MIRVAC PROPERTY TRUST

1H20 Interim Report

Reimagine Urban Life

06.02.2020

MIRVAC PROPERTY TRUST
AND ITS CONTROLLED ENTITIES

Interim Report
For the half year ended 31 December 2019

The consolidated entity comprises Mirvac Property Trust ARSN 086 780 645 and its controlled entities.

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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 2019 and any public announcements made by Mirvac Property Trust during the interim reporting period.

The Directors of Mirvac Funds Limited ABN 70 002 561 640, AFSL 233121, the Responsible Entity of Mirvac Property Trust (MPT or Trust) present their report, together with the consolidated report of MPT and its controlled entities (consolidated entity) for the half year ended 31 December 2019.

MPT and its controlled entities together with Mirvac Limited and its controlled entities form the stapled entity, Mirvac Group (Mirvac or Group).

Responsible Entity

The Responsible Entity of the Trust is Mirvac Funds Limited, an entity incorporated in New South Wales. The immediate parent entity of the Responsible Entity is Mirvac Woolloomooloo Pty Limited ABN 44 001 162 205, incorporated in New South Wales, and its ultimate parent entity is Mirvac Limited ABN 92 003 280 699, incorporated in New South Wales.

Directors

The following persons were Directors of Mirvac Funds 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
- James M. Millar AM
- Samantha Mostyn
- Peter Nash
- John Peters (resigned on 19 November 2019)
- Elana Rubin (resigned on 19 November 2019)

Financial review

The Trust's prudent approach to capital management, supported by its urban strategy, delivered solid results for the half year ended 31 December 2019.

Key financial highlights for the half year ended 31 December 2019:

- profit attributable to stapled unitholders of $546.5m (December 2018: $590.8m), driven by significant fair value gains in the investment portfolio as a result of capitalisation rate compression;
- total assets of $10,856.2m and net assets of $8,888.8m; and
- half year distribution of $240.0m, representing 6.1 cents per stapled unit.

Key capital management highlights for the half year ended 31 December 2019:

The Trust's capital structure is monitored at the Group level. Key capital management highlights relating to the Group for the half year ended 31 December 2019 include:

- gearing at the lower end of the target range of 20 to 30 per cent at 20.8 per cent[1];
- substantial available liquidity of $944.0m in cash and committed undrawn bank facilities held;
- weighted average debt maturity of 7.7 years;
- average borrowing costs maintained at 4.5 per cent per annum as at 31 December 2019 (December 2018: 4.5 per cent), including margins and line fees;
- maintained an A- rating with a stable outlook from Fitch Ratings during the half year; and
- maintained its A3 rating from Moody's Investors Service (equivalent to A-).

Outlook[2]

Mirvac's strong performance 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 $12.0bn modern investment portfolio.

The office portfolio is expected to continue to benefit from the strong fundamentals of the Sydney and Melbourne CBD and inner urban markets. At the same time, we will continue deliver disciplined growth through our proven asset creation capability and a strong embedded margin.

1. Net debt (at foreign exchange hedged rate) excluding leases/(total tangible assets – cash).
2. These future looking statements should be read in conjunction with future releases to the Australian Securities Exchange (ASX).

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 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.

Risks
As a property group involved in real estate investment, the consolidated entity 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 trust. The consolidated entity's objective is to ensure those risks are identified and appropriate strategies are implemented to manage the impact of those risks. The consolidated entity's risk management framework is integrated with its day-to-day business processes and is supported by a dedicated Group Risk function.

For the half year ended 31 December 2019, the consolidated entity 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.

Net current asset deficiency

As at 31 December 2019, the Trust was in a net current liability position of $405.5m. The Trust minimises its cash balance using available funds to repay borrowings; however, it had access to $1,028.0m of unused borrowing facilities at 31 December 2019. Accordingly, the Directors of the Responsible Entity expect that the Trust will have sufficient cash flows to meet all financial obligations as and when they fall due.

Matters subsequent to the end of the half year

No circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity 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 4 and forms part of the Directors' report.

Rounding of amounts

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

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

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
6 February 2020

Auditor's Independence Declaration

As lead auditor for the review of Mirvac Property Trust for the half-year ended 31 December 2019, 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 Property Trust and the entities it controlled during the period.

JReilly

Jane Reilly
Partner
PricewaterhouseCoopers

Sydney
6 February 2020

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These financial statements cover the financial statements for the consolidated entity consisting of Mirvac Property Trust (MPT or Trust) and its controlled entities. The financial statements are presented in Australian currency.

The Responsible Entity of Mirvac Property Trust is Mirvac Funds Limited ABN 70 002 561 640, AFSL 233121, a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Mirvac Funds Limited
Level 28
200 George Street
Sydney NSW 2000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on pages 2 and 3, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Directors on 6 February 2020. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, the Trust has ensured that its corporate reporting is timely and complete. All press releases, financial reports and other information are available in the Investor Relations section on the Mirvac Group's website.

Mirvac Property Trust and its controlled entities
Consolidated statement of comprehensive income
For the half year ended 31 December 2019

	Note	31 December 2019 $m	31 December 2018 $m
Revenue		**349.3**	326.3
Other income			
Revaluation of investment properties	C1	**324.2**	388.8
Share of net profit of joint ventures	C2	**15.0**	23.7
Net gain on financial instruments	D2	**0.8**	0.4
Net gain on sale of assets		**18.1**	-
Total revenue and other income		**707.4**	739.2
Investment property expenses and outgoings		**94.2**	85.9
Amortisation expenses		**25.5**	17.0
Finance costs	B2	**26.5**	34.7
Other expenses		**14.7**	10.8
Profit before income tax		**546.5**	590.8
Profit for the half year attributable to stapled unitholders		**546.5**	590.8
Other comprehensive expense that may be reclassified to profit or loss			
Other comprehensive expense for the half year		**-**	-
Total comprehensive income for the half year attributable to stapled unitholders		**546.5**	590.8
Earnings per stapled unit (EPU) for profit for the half year attributable to stapled unitholders		**Cents**	Cents
Basic EPU	F1	**13.9**	16.0
Diluted EPU	F1	**13.9**	16.0

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

Mirvac Property Trust and its controlled entities
Consolidated statement of financial position
As at 31 December 2019

	Note	31 December 2019 $m	30 June 2019 $m
Current assets			
Cash and cash equivalents		**28.4**	16.9
Receivables		**19.6**	14.2
Other assets		**28.3**	14.6
Total current assets		**76.3**	45.7
Non-current assets			
Investment properties	C1	**10,215.2**	9,846.2
Investments in joint ventures	C2	**463.1**	461.3
Other financial assets	D2	**58.8**	58.0
Intangible assets		**42.8**	42.8
Total non-current assets		**10,779.9**	10,408.3
Total assets		**10,856.2**	10,454.0
Current liabilities			
Payables		**241.7**	221.6
Provisions	E1	**240.0**	246.4
Lease liabilities	D1	**0.1**	-
Total current liabilities		**481.8**	468.0
Non-current liabilities			
Payables		**6.6**	6.5
Borrowings	D1	**1,472.0**	1,447.0
Lease liabilities	D1	**7.0**	-
Total non-current liabilities		**1,485.6**	1,453.5
Total liabilities		**1,967.4**	1,921.5
Net assets		**8,888.8**	8,532.5
Equity			
Contributed equity	E2	**5,366.2**	5,316.4
Reserves		**5.4**	5.4
Retained earnings		**3,517.2**	3,210.7
Total equity attributable to stapled unitholders		**8,888.8**	8,532.5

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

	Note	Attributable to stapled unitholders Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance 1 July 2018		4,775.9	5.4	2,757.9	7,539.2
Profit for the half year		-	-	590.8	590.8
Other comprehensive income for the half year		-	-	-	-
Total comprehensive income for the half year		-	-	590.8	590.8
Transactions with owners in their capacity as owners					
Stapled unit-based payments					
Long-term incentive (LTI) vested	E2	7.4	-	-	7.4
Legacy schemes vested	E2	0.3	-	-	0.3
Stapled unit buy-back	E2	(113.6)	-	-	(113.6)
Distributions	E1	-	-	(193.9)	(193.9)
Balance 31 December 2018		4,670.0	5.4	3,154.8	7,830.2
Balance 1 July 2019		5,316.4	5.4	3,210.7	8,532.5
Profit for the half year		-	-	546.5	546.5
Other comprehensive income for the half year		-	-	-	-
Total comprehensive income for the half year		-	-	**546.5**	**546.5**
Transactions with owners in their capacity as owners					
Stapled unit-based payments					
LTI vested	E2	9.6	-	-	9.6
Legacy schemes vested	E2	0.7	-	-	0.7
Stapled units issued under the Security Purchase Plan (SPP)	E2	39.5	-	-	39.5
Distributions	E1	-	-	(240.0)	(240.0)
Balance 31 December 2019		**5,366.2**	**5.4**	**3,517.2**	**8,888.8**

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

	Note	31 December 2019 $m	31 December 2018 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**350.0**	333.9
Payments to suppliers and employees (inclusive of goods and services tax)		**(95.8)**	(112.0)
		254.2	221.9
Interest received		**-**	0.1
Dividends received		**1.0**	0.8
Distributions received from joint ventures		**14.2**	20.4
Interest paid		**(34.4)**	(40.5)
Net cash inflows from operating activities	F2	**235.0**	202.7
Cash flows from investing activities			
Payments for investment properties		**(181.3)**	(534.2)
Proceeds from sale of investment properties		**130.3**	-
Contributions to joint ventures		**(0.1)**	(157.4)
Repayments of loans from unrelated parties		**-**	79.7
Payments for financial assets		**-**	(10.8)
Net cash outflows from investing activities		**(51.1)**	(622.7)
Cash flows from financing activities			
Proceeds from loans from entities related to Responsible Entity		**318.0**	1,003.0
Repayments of loans to entities related to Responsible Entity		**(293.0)**	(249.0)
Payments for stapled units buy-back		**-**	(113.6)
Proceeds from issue of stapled units		**49.0**	7.4
Distributions paid		**(246.4)**	(222.6)
Net cash (outflows)/inflows from financing activities		**(172.4)**	425.2
Net increase in cash and cash equivalents		**11.5**	5.2
Cash and cash equivalents at the beginning of the half year		**16.9**	26.8
Cash and cash equivalents at the end of the half year		**28.4**	32.0

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 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 Mirvac Group.

Statement of compliance

This interim financial report for the half year ended 31 December 2019 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 2019 and any public announcements made by MPT 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 2019 except for the adoption of new accounting standards. Refer to the below sections on new standards adopted by the consolidated entity 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 off to the nearest tenth of a 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.

Net current asset deficiency

As at 31 December 2019, the Trust was in a net current liability position of $405.5m. The Trust minimises its cash balance using available funds to repay borrowings; however, it had access to $1,028.0m of unused borrowing facilities at 31 December 2019. Accordingly, the Directors of the Responsible Entity expect that the Trust will have sufficient cash flows to meet all financial obligations as and when they fall due.

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 2019 with the exception of the new and amended standards as set out below.

New and amended standards adopted by the consolidated entity

This section explains the impact of the adoption of AASB 16 *Leases* on the consolidated entity's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

Accounting standard	**AASB 16 *Leases***
Nature of change	AASB 16 *Leases* sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard results in almost all leases being recognised on the consolidated SoFP 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 (less than 12 months) and low-value leases.
Application	The Trust has adopted AASB 16 *Leases* retrospectively from 1 July 2019, but has not restated comparatives previous reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated SoFP on 1 July 2019.

New and amended standards adopted by the consolidated entity *(continued)*

<table>
<tr>
<td>Impact on financial statements</td>
<td>
<u>Measurement of lease liabilities</u>
On adoption of AASB 16, the consolidated entity recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, which contained the following components:

fixed payments (including in-substance fixed payments), less any lease incentives receivable;
variable lease payments that are based on an index (CPI) or a fixed rate as outlined in the lease, initially measured using the index (CPI) or fixed rate as at the commencement date;
amounts expected to be payable by the consolidated entity under residual value guarantees;
the exercise price of a purchase option if the consolidated entity is reasonably certain to exercise that option; and
lease payments with reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the consolidated entity, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The incremental borrowing rate is calculated by applying the interest rate on the consolidated entity’s external borrowings for a term near equivalent to the lease. If there are no borrowings that mature within a reasonable proximity of the lease term, indicative pricing of where the consolidated entity can price a new debt capital market issue for a comparative term will be used in the calculation. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.08% per annum.
<u>Lease term</u>
The consolidated entity determines the lease term as the non-cancellable period of a lease together with both:

the periods covered by an option to extend the lease if it is reasonably certain to exercise that option; and
periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

<u>Practical expedients applied</u>
In applying AASB 16 for the first time, the consolidated entity has used the following practical expedients permitted by the standard:

applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The consolidated entity has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the consolidated entity relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.
<u>Lessor accounting</u>
The adoption of AASB 16 did not have a significant impact on the accounting for assets held as lessor under operating leases.
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Financial statement impact on adoption at 1 July 2019

There is no 1 July 2019 opening retained earnings adjustment from the Trust's adoption of AASB 16. The movements in the consolidated SoFP from the adoption of AASB 16 resulted from the Trust's investment properties that are held as leasehold being grossed up for the lease liability recognised upon adoption as shown in the table below.

The comparatives have not been restated due to the application of the modified retrospective approach. The difference between the operating lease commitments ($nil) at 30 June 2019 and the balance of the lease liabilities ($7m) recognised at 1 July 2019 reflects the inclusion of ground leases in lease liabilities. These were previously excluded from the operating lease commitments as they form part of investment properties.

The following table shows the adjustments for AASB 16 as recognised for each individual financial statement line item. Line items that were not affected by the changes have been included within "all other".

Consolidated statement of financial position (summary)

	30 June 2019 As originally presented $m	Total AASB 16 impact $m	1 July 2019 Restated $m
Current assets			
All other current assets	45.7	-	**45.7**
Total current assets	45.7	-	**45.7**
Non-current assets			
Investment properties	9,846.2	7.1	**9,853.3**
All other non-current assets	562.1	-	**562.1**
Total non-current assets	10,408.3	7.1	**10,415.4**
Total assets	10,454.0	7.1	**10,461.1**
Current liabilities			
Lease liabilities	-	0.1	**0.1**
All other current liabilities	468.0	-	**468.0**
Total current liabilities	468.0	0.1	**468.1**
Non-current liabilities			
Lease liabilities	-	7.0	**7.0**
All other non-current liabilities	1,453.5	-	**1,453.5**
Total non-current liabilities	1,453.5	7.0	**1,460.5**
Total liabilities	1,921.5	7.1	**1,928.6**
Net assets	8,532.5	-	**8,532.5**
Equity			
Retained earnings	3,210.7	-	**3,210.7**
All other equity	5,321.8	-	**5,321.8**
Total equity	8,532.5	**-**	**8,532.5**

B RESULTS FOR THE HALF YEAR

This section explains the results and performance of the consolidated entity.

B1 SEGMENT INFORMATION

The consolidated entity is a single segment for reporting to the Executive Leadership Team (ELT). The ELT are the chief operating decision makers of the consolidated entity.

The consolidated entity operates predominantly in Australia. No single customer in the current or prior half year provided more than 10 per cent of the consolidated entity's revenue.

B2 EXPENSES

	31 December 2019 $m	31 December 2018 $m
Interest paid/payable	**34.4**	40.4
Interest capitalised	**(7.9)**	(5.7)
Total finance costs	**26.5**	34.7

B3 EVENTS OCCURRING AFTER THE END OF THE HALF YEAR

No circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future years.

C PROPERTY AND DEVELOPMENT ASSETS

This section includes investment properties and investments in joint venture arrangements. It represents the core assets of the business and drives the value of the consolidated entity.

C1 INVESTMENT PROPERTIES

The consolidated entity holds a property portfolio for long-term rental yields and capital appreciation. Depending on the specific arrangements for each property, they are classified as investment properties or properties held through joint ventures.

Investment properties

Investment properties are properties owned by the consolidated entity. Investment properties include investment properties under construction, which will be held for deriving rental income and for capital appreciation once construction is completed.

The consolidated entity accounts for its investment properties at fair value and movements in fair value are recognised in the consolidated SoCI.

Judgement in fair value estimation

The judgements used to fair value the consolidated entity's properties have not changed since 30 June 2019. Refer to the 2019 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.

C1 INVESTMENT PROPERTIES (continued)

Ground leases

On adoption of AASB 16 on 1 July 2019, lease liabilities reflecting the leasehold arrangements of investment properties is required to be separately disclosed in the consolidated SoFP and the carrying value of the investment properties will be adjusted (i.e. increased) so that the net of these two amounts equals the fair value of the investment properties. The lease liabilities are calculated as the net present value of the future lease payments discounted at the incremental borrowing rate.

Lease liabilities are subsequently measured by:
- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessment or lease modifications; and

Some ground leases contain variable payment terms that are linked to sales generated. Variable lease payments that depend on sales are recognised in consolidated SoCI in the period in which the condition that triggers those payments occurs.

Interest on the lease liabilities and any variable lease payments not included in the measurement of the lease liabilities are recognised in the consolidated SoCI in the period in which they relate.

At 31 December 2019, $7.1 million of lease liabilities for ground leases has been recognised in the consolidated SoFP.

Movements in investment properties

	31 December 2019 $m	30 June 2019 $m
Balance 1 July	**9,846.2**	8,274.2
Adoption of AASB 16 – ground leases	**7.1**	-
Expenditure capitalised	**211.0**	522.4
Acquisitions	**-**	278.4
Disposals	**(130.6)**	-
Transfer from joint venture	**-**	319.0
Net revaluation gain from fair value adjustments	**324.2**	523.3
Amortisation expenses[1]	**(42.7)**	(71.1)
Balance	**10,215.2**	9,846.2
Total investment properties	**9,735.5**	9,321.5
Total investment properties under construction	**479.7**	524.7

1. Includes amortisation of rent free incentives of $17.2m included in Revenue in the consolidated SOCI.

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 2019						
Office[1]	**6,214.1**	**307 - 1,630**	**3.10 - 4.00**	**4.63 - 6.75**	**4.88 - 7.50**	**6.25 - 7.75**
Industrial	**861.6**	**100 - 470**	**2.92 - 3.47**	**4.84 - 6.50**	**5.25 - 7.00**	**6.50 - 7.50**
Retail	**3,139.5**	**315 - 1,462**	**2.50 - 4.05**	**4.50 - 6.75**	**4.75 - 7.25**	**6.50 - 9.00**
30 June 2019						
Office[1]	5,890.1	300 - 1,531	3.10 - 4.00	4.75 - 6.50	5.00 - 7.50	6.25 - 7.75
Industrial	839.1	117 - 470	2.92 - 3.47	4.88 - 6.75	5.13 - 7.00	6.75 - 7.38
Retail	3,117.0	206 - 1,374	2.50 - 4.04	4.50 - 8.00	4.75 - 8.25	6.50 - 9.50

1. Includes investment properties under construction.

C1 INVESTMENT PROPERTIES (continued)

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.

Future committed operating lease receipts

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 are shown as undiscounted contractual cash flows.

	31 December 2019 $m	30 June 2019 $m
Future operating lease receipts as a lessor		
Within one year	**499.0**	503.4
Between one and five years	**1,538.5**	1,505.6
Later than five years	**1,491.2**	1,437.6
Total future operating lease receipts as a lessor	**3,528.7**	3,446.6

C2 INVESTMENTS IN JOINT VENTURES

A joint venture (JV) is an arrangement where the Trust has joint control over the activities and joint rights to the net assets.

All JV are established or incorporated in Australia. The consolidated entity does not have any associates. The table below provides summarised financial information for the JV of the consolidated entity:

		31 December 2019		30 June 2019	
Joint venture	**Principal activities**	**Interest %**	**Carrying value $m**	Interest %	Carrying value $m
Mirvac 8 Chifley Trust	Property investment	**50.0**	**239.5**	50.0	239.4
Mirvac (Old Treasury) Trust	Property investment	**50.0**	**223.6**	50.0	221.9
Total			**463.1**		461.3

D CAPITAL STRUCTURE AND RISKS

This section outlines the market, credit and liquidity risks that the consolidated entity is exposed to and how it manages these risks. Capital comprises unitholders' equity and net debt.

D1 BORROWINGS AND LIQUIDITY

The consolidated entity borrows using loans from related parties.

The consolidated entity has one loan facility from a related party with a total facility limit as at 31 December 2019 of $2,500.0m (June 2019: $2,500.0m). This facility can be drawn in Australian or US dollars and expires on 18 December 2023. Interest accrues at the related party's cost of financing from their borrowing facilities, calculated including associated derivative financial instruments. At 31 December 2019, the consolidated entity had $1,028.0m (June 2019: $1,053.0m) of undrawn facilities available.

D1 BORROWINGS AND LIQUIDITY (continued)

	31 December 2019				30 June 2019			
	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 facilities								
Loan from related party	-	1,472.0	1,472.0	1,472.0	-	1,447.0	1,447.0	1,447.0
Other								
Lease liabilities	0.1	7.0	7.1	7.1	-	-	-	-

Borrowings are initially recognised at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest rate method. The fair value of borrowings is considered to approximate their carrying amount as the interest rates are variable.

The table below details the carrying amount and fair value of borrowings of Mirvac Group. These amounts do not represent the facilities of the consolidated entity but are relevant to the consolidated entity as this profile determines the facilities used to calculate the related party's cost of funds, which is then used as a basis for the interest on the consolidated entity's borrowings from the related party.

	31 December 2019				30 June 2019			
	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 facilities								
Bank loans	-	185.0	185.0	185.0	-	-	-	-
Bonds	200.0	3,139.0	3,339.0	3,411.0	-	3,448.4	3,448.4	3,486.0
	200.0	3,324.0	3,524.0	3,596.0	-	3,448.4	3,448.4	3,486.0
Undrawn facilities[1]			840.0				1,292.1	

1. Available facilities are subject to availability of undrawn facilities of Mirvac Group.

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

The consolidated entity 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).

The consolidated entity holds no Level 1 or Level 2 financial instruments.

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

Other financial assets

At 31 December 2019, other financial assets were represented by units held in unlisted funds. The carrying value of other financial assets is equal to the fair value.

Units in unlisted funds 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 2019.

D2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

	31 December 2019				30 June 2019			
	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								
Units in unlisted funds	-	-	58.8	58.8	-	-	58.0	58.0
Balance	**-**	**-**	**58.8**	**58.8**	-	-	58.0	58.0

The following table presents a reconciliation of the carrying value of Level 3 instruments (excluding investment properties which are shown in note C1):

	31 December 2019	30 June 2019
	Units in unlisted funds $m	Units in unlisted funds $m
Balance 1 July	**58.0**	39.9
Acquisitions	**-**	13.0
Net gain on financial instruments	**0.8**	5.1
Balance	**58.8**	58.0

E EQUITY

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

E1 DISTRIBUTIONS

Half yearly ordinary distribution	Distribution Cents per unit	Amount payable/paid $m	Date payable/paid
31 December 2019	**6.1**	**240.0**	**28 February 2020**
31 December 2018	5.3	193.9	28 February 2019

E2 CONTRIBUTED EQUITY

Ordinary units are classified as equity. Each ordinary unit entitles the holder to receive distributions when declared, to one vote per unit at securityholders' meetings on polls and to a proportional share of proceeds on winding up of the Trust.

When new units or options are issued, the directly attributable incremental costs are deducted from equity.

Movements in paid up equity

	31 December 2019		30 June 2019	
	No. units m	**Units $m**	No. units m	Units $m
Balance 1 July	**3,909.4**	**5,316.4**	3,707.6	4,775.9
Stapled units issued under Employee Exemption Plan (EEP)	**-**	**-**	0.4	1.0
LTI vested	**6.9**	**9.6**	6.7	7.4
Legacy schemes vested	**0.2**	**0.7**	0.3	0.7
Stapled unit issuance under the SPP	**15.9**	**39.5**	252.5	645.0
Stapled unit buy-back	**-**	**-**	(58.1)	(113.6)
Balance	**3,932.4**	**5,366.2**	3,909.4	5,316.4

E2 CONTRIBUTED EQUITY (continued)

The number of stapled units issued as listed on the ASX at 31 December 2019 was 3,933.9m (June 2019: 3,911.1m) which includes 1.6m of stapled units issued under the LTI plan and Employee Incentive Scheme (EIS) (June 2019: 1.7m). Stapled units issued to employees under the Mirvac LTI plan and EIS are accounted for as options and are recognised, by the Mirvac Group in the security-based payments reserve, not in contributed equity.

F OTHER INFORMATION

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

F1 EARNINGS PER STAPLED UNIT

Basic earnings per stapled unit (EPU) is calculated by dividing:
- the profit for the half year attributable to stapled unitholders; by
- the weighted average number of ordinary units (WANOU) outstanding during the half year.

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

	31 December 2019	31 December 2018
Basic EPU (cents)	**13.9**	16.0
Diluted EPU (cents)	**13.9**	16.0
Profit for the half year attributable to stapled unitholders used to calculate basic and diluted EPU ($m)	**546.5**	590.8
WANOU used in calculating basic EPU (m)	**3,930.6**	3,693.6
WANOU used in calculating diluted EPU (m)	**3,932.3**	3,695.5

F2 RECONCILIATION OF PROFIT TO OPERATING CASH FLOW

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

	31 December 2019 $m	31 December 2018 $m
Profit for the half year attributable to stapled unitholders	**546.5**	590.8
Revaluation of investment properties	**(324.2)**	(388.8)
Rent free amortisation expenses	**25.5**	17.1
Rent free income and straight-lining of lease revenue	**17.2**	14.1
Lease incentives	**(19.1)**	(22.7)
Net gain on financial assets revalued through profit or loss	**(0.8)**	(0.4)
Net gain on sale of assets	**(18.1)**	-
Share of net profit of JV, net of distributions received	**(0.8)**	(3.3)
Change in operating assets and liabilities		
Increase in receivables	**(6.1)**	(2.9)
Increase in other assets	**(13.8)**	(11.6)
Increase in payables	**28.7**	10.4
Net cash inflows from operating activities	**235.0**	202.7

In the Directors' opinion:

(a) the financial statements and notes set out on pages 5 to 18 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 as at 31 December 2019 and of its performance for the financial half year ended on that date; and

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

The basis of preparation note confirms that the financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Directors have been given the declarations by the Chief Executive Officer/Managing Director and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
6 February 2020

Independent auditor's review report to the unitholders of Mirvac Property Trust

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Mirvac Property Trust (the Registered Scheme) and the entities it controlled during the half-year (together the Consolidated Entity), which comprises the consolidated statement of financial position as at 31 December 2019, 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 of the Mirvac Funds Limited's (the Responsible Entity) declaration.

Directors of the Responsible Entity's responsibility for the half-year financial report

The directors of the Responsible Entity of the Registered Scheme 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 of the Responsible Entity determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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 2019 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 the Mirvac Property Trust, 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.

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 Property Trust and its controlled entities 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 2019 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

Jane Reilly
Partner

Sydney
6 February 2020