

Corporate tax transparency: 2014 tax profile

Group tax structure and payments for the 2014 financial year

Australian tax transparency

Vicinity Centres (Vicinity or the Group) is strongly committed to being a responsible corporate taxpayer and endeavours to comply with all applicable Federal and State laws. It operates under a tax risk management policy which is designed to reflect the Group's low risk approach and to ensure it always conducts itself in a lawful manner with respect to all of its tax obligations.

Vicinity endeavours to maintain a positive ongoing relationship with the ATO that is built upon cooperation and trust, and continues to be open and transparent in respect of its tax affairs.

In carrying on its activities, the Group:

- has a strong governance approach, with ongoing oversight from the Group's Audit Committee;
- has a low risk approach and does not engage in aggressive tax 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;
- does not shift its profits to low-tax or zero-tax jurisdictions; and
- endeavours to comply with all of its statutory obligations in a timely and transparent manner.

The purpose of this document is to describe the income tax profile of Vicinity Centres and more importantly, the income tax profile of Vicinity Limited as the corporate income taxpayer in the Group's structure. This report is intended to supplement information already disclosed by the Australian Taxation Office (ATO) in its Report of Entity Information published on www.data.gov.au, pursuant to the tax transparency laws introduced in 2013. This information has been disclosed by the ATO for Vicinity Limited under the name Federation Limited as the name current at the time of lodging its 2014 income tax return. For the purposes of this report, the name Vicinity Limited will be used for ease of reference.

Due to losses incurred for both accounting and tax purposes, Vicinity Limited did not pay income tax during 30 June 2014, however, the taxable income from its property investments in Vicinity Centres Trust (VCT) was taxed on a flow through basis in the hands of VCT's investors. VCT's investors (Vicinity securityholders) 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.

In addition to the income tax paid by Vicinity securityholders, the Group pays many other taxes relating to its property activities, including land taxes, stamp duties, council rates and fire levies, payroll taxes and fringe benefits taxes. Moreover, Vicinity assists with maintaining efficiency in the Australian tax system by collecting and remitting GST and withholding taxes to the ATO.

Group structure

Vicinity is one of Australia's leading retail property groups with a fully integrated funds and asset management platform, specialising in the ownership, management and development of Australian shopping centres. Vicinity was formed through Federation Centres merging with Novion Property Group on 11 June 2015, and the merged group initially operated as Federation Centres before being rebranded 'Vicinity Centres' in late October 2015.

Vicinity is structured as a 'stapled' Australian Real Estate Investment Trust (AREIT), listed on the Australian Securities Exchange (ASX) and traded under the ticker code VCX. It is a dual staple with each stapled security comprising one share in a company (Vicinity Limited) and one unit in a trust (VCT).

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

VCT is a managed investment scheme, a class of investments specifically regulated by ASIC under the Corporations Act. Managed investment schemes allow investors to access markets, including large retail property, which they would have otherwise not been able to invest in due to issues such as funding and liquidity.

The stapling of companies to trusts to create AREITs, as in the case of Vicinity, is common in the Australian property industry. 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 directly. These benefits extend to tax flow through status of the net income (including capital gains) of the trust. A stapled group generally holds its passive real estate investments within a trust while its management and other trading activities are held by the company and this is the structure that Vicinity has adopted.

ATO Public Disclosure of Entity Information

As a company taxpayer with a total income in excess of \$100 million for the 2014 financial year, Vicinity Limited (then known as Federation Limited) was required to have its tax information disclosed by the ATO in its Report of Entity Information published on www.data.gov.au, pursuant to tax transparency laws introduced in 2013. These disclosures are set out below.

Report of Entity Information

For the year ended 30 June 2014

Name	Federation Limited
ABN	90 114 757 783
Total income	\$151,327,469
Taxable income	\$0
Income tax payable	\$0

As Vicinity Limited was in a tax loss position, the ATO has disclosed the taxable income and income tax payable labels as nil. This is consistent with the guidance released by the ATO on their website at www.ato.gov.au/Tax_transparency.

Taxation of Vicinity

Vicinity is a tax resident of Australia and does not own any foreign assets.

As Vicinity is a stapled group, Vicinity Limited as a company is included in the transparency reporting. However, VCT is not a corporate entity so that aspect of the overall Vicinity economic group will not be reflected in the data published by the ATO. Accordingly, it will also be difficult to reconcile the "Total Income" in the report with the income reported by the Group for financial reporting purposes in the Federation Centres Annual Report 2014.

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 taxpaying entity, subject to income tax at the applicable corporate tax rate (currently 30%) on its taxable income.

For the 30 June 2014 year, while Vicinity Limited generated income, it incurred an accounting loss and a tax loss. While not required to be disclosed by the ATO in the information presented on their website, the accounting loss position for 30 June 2014 is disclosed in the Income Taxes Note (12) in the Federation Centres Annual Report 2014.

Total Income, as described by the ATO in the guidance material released to accompany the Report of Entity Information (see www.ato.gov.au/Tax_transparency), reflects gross income and does not take into account expenses generated by a company during the financial year. These expenses are deducted from total income to arrive at an accounting net profit or loss amount for the year, which in the case of Vicinity Limited was an accounting net loss.

As has been mentioned previously, the taxable income from Vicinity's property investments in VCT is taxed on a flow through basis in the hands of VCT's investors. VCT'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.

Contact us

This summary of the Group's structure and approach to tax in the 2014 financial year was prepared by Vicinity's internal tax team, reviewed by the Group's external tax advisors and endorsed by the Audit Committee. For further clarity on information within this report, contact investor.relations@vicinity.com.au.

Disclaimer

The information contained herein (the Information) has been supplied by Vicinity Limited and Vicinity Centres RE Limited (in its capacity as responsible entity of Vicinity Centres Trust) (Vicinity).

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