1H19 INTERIM REPORT

Mirvac Group

07.02.2019

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Mirvac Group Interim Report

For the half year ended 31 December 2018

Mirvac Group comprises Mirvac Limited ABN 92 003 280 699 and its controlled entities (including Mirvac Property Trust ARSN 086 780 645 and its controlled entities).

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About this report

This Interim Report 2019 is a consolidated summary of Mirvac Group's operational and financial performance for the half year ended 31 December 2018.

In this report, unless otherwise stated, references to 'Mirvac', 'Group', 'company', 'parent entity', 'we', 'us' and 'our' refer to Mirvac Limited and its controlled entities, as a whole. Mirvac comprises Mirvac Limited (parent entity) and its controlled entities, which include Mirvac Property Trust and its controlled entities.

References to a 'half year' refer to the period between 1 July 2018 and 31 December 2018. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

The consolidated financial statements included in this report were authorised for issue by the Directors on 7 February 2019. The Directors have the power to amend and reissue the financial statements.

This Interim Report does not include all the information and disclosures usually included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report 2018 and any public announcements made by Mirvac during the interim reporting period.

Mirvac's Interim Report can be viewed on, or downloaded from Mirvac's website, www.mirvac.com.

About us

Mirvac is a leading, integrated urban property group, principally located in Australia's four key cities of Sydney, Melbourne, Brisbane and Perth.

We own and manage assets across the office, industrial and retail sectors, with approximately $21bn of assets under management. Our development activities allow us to create and deliver innovative and high-quality commercial assets and residential communities for our customers, while driving long-term value for our stapled securityholders.

Our integrated approach gives us a competitive advantage across the entire lifecycle of a project; from planning through to design, development and construction, leasing, property management and long-term ownership. Meanwhile, our purpose, Reimagine Urban Life, inspires us to think about how we can redefine the urban landscape and create more sustainable, connected and vibrant environments for our customers, leaving a lasting legacy for generations to come.

Established in 1972, Mirvac has 47 years of experience in the property industry and an unmatched reputation for delivering superior products and services across our businesses.

Review of operations and activities

FINANCIAL REVIEW

Mirvac's strong focus on capital management, supported by its urban strategy and proven integrated capabilities, delivered robust results for the half year ended 31 December 2018, ensuring Mirvac is on track to deliver operating earnings growth in line with guidance in FY19.

Key financial highlights for the half year ended 31 December 2018:

- profit attributable to stapled securityholders of $648m (December 2017: $465m), an increase of 39 per cent, driven by strong performance in the Office & Industrial business and significant fair value gains in the investment portfolio as a result of capitalisation rate compression across all segments;
- operating profit after tax increased by 26 per cent to $290m [1];
- operating cash inflow of $167m (December 2017: outflow of $20m);
- net tangible assets (NTA) per stapled security [2] increased 6 per cent to $2.44 (June 2018: $2.31); and
- half year distribution of $193m, representing 5.3 cents per stapled security.

Key capital management highlights for the half year ended 31 December 2018:

- gearing at the mid point of the Group's target range of 20 to 30 per cent at 24.4 per cent [3];
- substantial available liquidity of $570m in cash and committed undrawn bank facilities held;
- weighted average debt maturity of 6.1 years, following $430m of debt issuance over the past six months;
- average borrowing costs reduced to 4.5 per cent per annum as at 31 December 2018 (December 2017: 4.8 per cent), including margins and line fees, following the issuance of new debt and the repayment of maturing debt;
- completed 58m of stapled security buy-backs, totalling $130m during the half year, with a total of 59m stapled securities purchased since the commencement of the buy-back on 23 February 2018; and
- received an A- rating with a stable outlook from Fitch Ratings during the half year and maintained its A3 rating from Moody's Investor Services (equivalent to A-).

GROUP MARKET OUTLOOK [4]

Mirvac's strong financial metrics during the first half positions it well for the remainder of the year. Our transformational urban strategy will continue to deliver a secure and growing yield, driven by our passive income stream from our $10.6bn modern investment portfolio.

The office portfolio is expected to continue to benefit from the strong fundamentals of the Sydney and Melbourne markets. At the same time, we will deliver disciplined growth through our proven asset creation capability and highly visible residential cash flows with $2bn of residential pre-sales and a strong embedded margin.

Mirvac remains focused on prudently managing its capital position by monitoring and accessing diversified sources of capital, including equity, domestic and international debt and wholesale capital. This focus will help to ensure the Group can continue to meet its strategic objectives without increasing its overall capital management risk profile.

Mirvac will continue to enhance its capabilities as a leading Australian property group by concentrating on a secure income stream from its investment portfolio, which underpins Group distributions, achieving an appropriate return on invested capital as a result of its development activities, and positioning Mirvac for the future by investing in safety, technology, innovation, sustainability and its people.

GROUP RISKS

As a property group involved in real estate investment, residential and commercial development and investment management, Mirvac faces a number of risks throughout the business cycle that have the potential to affect the achievement of its targeted financial outcomes. These risks are typical for a property group. The Group's objective is to ensure those risks are identified and appropriate strategies are implemented to manage the impact of those risks. Mirvac's risk management framework is integrated with its day-to-day business processes and is supported by a dedicated Group Risk function. Further information on the Group's risk management framework is detailed in the Corporate Governance statement which is available on Mirvac's website: www.mirvac.com/about/corporate-governance.

For the half year ended 31 December 2018, the Group continued to review both internal and external risks which have the potential to affect its targeted financial outcomes and implement strategies to minimise their impact. This includes debt refinancing and compliance with debt covenants, compliance with health, safety and environment regulations, as well as broader economic conditions.

OFFICE & INDUSTRIAL HIGHLIGHTS

Mirvac has proven capabilities in the creation and management of high-quality office assets. Its office portfolio, which represents 60 per cent of the Group's investment portfolio, is comprised of over 95 per cent prime or A-grade office assets, with an 84 per cent overweight to the strong Sydney and Melbourne markets.

Meanwhile, the Group's well-located industrial portfolio, which represents 8 per cent of its investment portfolio and is concentrated around key logistics nodes in Sydney, continues to deliver strong metrics.

For the half year ended 31 December 2018, Mirvac's Office & Industrial division delivered operating earnings before interest and tax of $265m, up 40.2 per cent on the prior corresponding period.

Key Office highlights for the half year ended 31 December 2018:

- occupancy of 97.2 per cent [5] with a WALE of 6.6 years [6];
- like-for-like net operating income growth of 5.4 per cent (December 2017: 9.7 per cent);

1. Excludes specific non-cash items and related taxation. The December 2017 operating profit after tax has been restated to align with the new operating profit definition adopted by the Group from 1 July 2018.
2. NTA per stapled security, based on ordinary securities including Employee Incentive Scheme securities.
3. Net debt (at foreign exchange hedged rate) excluding leases (total tangible assets – cash).
4. These future looking statements should be read in conjunction with future releases to the ASX.
5 By area, including investments in joint ventures and excluding assets held for development.
6. By income, including investments in joint ventures and excluding assets held for development.

- total office asset revaluations of $286m, supported by an overweight to prime-grade assets in Sydney and Melbourne, representing a 4.7 per cent uplift over the previous book value for the six months to 31 December 2018;
- over 66,000 square metres[1] of leasing activity completed;
- leasing spreads at 15.6 per cent[2]; and
- incentives at 15.7 per cent (June 2018: 22 per cent).

During the half year ended 31 December 2018, Mirvac progressed its $3.0bn office[3] development pipeline, which is 84.3 per cent committed. Project updates and new acquisitions are as follows:

- **477 Collins Street, Melbourne VIC:** construction is proceeding on schedule and is on track to reach practical completion in FY20. 88 per cent of office space is committed with negotiations underway with a number of parties for the remaining office space;
- **Australian Technology Park, South Eveleigh, Sydney NSW:** Buildings 1 and 3 remain on track and are scheduled for practical completion in the second half of FY19. Building 2 is scheduled for practical completion in mid-2020. 100 per cent of the office space is committed to the Commonwealth Bank for a 15-year lease term;
- **80 Ann Street, Brisbane QLD:** demolition works are underway with construction expected to start in the second half of this calender year. Practical completion is targeted for FY22. 66 per cent of the building's total net lettable area is committed to Suncorp for a 10-year term. During the half year, Mirvac also sold a 50 per cent interest in the development to M&G Asia Property Fund for a total consideration of $418m; and
- **383 La Trobe Street, Melbourne VIC:** acquired for a total consideration of $122m, representing an initial yield of 5.7 per cent. The asset offers a development opportunity in a well-located part of Melbourne's CBD, while providing the Group with secure income over the medium term.

OFFICE MARKET OUTLOOK[4]

Office vacancy rates in Sydney and Melbourne are at the lowest levels in around 30 years. Both the Sydney and Melbourne markets are recording total market vacancy of around 4 per cent, with prime-grade vacancy a little tighter than secondary-grade due to ongoing tenant demand for better quality stock. Both markets continue to record positive fundamentals including solid levels of employment growth concentrated in a range of finance and professional services industries. Levels of new supply will increase over the next few years in Melbourne, however the impact to prime-grade vacancy will be mitigated by high levels of preleasing. Vacancy levels in Sydney are forecast to increase only modestly as new supply completes more gradually from FY20.

A flight to quality theme from tenants is also evident in Brisbane where stronger take-up for prime space has seen the vacancy rate tighten to around 7 per cent, more than half the levels of secondary-grade vacancy (20 per cent). The Perth CBD market has also seen better demand for good quality space, with prime-grade vacancy tightening to 16 per cent versus secondary-grade at 29 per cent. Both markets are expected to record a gradual tightening in prime-grade vacancy.

OFFICE RISKS

Mirvac has one of the youngest office portfolios in Australia with a substantial overweight to Sydney and Melbourne, Australia's deepest and most attractive office markets. This ensures it is well-placed to capture demand from high-quality tenants. Having a young and modern office portfolio also ensures that Mirvac's capital expenditure on its assets is expected to remain relatively lower than our AREIT peers.
In terms of office developments, the Group manages uncertainty around tenant demand in a number of ways, such as substantially pre-letting development projects ahead of construction and by partially selling down office developments to capital partners in advance of completion.

Key Industrial highlights for the half year ended 31 December 2018:

- occupancy at 100 per cent[5] with a WALE of 7.6 years[6];
- like-for-like net operating income growth of 10.3 per cent (December 2017: 4.6 per cent);
- total industrial asset revaluations of $37m, representing a 4.5 per cent uplift over the previous book value for the six months to December 2018;
- over 50,600 square metres[1] of leasing activity completed;
- entered into an agreement to acquire stage one of a future 244-hectare industrial estate at Badgerys Creek in Western Sydney, NSW for a total consideration of $71m, under a put-and-call option arrangement. Located just 800 metres from the proposed new Western Sydney airport and close to the M7 motorway and the proposed M12 motorway, Stage 1 is a 54-hectare site set to benefit from approximately $20bn of infrastructure improvements in the Western Sydney area; and
- sold a 50 per cent interest in Calibre at Eastern Creek, NSW to the Mirvac Industrial Logistics Partnership (MILP) for approximately $125m. Practical completion was achieved on Buildings 2 and 5 during the half year and the development is now 100 per cent complete and leased.

INDUSTRIAL MARKET OUTLOOK[4]

While leasing activity in the Sydney industrial market in 2018 moderated a little from a year earlier, tenant take-up was still above the past 10-year average levels. The industrial sector is benefiting from several strong tailwinds including e-commerce which increased by 36 per cent[7] in the year to November 2018 according to the Australian Bureau of Statistics. According to JLL[8], around 70 per cent of all recorded lease activity has been attributed to e-commerce related sectors including retail and wholesale trade and transport postal and warehousing tenants. While cooling levels of dwelling construction is likely to impact growth for some tenants, record levels of infrastructure investment provides a strong boost to business activity for others. Further, the ongoing development of Western Sydney Airport and surrounding Aerotropolis provides a strong catalyst for future industrial facility demand in Sydney's outer west precincts.

INDUSTRIAL RISKS

Continued strength in investor demand for prime grade industrial assets in key locations is resulting in compressed capitalisation rates, weighting predominantly towards the stronger markets of Sydney and Melbourne. Mirvac continues to focus on properties based on proximity to infrastructure, long lease terms and secure cash flow profiles while also considering the rapid growth of e-commerce and renewed focus from tenants to speed up supply chain fulfilment.

1. Excludes leasing of assets under development.
2. Excludes a lease to the Department of Health due to delayed lease commencement.
3. 100 per cent interest.
4. These future looking statements should be read in conjunction with future releases to the ASX.
5. By area.
6. By income.
7. ABS Retail Trade, Cat. 8501.0, November 2018.
8. JLL Research, REIS Q4 2018.

Review of operations and activities

continued

RETAIL HIGHLIGHTS

Representing 32 per cent of the Group's investment portfolio, Mirvac's Retail division is focused on high growth and densely populated urban catchment areas, with an overweight position to the strong performing Sydney market.

For the half year ended 31 December 2018, the Retail portfolio delivered operating earnings before interest and tax of $85m, down 2 per cent on the prior corresponding period primarily due to the 50 per cent divestment of Kawana Shoppingworld in December 2017.

Key Retail highlights for the half year ended 31 December 2018:

- occupancy of 99.3 per cent[1] (June 2018: 99.2 per cent);
- comparable MAT sales growth of 2.5 per cent and comparable specialty sales growth of 2.9 per cent;
- comparable specialty sales productivity of $10,019 per square metre, down slightly from $10,085 per square metre at 30 June 2018 due to a change in the comparable pool of assets;
- specialty occupancy costs of 15.4 per cent (June 2018: 15.3 per cent);
- executed approximately 28,800 square metres of leasing activity, with leasing spreads of 2.7 per cent. Project updates and new acquisitions are as follows:
  - **South Village Shopping Centre, Kirrawee NSW:** opened on 14 November 2018. The centre is anchored by Coles and ALDI with a mixed retail offer and a restaurant precinct including Criniti's and Lone Star Rib House. Mirvac now owns 100 per cent of the asset;
  - **Kawana Shoppingworld QLD:** Mirvac completed the construction of a 6,900 square metre expansion of Kawana Shoppingworld, introducing Event Cinema's only Gold Class offering on the Sunshine Coast and an expanded dining precinct. The project was 100 per cent leased at completion;
  - **Rhodes Waterside NSW:** the construction of a 3,700 square metre redevelopment of the asset was completed, introducing ALDI and relocating Bing Lee to strengthen the fresh food and homewares offer. The project was fully leased on completion; and
  - **Toombul QLD:** Mirvac commenced the construction of a 4,500 square metre $43m re-development of Toombul, introducing an entertainment and dining precinct. The precinct will be anchored by Archie Brothers Cirque Electriq and an upgraded cinema. The development is due for completion in mid FY20.

RETAIL MARKET OUTLOOK[2]

Shopping centre trade remains competitive in Australia against a backdrop of growing online transactions with retailers seeking a complementary and cohesive mix of both mediums. As such, quality tenants remain attracted to strong market fundamentals and centres are evolving their retail offering to include more destinational offers including dining, services and community amenity. Eastern seaboard urban and metropolitan areas continue to record stronger population growth and lower levels of unemployment than regional locations. This will continue over the next few years with significant levels of new dwelling construction completing in Sydney and South East Queensland.

RETAIL RISKS

Mirvac continues to maximise the retail portfolio by leveraging its strategic partnerships, experiential expertise and integrated capability. Mirvac is focused on continually refreshing its retail assets (via refurbishment, redevelopment or tenant remixing) to adapt to changing market dynamics. This active management has seen an increased weighting to more resilient and experiential categories such as food and beverage, entertainment and non-retail. Furthermore, Mirvac maintains a focus on key urban and metropolitan markets and continues to meet the challenges and opportunities of the changing retail landscape.

RESIDENTIAL HIGHLIGHTS

Mirvac has a rich 47-year history of delivering landmark residential projects across four of Australia's key cities of Sydney, Melbourne, Brisbane and Perth.

For the half year ended 31 December 2018, Residential delivered operating earnings before interest and tax of $58m, up 70.6 per cent on the prior corresponding period due to the timing of residential lot settlements.

Key Residential highlights for the half year ended 31 December 2018:

- settled 1,067 residential lots. The Group is on track to meet its target of more than 2,500 residential lots settled in FY19. Defaults in the period remained below 2 per cent;
- secured future income with residential pre-sales of $2.0bn[3]. Mirvac's existing pipeline supports over 12,000 lot settlements over the next four years;
- secured 83 per cent of expected Residential operating earnings before interest and tax for FY19;
- achieved gross development margins of 25 per cent, above the Group's target of between 18-22 per cent; and
- released over 720 residential lots during the first half of the financial year across both new and existing masterplanned community projects, with 51 per cent of all released lots pre-sold. Key highlights include:
  - **Crest, Gledswood Hills NSW:** 43 per cent of released lots pre-sold;
  - **Olivine, Melbourne VIC:** 60 per cent of released lots pre-sold;
  - **Woodlea, VIC:** 96 per cent of released lots pre-sold; and
  - **Everleigh, QLD:** 58 per cent of released lots pre-sold.

Mirvac expects to release approximately 950 lots[4] in the second half of the financial year.

RESIDENTIAL MARKET OUTLOOK[5]

Conditions across residential markets declined further over 1H19 with fewer transactions than in recent years and the change in dwelling values varying dramatically between location, price tier and product type. Data[6] from the established market indicates prices have reduced more in upper-priced detached house locations in Sydney and Melbourne, than for units or lower priced areas, though this product has generally recorded the highest price gains in recent years. Lending data[7] indicates activity from investors has weakened after a very strong 4 to 5-year period, however loans to owner occupiers are relatively more steady, reducing just 1.5 per cent by number, over the six months to November 2018.

1. By area, excludes South Village Shopping Centre, which has a 100% income guarantee.
2. These future looking statements should be read in conjunction with future releases to the ASX.
3. Adjusted for Mirvac's share of JV agreements and Mirvac managed funds.
4. Subject to planning approvals and market demand.
5. These future looking statements should be read in conjunction with future releases to the ASX.
6. CoreLogic Market Trends Report.
7. ABS Housing Finance 5609.0.

Supporting factors including business investment, employment growth and population growth remain strongest in Sydney and Melbourne and this is expected to continue. Data[1] from mortgage arrears shows inner, urban locations continue to be the best performing regions indicating that while mortgages are assessed on an individual basis, appetite for lending is likely to remain sound for good quality borrowers.

RESIDENTIAL RISKS

While housing market activity has declined over 1H19, location, quality and an understanding of our customers' needs remains key for attracting demand. With stricter lending criteria, both domestically and offshore, concerns have been raised over the ability of residential property purchasers to settle. Mirvac has a range of strategies in place and carefully and proactively monitors its settlement risk profile, with a proven track record of low defaults.

SUSTAINABILITY HIGHLIGHTS

Mirvac released the second phase of its sustainability strategy, *This Changes Everything*, in June 2018, which focuses on six key areas: climate change and natural resources (**environment**), community legacy and social inclusion (**social**), and our people and trusting partnerships (**transparent governance**). Through *This Changes Everything*, Mirvac seeks to be a force for good.

Key highlights for the half year ended 31 December 2018:

- **1 Darling Island, Pyrmont NSW:** achieved a 6 Star NABERS Energy rating without the use of GreenPower, the third asset in Mirvac's office portfolio to have done so. Mirvac now owns and operates three out of nine Australian buildings that have achieved this rating for a base building by driving exceptional performance;
- **200 George Street, Sydney NSW:** achieved a 6 Star Green Star Performance rating, Mirvac's fourth 6 Star Green Star Performance rated building;
- **275 Kent Street, Sydney NSW:** became one of just two buildings in Australia to recertify as a 6 Star Green Star Performance rated building;
- **National Community Day:** held the Group's annual National Community Day, which saw over 800 employees volunteer at 51 activity sites nationally, and contributed to the Group's target to triple its community investment by 2022, with time, cash and in-kind donations from the National Community Day valued at almost $400,000;
- **House with No Bills:** progressed with the House with No Bills research project at Cheltenham in Melbourne, VIC. Early findings showed that the house was using more energy than was modelled. Mirvac and Curtin University worked with the family to recommend small changes, leading to a marked improvement in energy usage. Recent reports have indicated that for the October to December quarter, the house has generated more solar energy than it has consumed, effectively performing as a net positive house; and
- **Aintree Walk of Honour at Woodlea, VIC:** completed the 500-metre commemorative Aintree Walk of Honour in time for a community memorial event on 11 November 2018 (Remembrance Day). The commemorative walk acknowledges the history of the site and those who have been impacted by war historically, as well as today.

Mirvac won a number of sustainability awards during the half year, including:

- **Kawana Shoppingworld, Buddina QLD:** received the Retail Innovation Award at the QLD Property Council of Australia (PCA) Shopping Centre of the Year Awards for Pulpmaster, an on-site system that processes food and organic waste into high-quality compost, which is then donated to a local strawberry farm. Over 220 tonnes of organic waste has so far been diverted from landfill;
- **David Malcolm Justice Centre, Perth WA:** won the ESD and Sustainability - Premium/A-grade Award at the WA PCA Awards. The award recognised the asset's 6 Star Green Star Performance rating (the first in WA), 5 Star NABERS Energy rating and the exceptional work done to double building recycling rates in the past 12 months; and
- **Bay Centre, 65 Pirrama Road, Pyrmont NSW:** received the 2018 Green Globe Built Environment Award, in recognition of the building's 6 Star NABERS Energy rating, the first in Sydney to achieve this, with the building improving its performance by 50 per cent over its existing 5 Star rating. The building also holds the title of being the largest building in NSW ever to achieve this level of energy performance.

1. Moody's Investors Service 'Mortgage Delinquency Map', October 2018.

Directors' report

The Directors of Mirvac Limited present their report, together with the consolidated financial report of Mirvac Group (Mirvac or Group) for the half year ended 31 December 2018. Mirvac comprises Mirvac Limited (parent entity) and its controlled entities, which include Mirvac Property Trust and its controlled entities.

PRINCIPAL ACTIVITIES

The principal continuing activities of Mirvac consist of real estate investment, development, third party capital management and property asset management. Mirvac performs these activities across three major segments: Office & Industrial, Retail and Residential.

DIRECTORS

The following persons were Directors of Mirvac Limited during the half year and up to the date of this report, unless otherwise stated:

– John Mulcahy
– Susan Lloyd-Hurwitz
– Christine Bartlett
– Peter Hawkins
– Jane Hewitt (appointed 10 December 2018)
– James M. Millar AM
– Samantha Mostyn
– Peter Nash (appointed 19 November 2018)
– John Peters
– Elana Rubin.

REVIEW OF OPERATIONS

A review of the operations of the Group during the half year and the results of those operations are detailed in the operating and financial review on pages 2 to 5.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Details of the state of affairs of the Group are disclosed on pages 2 to 5. Other than those matters disclosed, there were no significant changes to the state of affairs during the half year.

MATTERS SUBSEQUENT TO THE END OF THE HALF YEAR

No events have occurred since the end of the half year which have significantly affected or may significantly affect Mirvac's operations, the results of those operations, or Mirvac's state of affairs in future years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7 and forms part of the Directors' report.

ROUNDING OF AMOUNTS

The amounts in the consolidated financial statements have been rounded off to the nearest million (m) dollars in accordance with ASIC Corporations Instrument 2016/191.

This statement is made in accordance with a resolution of the Directors.

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
7 February 2019

Auditor's independence declaration

Auditor's Independence Declaration

As lead auditor for the review of Mirvac Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Mirvac Limited and the entities it controlled during the period.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
7 February 2019

Financial report

For the half year ended 31 December 2018

Consolidated statement of comprehensive income

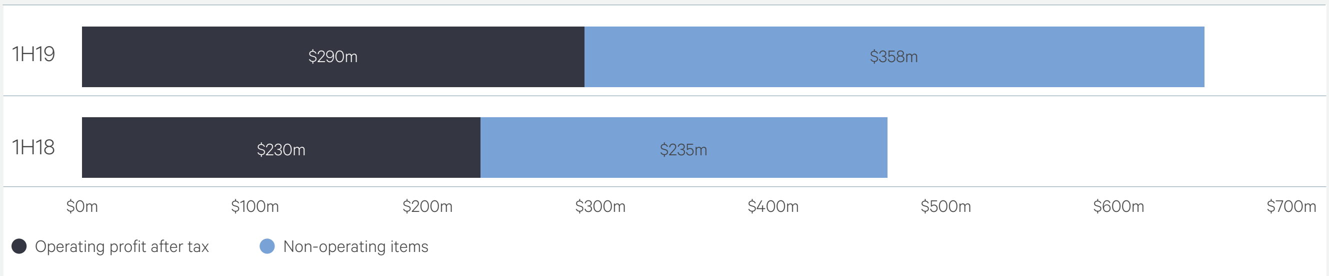
For the half year ended 31 December 2018

	Note	31 December 2018 $m	31 December 2017 $m
Revenue		**1,128**	681
Other income			
Revaluation of investment properties and investment properties under construction	C2	**384**	215
Share of net profit of joint ventures	C3	**45**	72
Gain on financial instruments		**5**	16
Total revenue and other income	B1	**1,562**	984
Development expenses		**580**	237
Cost of goods sold interest		**13**	10
Investment properties expenses and outgoings		**91**	83
Employee and other expenses	B2	**91**	84
Selling and marketing expenses		**24**	20
Depreciation and amortisation expenses		**23**	22
Finance costs	B2	**62**	56
Loss on financial instruments	B2	**5**	—
Profit before income tax		**673**	472
Income tax expense	B4	**(25)**	(7)
Profit for the half year attributable to stapled securityholders	B1	**648**	465
Other comprehensive income that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations, net of tax		**—**	(2)
Changes in the fair value of cash flow hedges		**3**	(6)
Other comprehensive income for the half year		**3**	(8)
Total comprehensive income for the half year attributable to stapled securityholders		**651**	457

Earnings per stapled security (EPS) attributable to stapled securityholders		**Cents**	Cents
Basic EPS	F2	**17.5**	12.5
Diluted EPS	F2	**17.5**	12.5

The above consolidated statement of comprehensive income (SoCI) should be read in conjunction with the accompanying notes.

Profit for the half year attributable to stapled securityholders



Consolidated statement of financial position

As at 31 December 2018

	Note	31 December 2018 $m	30 June 2018 $m
Current assets			
Cash and cash equivalents		**83**	221
Receivables		**247**	192
Inventories	C4	**632**	599
Derivative financial instruments	D2	**—**	3
Other financial assets	D2	**—**	81
Other assets		**50**	33
Total current assets		**1,012**	1,129
Non-current assets			
Receivables		**88**	76
Inventories	C4	**1,121**	1,171
Investment properties	C2	**10,155**	9,294
Investments in joint ventures	C3	**919**	943
Derivative financial instruments	D2	**220**	118
Other financial assets	D2	**52**	40
Property, plant and equipment		**40**	40
Intangible assets		**78**	78
Deferred tax assets	B4	**421**	456
Total non-current assets		**13,094**	12,216
Total assets		**14,106**	13,345
Current liabilities			
Payables		**521**	578
Deferred revenue		**223**	98
Borrowings	D1	**—**	135
Derivative financial instruments	D2	**2**	1
Provisions		**209**	239
Total current liabilities		**955**	1,051
Non-current liabilities			
Payables		**51**	51
Deferred revenue		**59**	250
Borrowings	D1	**3,688**	2,938
Derivative financial instruments	D2	**50**	77
Deferred tax liabilities	B4	**303**	313
Provisions		**11**	10
Total non-current liabilities		**4,162**	3,639
Total liabilities		**5,117**	4,690
Net assets		**8,989**	8,655
Equity			
Contributed equity	E2	**6,704**	6,825
Reserves		**33**	33
Retained earnings		**2,252**	1,797
Total equity attributable to the stapled securityholders		**8,989**	8,655

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half year ended 31 December 2018

	Note	Attributable to stapled securityholders			
		Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance 1 July 2018		**6,825**	**33**	**1,797**	**8,655**
Profit for the half year		—	—	648	648
Other comprehensive income for the half year		—	3	—	3
Total comprehensive income for the half year		**—**	**3**	**648**	**651**
Transactions with owners of the Group					
Security-based payments					
Expense recognised – LTI and STI		—	7	—	7
LTI vested	E2	9	(9)	—	—
STI vested		—	(1)	—	(1)
Distributions	E1	—	—	(193)	(193)
Security buy-back	E2	(130)	—	—	(130)
Total transactions with owners of the Group		**(121)**	**(3)**	**(193)**	**(317)**
Balance 31 December 2018		**6,704**	**33**	**2,252**	**8,989**
Balance 1 July 2017		6,819	36	1,117	7,972
Profit for the half year		—	—	465	465
Other comprehensive income for the half year		—	(8)	—	(8)
Total comprehensive income for the half year		—	(8)	465	457
Transactions with owners of the Group					
Security-based payments					
Expense recognised – LTI and STI		—	6	—	6
LTI vested	E2	7	(8)	—	(1)
STI vested		—	(1)	—	(1)
Legacy schemes vested		1	—	—	1
Distributions	E1	—	—	(186)	(186)
Total transactions with owners of the Group		8	(3)	(186)	(181)
Balance 31 December 2017		6,827	25	1,396	8,248

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half year ended 31 December 2018

	Note	31 December 2018 $m	31 December 2017 $m
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**1,409**	1,052
Payments to suppliers and employees (inclusive of GST)		**(1,219)**	(1,027)
		190	25
Interest received		**1**	6
Distributions received from joint ventures		**49**	29
Distributions received		**1**	1
Interest paid		**(74)**	(78)
Tax paid		**—**	(3)
Net cash inflows/(outflows) from operating activities	F3	**167**	(20)
Cash flows from investing activities			
Payments for investment properties		**(519)**	(336)
Proceeds from sale of investment properties		**—**	301
Payments for property, plant and equipment		**(6)**	(6)
Proceeds from loans to unrelated parties		**91**	51
Contributions to joint ventures		**—**	(14)
Payments for financial assets		**(38)**	(4)
Proceeds from joint ventures		**25**	5
Net cash outflows from investing activities		**(447)**	(3)
Cash flows from financing activities			
Proceeds from borrowings		**858**	2,141
Repayments of borrowings		**(364)**	(1,912)
Distributions paid		**(222)**	(204)
Payments for security buy-back		**(130)**	—
Net cash inflows from financing activities		**142**	25
Net (decrease)/ increase in cash and cash equivalents		**(138)**	2
Cash and cash equivalents at the beginning of the half year		**221**	106
Cash and cash equivalents at the end of the half year		**83**	108

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

A basis of preparation

MIRVAC GROUP – STAPLED SECURITIES

A Mirvac Group stapled security comprises one Mirvac Limited share 'stapled' to one unit in Mirvac Property Trust (MPT) to create a single listed security traded on the ASX. The stapled securities cannot be traded or dealt with separately.

Mirvac Limited and MPT remain separate legal entities in accordance with the *Corporations Act 2001*. For accounting purposes, Mirvac Limited has been deemed the parent entity of MPT.

STATEMENT OF COMPLIANCE

This interim financial report for the six months ended 31 December 2018 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the information and disclosures normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2018 and any public announcements made by Mirvac Group during the interim reporting period.

BASIS OF PREPARATION

The accounting policies adopted are consistent with those adopted in the financial statements for the year ended 30 June 2018 except for the new policy on operating profit and associated policy changes from the adoption new accounting standards. Refer to the below sections on New standards adopted by the Group and Changes in accounting policies.

These financial statements have been prepared on a going concern basis, using historical cost conventions except for investment properties, investment properties under construction, derivative financial instruments and other financial assets and financial liabilities which have been measured at fair value.

All figures in the financial statements are presented in Australian dollars and have been rounded to the nearest million (m) dollars in accordance with ASIC Corporations Instrument 2016/191, unless otherwise indicated.

Where necessary, comparative information has been restated to conform to the current period's disclosures.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial statements requires estimation and judgement. The areas involving a higher degree of estimation or judgement were the same as those applied in the financial statements for the year ended 30 June 2018, with the exception of the new and amended standards as set out below.

NEW STANDARDS ADOPTED BY THE GROUP

The Group adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contract with Customers* during the current reporting period. As a result of adopting these new standards, the Group amended its accounting policies. There has been no impact to the 1 July 2018 opening retained earnings or net assets as a result of adoption of AASB 9 and AASB 15, with new disclosures included where required. Refer to the Changes in accounting policies and Impact on financial statements section below for further details.

There have been no other new standards adopted by the Group for the half year ended 31 December 2018.

CHANGES IN ACCOUNTING POLICIES

This section explains the changes to accounting policies that have been applied from 1 July 2018 following the Group's adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*.

Note the changes in accounting policies specified below only apply to the current period presented. The accounting policies included in the Group's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purpose of comparatives.

Notes to the financial report

continued

Accounting standard	AASB 9 *Financial Instruments*
Nature of change	AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* requirements. AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging and a new impairment model for financial assets.
Application	Mirvac has adopted AASB 9 from 1 July 2018. The standard has been applied retrospectively, with the practical expedients permitted under the standard. Comparatives for 30 June 2018 have not been restated; rather, any differences arising from the adoption are recognised in the opening retained earnings as at 1 July 2018.
Impact on financial statements	*Classification and measurement* From 1 July 2018, under AASB 9 the Group classifies its financial assets as measured at amortised cost; fair value through other comprehensive income; or fair value through profit or loss. Management has assessed the financial assets held by the Group and has classified its financial instruments into the new AASB 9 categories. The Group's receivables, other financial assets and other assets, previously classified as loans and receivables, are now classified as financial assets at amortised cost. This classification is based on the Group holding these assets to collect contractual cash flows and the contractual terms being solely payments of outstanding principal and interest. This change in classification has not impacted the carrying value of the Group's financial assets. There has been no impact on the Group's accounting for financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. *Impairment of financial assets* AASB 9 introduces a new impairment model which requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses. For Mirvac, the new ECL model applies to its trade receivables, loans to unrelated parties and loans to joint ventures. The Group applies the AASB 9 simplified approach or general approach to measuring ECL as appropriate based on the different characteristics of each financial asset class. To measure the ECL, management has grouped together its financial assets based on shared credit risk characteristics and the days past due. The Group uses judgement in making assumptions about risk of default and ECL rates and the inputs to the impairment calculation, based on the Group's past history, existing market conditions and future looking estimates at the end of each reporting period. Management have assessed the impact of the adoption of the ECL model under AASB 9 with Mirvac's trade receivables balance predominantly relating to development recharges, whereby receipts are tied to the delivery of commercial projects. In assessing the ECL of these recharges, management have applied the simplified model and have assessed each debtor on an individual basis. The credit risk for these financial assets has been assessed as low based on the historic recovery rates, quality of capital partners and Mirvac's control of the project delivery. Based on the assessment, no 1 July 2018 opening retained earnings adjustment was required on adoption. *Derivatives and hedge accounting* The Group has elected to adopt the new general hedge accounting model in AASB 9. The new hedge accounting rules align the accounting for hedging instruments more closely with the Group's risk management practices. The adoption of AASB 9 has not impacted the Group's derivatives and hedge accounting, with all previously existing hedge relationships continuing to qualify. The Group's hedge documentation has been updated to align with the requirements of AASB 9.

Accounting standard	AASB 15 *Revenue from Contracts with Customers*
Nature of change	AASB 15 is based on the principle that revenue is recognised when control of a good or service is transferred to a customer. AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations.
Application	Mirvac has adopted AASB 15 from 1 July 2018 using the modified retrospective approach. This means that the cumulative impact of the adoption will be recognised in 1 July 2018 opening retained earnings and comparatives have not been restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 July 2018.
Impact on financial statements	*Classification and measurement* Under AASB 15, revenue is recognised over time if: – The customer simultaneously receives and consumes the benefits as the entity performs the obligations; – The customer controls the asset as the entity creates or enhances it; or – The seller's performance does not create an asset for which the seller has alternative use and there is a right to payment for performance to date. Where the above criteria are not met, revenue is recognised at a point in time. Management's assessment of the changes with respect to the timing of revenue recognition following the adoption of AASB 15 is as follows: **Development revenue:** *Commercial* Mirvac's commercial development activities include office, industrial and retail projects with each project generally considered as one performance obligation. The Group has determined that all revenue on commercial developments will move to recognition of revenue over-time. Estimates of revenue, costs or percentage of completion are revised if circumstances change, with any resulting increases or decreases reflected in the consolidated statement of comprehensive income. This is in contrast to the previous policy where most development revenue was recognised at practical completion and fees such as project management fees were recognised as services were performed. *Residential* The Group develops and sells residential properties with revenue recognised when control over the property has been transferred to the customer. Residential revenue on apartment and masterplanned communities continues to be recognised at settlement unless the sale of land is completed prior to construction of a building. In that case, there are two performance obligations, being the sale of the land, and the construction of the building. The revenue on the land sale will be recognised at a point in time, separate to any revenue recognised over-time for construction of a building. The revenue is measured at the transaction price agreed under the contract. Sales commissions, previously expensed when incurred, will be capitalised and expensed when associated revenue is recognised. **Investment property rental revenue:** The Group derives revenue from investing in properties for rental yields and capital appreciation over time. At 31 December 2018 investment property rental revenue was $357m, of which $302m related to tenant lease revenue which continues to be recognised and measured under AASB 117 *Leases*. Non-lease components primarily relating to property outgoings recovered from tenants was $55m, and are recognised and measured under AASB 15. No other changes to the measurement or timing of investment property rental revenue have arisen from adoption of AASB 15. **Asset & funds management revenue:** The Group generates revenue from the delivery of property asset or investment funds management, property advisory and facilities management services. These services are utilised on an ongoing basis and revenue is calculated and recognised based on the contract term. The adoption of AASB 15 has minimal impact on the Group's asset and funds management revenue which is recognised over time upon delivery of services.

Notes to the financial report

continued

FINANCIAL STATEMENT IMPACT ON ADOPTION AT 1 JULY 2018

As noted above, there is no 1 July 2018 opening retained earnings adjustment from the Group's adoption of AASB 9 and AASB 15. The balance sheet movements from the adoption of AASB 15 resulted predominantly from changes in the recognition of commercial development revenue and residential selling costs as shown in the table below, with comparatives not restated due to the application of the modified retrospective approach.

The following table shows the adjustments for AASB 15 recognised for each individual line item. Line items that were not affected by the changes have been included within "all other".

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT)

	30 June 2018 As originally presented $m	Total AASB 15 impact $m	**1 July 2018 Restated $m**
Current assets			
Receivables	192	4	**196**
Inventories	599	146	**745**
Other assets	33	10	**43**
All other current assets	304	—	**304**
Total current assets	1,128	160	**1,288**
Non-current assets			
Inventories	1,171	(276)	**895**
Investments in joint ventures	943	2	**945**
Deferred tax assets	456	(12)	**444**
All other non-current assets	9,647	—	**9,647**
Total non-current assets	12,217	(286)	**11,931**
Total assets	13,345	(126)	**13,219**
Current Liabilities			
Deferred revenue	98	36	**134**
All other current liabilities	953	—	**953**
Total current liabilities	1,051	36	**1,087**
Non-current liabilities			
Deferred revenue	250	(150)	**100**
Deferred tax liabilities	313	(12)	**301**
All other non-current liabilities	3,076	—	**3,076**
Total non-current liabilities	3,639	(162)	**3,477**
Total liabilities	4,690	(126)	**4,564**
Net assets	8,655	—	**8,655**
Equity			
Retained earnings	1,797	—	**1,797**
All other equity	6,858	—	**6,858**
Total equity	8,655	—	**8,655**

NEW STANDARDS NOT YET ADOPTED BY THE GROUP

Certain new accounting standards have been published that are not mandatory for the half year ended 31 December 2018 and have not been early adopted by the Group. The Group's assessment of the impact of these new standards is set out in the table below:

Accounting standard	AASB 16 *Leases*
Nature of change	AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard will result in almost all leases being recognised on the balance sheet of lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.
Impact on financial statements	**Group as lessee:** The Group enters into lease agreements as lessee for some commercial tenancies and operating equipment. These are currently disclosed as operating lease commitments in note C5. An analysis of the Group's lease portfolio is underway, and upon adoption will recognise both a depreciation and interest charge in the consolidated SoCI. **Group as lessor:** Where the Group is the lessor in a lease agreement, adjustments may be required to align accounting for these leases with the new definitions of lease term, variable lease payments, and extension/termination options. However, there are no significant impacts expected.
Mandatory application date	Mandatory for financial years commencing on or after 1 January 2019. Early adoption is permitted if AASB 15 is also adopted. The Group expects to adopt this standard for the year ending 30 June 2020.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

B Results for the half year

This section explains the results and performance of the Group, including segmental analysis and detailed breakdowns.

B1 SEGMENT INFORMATION

The Group identifies its operating segments based on the internal reporting provided to the Executive Leadership Team, who are the Group's chief operating decision makers. The segments are consistent with those in the Annual Report for the year ended 30 June 2018.

The Group's operating segments are as follows:

Office & Industrial

Manages the Office & Industrial property portfolio to produce rental income along with developing office and industrial projects.

This segment also manages joint ventures and properties for third party investors and owners.

Residential

Designs, develops, markets and sells residential properties to external customers including masterplanned communities and apartments in core metropolitan markets in conjunction with strategic partners.

Retail

Manages the Retail property portfolio, including shopping centres, to produce rental income.

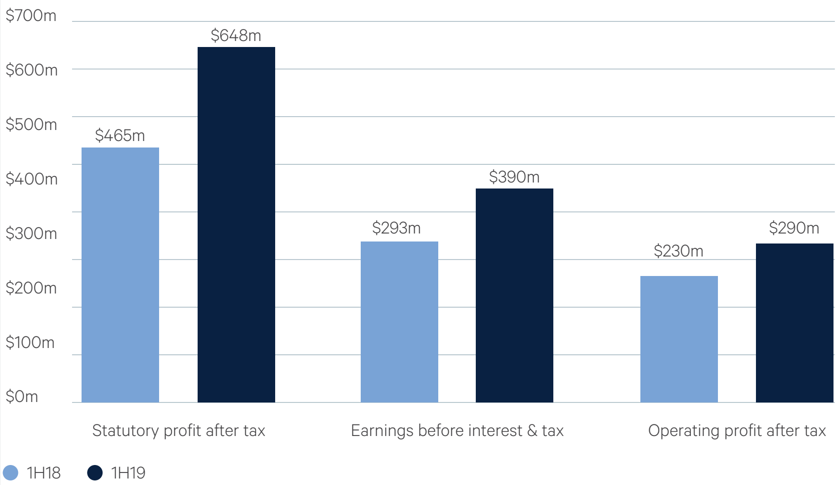
This segment also develops shopping centres and manages joint ventures and properties for third party investors and owners.

Corporate

Covers Group-level functions including governance, finance, legal, risk management and corporate secretarial. This segment holds an investment in the Tucker Box Hotel Group joint venture (refer to note C3).

Geographically, the Group operates predominantly in Australia. No single customer in the current or prior period provided more than 10 per cent of the Group's revenue.

HALF YEAR PERFORMANCE REVIEW



HIGHLIGHTS

Achieved increased from 1H18 of:

- **39 per cent for statutory profit after tax;**
- **33 per cent for earnings before interest and tax; and**
- **26 per cent for operating profit after tax.**

As announced at Mirvac's FY18 results briefing, from 1 July 2018, Mirvac's definition of operating profit has been updated to include security-based payments expenses and exclude the amortisation of all lease incentives and leasing costs. The comparatives below have been restated to align with these changes.

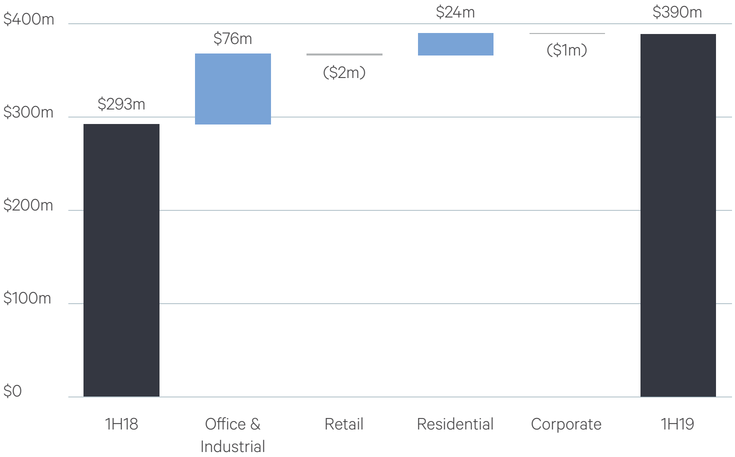
Presented below are the key profit metrics, a breakdown of revenue by function and other required information for each segment.

KEY PROFIT METRICS

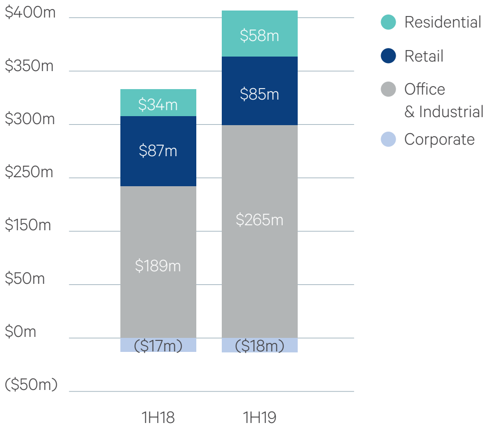
	Office & Industrial		Retail		Residential		Corporate		Total	
31 December	**2018 $m**	2017 $m	**2018 $m**	2017 $m	**2018 $m**	2017 $m	**2018 $m**	2017 $m	**2018 $m**	2017 $m
Property NOI	**195**	179	**86**	93	**—**	—	**9**	9	**290**	281
Development EBIT	**68**	10	**5**	—	**67**	43	**—**	—	**140**	53
Asset and funds management EBIT	**11**	8	**—**	—	**—**	—	**—**	1	**11**	9
Management and administration expenses	**(9)**	(8)	**(6)**	(6)	**(9)**	(9)	**(27)**	(27)	**(51)**	(50)
Earnings before interest and tax (EBIT)[1]	**265**	189	**85**	87	**58**	34	**(18)**	(17)	**390**	293
Development finance costs[2]	**(4)**	—	**—**	—	**(18)**	(24)	**—**	—	**(22)**	(24)
Other net interest costs[3]	**—**	—	**—**	—	**—**	—	**(52)**	(36)	**(52)**	(36)
Income tax expense	**—**	—	**—**	—	**—**	—	**(26)**	(3)	**(26)**	(3)
Operating profit after tax	**261**	189	**85**	87	**40**	10	**(96)**	(56)	**290**	230

1. EBIT includes share of net profit of joint ventures.
2. Includes cost of goods sold interest of $4m in Office & Industrial and $9m in Residential (December 2017: nil in Office & Industrial, $10m in Residential).
3. Includes interest revenue of $1m (December 2017: $6m).

OPERATING EBIT: 1H18 to 1H19



EBIT BY SEGMENT



B Results for the half year

continued

B1 SEGMENT INFORMATION CONTINUED

REVENUE BY FUNCTION

31 December	Office & Industrial 2018 $m	Office & Industrial 2017 $m	Retail 2018 $m	Retail 2017 $m	Residential 2018 $m	Residential 2017 $m	Corporate 2018 $m	Corporate 2017 $m	Total 2018 $m	Total 2017 $m
Property rental revenue	**227**	206	**141**	143	**—**	—	**—**	—	**368**	349
Development revenue[1]	**387**	11	**13**	3	**340**	292	**—**	—	**740**	306
Asset and funds management revenue[2]	**11**	9	**7**	6	**—**	—	**1**	1	**19**	16
Other revenue	**5**	4	**2**	2	**3**	7	**2**	7	**12**	20
Total operating revenue	**630**	230	**163**	154	**343**	299	**3**	8	**1,139**	691
Share of net profit of joint ventures	**13**	13	**—**	1	**22**	13	**9**	10	**44**	37
Total operating revenue and other income	**643**	243	**163**	155	**365**	312	**12**	18	**1,183**	728
Non-operating items[3]	**316**	177	**68**	52	**—**	—	**(5)**	27	**379**	256
Total statutory revenue and other income	**959**	420	**231**	207	**365**	312	**7**	45	**1,562**	984

1. Includes management fees.
2. Property management revenue incurred on the Group's investment properties of $1m in Office & Industrial and $4m in Retail has been eliminated (December 2017: $3m in Office & Industrial and $4m in Retail).
3. Relates mainly to fair value of investment properties and investment properties under construction.

SEGMENT ASSETS AND LIABILITIES

	Office & Industrial 31 December 2018 $m	Office & Industrial 30 June 2018 $m	Retail 31 December 2018 $m	Retail 30 June 2018 $m	Residential 31 December 2018 $m	Residential 30 June 2018 $m	Corporate 31 December 2018 $m	Corporate 30 June 2018 $m	Total 31 December 2018 $m	Total 30 June 2018 $m
Assets										
Investment properties[1]	**6,770**	6,071	**3,385**	3,223	**—**	—	**—**	—	**10,155**	9,294
Inventories	**184**	351	**8**	10	**1,561**	1,409	**—**	—	**1,753**	1,770
Indirect investments[2]	**592**	573	**3**	3	**309**	347	**221**	229	**1,125**	1,152
Other assets	**172**	62	**36**	19	**77**	113	**788**	935	**1,073**	1,129
Total assets	**7,718**	7,057	**3,432**	3,255	**1,947**	1,869	**1,009**	1,164	**14,106**	13,345
Total liabilities	**360**	460	**32**	75	**426**	441	**4,299**	3,714	**5,117**	4,690
Net assets	**7,358**	6,597	**3,400**	3,180	**1,521**	1,428	**(3,290)**	(2,550)	**8,989**	8,655

1. Includes investment properties under construction.
2. Includes carrying value of investments in joint ventures and other indirect investments.

OTHER SEGMENT INFORMATION

31 December	Office & Industrial 2018 $m	Office & Industrial 2017 $m	Retail 2018 $m	Retail 2017 $m	Residential 2018 $m	Residential 2017 $m	Corporate & other 2018 $m	Corporate & other 2017 $m	Total 2018 $m	Total 2017 $m
Share of net profit of joint ventures	**23**	29	**—**	1	**22**	13	**—**	29	**45**	72
Depreciation and amortisation expenses	**11**	9	**7**	8	**1**	1	**4**	4	**23**	22
Acquisitions of investments and PPE	**410**	120	**101**	197	**1**	15	**4**	4	**516**	336

RECONCILIATION OF STATUTORY PROFIT AFTER TAX TO OPERATING PROFIT AFTER TAX

The following table shows how profit for the year attributable to stapled securityholders reconciles to operating profit after tax:

	31 December 2018					31 December 2017
	Office & Industrial $m	Retail $m	Residential $m	Corporate & other $m	Total $m	Total $m
Profit for the half year attributable to stapled securityholders	**565**	**146**	**40**	**(103)**	**648**	465
Exclude specific non-cash items						
Revaluation of investment properties and investment properties under construction[1]	**(323)**	**(69)**	**—**	**—**	**(392)**	(228)
Share of net profit of joint ventures relating to movement of non-cash items[2]	**(3)**	**—**	**—**	**9**	**6**	(21)
Straight-lining of lease revenue[3]	**(4)**	**—**	**—**	**—**	**(4)**	(5)
Net gain on foreign exchange and financial instruments	**—**	**—**	**—**	**—**	**—**	(16)
Amortisation of lease incentives & leasing costs	**26**	**8**	**—**	**—**	**34**	32
Tax effect						
Tax effect of non-cash items[4]	**—**	**—**	**—**	**(2)**	**(2)**	3
Operating profit after tax	**261**	**85**	**40**	**(96)**	**290**	230

1. Includes Mirvac's share in the joint ventures' revaluation of investment properties which is included within Share of net profit of joint ventures.
2. Included within Share of net profit of joint ventures.
3. Included within Revenue.
4. Included within Income tax expense.

B2 EXPENSES

	31 December 2018 $m	31 December 2017 $m
Profit before income tax includes the following specific expenses:		
Employee benefits expenses	**50**	47
Security-based payments expense	**7**	6
Total employee expenses	**57**	53
Compliance, consulting and professional fees	**11**	12
Rent, office and administration expenses	**14**	12
IT infrastructure and other expenses	**9**	7
Total other expenses	**34**	31
Total employee and other expenses	**91**	84
Finance costs		
Interest paid/payable	**73**	76
Interest capitalised[1]	**(14)**	(21)
Borrowing costs amortised	**3**	1
Total finance costs	**62**	56
Add cost of goods sold interest (previously capitalised and now expensed)[2]	**13**	10
Total interest and borrowing costs	**75**	66
Loss on financial instruments		
Loss on interest rate derivatives	**5**	—
Total loss on financial instruments	**5**	—

1. Relates to Residential $7m (December 2017: $15m) and commercial projects $7m (December 2017: $6m).
2. Relates to Residential $9m (December 2017: $10m) and commercial projects $4m (December 2017: nil).

B Results for the half year

continued

B3 EVENTS OCCURRING AFTER THE END OF THE HALF YEAR

No events have occurred since the end of the half year which have significantly affected or may significantly affect Mirvac's operations, the results of those operations, or Mirvac's state of affairs in future years.

B4 INCOME TAX

Most of the Group's profit is earned by trusts which are not subject to taxation. Income from the trusts is instead attributed to unitholders who pay income tax at their marginal tax rates.

ACCOUNTING FOR INCOME TAX

Income tax expense is calculated at the applicable tax rate (currently 30 per cent in Australia, December 2017: 30 per cent) and recognised in the profit for the half year, unless it relates to other comprehensive income or transactions recognised directly in equity.

The tax expense comprises both current and deferred tax. Broadly, current tax represents the tax expense paid or payable for the current half year. Deferred tax accounts for tax on temporary differences. Temporary differences generally occur when income and expenses are recognised by tax authorities and for accounting purposes in different periods.

Deferred tax assets, including those arising from tax losses, are only recognised to the extent it is probable that sufficient taxable profits will be available to utilise the losses in the foreseeable future. Deferred tax is not recognised on the initial recognition of goodwill.

Mirvac estimates future taxable profits based on reviewed budgets and forecasts extending five years. Future taxable profits are influenced by a variety of general economic and business conditions, which are outside the control of Mirvac. A change in any of these assumptions could have an impact on the future profitability of the Group and may affect the recovery of deferred tax assets.

At 31 December 2018, the Group had $265m (June 2018: $265m) of unrecognised tax losses.

C Property and development assets

This section includes investment properties, investments in joint ventures and inventories. They represent the core assets of the business and drive the value of the Group.

C1 PROPERTY PORTFOLIO

Mirvac holds a property portfolio for long term rental yields. Depending on the specific arrangements for each property, they are classified as investment properties or properties held through joint ventures.

A detailed listing of Mirvac's property portfolio assets can be located in the Property Compendium, which is available on Mirvac's website: groupir.mirvac.com/page/Property_Compendium/.

Investment properties

Investment properties are properties owned by Mirvac and not occupied by the Group. Investment properties include investment properties under construction, which will become investment properties once construction is completed.

Mirvac accounts for its investment properties at fair value and revaluations are recognised as other income in the consolidated SoCI.

Investments in joint ventures (JV)

Mirvac enters into arrangements with third parties to jointly own investment properties.

If Mirvac has joint control over the activities and joint rights to the net assets of an arrangement, then it is classified as a JV.

The JV hold investment property at fair value and Mirvac recognises its share of the JV's profit or loss as other income. For further details on accounting for JV, refer to note C3.

Judgements in fair value estimation

The judgements used to estimate the fair value of the Group's properties have not changed since 30 June 2018. Refer to the 2018 financial statements for further details of the judgements and inputs applied.

Lease incentives

The carrying amount of properties includes lease incentives provided to tenants. Lease incentives are deferred and recognised on a straight-line basis over the lease term.

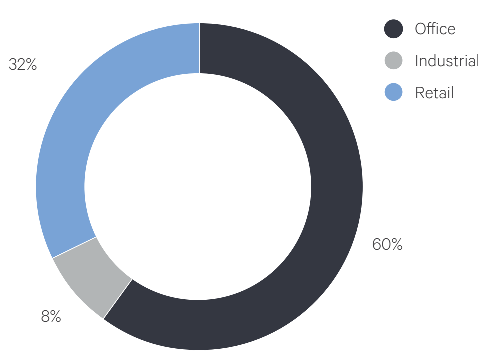
BREAKDOWN OF MIRVAC'S PROPERTY PORTFOLIO BY SECTOR

		31 December 2018				30 June 2018
	Note	Office $m	Industrial $m	Retail $m	Total $m	Total $m
Investment properties		5,513	868	3,385	**9,766**	9,011
Investment properties under construction		389	—	—	**389**	283
Total investment properties	C2	5,902	868	3,385	**10,155**	9,294
Investments in JV[1]	C3	468	—	—	**468**	457
Total property portfolio		**6,370**	**868**	**3,385**	**10,623**	9,751

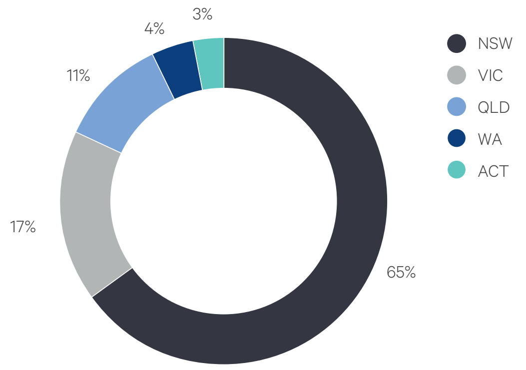
1. Represents Mirvac's share of the JV's investment properties which is included within the carrying value of investments in JV.

PROPERTY PORTFOLIO AS AT 31 DECEMBER 2018

By Segment



By Geography

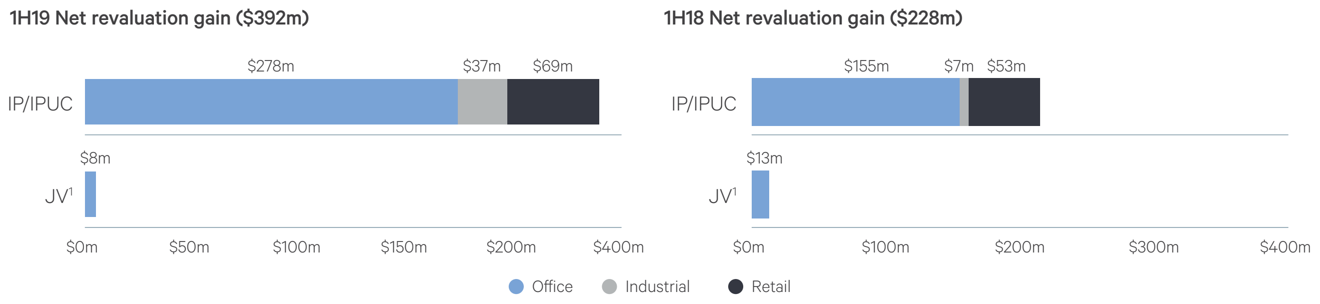


C Property and development assets

continued

C1 PROPERTY PORTFOLIO CONTINUED

REVALUATION OF PROPERTY PORTFOLIO



1. Represents Mirvac's share of the JV's revaluation gain which is included within the share of net profit of JV.

C2 INVESTMENT PROPERTIES

Investment properties, including investment properties under construction, are held at fair value and any gains or losses are recognised in revenue and other income. The fair value movements are non-cash and do not affect the Group's distributable income.

	31 December 2018				30 June 2018
	Office $m	Industrial $m	Retail $m	Total $m	Total $m
Balance 1 July	5,262	809	3,223	**9,294**	8,278
Expenditure capitalised	188	23	101	**312**	475
Acquisitions	199	-	-	**199**	255
Disposals	-	-	-	**-**	(300)
Net revaluation gain from fair value adjustments	278	37	69	**384**	478
Exchange differences on translation of foreign operations	-	-	-	**-**	(1)
Transfer from inventories	-	-	-	**-**	15
Transfer from joint venture	-	-	-	**-**	156
Amortisation	(25)	(1)	(8)	**(34)**	(62)
Closing balance	**5,902**	**868**	**3,385**	**10,155**	9,294

Fair value measurement and valuation basis

Investment properties are measured as Level 3 financial instruments. Refer to note D2 for explanation of the levels of fair value measurement.

The discounted cash flow, capitalisation rate and residual valuation methods all use unobservable inputs in determining fair value; ranges of the inputs are included below:

		Inputs used to measure fair value				
Segment	Level 3 fair value $m	Net market income $/sqm	10-year compound annual growth rate %	Capitalisation rate %	Terminal yield %	Discount rate %
31 December 2018						
Office	**5,902**	**290 – 1,532**	**3.00 – 3.80**	**4.75 – 8.00**	**5.00 – 8.00**	**6.50 – 8.25**
Industrial	**868**	**98 – 457**	**2.92 – 3.47**	**5.00 – 7.00**	**5.25 – 7.50**	**6.75 – 7.75**
Retail	**3,385**	**204 – 1,359**	**2.77 – 4.10**	**4.50 – 8.00**	**4.75 – 8.25**	**6.50 – 9.50**
30 June 2018						
Office	5,262	418 – 1,415	3.19 – 3.77	5.00 – 8.00	5.25 – 8.25	6.50 – 8.50
Industrial	809	98 – 450	2.86 – 3.00	5.22 – 7.25	5.47 – 7.50	6.92 – 8.25
Retail	3,223	203 – 1,402	3.35 – 4.30	4.50 – 8.00	4.75 – 8.25	6.50 – 9.50

Movement in any of the unobservable inputs is likely to have an impact on the fair value of investment property. The higher the net market income or 10-year compound annual growth rate, the higher the fair value. The higher the capitalisation rate, terminal yield or discount rate, the lower the fair value.

C3 INVESTMENTS IN JOINT VENTURES

A joint venture (JV) is an arrangement where Mirvac has joint control over the activities and joint rights to the net assets. Mirvac initially records the JV at the cost of the investment and subsequently accounts for them using the equity method.

All JV are established or incorporated in Australia. The table below provides summarised financial information for those JV that are significant to the Group. The Group does not have any associates.

		31 December 2018		30 June 2018	
Joint venture	Principal activities	Interest %	Carrying value $m	Interest %	Carrying value $m
Mirvac 8 Chifley Trust	Property investment	**50**	**231**	50	226
Mirvac (Old Treasury) Trust	Property investment	**50**	**214**	50	208
Mirvac SLS Development Trust	Residential development	**51**	**107**	51	106
Tucker Box Hotel Group	Hotel investment	**50**	**215**	50	224
Other joint ventures	Various		**152**		179
Total			**919**		943

C Property and development assets

continued

C4 INVENTORIES

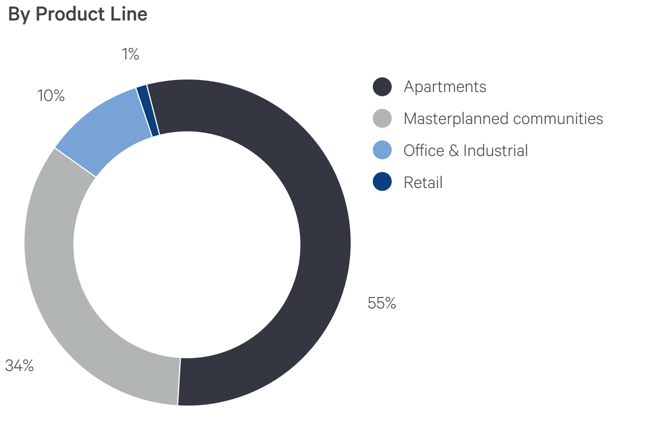
The Group develops residential and commercial properties for sale, and not to hold as an investment property.

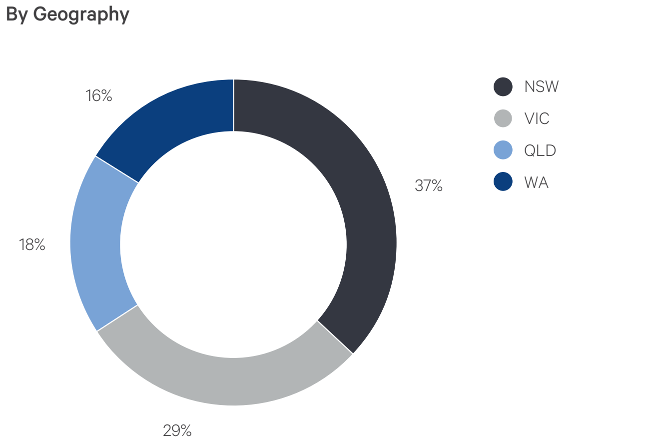
	31 December 2018		30 June 2018	
	Current $m	**Non-current $m**	Current $m	Non-current $m
Residential apartments				
Acquisition costs	**35**	**236**	51	226
Development costs	**182**	**524**	192	414
Interest capitalised during development	**7**	**44**	10	42
NRV write-downs provision	**(1)**	**(60)**	(2)	(60)
Total residential apartments	**223**	**744**	251	622
Residential masterplanned communities				
Acquisition costs	**193**	**262**	118	308
Development costs	**72**	**53**	45	50
Interest capitalised during development	**25**	**14**	13	28
NRV write-downs provision	**(21)**	**(4)**	(20)	(6)
Total residential masterplanned communities	**269**	**325**	156	380
Total Residential	**492**	**1,069**	407	1,002
Office & Industrial				
Acquisition costs	**30**	**45**	39	55
Development costs	**105**	**1**	143	108
Interest capitalised during development	**2**	**1**	4	2
Total Office & Industrial	**137**	**47**	186	165
Retail				
Development costs	**3**	**5**	6	4
Total Retail	**3**	**5**	6	4
Total inventories	**632**	**1,121**	599	1,171

JUDGEMENT IN CALCULATING NRV OF INVENTORIES

NRV is the estimated selling price in the ordinary course of business less the estimated costs to complete and sell the development. NRV is estimated using the most reliable evidence available at the time including expected fluctuations in selling price and estimated costs to complete and sell.

INVENTORIES AS AT 31 DECEMBER 2018





Inventory movement	31 December 2018 $m	30 June 2018 $m
Balance 1 July	**1,770**	1,667
Costs incurred	**729**	1,159
Settlements	**(747)**	(1,067)
Provision utilisation	**1**	26
Transfer to investment properties	**—**	(15)
Closing balance	**1,753**	1,770

C5 COMMITMENTS

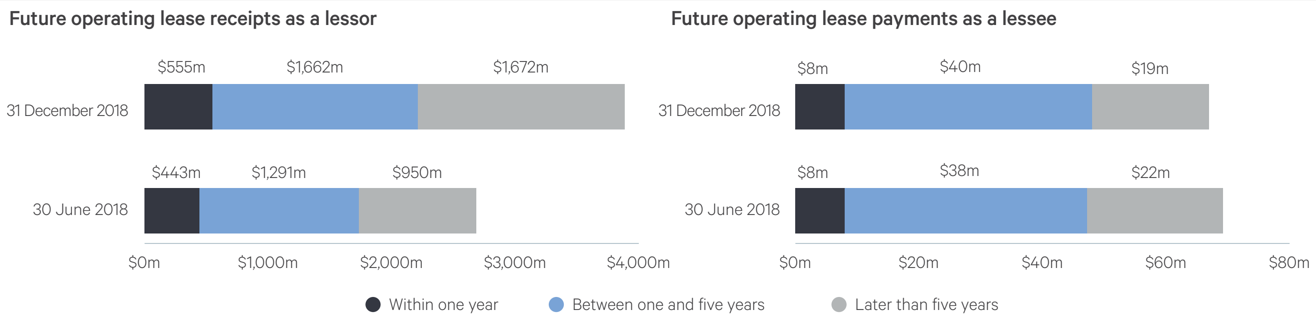
CAPITAL EXPENDITURE COMMITMENTS

At 31 December 2018, capital commitments on Mirvac's existing property portfolio were $43m (June 2018: $237m). There are no properties pledged as security by the Group (June 2018: nil).

LEASE COMMITMENTS

Property rental revenue is accounted for as operating leases. The revenue and expenses are recognised in the consolidated SoCI on a straight-line basis over the lease term. Payments for operating leases are made net of any lease incentives.

The future receipts and payments are shown as undiscounted contractual cash flows.



D Capital structure

This section outlines the market, credit and liquidity risks that the Group is exposed to and how it manages these risks. Capital comprises stapled securityholders' equity and net debt (borrowings less cash).

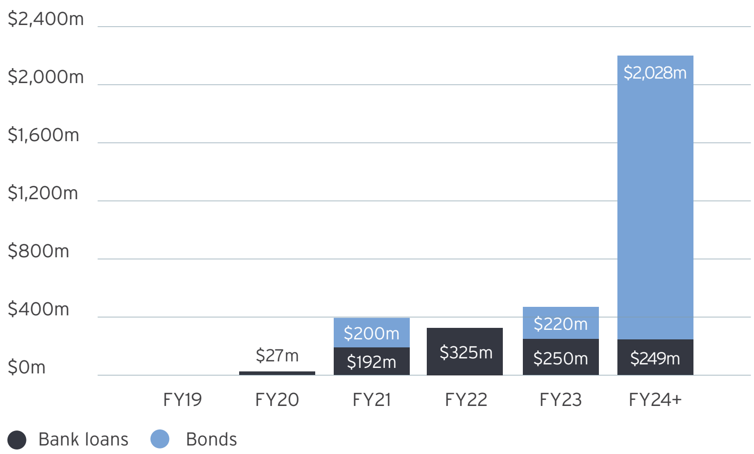
D1 BORROWINGS AND LIQUIDITY

The Group enters into borrowing facilities at both fixed and floating interest rates and also uses interest rate derivatives to reduce interest rate risks.

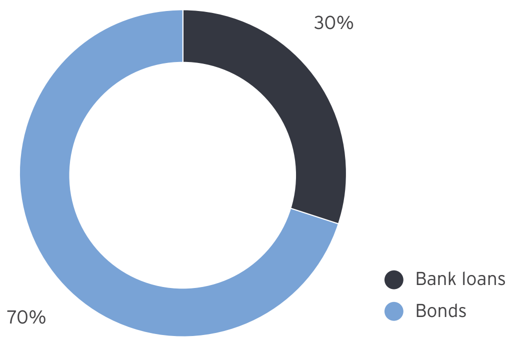
During the period, the Group increased the amount and extended the term of its syndicated bank facility which now totals $1.25bn. An additional $280m of bank facilities were established and $134m of bonds were repaid at maturity.

At 31 December 2018, the Group had $570m of cash and committed undrawn bank facilities available and gearing ratio of 24.4 per cent.

DRAWN DEBT MATURITIES AS AT 31 DECEMBER 2018



DRAWN DEBT SOURCES AS AT 31 DECEMBER 2018



BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Under the amortised cost method, any difference between the initial amount recognised and the redemption amount is recognised in the consolidated SoCI over the period of the borrowings using the effective interest rate method.

	31 December 2018				30 June 2018			
	Current $m	Non-current $m	Total carrying amount $m	Total fair value $m	Current $m	Non-current $m	Total carrying amount $m	Total fair value $m
Unsecured bank facilities								
Bank loans	—	**1,043**	**1,043**	**1,043**	—	415	415	415
Bonds	—	**2,645**	**2,645**	**2,628**	135	2,523	2,658	2,633
Total unsecured borrowings	—	**3,688**	**3,688**	**3,671**	135	2,938	3,073	3,048
Undrawn bank facilities			**487**				685	

The fair value of the bank loans is considered to approximate their carrying amount; although some loans have fixed interest rates, the impact is immaterial. The fair value of the bonds is calculated as the expected future cash flows discounted by the relevant current market rates.

D2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Mirvac measures various financial assets and liabilities at fair value which, in some cases, may be subjective and depend on the inputs used in the calculations. The different levels of measurement are described below:

- **Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;**
- **Level 2: not traded in an active market but calculated with significant inputs coming from observable market data; and**
- **Level 3: significant inputs to the calculation that are not based on observable market data (unobservable inputs).**

Mirvac holds no Level 1 financial instruments.

The methods and assumptions used to estimate the fair value of Mirvac's financial instruments are as follows:

Derivative financial instruments

Mirvac's derivative financial instruments are classified as Level 2, as the fair values are calculated based on observable market interest rates and foreign exchange rates. The fair values of interest rate derivatives are calculated as the present value of the estimated future cash flows based on observable yield curves.

Other financial assets

Other financial assets include units in unlisted funds and loan notes issued by unrelated parties. The carrying value of other financial assets is equal to the fair value.

Investments in unlisted entities are traded in inactive markets and the fair value is determined by the unit price as advised by the trustee of the fund, based on the value of the fund's underlying assets. The fund's assets are subject to regular external valuations. The valuation methods used by external valuers have not changed since 30 June 2018.

The fair value of convertible notes and loan notes is calculated based on the expected cash inflows. Expected cash inflows are determined based on the repayment terms, interest rates, agreed project costs and credit risk.

The following table summarises the financial instruments measured and recognised at fair value on a recurring a basis:

	31 December 2018				30 June 2018			
	Level 1 $m	**Level 2 $m**	**Level 3 $m**	**Total $m**	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets carried at fair value								
Investments in unlisted entities	—	—	52	**52**	—	—	40	40
Loan notes	—	—	—	**—**	—	—	81	81
Derivative financial instruments	—	220	—	**220**	—	121	—	121
	—	**220**	**52**	**272**	—	121	121	242
Financial liabilities carried at fair value								
Derivative financial instruments	—	52	—	**52**	—	78	—	78
	—	**52**	**—**	**52**	—	78	—	78

There were no transfers between the fair value hierarchy levels in the six months to 31 December 2018. The following table presents a reconciliation of the carrying value of Level 3 instruments (excluding investment properties):

	31 December 2018		
	Unlisted securities $m	Loan notes $m	**Total other financial assets $m**
Balance 1 July	40	81	**121**
Acquisitions	12	—	**12**
Repayment	—	(81)	**(81)**
Balance 31 December 2018	**52**	**—**	**52**

Refer to note C2 for a reconciliation of the carrying value of Level 3 investment properties.

E Equity

This section includes details of distributions, stapled securityholders' equity and reserves. It represents how the Group raised equity from its stapled securityholders (equity) in order to finance the Group's activities both now and in the future.

E1 DISTRIBUTIONS

Half yearly ordinary distribution	CPSS	Amount payable/paid $m	Date payable/paid
31 December 2018	**5.3**	**193**	**28 February 2019**
31 December 2017	5.0	186	28 February 2018

All distributions in the current and prior periods were unfranked. Franking credits available for future years, based on a tax rate of 30 per cent, total $23m (June 2018: $23m).

E2 CONTRIBUTED EQUITY

Mirvac's contributed equity includes ordinary shares in Mirvac Limited and ordinary units in MPT which are stapled to create stapled securities.

Each ordinary security entitles the holder to receive distributions when declared, to one vote at securityholders' meetings and on polls and to a proportional share of proceeds on winding up of Mirvac.

When new securities or options are issued, the directly attributable incremental costs are deducted from equity, net of tax.

CONTRIBUTED EQUITY

	31 December 2018		30 June 2018	
	No. securities m	Securities $m	No. securities m	Securities $m
Mirvac Limited - ordinary shares issued	**3,656**	**2,060**	3,708	2,075
MPT - ordinary units issued	**3,656**	**4,644**	3,708	4,750
Total contributed equity		**6,704**		6,825

The total number of stapled securities issued as listed on the ASX at 31 December 2018 was 3,658m (June 2018: 3,710m) which included 2m of stapled securities issued under the LTI plan and EIS (June 2018: 2m). Securities issued to employees under the Mirvac employee LTI plan and EIS are accounted for as options and are recognised in the security-based payments reserve, not in contributed equity.

MOVEMENTS IN PAID UP EQUITY

	31 December 2018		30 June 2018	
	No. securities m	Securities $m	No. securities m	Securities $m
Balance 1 July	**3,708**	**6,825**	3,703	6,819
LTI vested	**6**	**9**	6	8
Legacy schemes vested	**—**	**—**	—	1
Security buy-back	**(58)**	**(130)**	(1)	(3)
Closing	**3,656**	**6,704**	3,708	6,825

Mirvac issues securities to employees as security-based payments.

F Other information

This section provides additional required disclosures that are not covered in the previous sections.

F1 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that may become payable depending on a future event or a present obligation that is not probable to require payment/cannot be reliably measured. A provision is not recognised for contingent liabilities.

	31 December 2018 $m	30 June 2018 $m
Bank guarantees and performance bonds granted in the normal course of business	**235**	280
Health and safety claims	**1**	1

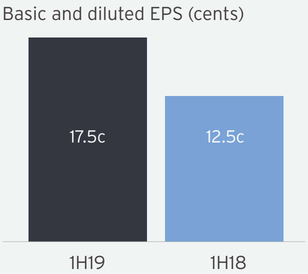
As at 31 December 2018, the Group had no contingent liabilities relating to joint ventures (June 2018: nil).

F2 EARNINGS PER STAPLED SECURITY

Basic earnings per stapled security (EPS) is calculated by dividing:
- the profit attributable to stapled securityholders; by
- the weighted average number of ordinary securities (WANOS) outstanding during the half year.

Diluted EPS adjusts the WANOS to take into account dilutive potential ordinary securities from security-based payments.

	31 December 2018 $m	31 December 2017 $m
Profit attributable to stapled securityholders used to calculate basic and diluted EPS ($m)	**648**	465
WANOS used in calculating basic EPS (m)	**3,694**	3,707
WANOS used in calculating diluted EPS (m)	**3,696**	3,710



F3 CASH FLOW INFORMATION

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash at bank and short term deposits at call.

RECONCILIATION OF PROFIT TO OPERATING CASH FLOW

	31 December 2018 $m	31 December 2017 $m
Profit for the half year attributable to stapled securityholders	**648**	465
Net gain on financial instruments	**—**	(15)
Net (gain)/loss on foreign exchange	**—**	(1)
Share of net profit of joint ventures	**(45)**	(72)
Joint venture distributions received	**49**	29
Revaluation of investment properties and investment properties under construction	**(384)**	(215)
Depreciation and amortisation expenses	**23**	22
Security-based payments expense	**7**	6
Change in operating assets and liabilities		
Increase in receivables	**(44)**	(26)
Decrease/(increase) in inventories	**67**	(384)
(Decrease)/increase in payables	**(160)**	166
Decrease in tax effected balances	**26**	—
Decrease in provisions	**(4)**	(3)
(Increase)/decrease in other assets/liabilities	**(16)**	8
Net cash inflows/(outflows) from operating activities	**167**	(20)

Directors' declaration

For the half year ended 31 December 2018

In the Directors' opinion:

a) the financial statements and the notes set out on pages 8 to 31 are in accordance with the *Corporations Act 2001*, including:

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

  ii) giving a true and fair view of the consolidated entity's financial position at 31 December 2018 and of its performance for the financial half year ended on that date; and

b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Susan Lloyd-Hurwitz
Director

Sydney
7 February 2019

Independent auditor's review report

to the members of Mirvac Limited

Independent auditor's review report to the members of Mirvac Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mirvac Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Mirvac Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mirvac Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independent auditor's review report

continued

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

J A Dunning

J A Dunning
Partner

Sydney
7 February 2019

Glossary

CPSS	Cents per stapled security
EIS	Employee Incentive Scheme
EPS	Earnings per stapled security
IP	Investment properties
IPUC	Investment properties under construction
JV	Joint ventures
LTI	Long term incentives
MAT	Moving annual turnover
MPT	Mirvac Property Trust
NABERS	National Australian Built Environment Rating System
NOI	Net operating income
NRV	Net realisable value
SBP	Security-based payments
STI	Short term incentives
WALE	Weighted average lease expiry
WANOS	Weighted average number of ordinary securities