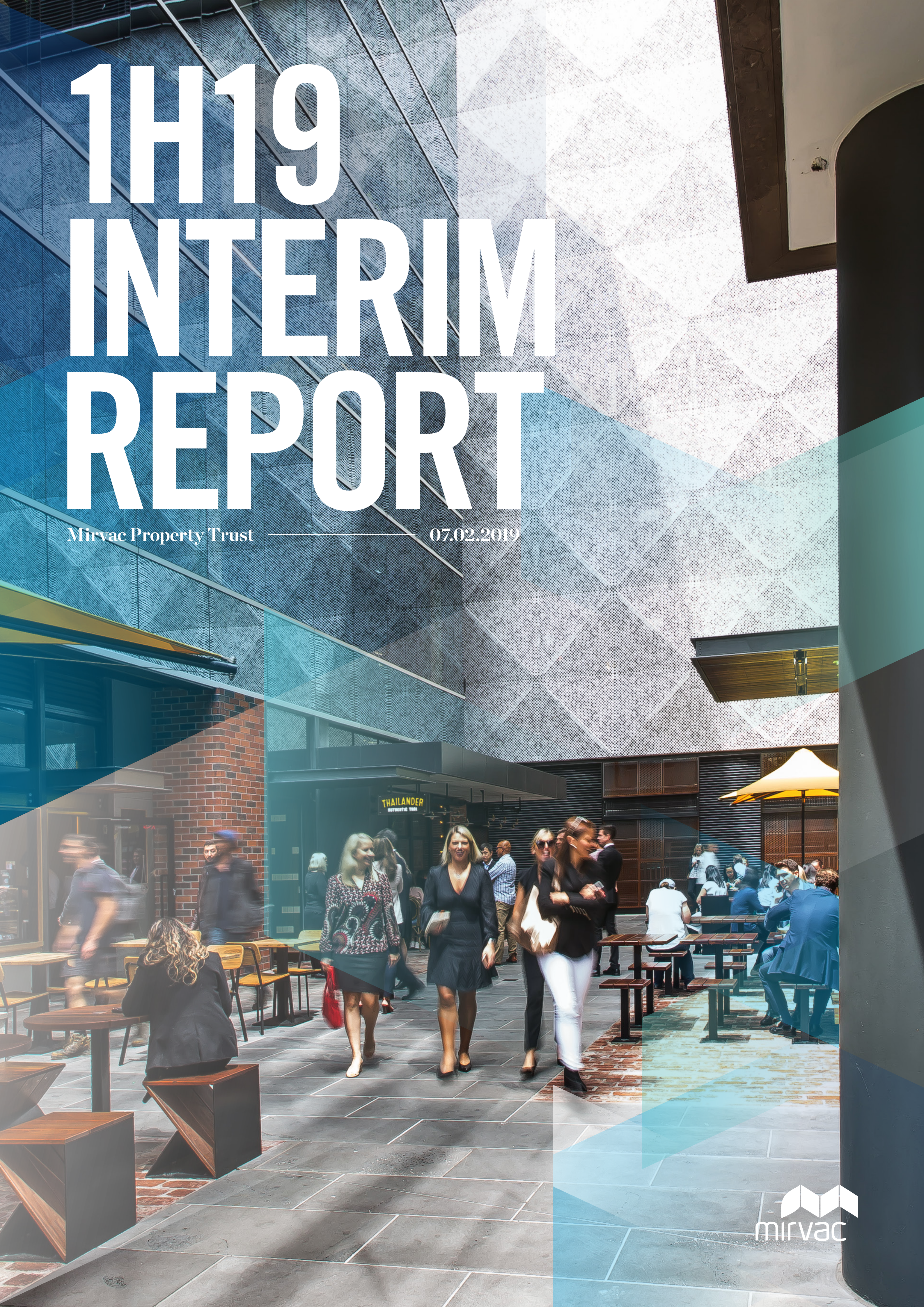
1H19 INTERIM REPORT

Mirvac Property Trust 07.02.2019



MIRVAC PROPERTY TRUST
AND ITS CONTROLLED ENTITIES

Interim Report
For the half year ended 31 December 2018

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

CONTENTS

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 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 2018.

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 (appointed 10 December 2018)
- James M. Millar AM
- Samantha Mostyn
- Peter Nash (appointed 19 November 2018)
- John Peters
- Elana Rubin.

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 2018.

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

- profit attributable to stapled unitholders of $590.8m (December 2017: $460.4m), driven by significant fair value gains in the investment portfolio as a result of capitalisation rate compression;
- total assets of $10,350.9m and net assets of $7,830.2m; and
- half year distribution of $193.9m, representing 5.3 cents per stapled unit.

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

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 2018 include:

- gearing at the mid point of the target range of 20 to 30 per cent at 24.4 per cent[1];
- substantial available liquidity of $569.6m in cash and committed undrawn external bank facilities held;
- weighted average debt maturity of 6.2 years, following $430.0m 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; and
- completed 58.1m of stapled security buy-backs, totalling $130.0m during the half year, with a total of 59.3m stapled securities purchased since the commencement of the buy-back on 23 February 2018.

Outlook[2]

Mirvac's strong financial metrics during the first half positions it well for the remainder of the year. This is demonstrated by gearing at the midpoint of the target range, a diversified debt portfolio with a long weighted average debt maturity and no external debt maturing until 2020. Underpinning this robust position, Mirvac 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-).

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.

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).

Risks
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. Further information on the Trust's risk management framework is detailed in the Corporate Governance statement which is available on Mirvac's website: http://www.mirvac.com/about/corporate-governance

For the half year ended 31 December 2018, the Trust 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.

Events subsequent to the end of the half year

On 6 February 2019 the existing related party loan facility was increased to $2,500.0m, refer to note D1.

No other 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.

Net current asset deficiency

The Trust minimises its average cash balance using available funds to repay borrowings and borrows from available facilities.

As at 31 December 2018, the Trust was in a net current liability position of $2,436.1m. Subsequent to balance date, on 6 February 2019, the Trust's related party loan facility was increased to $2,500.0m and amount drawn was reclassified to noncurrent. Based on projected future cash flows and the increased facility, the Trust will be able to meet all financial obligations as and when they fall due. This Interim Report has therefore been prepared on a going concern basis.

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 dollars in accordance with the *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

As lead auditor for the review of Mirvac Property Trust 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 Property Trust and the entities it controlled during the period.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
7 February 2019

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

CONTENTS

These financial statements cover the financial statements for the consolidated entity consisting of Mirvac Property 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 7 February 2019. 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 Group's website.

Mirvac Property Trust and its controlled entities
Consolidated statement of comprehensive income
For the half year ended 31 December 2018

	Note	31 December 2018 $m	31 December 2017 $m
Revenue		**326.3**	305.4
Other income			
Revaluation of investment properties and investment properties under construction	C1	**388.8**	221.2
Share of net profit of joint ventures	C2	**23.7**	60.6
Net gain on financial assets	D2	**0.4**	3.8
Net gain on sale of assets		**-**	0.4
Total revenue and other income		**739.2**	591.4
Investment properties expenses and outgoings		**85.9**	76.7
Amortisation expenses		**17.0**	14.7
Finance costs	B2	**34.7**	26.9
Other expenses		**10.8**	12.7
Profit before income tax		**590.8**	460.4
Profit for the half year attributable to stapled unitholders		**590.8**	460.4
Other comprehensive expense that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**-**	(0.8)
Other comprehensive expense for the half year		**-**	(0.8)
Total comprehensive income for the half year attributable to stapled unitholders		**590.8**	459.6
Earnings per stapled unit (EPU) for profit for the half year attributable to stapled unitholders		**Cents**	Cents
Basic EPU	F1	**16.0**	12.4
Diluted EPU	F1	**16.0**	12.4

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 2018

	Note	31 December 2018 $m	30 June 2018 $m
Current assets			
Cash and cash equivalents		**32.0**	26.8
Receivables		**21.8**	16.0
Other financial assets	D2	**-**	79.7
Other assets		**24.3**	12.8
Total current assets		**78.1**	135.3
Non-current assets			
Investment properties	C1	**9,499.7**	8,274.2
Investments in joint ventures	C2	**679.2**	837.5
Other financial assets	D2	**51.1**	39.9
Intangible assets		**42.8**	42.8
Total non-current assets		**10,272.8**	9,194.4
Total assets		**10,350.9**	9,329.7
Current liabilities			
Payables		**244.3**	245.9
Provisions		**193.9**	222.6
Borrowings	D1	**2,076.0**	-
Total current liabilities		**2,514.2**	468.5
Non-current liabilities			
Payables		**6.5**	-
Borrowings	D1	**-**	1,322.0
Total non-current liabilities		**6.5**	1,322.0
Total liabilities		**2,520.7**	1,790.5
Net assets		**7,830.2**	7,539.2
Equity			
Contributed equity	E2	**4,670.0**	4,775.9
Reserves		**5.4**	5.4
Retained earnings		**3,154.8**	2,757.9
Total equity attributable to stapled unitholders		**7,830.2**	7,539.2

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

Mirvac Property Trust and its controlled entities
Consolidated statement of changes in equity
For the half year ended 31 December 2018

		Attributable to stapled unitholders			
	Note	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					
Unit-based payments					
Long term incentive (LTI) vested	E2	7.4	-	-	7.4
Legacy schemes vested	E2	0.3	-	-	0.3
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 2017		4,771.0	10.2	2,244.2	7,025.4
Profit for the half year		-	-	460.4	460.4
Other comprehensive income for the half year		-	(4.5)	3.7	(0.8)
Total comprehensive income for the half year		-	(4.5)	464.1	459.6
Transactions with owners in their capacity as owners					
Unit-based payments					
LTI vested	E2	6.5	-	-	6.5
Legacy schemes vested		0.6	-	-	0.6
Distributions	E1	-	-	(185.5)	(185.5)
Balance 31 December 2017		4,778.1	5.7	2,522.8	7,306.6

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

	Note	31 December 2018 $m	31 December 2017 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**333.9**	317.8
Payments to suppliers and employees (inclusive of goods and services tax)		**(112.0)**	(106.2)
		221.9	211.6
Interest received		**0.1**	5.8
Dividends received		**0.8**	-
Distributions received from joint ventures		**20.4**	23.0
Interest paid		**(40.5)**	(30.2)
Income tax paid		**-**	(3.0)
Net cash inflows from operating activities	F2	**202.7**	207.2
Cash flows from investing activities			
Payments for investment properties		**(534.2)**	(178.8)
Proceeds from sale of investment properties		**-**	301.5
Contributions to joint ventures		**(157.4)**	(0.2)
Return of capital from financial assets at fair value through profit or loss		**-**	0.9
Repayments of loans from unrelated parties		**79.7**	50.2
Payments for financial assets		**(10.8)**	(4.3)
Net cash (outflows)/inflows from investing activities		**(622.7)**	169.3
Cash flows from financing activities			
Proceeds from loans from entities related to Responsible Entity		**1,003.0**	308.0
Repayments of loans to entities related to Responsible Entity		**(249.0)**	(482.4)
Payments for security buy-back		**(113.6)**	-
Proceeds from issued units		**7.4**	6.5
Distributions paid		**(222.6)**	(203.8)
Net cash inflows/(outflows) from financing activities		**425.2**	(371.7)
Net increase in cash and cash equivalents		**5.2**	4.8
Cash and cash equivalents at the beginning of the half year		**26.8**	29.2
Cash and cash equivalents at the end of the half year		**32.0**	34.0

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

A BASIS OF PREPARATION

Mirvac – stapled securities

A Mirvac stapled security comprises one Mirvac Limited share 'stapled' to one unit in Mirvac Property Trust (MPT or Trust) 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.

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 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 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 consolidated entity and changes in accounting policies below.

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

The Trust minimises its average cash balance using available funds to repay borrowings and borrows from available facilities.

As at 31 December 2018, the Trust was in a net current liability position of $2,436.1m. Subsequent to balance date, on 6 February 2019, the Trust's related party loan facility was increased to $2,500.0m and amount drawn was reclassified to non-current. Based on projected future cash flows and the increased facility, the Trust will be able to meet all financial obligations as and when they fall due. This Interim Report has therefore been prepared on a going concern basis.

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 consolidated entity

The Trust adopted AASB 9 *Financial Instruments* during the current reporting period. There has been no financial impact as a result of adopting AASB 9.

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*.

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

Changes in accounting policies (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	The Trust 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 consolidated entity 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 consolidated entity and has classified its financial instruments into the new AASB 9 categories. The consolidated entity'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 consolidated entity 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 consolidated entity's financial assets. There has been no impact on the consolidated entity'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 consolidated entity 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 the consolidated entity, the new ECL model applies to its trade receivables. The consolidated entity 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 consolidated entity uses judgement in making assumptions about risk of default and ECL and the inputs to the impairment calculation, based on the consolidated entity's 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 and no adjustment to the consolidated entity's financial statements is required.
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* and several revenue-related Interpretations
Application	The Trust 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.
Impact	Following the adoption of AASB 15 on 1 July 2018, the Trust continues to recognise its revenue from investing in properties for rental yields and capital appreciation over time. As a result of adoption there has been no impact to the 1 July 2018 opening retained earnings or net assets, however new disclosures have been included where required. For the half year ended 31 December 2018 investment property rental revenue was $325.3m, of which $278.0m 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 $47.3m 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.

B RESULTS FOR THE HALF YEAR

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

B1 SEGMENT INFORMATION

Since the comprehensive revision of the Group's operating model, 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 2018 $m	31 December 2017 $m
Interest paid/payable	**40.4**	30.2
Interest capitalised	**(5.7)**	(3.3)
Total finance costs	**34.7**	26.9

B3 EVENTS OCCURRING AFTER THE END OF THE HALF YEAR

On 6 February 2019 the existing related party loan facility was increased to $2,500.0m, refer to note D1.

No other 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 become investment properties once construction is completed.

The consolidated entity accounts for its investment properties at fair value and revaluations are recognised as other income 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 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.

C1 INVESTMENT PROPERTIES (continued)

Reconciliation of carrying amount of investment properties

	31 December 2018 $m	30 June 2018 $m
Balance 1 July	**8,274.2**	7,596.4
Expenditure capitalised	**271.1**	459.0
Acquisitions	**277.8**	88.5
Disposals	**-**	(300.0)
Investment properties from business combinations	**319.0**	-
Net revaluation gain from fair value adjustments	**388.8**	487.7
Exchange differences on translation of foreign operations	**-**	(0.9)
Amortisation	**(31.2)**	(56.5)
Balance 31 December/30 June	**9,499.7**	8,274.2
Total investment properties	**9,110.1**	8,007.1
Total investment properties under construction	**389.6**	267.1

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[1]	**5,608.0**	**300-1,532**	**3.47-3.80**	**4.75-7.25**	**5.00-7.50**	**6.50-8.00**
Industrial	**829.5**	**98-457**	**2.92-3.47**	**5.00-6.75**	**5.25-7.00**	**6.75-7.50**
Retail	**3,062.2**	**204-1,359**	**2.49-4.10**	**4.50-6.75**	**4.75-8.25**	**6.50-9.50**
30 June 2018						
Office[1]	5,055.0	418-1,415	3.19-3.77	5.00-7.25	5.25-8.25	6.50-8.50
Industrial	600.1	98-450	2.91-3.00	6.00-7.25	6.25-7.50	7.25-8.25
Retail	2,619.1	203-1,402	2.49-4.30	4.50-8.00	4.75-8.25	6.50-9.50

1. Includes investment properties under construction.

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 2018 $m	30 June 2018 $m
Future operating lease receipts as a lessor		
Within one year	**483.2**	395.4
Between one and five years	**1,452.3**	1,130.6
Later than five years	**1,363.1**	676.8
Total future operating lease receipts as a lessor	**3,298.6**	2,202.8

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 table below provides summarised financial information for the JV of the consolidated entity. The consolidated entity does not have any associates.

		31 December 2018		30 June 2018	
Joint venture	**Principal activities**	**Interest %**	**Carrying value $m**	Interest %	Carrying value $m
Joynton North Property Trust[1]	Property investment	**49.9**	**-**	49.9	160.2
Mirvac 8 Chifley Trust	Property investment	**50.0**	**247.5**	50.0	242.3
Mirvac (Old Treasury) Trust	Property investment	**50.0**	**220.1**	50.0	214.9
Tucker Box Hotel Group	Hotel investment	**49.0**	**211.6**	49.0	220.1
Total			**679.2**		837.5

1. On 31 July 2018, the Trust acquired the remaining 50.1% of the Joynton North Property Trust and is now consolidated as a controlled entity.

D CAPITAL STRUCTURE

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 (borrowings less cash).

D1 BORROWINGS AND LIQUIDITY

	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								
Loan from related party	**2,076.0**	**-**	**2,076.0**	**2,076.0**	-	1,322.0	1,322.0	1,322.0
Undrawn facilities[1]			**-**				678.0	

1. Undrawn facilities are subject to availability of undrawn facilities of the Group.

The Trust has a related party loan facility which 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.

As at 31 December 2018 the related party loan facility was $2,000.0m (June 2018: $2,000.0m), with the total amount drawn to $2,076.0m. A further $500.0m increase in the facility was approved on 6 February 2019, resulting in a total facility limit of $2,500.0m and the amount drawn was reclassified to non-current.

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 the 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.

D1 BORROWINGS AND LIQUIDITY (continued)

	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	**-**	**1,043.4**	**1,043.4**	**1,043.4**	-	415.0	415.0	415.0
Bonds	**-**	**2,447.8**	**2,447.8**	**2,628.0**	134.6	2,522.8	2,657.4	2,632.6
	-	**3,491.2**	**3,491.2**	**3,671.4**	134.6	2,937.8	3,072.4	3,047.6
Undrawn bank facilities			**487.0**				685.1	

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 2018 other financial assets were represented by units held in unlisted funds. During the reporting period, all loan notes issued by unrelated parties where repaid. 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 2018.

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								
Units in unlisted funds	-	-	51.1	**51.1**	-	-	39.9	39.9
Other financial assets	-	-	-	**-**	-	-	79.7	79.7
	-	**-**	**51.1**	**51.1**	-	-	119.6	119.6

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 2018	
	Units in unlisted funds $m	Other financial assets $m
Balance 1 July	39.9	79.7
Acquisitions	10.8	-
Gain recognised in gain on financial instruments	0.4	-
Repayment	-	(79.7)
Balance	**51.1**	**-**

E EQUITY

This section includes details of distributions, stapled unitholders' equity and reserves. It represents how the Trust raised equity 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 2018	**5.3**	**193.9**	**28 February 2019**
31 December 2017	5.0	185.5	28 February 2018

E2 CONTRIBUTED EQUITY

Ordinary units are classified as equity. Each ordinary unit entitles the holder to receive distributions when declared, and one vote per unit at securityholders' meetings on polls and proceeds on wind up of the Trust in proportion to the number of units held.

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

Movements in paid up equity

	31 December 2018		30 June 2018	
	No. units m	**Units $m**	No. units m	Units $m
Balance 1 July	3,707.6	4,775.9	3,703.3	4,771.0
LTI vested	6.7	7.4	5.3	6.5
Legacy schemes vested	0.1	0.3	0.1	0.8
Unit buy-back	(58.1)	(113.6)	(1.1)	(2.4)
Balance 31 December/30 June	**3,656.3**	**4,670.0**	3,707.6	4,775.9

The number of stapled units issued as listed on the ASX at 31 December 2018 was 3,658.3m (June 2018: 3,709.6m) which includes 1.9m of stapled units issued under the LTI plan and Employee Incentive Scheme (EIS) (June 2018: 2.0m). Units issued to employees under the Mirvac LTI plan and EIS are accounted for as options and are recognised, by Mirvac 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 2018	31 December 2017
Basic EPU (cents)	**16.0**	12.4
Diluted EPU (cents)	**16.0**	12.4
Profit for the half year attributable to stapled unitholders ($m) used to calculate basic and diluted EPU	**590.8**	460.4
WANOU used in calculating basic EPU (m)	**3,693.6**	3,707.4
WANOU used in calculating diluted EPU (m)	**3,695.5**	3,709.5

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 2018 $m	31 December 2017 $m
Profit for the half year attributable to stapled unitholders	**590.8**	460.4
Revaluation of investment properties and investment properties under construction	**(388.8)**	(221.2)
Amortisation expenses	**31.2**	23.7
Lease incentives	**(22.7)**	(14.7)
Net gain on financial assets revalued through profit and loss	**(0.4)**	(4.0)
Net loss on foreign exchange	**-**	0.2
Net gain on sale of assets	**-**	(0.4)
Share of net profit of JV, net of distributions received	**(3.3)**	(37.6)
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	**(2.9)**	2.3
(Increase)/decrease in other assets	**(11.6)**	0.3
Increase/(decrease) in payables	**10.4**	(1.8)
Net cash inflows from operating activities	**202.7**	207.2

In the Directors' opinion:

(a) the financial statements and notes set out on pages 5 to 17 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 2018 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 IFRS as issued by the 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
7 February 2019

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), 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 of Mirvac Funds Limited's (the Responsible Entity) declaration for the consolidated entity. The consolidated entity comprises the Registered Scheme and the entities it controlled during that half-year.

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 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 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.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

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 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


THAILANDER
AUTHENTIC THAI
mirvac