	**570.0**	489.6
Myer Bourke Street[1]	33	External	**151.3**	122.8
The Myer Centre Brisbane[2]	50	Internal	**384.2**	382.7
QueensPlaza	100	External	**744.0**	669.9
Total City Centre			**1,849.5**	1,665.0

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

4. Investment properties continued

(d) List of investment properties continued

iv. Regional

	Ownership interest %	Valuation type	Carrying value 30-Jun-16 $m	Carrying value 30-Jun-15 $m
Broadmeadows Shopping Centre	100	External	**322.8**	333.7
Colonnades	50	External	**155.5**	150.8
Cranbourne Park	50	Internal	**147.5**	130.5
Eastlands Shopping Centre	100	Internal	**163.0**	162.7
Elizabeth Shopping Centre	100	External	**374.1**	368.2
Grand Plaza Shopping Centre	50	External	**205.0**	191.0
Mandurah Forum	50	External	**172.5**	156.3
Mount Ommaney	25	Internal	**105.0**	104.1
Rockingham Shopping Centre	50	External	**300.0**	280.3
Runaway Bay Shopping Village	50	External	**160.0**	127.5
Forest Hill Chase[3]	100	-	**-**	281.7
Toombul[3]	100	-	**-**	233.3
Total Regional			**2,105.4**	2,520.1

v. Outlet Centre

	Ownership interest %	Valuation type	Carrying value 30-Jun-16 $m	Carrying value 30-Jun-15 $m
DFO Brisbane[4,5]	100	External	**55.0**	-
DFO Essendon[6]	100	Internal	**163.0**	152.9
DFO Homebush	100	Internal	**390.0**	320.0
DFO Moorabbin[7]	100	External	**110.5**	108.6
DFO South Wharf[8]	75	External	**366.3**	311.6
Indooroopilly Central[3]	100	-	**-**	59.1
Total Outlet Centre/other			**1,084.8**	952.2

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

vi. Sub Regional

	Ownership interest %	Valuation type	Carrying value 30-Jun-16 $m	Carrying value 30-Jun-15 $m
Altona Gate Shopping Centre	100	Internal	**94.0**	86.9
Armidale Central	100	External	**45.5**	44.5
Belmont Village	100	Internal	**46.3**	44.5
Box Hill North	100	External	**86.6**	70.0
Box Hill South[9]	100	Internal	**161.0**	144.4
Brandon Park	50	External	**57.5**	58.2
Buranda Village	100	Internal	**41.5**	38.1
Carlingford Court	50	Internal	**108.5**	101.5
Castle Plaza Shopping Centre	100	Internal	**168.9**	152.7
Corio Shopping Centre	100	Internal	**126.0**	123.8
Gympie Central	100	External	**78.0**	75.0
Halls Head Central[10]	50	External	**47.4**	-
Karratha City	50	External	**56.6**	57.5
Kurralta Central	100	Internal	**37.0**	35.7
Lake Haven Shopping Centre	100	Internal	**273.5**	268.3
Lavington Square	100	Internal	**58.0**	56.0
Livingston Marketplace[4]	100	Internal	**84.0**	-
Maddington Central	100	Internal	**119.0**	114.4
Maitland Hunter Mall	100	Internal	**20.0**	16.8
Mornington Central[2]	100	Internal	**65.0**	61.8
Nepean Village	100	Internal	**164.0**	142.1
Northgate Shopping Centre	100	External	**103.5**	96.2
Roxburgh Park Shopping Centre	100	External	**111.9**	105.2
Sunshine Marketplace	50	External	**57.5**	56.0
Taigum Square	100	External	**91.0**	89.3
The Shops at Ellenbrook[4]	100	Internal	**233.0**	-
Toormina Gardens	50	Internal	**40.0**	40.0
Tweed Mall	100	External	**70.0**	79.0
Warnbro Centre	100	Internal	**123.5**	122.0
Warriewood Square	50	External	**132.5**	87.7
Warwick Grove	100	Internal	**197.5**	184.1
West End Plaza	100	External	**64.4**	59.0
Whitsunday Central	100	Internal	**63.0**	59.6
Wodonga Plaza	100	External	**46.4**	47.3
Brimbank Shopping Centre[3]	100	-	**-**	165.5
Clifford Gardens Shopping Centre[3]	100	-	**-**	188.5
Goulburn Plaza[3]	100	-	**-**	67.2
Mount Gambier Central[3]	100	-	**-**	24.8
Westside Plaza[3]	100	-	**-**	33.6
Total Sub Regional			**3,272.5**	3,197.2

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

4. Investment properties continued

(d) List of investment properties continued

vii. Neighbourhood and Other

	Ownership interest %	Valuation type	Carrying value 30-Jun-16 $m	Carrying value 30-Jun-15 $m
Albany Brooks Garden	100	External	**23.8**	25.1
Bentons Square[11]	100	Internal	**77.3**	76.8
Bowes Street[2]	100	Internal	**7.5**	10.0
Currambine Central	100	Internal	**98.0**	87.3
Dianella Plaza	100	Internal	**81.5**	72.2
Flinders Square	100	Internal	**31.0**	30.3
Goldfields Plaza	100	External	**27.0**	25.0
Halls Head Central[10]	50	-	**-**	22.1
Hilton Plaza	100	Internal	**17.8**	19.0
Kalamunda Central	100	Internal	**37.5**	36.8
Lennox Village	50	Internal	**32.5**	30.3
Milton Village	100	Internal	**25.5**	22.0
Monier Village	100	External	**19.5**	19.9
North Shore Village	100	Internal	**23.5**	20.8
Oakleigh Central	100	External	**62.0**	58.0
Oxenford Village	100	External	**28.4**	26.5
Stirlings Central	100	Internal	**50.0**	48.0
Terrace Central	100	External	**32.5**	31.5
The Gateway	100	Internal	**42.5**	38.8
Victoria Park Central	100	External	**29.5**	27.0
Katherine Oasis[3]	100	-	**-**	27.9
Lutwyche City[3]	100	-	**-**	65.0
Total Neighbourhood and Other			**747.3**	820.3

1. The titles to these properties are leasehold with 290 years remaining on each ground leases.
2. Part of these properties are held for sale at 30 June 2016, refer to footnote (3) in Note 4(a).
3. Disposed during the year.
4. Acquired during the year.
5. The right to operate the DFO Brisbane business has 30 years remaining.
6. The title to this property is leasehold with 32 years remaining on the ground lease.
7. The title to this property is leasehold with 18 years remaining on the ground lease.
8. The title to this property is leasehold with 92 years remaining on the ground lease.
9. The title to this property is leasehold with options to extend the ground lease to 2134 at the Group's option.
10. Following completion of the centre re-development Halls Head Central is now a Sub-Regional centre.
11. The Group had an option to acquire the remaining 50% of Bentons Square. This was exercised on 5 July 2016. Based on the terms of the agreement, 100% of the property results were accounted for in the Group financial statements, with a deferred settlement liability recognised on the 50% of the property under option (refer to Note 10).

(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-16 $m	30-Jun-15 $m
Not later than one year	**833.2**	906.4
Later than one year and not later than five years	**2,077.3**	2,286.3
Later than five years	**1,091.6**	1,317.4
Total operating lease receivables	**4,002.1**	4,510.1

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.

	Carrying value	
	30-Jun-16 $m	**30-Jun-15 $m**
Victoria Gardens Retail Trust (Joint Venture)	**76.3**	70.8
Other associates and joint ventures	**4.2**	23.1
Closing Balance	**80.5**	93.9

(a) Movements for the year

	30-Jun-16 $m	30-Jun-15 $m
Opening balance	**93.9**	36.4
Acquired through business combination	**-**	92.4
Additional investments made during the year	**2.0**	0.3
Share of net (loss)/profit of equity accounted investments	**(6.0)**	7.7
Distributions	**(8.9)**	(42.9)
Return of capital	**(0.5)**	-
Closing balance	**80.5**	93.9

(b) Summarised financial information for material equity accounted investments

	Victoria Gardens Retail Trust[1]	
	30-Jun-16 $m	**30-Jun-15 $m**
Investment properties – non-current	**127.1**	105.3
Interest bearing liabilities – non-current	**(46.6)**	(34.0)
Other net liabilities	**(4.2)**	(0.5)
Net assets	**76.3**	70.8
Total income	**9.3**	0.9
Aggregate net profits after income tax	**10.1**	0.5
Interest expense	**(1.9)**	(0.1)
Distributions receivable by the Group	**3.6**	3.5

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 $827,485 (30 June 2015: $64,400). At 30 June 2016, $66,127 remains payable to the Group (30 June 2015: $71,000). The Group also has distributions receivable of $3,667,754 at balance date (30 June 2015: $3,451,695).

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

Rent and outgoings payable by VAO as a tenant of the Group's centres was $13,513,859 (30 June 2015: $12,842,000). Dividends paid to the Group were $904,717 (30 June 2015: $2,198,000). No amounts are receivable at 30 June 2016 (30 June 2015: nil).

Tuggeranong Town Centre Trust (joint venture, 50% ownership interest)

Asset management fees earned by the Group for management services provided to Tuggeranong Town Centre Trust (TTCT) totalled $1,368,659 (30 June 2015: $122,333). At 30 June 2016 no management fees remain payable to the Group (30 June 2015: nil).

As disclosed in Note 9, the Group has a loan receivable from TTCT of $117,387,000 as at 30 June 2016 (30 June 2015: $117,387,000). The interest income for the year was $7,132,051 (30 June 2015: $269,308). At 30 June 2016, $294,739 remains payable to the Group (30 June 2015: $242,000). The Group also has other payables to TTCT of $361,810 at balance date (30 June 2015: $310,000) and distributions receivable of $1,508,237 (30 June 2015: $2,869,593).

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 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. Prior to 1 May 2016, the US private placement notes (USPPs) were designated in hedge relationships with Cross Currency Swaps. The Group elected to discontinue these hedge relationships from 1 May 2016, refer to Note 6(b) for further details. The following table outlines the Group's interest bearing liabilities at balance date:

	30-Jun-16 $m	30-Jun-15 $m
Current liabilities		
Unsecured		
A$ Medium Term Notes (A$ MTNs)	**-**	440.0
US$ USPPs	**193.1**	648.9
Convertible notes	**-**	270.4
Deferred debt costs[1]	**-**	(1.9)
Total current liabilities	**193.1**	1,357.4
Non-current liabilities		
Secured		
A$ MTNs	**323.2**	328.7
Unsecured		
Bank debt	**1,696.3**	2,380.9
A$ MTNs	**250.0**	250.0
GBP European Medium Term Notes (EMTNs)	**619.9**	-
US$ USPPs	**877.6**	-
Deferred debt costs[1]	**(17.9)**	(13.9)
Total non-current liabilities	**3,749.1**	2,945.7
Total interest bearing liabilities	**3,942.2**	4,303.1

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.

(a) Facilities available

The maturity of the Group's total available facilities by type excluding fair value adjustments[1] are detailed in the table below:

Facility type	Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Greater than 10 years	30-Jun-16 Total $m	30-Jun-15 Total $m
Bank debt[2]	-	1,592.3	1,300.0	-	-	**2,892.3**	5,097.3
US$ USPPs	177.6	38.0	-	407.9	367.4	**990.9**	564.2
A$ MTNs	-	-	550.0	-	-	**550.0**	990.0
GBP EMTNs	-	-	-	655.2	-	**655.2**	-
Convertible Notes	-	-	-	-	-	**-**	253.4
Total facilities available	177.6	1,630.3	1,850.0	1,063.1	367.4	**5,088.4**	6,904.9
Amount drawn (refer note 7(a))						**(3,892.4)**	(4,188.5)
Total undrawn facilities						**1,196.0**	2,716.4

1. The carrying amount of the US$ USPPs, GBP EMTNs and secured A$ MTNs in the Balance Sheet includes adjustments for fair value items and foreign exchange translation of $67.7 million (30 June 2015: $130.4 million). These fair value adjustments are excluded from the calculation of total facilities available and amounts drawn. Additionally, deferred debt costs of $17.9 million (30 June 2015: $15.8 million) are not reflected in the amount drawn.
2. Total debt facilities is reduced by bank guarantees of $17.7 million (30 June 2015: $2.7 million) drawn against bank debt facilities.

(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 fees 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 property which are capitalised to the cost of the investment property during the period of development.

	30-Jun-16 $m	30-Jun-15 $m
Interest expense	**188.4**	146.9
Amortisation of borrowing costs	**5.9**	13.6
Amortisation of fair value adjustment relating to discontinuation of hedge accounting[1]	**(1.9)**	-
Amortisation of fair value adjustment on secured A$ MTNs acquired on Merger	**(5.5)**	-
Less: Capitalised borrowing costs	**(11.8)**	(10.4)
Total borrowing costs	**175.1**	150.1

1. On 1 May 2016 the Group elected to discontinue hedge accounting for its existing US$ denominated debt (USPPs) and Cross Currency Swap derivatives. AASB 139 *Financial Instruments Recognition and Measurement* requires 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 2016, the Group had no defaults on debt obligations or breaches of lending covenants (30 June 2015: None).

(d) Derivatives

As detailed further in Note 7, derivative instruments are held to hedge against interest rate risk and foreign currency risk of the Group's borrowings. The carrying value and notional principal amounts of these instruments is shown in the table below:

	Carrying Amount		Notional Principal Value	
	30-Jun-16 $m	30-Jun-15 $m	30-Jun-16 $m	30-Jun-15 $m
Cross currency swaps (pay A$ 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	**112.2**	84.7	**435.0**	524.2
Interest rate swaps (floating to fixed) – Assets	**-**	2.4	**-**	1,056.7
Total non-current assets	**112.2**	87.1	**N/A**	N/A
Interest rate swaps (floating to fixed) – Liabilities	**-**	(0.3)	**-**	500.0
Total current liabilities	**-**	(0.3)	**N/A**	N/A
Cross currency swaps (pay A$ floating receive US$ fixed) – Liabilities	**(1.0)**	-	**263.3**	-
Cross currency swaps (pay A$ floating receive GBP fixed) – Liabilities	**(14.8)**	-	**655.2**	-
Interest rate swaps (floating to fixed) – Liabilities	**(163.9)**	(0.7)	**2,870.1**	247.5
Total non-current liabilities	**(179.7)**	(0.7)	**N/A**	N/A

The fair values (carrying amounts) of derivatives are estimated using valuation techniques, including referencing to the current fair value of other instruments that are substantially the same or use of discounted cash flow techniques. 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.

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 Capital Management Committee (CMC), which operates under the CMC and treasury policies, which 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 in the sections 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. 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 value or 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.	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, 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-16 $m	30-Jun-15 $m
Total interest bearing liabilities (Note 6)	**3,942.2**	4,303.1
Add: Deferred debt costs	**17.9**	15.8
Add: Fair value and foreign exchange adjustments to GBP EMTNs	**35.3**	-
Less: Fair value and foreign exchange adjustments to US$ USPPs	**(79.9)**	(84.7)
Less: Fair value adjustment on secured A$ MTNs acquired on Merger	**(23.1)**	(28.7)
Less: Fair value adjustment on convertible notes	**-**	(17.0)
Total drawn debt	**3,892.4**	4,188.5
Less: Fixed rate borrowings	**(665.0)**	(1,283.4)
Net variable rate borrowings exposed to cash flow interest rate risk at 30 June	**3,227.4**	2,905.1
Less: Notional principal of outstanding interest rate swap contracts	**(2,870.1)**	(1,804.2)
Representative net variable rate borrowings exposed to cash flow interest rate risk	**357.3**	1,100.9
Hedged ratio[1]	**91%**	74%

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 2016 remains unchanged for the next 12 months, would impact the Group's cash interest cost for the next 12 months by $0.9 million (30 June 2015 +/- 25 bps: $2.8 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 2016 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $10.0 million (30 June 2015 +/- 25 bps: $14.2 million).

This sensitivity analysis should not be considered a projection.

(b) Foreign exchange rate risk

At 30 June 2016, the Group has the following net exposure to foreign currency translation risk arising from US$ and GBP denominated borrowings:

US$ Borrowings	30-Jun-16 US$ $m	30-Jun-15 US$ $m
Total interest bearing liabilities in US$	**693.0**	449.0
Less: Notional value of cross currency swaps (pay A$ receive US$)	**(693.0)**	(449.0)
Net exposure to US$ translation risk	**-**	-
Hedge ratio for interest bearing liability in US$	**100%**	100%

GBP Borrowings	30-Jun-16 GBP $m	30-Jun-15 GBP $m
Total interest bearing liabilities in GBP	**350.0**	N/A
Less: Notional value of cross currency swaps (pay A$ receive GBP)	**(350.0)**	N/A
Net exposure to GBP translation risk	**-**	N/A
Hedge ratio for interest bearing liability in GBP	**100%**	N/A

The carrying values of debt and derivatives held by the Group are also sensitive to foreign exchange rates. A shift in the forward exchange rate curve of +/- 5 cents, assuming the net exposure to fair value exchange rate risk as at 30 June 2016 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $27.0 million (30 June 2015 +/- 5 cents: nil).

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. 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 June 2016	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m	Carrying amount $m
Bank debt	-	1,539.3	157.0	**1,696.3**	**1,696.3**
A$ AMTNs	-	-	550.0	**550.0**	**573.2**
US$ USPPs	189.8	41.5	770.8	**1,002.1**	**1,070.7**
GBP 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	2,644.3	**4,859.5**	**4,012.0**

30 June 2015	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m	Carrying amount $m
Bank debt	-	2,380.9	-	2,380.9	2,380.9
A$ AMTNs	440.0	-	550.0	990.0	1,018.7
US$ USPPs	-	177.6	386.7	564.3	648.9
Convertible notes	270.4	-	-	270.4	270.4
Estimated interest payments on borrowings	148.1	168.2	195.3	511.6	N/A
Estimated net interest rate swap cash outflow/(inflow)	2.2	(0.1)	(3.2)	(1.1)	(1.4)
Estimated gross cross currency swap cash outflows	17.0	207.6	500.8	725.4	N/A
Estimated gross cross currency swap cash (inflows)	(25.8)	(228.9)	(597.3)	(852.0)	(84.7)
Total contractual outflows	851.9	2,705.3	1,032.3	4,589.5	4,232.8

(d) Fair value of borrowings

As at 30 June 2016, the Group's debt has a fair value of $4,081.6 million (30 June 2015: $4,355.7 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 cashflows 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.

(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 'A-' from Standard & Poor's and 'A2' from Moody's Investors Service.

Key metrics monitored are bank facilities to debt capital markets debt and gearing ratios. These are shown in the tables below:

Bank facilities to capital market debt

Facility type	30-Jun-16 $m	30-Jun-15 $m
Total bank facilities[1]	**2,910.0**	5,100.0
Total capital market debt	**2,196.1**	1,807.6
Total debt facilities available to the Group	**5,106.1**	6,907.6
Bank facilities as a proportion of total debt facilities	**57%**	74%
Capital market debt as a proportion of total debt facilities	**43%**	26%

1. Includes bank guarantee facilities of $17.7 million (30 June 2015: $2.7 million).

Gearing

	30-Jun-16	30-Jun-15
Drawn debt net of cash ($m)	**3,839.6**	4,081.1
Total tangible assets excluding cash, finance lease assets and derivative financial assets ($m)	**14,852.3**	14,552.0
Gearing ratio (target range of 25.0% to 35.0%)	**25.9%**	28.0%

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 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.

	30-Jun-16 Number (m)	30-Jun-15 Number (m)	30-Jun-16 $m	30-Jun-15 $m
Stapled securities on issue at beginning of the year	**3,958.6**	2,482.3	**8,493.2**	4,139.0
Issue of stapled securities – Dividend Reinvestment Plan	**-**	48.5	**-**	121.8
Issue of stapled securities – Employee Share Acquisition Plan	**-**	0.2	**-**	-
Stapled securities issued to effect the Merger	**-**	1,427.6	**-**	4,232.4
Total stapled securities on issue at the end of the year	**3,958.6**	3,958.6	**8,493.2**	8,493.2

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-16 $m	30-Jun-15 $m
Trade debtors		**17.4**	25.3
Accrued income		**22.7**	23.3
Performance fees accrual		**-**	8.0
Receivables from strategic partnerships		**25.2**	11.7
Distribution receivable from joint ventures and associates		**5.1**	8.2
Less: Provision for doubtful debts		**(4.6)**	(6.9)
Total receivables		**65.8**	69.6
Prepayments		**7.5**	9.9
Levies		**13.4**	13.5
Tenant security deposits held		**1.9**	8.9
Other		**16.9**	21.6
Total current receivables and other assets		**105.5**	123.5
Loan to Tuggeranong Town Centre Trust	5(c)	**117.4**	117.4
Investment in related party		**2.7**	2.6
Total non-current receivables and other assets		**120.1**	120.0

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 $70.4 million trade and related party receivables outstanding (30 June 2015: $76.5 million), $10.6 million, which represents approximately 0.79% of total combined revenue, is considered past due but not impaired at 30 June 2016 (30 June 2015: $7.2 million). These relate to a number of individual customers for whom there is no recent history of default.

The Group has recognised a loss of $3.6 million (30 June 2015: $1.8 million) in respect of impaired trade receivables during the year. The loss has been included in “other 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.

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-16 $m	30-Jun-15 $m
Current		
Trade payables and accrued expenses	**70.4**	80.6
Performance fees payable	**-**	8.0
Rents received in advance	**27.1**	26.1
Accrued interest expense	**16.7**	13.6
Accrued capital expenditure	**62.0**	51.4
Security deposits	**1.3**	9.5
Other financial liability – Bentons Square[1]	**38.6**	-
Finance lease liabilities[2]	**13.8**	-
Other	**7.9**	10.3
Total current liabilities	**237.8**	199.5
Non-Current		
Other financial liability – Bentons Square[1]	**-**	38.9
Finance lease liabilities[2]	**200.4**	-
Total non-current liabilities	**200.4**	38.9

1. Refer footnote 11 in Note 4(d).
2. Refer Note 21(c).

At 30 June 2016, 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 for which the amount or timing of the settlement is uncertain as it is outside the control of the Group.

Short-term employee benefits such as annual leave expected to be settled within 12 months of the reporting date are recognised as a liability when the employee has rendered the service and measured as the undiscounted amount expected to be paid in exchange for that service.

Other long-term employee benefits such as long service leave are recognised and measured using an actuarial technique, the projected unit credit method, to make a reliable estimate of the ultimate cost to the entity of the benefit that employees have earned in return for their service in the current and prior periods.

Where the provisions are not expected to be settled wholly before 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 employee liability.

	30-Jun-16 $m	30-Jun-15 $m
Current employee entitlements	**55.8**	60.8
Other current provisions	**30.0**	97.1
Total current provisions	**85.8**	157.9
Non-current employee entitlements	**2.3**	5.4
Total non-current provisions	**2.3**	5.4

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

	30-Jun-15 $m	Arising during the year	Paid during the year	Other movements	30-Jun-16 $m
Stamp duty	74.9	22.2	(83.4)	(4.7)	**9.0**
Levies	13.5	13.4	(13.5)	-	**13.4**
Other	8.7	-	-	(1.1)	**7.6**
Total current provisions	**97.1**	**35.6**	**(96.9)**	**(5.8)**	**30.0**

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 financial statements comprises:

	30-Jun-16 $'000	30-Jun-15[1] $'000
Short-term employee benefits – Executive KMP	**5,323**	8,991
Short-term employee benefits – Non-executive KMP	**2,114**	1,872
Termination benefits	**1,092**	2,613
Share-based payments	**1,995**	2,384
Post-employment benefits	**225**	225
Other long-term employee benefits	**736**	64
Total remuneration of KMP of the Group	**11,485**	16,149

1. The remuneration of KMP included as an expense for the year ended 30 June 2015 comprised the remuneration of the Novion KMP up to the date of Merger (11 June 2015) plus the remuneration of the Vicinity Centres Group KMP from the date of the Merger to 30 June 2015.

13. Employees

Employee benefits expenses consist of:

	30-Jun-16 $m	30-Jun-15[1] $m
Salaries and wages	**97.6**	64.3
Share-based payments expenses	**5.3**	2.4
Other employee benefits expenses	**4.0**	10.7
Total employee benefit expenses	**106.9**	77.4

1. As described in the "About this report – Merger of Federation Centres and Novion Property Group" section in the Notes to the Financial Statements, the comparative information for the year ended 30 June 2015 represents results for 12 months of Novion and 1 month of Federation.

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
Performance Reward Payment Long (PRPL)	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).
Performance Reward Payment Short (PRPS)	PRPS provides certain executives and senior management with 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 PRPS 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 PRPL and PRPS plans are included in Note 14(a).

The following expenses were recognised relating to the share based compensation plans:

	30-Jun-16 $m	30-Jun-15 $m
Performance Reward Payment Long	**2.6**	4.6
Performance Reward Payment Short	**1.7**	0.5
$1,000 Employee Plan[1]	**1.0**	0.6
Total share based payment expense	**5.3**	5.7
Share based payment expense included in employee expenses	**5.3**	2.4
Share based payment expense included in transaction costs[2]	**-**	3.3

1. A total of 360,828 securities were granted under the $1,000 Employee Plan during the year (30 June 2015: 271,990).
2. As a result of the Merger certain share based payments were vested and settled in cash. The expense that resulted from the Merger was included within transaction costs.

The movement in the number of PRPL performance rights was as follows:

	30-Jun-16 Number	30-Jun-15 Number
Opening balance at the beginning of the year	**5,913,252**	-
Granted	**2,918,865**	2,535,110
Forfeited and lapsed	**(1,164,940)**	(1,060,082)
Vested	**(3,282,023)**	(1,475,028)
Federation performance rights acquired as a result of the Merger	**-**	5,913,252
Outstanding at the end of the year	**4,385,154**	5,913,252
Exercisable at the end of the year	**Nil**	Nil
Weighted average remaining contractual life	**2.28 years**	2.46 years

(a) Plan details

Performance Reward Payment Long conditions

Salient features of each PRPL performance right currently on issue are:

Grant year	FY16		FY14 and FY15	
Performance periods	3 years		3 years	
Holding lock	12 months after the end of the performance period		12 months after the end of the performance period	
Performance hurdles[1]	50% Relative Total Securityholder Return (TSR) / 50% Total Return (TR)		40% TSR / 60% underlying EPS and Return on Equity	
TSR comparator Group	S&P/ASX 200 A-REIT Index excluding Westfield Corporation		S&P/ASX 200 A-REIT Index excluding Westfield Corporation	
Vesting scale – TSR	**Percentile ranking**	**Percentage vesting**	**Percentile ranking**	**Percentage vesting**
	≤ 51st	0%	≤ 51st	0%
	Between 51st and 75th	51% to 100%	Between 51st and 75th	51% to 100%
	≥ 75th	100%	≥ 75th	100%
Vesting scale – Total Return[2] (FY16)	**Target total return**	**Percentage vesting**	**Target achieved**	**Percentage vesting**
	9.0%	0%	95%	25%
Underlying EPS / Return on Equity[2] (FY15)	Between 9.0% to 9.5%	Between 50% and 100%	Between 95% and 105%	Between 25% and 99%
	≥ 9.5%	100%	≥ 105%	100%

1. For the purposes of Plan assessment, each performance measure operates independently of the other.
2. Refer to the Remuneration Report for further information on how Total Return and Return on Equity are calculated.

Performance Reward Payment Long – Performance Rights Valuation

The fair value of performance rights granted under the PRPL 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.

In valuing the performance rights issued in FY16, a number of assumptions were used as shown in the table below:

Assumption	Basis	FY16	FY15
Distribution yield	Expected annual distribution rate over the next three years.	**6.0%**	6.6%
Risk-free interest rate	Three year government bond yields as at grant date.	**2.1%**	2.6%
Volatility correlation between VCX and other comparator companies	Analysis of historical total security return volatility (i.e. standard deviation) and the implied volatilities of exchange traded options.	**35.0%**	45.0%
Volatility of Vicinity securities	As above.	**23.0%**	23.0%
TSR of VCX securities	Performance between the start date of the testing period and the valuation date.	**(5.1)%**	9.8%
Holding lock adjustment	Adjustment for 12 month holding lock period.	**7.5%**	7.5%
Security price at measurement date	Closing VCX securities price at grant date.	**$2.75**	$2.74
Fair value per right – TR		**$2.19**	$2.14
Fair value per right – TSR		**$1.04**	$1.20

Performance Reward Payment Short

The number of securities granted and deferred under the PRPS plan during the year ended 30 June 2016 relating to incentive payments earned in the year ended 30 June 2015 was 620,482 (30 June 2015: nil) and the fair value of these securities was $2.79 per security (30 June 2015: nil) determined based on the security price of Vicinity at the grant date of 1 September 2015.

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's internalisation of management from the Commonwealth Bank of Australia (on 24 March 2014) and the 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 1.5 to 9 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.

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
Opening carrying value 1 July 2014	**254.5**	**97.1**	**12.3**	**363.9**
Arising from business combinations	458.2	72.6	-	530.8
Transfer between categories	-	(5.5)	5.5	-
Amortisation charge	-	-	(3.3)	(3.3)
Carrying value 30 June 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**

1. The impairment charge of $295.0 million to goodwill was recorded at 31 December 2015 based on the assessment of recoverable amount performed at that time. Refer to Note 21(b) for further details of this assessment.

(b) Impairment testing

The Group performs impairment testing for 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 2016.

For further details on the $295.0 million impairment recorded at 31 December 2015 refer to Note 21(b).

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-16	30-Jun-15
Cash flows for forecast Earnings Before Income Tax (EBIT) on management fees	**5 years**	5 years
Terminal growth rates	**2.3% – 2.5%**	2.5%
Post tax discount rate range	**7.64% – 8.14%**	7.75% – 8.25%

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 2016. 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 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-16	30-Jun-15
Cash flows for forecast underlying earnings & operational capital expenditure	**3 years**	3 years
Terminal growth rates	**2.3% – 2.5%**	2.5%
Post tax discount rate range	**7.64% – 8.14%**	7.75% – 8.25%
Cost of equity	**8.36% – 8.86%**	8.75% – 9.25%

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; and
- 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.

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-16 $m	30-Jun-15 $m
Net profit after tax for the financial year	**960.9**	675.1
Exclude non-cash items and cash flows under investing and financing activities:		
Amortisation of static lease incentives and other project items	**32.6**	28.6
Straight-lining of rent adjustment	**(4.8)**	(6.4)
Property revaluation increment for directly owned properties	**(733.0)**	(430.9)
Share of net (profit)/loss of investments accounted for using the equity method	**6.0**	(7.7)
Distributions of net income from equity accounted investments	**8.9**	3.0
Capitalised borrowing costs	**(11.8)**	(10.4)
Amortisation of borrowing costs	**5.9**	13.6
Net movement on mark-to-market of derivatives	**147.5**	23.5
Foreign exchange gain	**(42.4)**	-
Share-based payment expense	**5.3**	0.9
Integration and transaction costs	**41.1**	135.4
Impairment and amortisation of intangible assets	**298.3**	3.3
Stamp duty and other costs written off on acquisition of investment properties	**20.1**	-
Other non-cash items	**2.1**	2.2
Movements in working capital:		
Decrease in payables and other liabilities	**(23.7)**	(16.0)
Decrease in receivables and other assets	**28.8**	3.8
Net cash inflow from operating activities	**741.8**	418.0

17. Auditor's remuneration

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

	30-Jun-16 $'000	30-Jun-15 $'000
Audit services		
Statutory audit and review of financial reports	**1,309.2**	1,541.9
Other assurance services	**462.5**	461.0
Non-audit services prior to appointment as Group auditor[1]	**-**	939.9
Taxation services	**291.3**	185.2
Total auditors' remuneration	**2,063.0**	3,128.0

1. Prior to the Merger PricewaterhouseCoopers was the Group auditor of Novion. As such EY provided non-audit services to Novion. Fees paid to PricewaterhouseCoopers in the year ended 30 June 2015 totalled $1,691,000 equating to total fees paid to auditors of the Group in the year ended 30 June 2015 of $4,819,000.

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-16 $m	30-Jun-15 $m
Balance sheet		
Current assets	**303.0**	141.2
Total assets	**1,035.8**	1,160.7
Current liabilities	**(439.8)**	(239.2)
Total liabilities	**(951.1)**	(774.5)
Equity		
Contributed equity	**455.3**	455.3
Share-based payment reserve	**(4.1)**	11.5
Accumulated losses	**(366.5)**	(80.6)
Total equity	**84.7**	386.2
Net profit/(loss) for the financial year of Vicinity Limited as parent entity	**(285.9)**[1]	(13.2)
Total comprehensive profit/(loss) for the financial year of Vicinity Limited	**(285.9)**[1]	(13.2)

1. The current year loss of Vicinity Limited as the parent entity includes the impact of the $295.0 million impairment of the goodwill balance recognised at 31 December 2015. Refer to Note 21(b) for further details of the impairment recognised.

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.

(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, Balance Sheet and Statement 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-16 $m	30-Jun-15[1] $m
Operating result of the Company	**22.6**	27.0
Less: Integration and transaction costs incurred by the Company[2]	**(29.9)**	(7.9)
Less: Impairment and amortisation of intangibles	**(298.3)**	(3.3)
Net (loss)/profit before tax attributable to securityholders of Vicinity Limited (as the Companies)	**(305.6)**	15.8
Income tax expense	**-**	(5.0)
Net (loss)/profit after tax attributable to securityholders of Vicinity Limited	**(305.6)**	10.8
Net profit after tax attributable to securityholders of Vicinity Centres Trust (as other stapled entities of the Group)	**1,266.5**	664.3
Net profit after tax of the Stapled Group	**960.9**	675.1

1. As a result of the reverse acquisition as described in the 'About this report – Merger of Federation Centres and Novion Property Group' section the comparative information for the year ended 30 June 2015 comprises the results of Novion Limited, the parent of Novion Property Group to the date of the Merger (11 June 2015), plus the results of Vicinity Limited from the date of the Merger to 30 June 2015.
2. Integration and transaction costs of $41.1 million in the Statement of Comprehensive Income include $11.2 million incurred by the Trusts and $29.9 million incurred by the Company.

19. Related parties

(a) Background

The 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 2016.

(b) Information on related party transactions and balances

Vicinity Funds RE Ltd (formerly Novion RE Limited), 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);
- International Real Estate Trust (IRET); and
- Australian Investments Trust (AIT).

The transactions with the Wholesale funds and the balances outstanding at 30 June 2016 are outlined in the tables below.

Related party balances with Wholesale funds

	Property jointly owned		Funds management fee receivable		Alignment fee payable	
	30-Jun-16 $'000	30-Jun-15 $'000	30-Jun-16 $'000	30-Jun-15 $'000	30-Jun-16 $'000	30-Jun-15 $'000
Wholesale funds managed by the Group	**505,000**	598,716	**2,043**	2,301	**262**	1,291

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.

Related party transactions with Wholesale funds

	Asset and funds management fee revenue		Distribution income		Alignment fee expense	
	30-Jun-16 $'000	30-Jun-15 $'000	30-Jun-16 $'000	30-Jun-15 $'000	30-Jun-16 $'000	30-Jun-15 $'000
Wholesale funds managed by the Group	**17,971**	16,812	**110**	51	**1,049**	1,291

(c) Other related party transactions

During the financial year, a subsidiary of the Group settled a transaction for the acquisition a number of commercial units (the Strata Plan) adjacent to one of its properties (the Transaction).

Mr Richard Haddock AM, a Director of the Group, together with his family were a party to the Transaction as the holder of one unit in the Strata Plan. That unit, which Mr Haddock and his family had held since 1990, was acquired by the Group's subsidiary on arm's length terms for a value of $1,349,000 on 4 September 2015.

The Board's procedures under its conflict of interest policy were in place throughout the Transaction in order to manage the conflicts of interest arising from the Transaction.

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-16 $m	30-Jun-15 $m
Not later than one year	**5.7**	4.4
Later than one year and not later than five years	**18.2**	18.4
Later than five years	**4.3**	7.1
Total operating lease commitments	**28.2**	29.9

(b) Capital commitments

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

	30-Jun-16 $m	30-Jun-15 $m
Not later than one year	**182.3**	176.4
Later than one year and not later than five years	**66.2**	32.9
Total capital commitments	**248.5**	209.3

(c) Contingent assets and liabilities

Bank guarantees totalling $61.1 million have been arranged by the Group, primarily to guarantee obligations for four 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.

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 2016 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 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.

21. Other Group accounting matters continued

(a) Other accounting policies continued

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

As the owner of a number of shopping centres, the Group derives rental revenue 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 on a time proportion basis 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.

Impact of new and amended standards

There are no new and amended standards that became effective for the Group on 1 July 2015 that have a material impact on the financial statements.

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

Certain new Accounting Standards and Interpretations have been published that are not mandatory for the 30 June 2016 reporting period. The Group has assessed the impact of these new Accounting Standards and Interpretations that are relevant to the Group (based on the current and known future activities of the Group), and does not expect any material impact on net assets, net profit, presentation or disclosures when these standards become effective and are adopted.

(b) Impairment of goodwill at 31 December 2015

As described in Note 15(b), an impairment to goodwill of $295.0 million was recorded at 31 December 2015. At that time, the increase in the value of the investment property portfolio and market based valuation cross checks, were considered to represent indicators of impairment, thereby requiring an assessment of recoverable amount. This assessment resulted in a portion of the goodwill, primarily represented by the value attributable to the diversified portfolio premium, being written off.

Recoverable amount assessment methodology

The recoverable amount at 31 December 2015 was determined using a fair value approach. This approach is consistent with the methodology applied at 30 June 2016, which is outlined in Note 15(b).

Enterprise value model key assumptions and estimation approach

The table below summarises key assumptions used in the 31 December 2015 Enterprise Value model:

Key assumption	31-Dec-15	30-Jun-15
Cash flows for forecast underlying earnings & operational capital expenditure	3 years	3 years
Terminal growth rates	2.3% – 2.5%	2.5%
Post tax discount rate range	7.92% – 8.42%	7.75% – 8.25%
Cost of equity	8.85% – 9.35%	8.75% – 9.25%

For details on the annual impairment test refer to Note 15(b).

(c) 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).

	Minimum lease payments $m	Future finance charges $m	Present value of payments $m
The minimum lease payments under finance leases fall due as follows:			
Not later than one year	13.8	-	**13.8**
Later than one but not more than five years	62.4	(13.1)	**49.3**
More than five years[1]	597.7	(446.6)	**151.1**
Total	673.9	(459.7)	**214.2**

1. Predominantly relates to payments relating to the DFO Brisbane business which was acquired in May 2016. For details of other properties subject to leasehold arrangements refer to the footnotes in Note 4(d).

22. Events occurring after the reporting date

No matters 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 107 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 2016 and of the performance for the financial year ended on that date, and

   ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001* (Cth) and the Constitution, 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 2016 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 2016.

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

Peter Hay
Chairman

Melbourne
17 August 2016

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
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Building a better working world

Independent auditor's report to the members of Vicinity Limited

Report on the financial report

We have audited the accompanying financial report of Vicinity Centres, which comprises the balance sheet as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Vicinity Limited (the 'Company') and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In the notes to the financial statements, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

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

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the Company 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.

Opinion

In our opinion, the Remuneration Report of Vicinity Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

David Shewring
Partner
Melbourne
17 August 2016

SUMMARY OF SECURITYHOLDERS
as at 15 August 2016

Spread of securityholders

Range	Number of securityholders	Number of securities	% of issued securities
100,001 and over	224	3,773,951,228	95.33
10,001 to 100,000	5,791	125,745,192	3.18
5,001 to 10,000	4,933	35,937,500	0.91
1,001 to 5,000	8,312	22,709,399	0.57
1 to 1,000	6,368	307,317	0.01
Total	**25,628**	**3,958,650,636**	**100.0**

The number of securityholders holding less than a marketable parcel of 148 securities ($3.39 on 15 August 2016) is 1,067 and they hold 39,418 securities.

On–market purchase of securities

During FY16, 4,262,851 VCX securities were purchased on-market at an average price per security of $2.78 by the trustee for the EESP, PRPS and PRPL 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
National Nominees as Custodian for UniSuper Ltd	11 June 2015	301,124,003	7.61
BlackRock Group (BlackRock Inc. and its associates)	5 June 2015	228,545,589	5.77
Vanguard Investments Australia Ltd	16 July 2012	86,311,928	6.44

20 largest securityholders

Rank	Name	Number of securities held	% of issued securities
1	HSBC Custody Nominees (Australia) Limited	1,096,936,192	27.71
2	J P Morgan Nominees Australia Limited	624,183,601	15.77
3	National Nominees Limited	386,282,799	9.76
4	Citicorp Nominees Pty Limited	322,346,473	8.14
5	BNP Paribas Nominees Pty Ltd	318,420,499	8.04
6	BNP Paribas Noms Pty Ltd	95,099,809	2.40
7	Rosslynbridge Pty Ltd	83,062,778	2.10
8	Besgan No. 1 Pty Ltd	79,856,234	2.02
8	Besgan No. 2 Pty Ltd	79,856,234	2.02
8	Besgan No. 3 Pty Ltd	79,856,234	2.02
8	Besgan No. 4 Pty Ltd	79,856,234	2.02
9	Allowater Pty Ltd	55,755,286	1.41
10	Cenarth Pty Ltd	41,223,461	1.04
11	Braybridge Pty Ltd	39,385,610	0.99
12	Ledburn Proprietary Limited <The Altona Trust Gate A/C>	33,556,774	0.85
13	Broadgan Proprietary Limited	32,906,624	0.83
14	Citicorp Nominees Pty Limited	30,106,933	0.76
15	AMP Life Limited	29,103,903	0.74
16	RBC Investor Services Australia Nominees Pty Limited	16,184,828	0.41
17	Australian Foundation Investment Company Limited	15,627,500	0.39
18	HSBC Custody Nominees (Australia) Limited – GSCO ECA	13,564,488	0.34
19	Applebrook Pty Ltd	11,926,250	0.30
19	Jadecliff Pty Ltd	11,926,250	0.30
19	Moondale Pty Ltd	11,926,250	0.30
19	Rosecreek Pty Ltd	11,926,250	0.30
20	Ledburn Proprietary Limited	9,207,633	0.23
Total 20 largest securityholders		**3,610,085,127**	**91.19**
Balance of register		348,565,509	8.81
Total issued capital		**3,958,650,636**	**100.00**

CORPORATE DIRECTORY

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
Richard Haddock AM
Tim Hammon
Trevor Gerber
Wai Tang

Company Secretaries

Carolyn Reynolds
Michelle Brady

Registered office

Chadstone Shopping Centre
1341 Dandenong Road
Chadstone Victoria 3148 Australia

Telephone: +61 3 9936 1222
Facsimile: +61 3 9936 1333
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
Postal Address: 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 2016	June 2016 distribution payment
18 November 2016	2016 Annual General Meeting
29 December 2016	Ex-distribution date for December 2016 distribution
30 December 2016	Record date for December 2016 distribution
15 February 2017	FY17 interim results
2 March 2017	Payment of December 2016 distribution
29 June 2017	Ex-distribution date for June 2017 distribution
30 June 2017	Record date for June 2017 distribution
16 August 2017	FY17 annual results
30 August 2017	June 2017 distribution payment

1. These dates may be subject to change.

VICINITY
CENTRES

vicinity.com.au