

Reimagine urban life

Mirvac Property Trust 2020



MIRVAC PROPERTY TRUST AND ITS CONTROLLED ENTITIES

Annual Report For the year ended 30 June 2020

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

Index	Page
Directors' report	2
Auditor's independence declaration	7
Consolidated financial statements	8
Consolidated statement of comprehensive income	9
Consolidated statement of financial position	10
Consolidated statement of changes in equity	11
Consolidated statement of cash flows	12
Notes to the consolidated financial statements	13
Directors' declaration	43
Independent auditor's report to the unitholders of Mirvac Property Trust	44

DIRECTORS' REPORT

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 (ARSN 086 780 645) and its controlled entities (consolidated entity) for the year ended 30 June 2020.

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 whole of the 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)

Principal activities

The principal continuing activities of the consolidated entity consist of property investment for the purpose of deriving rental income and investments in unlisted funds. There has been no significant change in the principal activities of the consolidated entity during the year.

REVIEW OF OPERATIONS AND ACTIVITIES

FINANCIAL, CAPITAL MANAGEMENT AND OPERATIONAL HIGHLIGHTS

Notwithstanding the impact of the COVID-19 global pandemic, which began to create challenging operating conditions across the consolidated entity's business from the third quarter, the consolidated entity has recorded a solid performance for the financial year ended 30 June 2020. The consolidated entity's robust capital position entering into the pandemic, ensured it remained resilient in the face of significant disruption. Despite the economic and financial impacts of COVID-19, the consolidated entity continued to capitalise on strategic, value accretive, investment opportunities. This, together with a focus on our people and their ability to maintain productivity, mitigated the impact of COVID-19 on the consolidated entity and will support the recovery process.

Key financial highlights for the year ended 30 June 2020:

- profit attributable to the stapled unitholders of MPT of \$538.4 million (2019: \$893.1 million);
- operating cash inflow of \$372.2 million (2019: \$434.8 million);
- distributions of \$358.0 million (2019: \$440.3 million), representing 9.1 cents per stapled unit (2019: 11.6 cents per stapled unit); and
- net tangible assets per stapled unit of \$2.22, up from \$2.17 (June 2019).

Refer to the consolidated statement of financial position and notes to the consolidated financial statements, for the consolidated entity's value of assets and basis used to value its assets.

Key capital management highlights for the year ended 30 June 2020:

The consolidated entity's capital structure is monitored at the Group level. Key capital management highlights relating to the Group include:

- entered into \$810.0 million of new debt facilities with maturities ranging from 3 to 4.5 years;
- reduced average borrowing costs at 4.0 per cent per annum (2019: 4.8 per cent), including margins and line fees;

FINANCIAL, CAPITAL MANAGEMENT AND OPERATIONAL HIGHLIGHTS (continued)

Key capital management highlights for the year ended 30 June 2020 (continued):

- gearing of 22.8 per cent, at the lower end of the Group's target range of 20 to 30 per cent;
- substantial liquidity of \$14.0bn in cash and committed undrawn bank facilities;
- weighted average debt maturity is 6.7 years (June 2019: 8.5 years); and
- maintained an A- rating with a stable outlook from Fitch Ratings and A3 rating from Moody's Investors Service (equivalent to A-).

Key operational highlights for the year ended 30 June 2020:

- investment property revaluations provided an uplift of \$154.5 million for the 12 months to 30 June 2020;
- completed the sale of St Mary's Village for \$68.0 million in December 2019;
- 477 Collins Street, Melbourne: achieved practical completion, despite COVID-19 related restrictions and enhanced health and safety measures in place from March 2020. The building is now 96 per cent pre-leased;
- South Eveleigh, Sydney: achieved practical completion for The Foundry (Building 2) in May 2020, on schedule despite COVID-19 restrictions in place on site. This is the third building to be delivered at the precinct, following Axle (Building 1) and Yerrabingin House (Building 3), a community centre with Indigenous rooftop farm. Mirvac has also delivered a public realm including sports courts, an oval and skatepark, and retail, at the precinct. The project's major tenant, Commonwealth Bank of Australia, has pre-committed to 100 per cent of office space for a 15-year lease term;
- 80 Ann Street, Brisbane: construction has progressed and practical completion remains on track for the 30 June 2022 financial year. Suncorp has pre-committed to over 39,600 square metres of office and retail space, representing approximately 66 per cent of the building's total net lettable area (NLA), for a 10-year term.
- 383 La Trobe Street, Melbourne: lodged a planning application for a new commercial precinct with 44,000 square metres of A-grade office space over 31 levels, accommodating up to 4,000 future workers once complete;
- 55 Pitt Street, Sydney: lodged a proposal for a new commercial tower with the potential to deliver approximately 60,000 square metres of premium commercial and retail space;
- Toombul, Brisbane: completed a \$43m, 4,500 square metre redevelopment delivering a new dining and entertainment precinct, anchored by Archie Brothers, Cirque Electriq and an upgraded cinema; and
- Moonee Ponds Central, Melbourne: completed and opened a vibrant new dining destination and outdoor plaza with communal seating designed to servicing a rapidly growing and diversifying local population.

Outlook and risks

The consolidated entity's diversified urban portfolio ensures it is well placed for the future. Rental cash flows are supported by a modern investment portfolio with strong metrics. This underpins the consolidated entity's future distributions and drives positive return on invested capital.

Office:

The onset of the pandemic and recent shift to working from home for many white-collar industries is likely to result in both cyclical and structural changes for the office sector. Declining corporate profit and softer business confidence nearer term will impact net absorption of office space as it has done in past cycles, while the structural impacts on tenant demand will take some time to become clear.

Various research indicates both the importance of the workplace for collaboration and culture building, which is especially important for onboarding. In addition, through the pandemic more research has come to light highlighting that both the propensity and ability to work from home differs markedly by both age and income, with young people and those in the lower income brackets experiencing more difficulties. As such, a hybrid model of both working from home and workplace is likely to be more common in future.

While the expectations of office workers has changed, so too has the expectation of their employers. The demand for modern space offerings involves not just collaborative spaces, but ultimate flexibility for tenants in integrating systems and their preferred technology solutions which can vary widely from areas such as cyber security to air filtration. Of equal importance is rising demand from occupants for access to data on their tenancy in order to measure their environmental impact and optimise their space. These changing requirements of tenants are not easily achieved in older prime assets and are likely to result in better leasing outcomes for new, well located and technologically advanced office assets.

Industrial:

The pandemic has resulted in some positive structural tailwinds for the industrial sector, both from increased levels of online spending and some disruption to supply chain. This is likely to result in some increased inventory and space needs. Near term there are some headwinds for occupancy demand from some sectors given economic weakness and a slowdown in housing construction. However, Sydney is well placed to perform well given it is Australia's largest city and undergoing multi-billion dollar, new road investment. Supply-side constraints are more prevalent in Sydney than other Australian cities and there is a significant volume of aged, inefficient stock. As such, a pipeline of well located, high quality precinct stock is likely to outperform.

FINANCIAL, CAPITAL MANAGEMENT AND OPERATIONAL HIGHLIGHTS (continued)


Retail:

The nearer term impact to retail will largely be driven by the direction of COVID-19 and the ability for community transmission to be contained. Higher frequency datasets provide clues to the future outlook. As restrictions were eased in Australia and around the world during May and June, visitation to physical retail outlets increased significantly. In locations where community transmission has been minimal for some time, the visitation and dwell time at retail destinations has been climbing higher with some in Australia back to or near their mid-February levels as of late July, according to Google Mobility. Also, expenditure patterns including from the Commonwealth Bank of Australia showed physical store spend recovered sharply in May, though the composition of spend by category has diverged. Households are likely to continue spending strongly on household goods during the pandemic, though large recoveries in spend for categories like restaurants and personal care have been evident once restrictions eased.

Over the next year, higher unemployment and underemployment will constrain discretionary spending. In an environment of challenged leasing conditions, tenants are seeking access to large trade area populations in quality assets.

Significant changes in the state of affairs

Details of the state of affairs of the consolidated entity are disclosed within the Review of Operations and Activities section above.

 The impacts of the COVID-19 pandemic to the consolidated entity are outlined throughout the annual report and summarised under Note A - Basis of Preparation.

Interests in the Trust

	2020 No. units m	2019 No. units m
Total ordinary stapled units issued	3,932.7	3,909.4
Stapled units issued under Long-Term Incentive Plan (LTI) and Employee Incentive Scheme (EIS)	1.6	1.7
Total stapled units issued	3,934.3	3,911.1

Refer to note E2 to the consolidated financial statements for the consolidated entity's movements in stapled units during the financial year. This includes any stapled units issued and withdrawn during the financial year.

Instruments held by Directors

Particulars of Directors' interests in the stapled securities of Mirvac or a related body corporate, are as follows:

Director	Mirvac stapled securities	Performance rights/rights to acquire stapled securities	Interests in securities of related entities or related bodies corporate
John Mulcahy	105,172	-	-
Susan Lloyd-Hurwitz	4,402,940	2,149,864	-
Christine Bartlett	55,172	-	-
Peter Hawkins	596,117	-	-
Jane Hewitt ¹	20,000	-	-
James M. Millar AM	55,172	-	-
Samantha Mostyn ²	48,705	-	-
Peter Nash ^{3,4}	33,448	-	-
Former Non-Executive Key Management Personnel (KMP)			
John Peters ⁵	-	-	-
Elana Rubin ⁶	-	-	-

1. Jane Hewitt joined the Board as a Non-Executive Director on 10 December 2018.

2. Samantha Mostyn participates in the voluntary Non-Executive Director Fee Sacrifice Rights Plan. In addition to the above securities, she has 6,042 rights which will automatically be converted to Mirvac securities in the first trading window of the 30 June 2021 financial year which when added to her current securityholding will result in her exceeding the minimum securityholding requirement.

3. Peter Nash joined the Board as a Non-Executive Director on 19 November 2018.

4. Peter Nash participates in the voluntary Non-Executive Director Fee Sacrifice Rights Plan. In addition to the above securities, he has 7,551 rights which will automatically be converted to Mirvac securities in the first trading window of the 30 June 2021 financial year.

5. John Peters ceased as a Non-Executive Director on 19 November 2019.

6. Elana Rubin ceased as a Non-Executive Director on 19 November 2019.

Refer to note H3 to the consolidated financial statements for detailed information regarding Directors' and key management personnel's interest in the stapled securities of Mirvac including any options granted and exercised over unissued stapled securities.

Fees paid to the Responsible Entity or its associates

Fees paid to the Responsible Entity out of Trust property during the year were \$31.6 million (2019: \$20.2 million). Fees charged by the Responsible Entity represent recovery of costs. No fees were paid out of Trust property to the Directors of the Responsible Entity during the year. Fees paid to the Responsible Entity and its associates out of Trust property during the year are disclosed in note H4 to the consolidated financial statements.

Net current asset deficiency

As at 30 June 2020, the Trust was in a net current liability position of \$195.4 million (2019: \$422.3 million). The Trust repays its borrowings with excess cash, but had access to \$734.0 million of unused borrowing facilities at 30 June 2020 (2019: \$1,053.0 million). 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 year

The consolidated entity acquired the remaining 50% interest of South Village, Kirrawee NSW retail centre from a related party of the Responsible Entity for \$48.5m on 31 July 2020.



In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts on the recoverability and fair value of assets post 30 June 2020. The additional restrictions implemented in early August 2020 in Victoria as a result of the sudden increased number of COVID-19 cases has not had any significant impacts on the consolidated entity's operations to date and is not expected to have a material impact on the recoverability or fair value of the consolidated entity's assets.

No other events have arisen since the end of the 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.

Environmental regulations

The consolidated entity and its business operations are subject to compliance with both Commonwealth and State environment protection legislation. The Board is satisfied that adequate policies and procedures are in place to ensure the consolidated entity's compliance with the applicable legislation. In addition, the consolidated entity is also subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007* and *Building Energy Efficiency Disclosure Act 2010*. The consolidated entity is not aware of any incidents that have resulted in material non-compliance with environmental regulations during the financial year.

More information on Mirvac's sustainability strategy, actions and performance for the year ended 30 June 2020 can be found in the 30 June 2020 Annual Report of the Group.

Non-audit services

From time to time, the consolidated entity may engage its external auditor, PricewaterhouseCoopers, to perform services additional to their statutory audit duties. Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year ended 30 June 2020 are set out in note H6 to the consolidated financial statements.

In accordance with the advice received from the Audit, Risk & Compliance Committee (ARCC), the Board is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were reviewed by the ARCC to ensure they did not affect the impartiality and objectivity of the auditor; and
- none of the services undermined the general principles relating to auditor independence as set out in Accounting Professional & Ethical Standards 110 *Code of Ethics for Professional Accountants*, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Trust, acting as advocate for the Trust or jointly sharing economic risk and rewards.

Insurance of officers

During the year, the Responsible Entity has not indemnified, or entered into any agreement indemnifying against a liability, any person who is or who has been an officer of the Responsible Entity of the Trust. No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to Mirvac Funds Limited.

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

A handwritten signature in blue ink that reads 'Susan Lloyd-Hurwitz'.

Susan Lloyd-Hurwitz
Director

Sydney
20 August 2020



Auditor's Independence Declaration

As lead auditor for the audit of Mirvac Property Trust for the year ended 30 June 2020, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink that reads 'Reilly' in a cursive script.

Jane Reilly
Partner
PricewaterhouseCoopers

Sydney
20 August 2020

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CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income	9
Consolidated statement of financial position	10
Consolidated statement of changes in equity	11
Consolidated statement of cash flows	12

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A BASIS OF PREPARATION	13	F OPERATING ASSETS AND LIABILITIES	
B RESULTS FOR THE YEAR		F1 Receivables	33
B1 Segment information	19	F2 Other financial assets	34
B2 Revenue	19	F3 Goodwill	35
B3 Expenses	20	F4 Payables	36
B4 Events occurring after the end of the year	20	F5 Provisions	36
B5 Income tax	20	G CONSOLIDATED ENTITY STRUCTURE	
C INVESTMENT ASSETS		G1 Controlled entities	36
C1 Investment properties	21	G2 Parent entity	38
C2 Investments in joint ventures	26	H OTHER DISCLOSURES	
C3 Commitments	27	H1 Contingent liabilities	38
D CAPITAL STRUCTURE AND RISKS		H2 Earnings per stapled unit	38
D1 Capital management	28	H3 Key management personnel	39
D2 Borrowings and liquidity	28	H4 Related parties	41
D3 Financial risk management	29	H5 Reconciliation of profit to operating cash flow	41
D4 Fair value measurement of financial instruments	31	H6 Auditors' remuneration	42
E EQUITY			
E1 Distributions	32		
E2 Contributed equity	32		
E3 Reserves	33		

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 to 6, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Directors on 20 August 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 Centre section on the Group's website.

Mirvac Property Trust and its controlled entities
Consolidated statement of comprehensive income
For the year ended 30 June 2020



	Note	2020 \$m	2019 \$m
Revenue	B2	693.8	663.5
Other income			
Net revaluation gain from investment properties and investment properties under construction	C1	154.5	523.3
Share of net profit of joint ventures	C2	30.9	17.3
Gain on financial instruments	B2	7.6	5.1
Net gain on sale of assets	B3	18.4	-
Total other income		211.4	545.7
Total revenue and other income		905.2	1,209.2
Investment property expenses and outgoings		182.8	180.7
Amortisation expenses		53.6	39.4
Impairment loss on receivables	B3	41.5	-
Finance costs	B3	52.9	72.4
Responsible Entity fees	H4	31.6	20.2
Other expenses		4.4	3.4
Profit before income tax		538.4	893.1
Income tax expense	B5	-	-
Profit for the year attributable to stapled unitholders		538.4	893.1
Other comprehensive income that may be reclassified to profit or loss			
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to stapled unitholders		538.4	893.1
Earnings per stapled unit attributable to stapled unitholders		Cents	Cents
Basic earnings per stapled unit	H2	13.7	24.2
Diluted earnings per stapled unit	H2	13.7	24.2

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 30 June 2020



	Note	2020 \$m	2019 \$m
Current assets			
Cash and cash equivalents		26.9	16.9
Receivables	F1	18.2	14.2
Other assets		17.4	14.6
Total current assets		62.5	45.7
Non-current assets			
Investment properties	C1	10,187.3	9,846.2
Investments in joint ventures	C2	465.3	461.3
Other financial assets	F2	65.6	58.0
Intangible assets	F3	42.8	42.8
Total non-current assets		10,761.0	10,408.3
Total assets		10,823.5	10,454.0
Current liabilities			
Lease liabilities		0.1	-
Payables	F4	139.8	221.6
Provisions	F5	118.0	246.4
Total current liabilities		257.9	468.0
Non-current liabilities			
Lease liabilities		6.9	-
Payables	F4	29.0	6.5
Borrowings	D2	1,766.0	1,447.0
Total non-current liabilities		1,801.9	1,453.5
Total liabilities		2,059.8	1,921.5
Net assets		8,763.7	8,532.5
Equity			
Contributed equity	E2	5,367.2	5,316.4
Reserves	E3	5.4	5.4
Retained earnings		3,391.1	3,210.7
Total equity attributable to the stapled unitholders		8,763.7	8,532.5

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

Mirvac Property Trust and its controlled entities
Consolidated statement of changes in equity
For the year ended 30 June 2020



	Note	Attributable to stapled unitholders			
		Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total equity \$m
Balance 30 June 2018		4,775.9	5.4	2,757.9	7,539.2
Profit for the year		-	-	893.1	893.1
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	893.1	893.1
Transactions with owners in their capacity as owners					
Unit-based payments					
Expense recognised – Employee Exemption Plan (EEP)	E2	1.0	-	-	1.0
Long-term incentives (LTI) vested	E2	7.4	-	-	7.4
Legacy schemes vested	E2	0.7	-	-	0.7
Stapled units issued net of transaction costs	E2	645.0	-	-	645.0
Stapled unit buy-back	E2	(113.6)	-	-	(113.6)
Distributions	E1	-	-	(440.3)	(440.3)
Total transactions with owners in their capacity as owners		540.5	-	(440.3)	100.2
Balance 30 June 2019		5,316.4	5.4	3,210.7	8,532.5
Profit for the year		-	-	538.4	538.4
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	538.4	538.4
Transactions with owners in their capacity as owners					
Unit-based payments					
Expense recognised – EEP	E2	0.9	-	-	0.9
LTI vested	E2	9.6	-	-	9.6
Legacy schemes vested	E2	0.6	-	-	0.6
Stapled units issued net of transaction costs	E2	39.7	-	-	39.7
Distributions	E1	-	-	(358.0)	(358.0)
Total transactions with owners in their capacity as owners		50.8	-	(358.0)	(307.2)
Balance 30 June 2020		5,367.2	5.4	3,391.1	8,763.7

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

Mirvac Property Trust and its controlled entities
Consolidated statement of cash flows
For the year ended 30 June 2020



	Note	2020 \$m	2019 \$m
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		632.3	718.1
Payments to suppliers (inclusive of GST)		(220.5)	(243.8)
		411.8	474.3
Interest received		-	0.1
Distributions received from joint ventures	C2	27.9	43.5
Distributions received		1.8	1.8
Interest paid	B3	(69.3)	(84.9)
Net cash inflows from operating activities	H5	372.2	434.8
Cash flows from investing activities			
Payments for investment properties		(374.7)	(794.1)
Proceeds from sale of investment properties		130.3	-
Proceeds from sale of controlled entity		-	191.6
Proceeds from loans to unrelated parties		-	79.7
Contributions to joint ventures		(0.2)	-
Payments for acquisition of controlled entity, net of cash acquired		-	(157.4)
Payments for financial assets	D4	-	(13.0)
Net cash outflows from investing activities		(244.6)	(693.2)
Cash flows from financing activities			
Proceeds from loans from entities related to Responsible Entity		726.0	1,403.5
Repayments of loans to entities related to Responsible Entity		(407.0)	(1,278.5)
Proceeds from issue of stapled units		49.9	663.9
Payments for equity raising costs		-	(10.3)
Payments for stapled unit buy-back		-	(113.6)
Principal elements of lease payments		(0.1)	-
Distributions paid		(486.4)	(416.5)
Net cash (outflows)/inflows from financing activities		(117.6)	248.5
Net increase/(decrease) in cash and cash equivalents		10.0	(9.9)
Cash and cash equivalents at the beginning of the year		16.9	26.8
Cash and cash equivalents at the end of the year		26.9	16.9

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 the Trust to create a single listed security traded on the Australian Securities Exchange (ASX). The stapled securities cannot be traded or dealt with separately. Mirvac Limited (the deemed parent entity) and Mirvac Funds Limited (as Responsible Entity for MPT) have common directors and operate as Mirvac Group. Mirvac Limited and MPT have a Deed of Cooperation to recharge each other on a cost recovery basis, where permitted by law, to maintain the best interests of Mirvac as a whole.

The stapled security structure will cease to operate on the first of:

- Mirvac Limited or MPT resolving by special resolution in a general meeting, and in accordance with its Constitution, to terminate the stapled security structure; or
- Mirvac Limited or MPT commencing winding up.

The ASX reserves the right (but without limiting its absolute discretion) to remove entities with stapled securities from the official list if their securities cease to be stapled together, or either entity issues any equity securities of the same class which are not stapled.

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

These consolidated financial statements are general purpose financial statements. They have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of preparation

The consolidated entity is a for-profit entity for the purpose of preparing the financial statements.

These financial statements have been prepared on a going concern basis, using historical cost conventions except for:

- investment properties, investment properties under construction and other financial assets and financial liabilities which have been measured at fair value; and
- assets held for sale which are measured at lower of carrying value and fair value less costs to sell.

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



Impact of COVID-19 on the consolidated entity

The World Health Organization declared a global pandemic in March 2020 as a result of the novel coronavirus (COVID-19), the effects of this health crisis are continuing to unfold, and the extent of the social, medical and economic impacts worldwide are unknown. The consolidated entity has considered the impact of COVID-19 in preparing its financial report for the year.

The critical accounting estimates and key judgements areas of the consolidated entity have required additional consideration, analysis and sensitivity due to the impact of COVID-19. Given the uncertainty of the extent of the pandemic, changes to the estimates and outcomes that have been applied in the measurement of the consolidated entity's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the financial year, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

In the real estate sector, the pandemic has accelerated some trends already gaining momentum such as increased demand for online shopping, whilst other trends including the densification of office and living spaces have experienced the reverse as social distancing measures gain importance in the fight against the pandemic. The Government also introduced a National Cabinet Mandatory Code of Conduct for SME commercial tenants (the Code) which outlined a framework by which lessors and impacted tenants should negotiate in response to the pandemic.

It is expected that the severity of the effects of the pandemic for the real estate sector will continue to be impacted as a result of the extent and duration of social distancing measures and specifically the impacts of the consolidated entity across the segments in which it operates, these are summarised below:



Office & Industrial

The return-to-office rate varies by state, with Victoria undergoing an extended lockdown from July 2020, and by employer, as workers are facing public transport challenges and social distancing challenges in the workplace. Some tenants are reassessing their office footprint in light of the work from home mandate and an opportunity to reduce costs as a result, however, to date the consolidated entity has not experienced a significant decline in demand for office space.

The Industrial portfolio has benefited from the increase in online sales particularly for logistics and e-commerce tenants and as a whole the sector has exhibited a degree of resilience during the pandemic.



Retail

Supermarkets had experienced a surge in sales as a result of panic buying across the country and from people staying in rather than dining out. Conversely, Government mandated closures for some specific industries had resulted in a temporary cessation of trade for those retailers and others who voluntarily closed during the peak months of April through to June 2020. As a result of those closures and reduced patronage in the consolidated entity's shopping centres, a number of retailers sought rental relief from the consolidated entity.

The impact of COVID-19 increases the level of judgement required across a number of key areas for the consolidated entity, in particular the recognition and measurement of the assets of the consolidated entity. The COVID-19 assumptions and considerations for the critical accounting estimates and key judgements areas of the consolidated entity, are outlined in further detail in the following sections of this financial report:



Revenue – Refer to Note B2



Investment in Joint Ventures – Refer to Note C3



Expenses – Refer to Note B3



Borrowings – Refer to Note D2



Investment Properties – Refer to Note C1 and C2



Expected Credit Loss – Refer to Note F1



Intangible Assets – Refer to Note F3

Going Concern

The consolidated entity has prepared an assessment of its ability to continue as a going concern, considering projected cash flow forecasts and other consolidated entity metrics and information for at least the next twelve months from the date of these financial statements, taking into consideration an estimation of the continued business impacts of COVID-19. This assessment assumes the consolidated entity will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business for at least 12 months from the date of these financial statements.

As of 30 June 2020, consolidated entity was in a net current liability position of \$195.4 million. However, it had access to \$734.0 million of unused borrowing facilities maturing in 3 years. As of 30 June 2020, the consolidated entity had \$12.4 million of capital commitments.

Further, various forecast scenarios indicate that the consolidated entity is expected to continue to operate, with headroom, within available liquidity levels and the terms of its debt facilities. Key to the forecasts are relevant assumptions regarding the business, the consolidated entity's integrated model, the markets in which the consolidated entity operates in, the consolidated entity's customers and tenants and its access to various sources of capital.

These assumptions have been supported by the following:

- the consolidated entity has cash of \$26.9 million as at 30 June 2020 and has available undrawn debt facilities of \$734.0 million;
- the consolidated entity's limited tenant and investment exposure to the severely impacted industries of hospitality, travel, accommodation and tourism;
- the consolidated entity's weighted average debt expiry is 6.7 years;
- the consolidated entity's gearing is monitored at the Group level and at 30 June 2020 is at 22.8%;
- the consolidated entity does not expect any potential covenant breaches for a period of 12 months from the date of approval of these financial statements.

Comparative Information

Where necessary, comparative information has been restated to conform to the current year's disclosures and are presentational in nature. These restatements had no impact to the reported net assets or profit for the year ended 30 June 2019.

Critical accounting estimates and judgements

The preparation of financial statements requires estimation and judgement. The areas involving a higher degree of estimation or judgement are discussed in the following notes:

	Note		Note
Revenue	B2	Fair value measurement of financial instruments	D4
Investment properties	C1	Goodwill	F3
Investments in joint ventures	C2		

New and amended standards adopted by the Trust

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 <i>Leases</i>
Nature of change	AASB 16 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 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.
Impact on financial statements	<p><u>Measurement of lease liabilities</u></p> <p>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 <i>Leases</i>. These liabilities were measured at the present value of the remaining lease payments, which contained the following components:</p> <ul style="list-style-type: none"> • 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; and • lease payments with reasonably certain extension options. <p>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.</p> <p><u>Lease term</u></p> <p>The consolidated entity determines the lease term as the non-cancellable period of a lease together with both:</p> <ul style="list-style-type: none"> • 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. <p><u>Practical expedients applied</u></p> <p>In applying AASB 16 for the first time, the consolidated entity has used the following practical expedients permitted by the standard:</p> <ul style="list-style-type: none"> • 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*.

Lessor accounting

The adoption of AASB 16 did not have a significant impact on the accounting for assets held as lessor under operating leases.

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 (\$7.1m) 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.

Mirvac Property Trust and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020



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 (extract)

	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

Other amended standards and interpretations adopted by the consolidated entity for the year ended 30 June 2020 have not had a significant impact on the current period or any prior period and are not likely to have a significant impact on in future periods. The other amendments are listed below:

- *AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- *AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*
- *AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*
- *Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*

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

B RESULTS FOR THE YEAR

This section explains the results and performance of the consolidated entity, including detailed breakdowns and analysis.

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 year provided more than 10 per cent of the consolidated entity's revenue.

B2 REVENUE

The consolidated entity's revenue is principally property rental revenue. Property rental revenue comes from holding properties as investment properties and earning rental yields over time.

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade allowances and duties and taxes paid. The consolidated entity recognises revenue for the following revenue stream:



Investment property rental revenue

The consolidated entity invests in properties for rental yields and capital appreciation. Rental revenue from investment properties is recognised on a straight-line basis over the lease term, net of any incentives. Modifications to the leases are accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. The consolidated entity also provides services to the lessees which primarily consist of general building management and operations in accordance with their lease agreements. Service income, representing the recovery of associated costs from the lessees, are recognised over time when the services are provided.



As a result of COVID-19, the consolidated entity has or is in the process of granting rental relief to a number of its tenants across its operating segments of Retail and Office and Industrial.

From mid-March 2020 the consolidated entity commenced a tenant focussed rental relief strategy to engage with its tenants to ascertain the estimated extent of relief the consolidated entity's tenants would require in light of mandatory Government shut downs, increased social distancing measures and for the population to work from home if possible.

Each tenant has had their rental relief request reviewed and considered on a case by case basis, with consideration given to the Code, if applicable, and each tenant's specific circumstance. The types of relief provided have included rental abatements, rent free periods combined with lease extensions, rental payment deferrals or a combination of these. Accordingly, some judgement has been required to be applied in order to determine that the relief provided or proposed to be provided constitutes a lease modification under *AASB 16 Leases*.

In considering the appropriate treatment for rental relief provided or expected to be provided, the Consolidated entity considered the following:

- i. if the lease amendment for the provision of relief by the lessor was executed on or before the reporting date;
- ii. if the lease amendment for the provision of relief by the lessor is substantial such that the change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease has resulted in a lease modification, irrespective of whether the Code applies to the tenancy; and
- iii. whether the application of *AASB 9 Financial Instruments* is more appropriate to recognise an expected credit loss for trade debtors at the reporting date or derecognise the debtor to the extent it will not be realised in the future.

As a number of rental relief negotiations had not been finalised and amended leases executed by 30 June 2020, there was minimal impact to the amount of investment property rental revenue recognised for the year. Instead, the impact from the COVID-19 pandemic was recognised as an expense in accordance with *AASB 9 Financial Instruments* and ASIC guidance, a corresponding amount of \$41.5m has been included within impairment loss on receivables.

B2 REVENUE (continued)

	2020 \$m	2019 \$m
Revenue		
Lease revenue ¹	604.9	576.7
Service revenue	87.5	84.7
Total property rental revenue	692.4	661.4
Interest revenue	-	0.1
Other revenue	1.4	2.0
Total revenue	693.8	663.5
Gain on financial instruments		
Net revaluation gain on units in unlisted funds	7.6	5.1
Total gain on financial instruments	7.6	5.1

1. Includes straight-lining of lease revenue of \$10.1 million (2019: \$7.2 million).

B3 EXPENSES

Investment property expenses and outgoings

Investment property expenses relate to those costs which are required to be incurred to allow for the occupation and maintenance of investment properties in order to continue to earn rental revenue. Expenses include statutory levies, insurance and other property outgoings and are recognised on an accruals basis.

	2020 \$m	2019 \$m
Profit before income tax includes the following specific expenses:		
Interest paid	69.3	84.9
Borrowing costs capitalised	(16.4)	(12.5)
Total finance costs	52.9	72.4
Bad debts expense	5.1	-
Loss allowance on trade debtors	36.4	-
Total impairment loss on receivables	41.5	-
Net gain on sale of assets		
Net gain on sale of investment properties and investments	18.4	-
Total gain on sale of assets	18.4	-

B4 EVENTS OCCURRING AFTER THE END OF THE YEAR



In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts on the recoverability and fair value of assets post 30 June 2020.

COVID-19 The additional restrictions implemented in early August 2020 in Victoria as a result of the sudden increased number of cases has not had any significant impacts on the consolidated entity's operations to date and is not expected to have a material impact on the recoverability or fair value of the consolidated entity's assets.

No other events have arisen since the end of the 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.

B5 INCOME TAX

The consolidated entity'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.

Tax allowances for depreciation are distributed to the stapled unitholders as a tax deferred component of the distribution.

C INVESTMENT ASSETS

This section includes investment properties and investments in joint ventures. They represent the core assets of the business and drive 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. The fair value movements are non-cash and do not affect the consolidated entity's distributable income.

Judgement in fair value estimation

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants. Fair value is based on the highest and best use of an asset - for all of the consolidated entity's property portfolio, the existing use is its highest and best use.



As a result of the COVID-19 pandemic, assessing fair value as at the reporting date involved considering uncertainties around the underlying assumptions and inputs to fair value given the forward-looking nature of these assumptions.

The uncertainty exists largely in the first two years of the valuation cash flow, and increases in investment properties with higher near-term expiry and with greater proportions of SME tenants due to the potential for increased vacancy in the market and the difficulty for SMEs to maintain turnover in the current environment.

The COVID-19 pandemic has also created unprecedented economic uncertainty, in particular the absence of a significant level of market transactions which are ordinarily a key source of evidence for assessing the fair value of investment properties. Australia is navigating through the impact of the COVID-19 pandemic and the length of time it will take the measures implemented by the Government to manage the effects of COVID-19 on the broader economy and property markets, is still unknown.

As such, the 30 June 2020 valuation process has been adjusted for the current period compared to the process that would typically be followed and adopted in more normalised market conditions. To assist with calculating reliable estimates, Mirvac uses independent valuers on a rotational basis. Approximately 25% of the portfolio is independently valued each year, with management internally estimating the fair value of the remaining properties using estimation techniques by suitably qualified personnel. As a result of a lack of market transactions and the uncertainty provided by COVID-19, the consolidated entity increased the level of independent valuations across its segments, particularly across the markets and asset types it invests in where the impacts from COVID-19 have been significant. As at 30 June 2020, the consolidated entity undertook independent valuations covering 42% of its investment property portfolio, by value and by number.

The fair values are a best estimate but may differ to the actual sales price if the properties were to be sold. The key judgements for each valuation method are explained below:

Market sales comparison: Utilises recent sales of comparable properties, adjusted for any differences including the nature, location and lease profile.



Currently, market sales comparison information is not readily available and can be difficult to obtain to support any material movement in property yields across the sectors in which the consolidated entity has exposure. This is largely due to a lack of recent transaction activity in Australia as a result of the COVID-19 pandemic. Direct similar comparisons are typically difficult and will be more challenging to identify in the current environment.

C1 INVESTMENT PROPERTIES (continued)

Discounted cash flow (DCF): Projects a series of cash flows over the property's life and a terminal value, discounted using a discount rate to give the present value.

The projected cash flows incorporate expected rental income (based on contracts or market rates), operating costs, lease incentives, lease fees, capital expenditure, and a terminal value from selling the property. The terminal value is calculated by applying the terminal yield to the net market income. The discount rate is a market rate reflecting the risk associated with the cash flows, the nature, location and tenancy profile of the property relative to comparable investment properties and other asset classes.

Capitalisation rate: The rate or yield at which the annual net income from an investment is capitalised to ascertain its capital value at a given date. The annual net income is based on contracted rents, market rents, operating costs and future income on vacant space. The capitalisation rate reflects the nature, location and tenancy profile of the property together with current market evidence and sales of comparable properties.



The valuations undertaken by the consolidated entity's independent experts consider the DCF methodology to be one of the most reliable valuation techniques to apply in the current environment, as this methodology allows the DCF calculation to capture the impact of the COVID-19 pandemic by adjusting the future cash flows for the expected tenant rental relief and also make assumptions on the extent and timing of recovery.

This methodology is in contrast to the capitalisation approach, where cash flows are not adjusted for risk but, rather, risk is reflected in determining the discount rate. This discount rate inherently requires a more explicit consideration of the wider than normal range of possible future outcomes.

The DCF methodology also requires an appropriate discount rate to be used whereby there is consistency between the risk factors inherent in the cash flows and the risk factors accounted for in the discount rate, without double counting of the same risk factors. This is because although it is considered more reliable to adjust the cash flow projections in order to consider specific risk factors in the DCF model, in the current circumstances it may not be practical to quantify the full impact in the cash flows alone.

Accordingly, the consolidated entity has in most cases used a mid-point valuation which has involved the determination of fair value using both the DCF and capitalisation rate approaches and adopted a value that is between these two amounts.

Investment properties under construction: There generally is not an active market for investment properties under construction, so fair value is measured using DCF or residual valuations. DCF valuations for investment properties under construction are as described above but also consider the costs and risks of completing construction and letting the property.

Residual: Estimates the value of the completed project, less the remaining development costs which include construction, finance costs and an allowance for developer's risk and profit. This valuation is then discounted back to the present value.

Ground leases

On adoption of AASB 16 on 1 July 2019, a lease liability reflecting the leasehold arrangements of investment properties needs to be separately disclosed in the consolidated SoFP and the carrying value of the investment properties is 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.

At 30 June 2020, \$7.1m of lease liabilities for ground leases has been recognised in the consolidated SoFP.

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; and
- > remeasuring the carrying amount to reflect any reassessment or lease modifications.

Some ground leases contain variable payment terms that are linked to sales generated. Variable lease payments that depend on sales are recognised in the 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.

C1 INVESTMENT PROPERTIES (continued)

The key inputs and sensitivity to changes are explained below.

Lease incentives

The carrying amount of investment properties includes lease incentives provided to tenants. Lease incentives are deferred and recognised on a straight-line basis over the lease term as a reduction of property rental income and do not change under AASB16.





Movements in investment properties

	2020	2019
	Total \$m	Total \$m
Balance 1 July	9,846.2	8,274.2
Adoption of AASB16 – ground leases	7.1	-
Restated investment properties at 1 July 2019	9,853.3	8,274.2
Expenditure capitalised	398.6	522.4
Acquisitions	-	278.4
Disposals	(130.5)	-
Transfer from joint venture	-	319.0
Net revaluation gain from fair value adjustments	154.5	523.3
Ground lease liability unwind	(0.1)	-
Amortisation expenses	(88.5)	(71.1)
Balance 30 June	10,187.3	9,846.2
Total investment properties	9,566.8	9,321.5
Total investment properties under construction	620.5	524.7

Fair value measurement and valuation basis

The basis of valuation of investment properties is fair value. Fair values are based on market values, being the price that would be received to sell an asset in an orderly transaction between market participants at the reporting date.

Investment properties are measured as Level 3 financial instruments. Refer to note D4 for explanation of the levels of fair value measurement. The following are the unobservable inputs used in determining the fair value measurement of investment properties. 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.


	Unobservable inputs	Details
	Capitalisation rate	The rate at which net market income is capitalised to determine the value of a property
	Discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. This should reflect the opportunity cost of capital, that is, the required rate of return the capital can earn if put to other uses having regard to a similar risk profile.
	Terminal yield	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation.
	Market rate and growth rate	The rent at which a tenancy could be leased in the market including rental growth in future years at the date of valuation. Market rent includes gross rent and net rent. Gross rent is where outgoings are incorporated in the rent being paid. Net market rent is where the owner recovers outgoings from the tenant on a pro-rata basis.

C1 INVESTMENT PROPERTIES (continued)

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

Sector	Inputs used to measure fair value					
	Level 3 fair value	Net market income	10-year compound annual growth rate	Capitalisation rate	Terminal yield	Discount rate
	\$m	\$/sqm	%	%	%	%
2020						
Office	6,375.4	312 – 1,573	2.64 - 3.97	4.63 - 6.75	4.88 - 7.25	6.25 - 7.25
Industrial	878.7	102.5 – 486.0	2.77 - 3.05	4.84 - 6.50	5.25 - 7.00	6.25 - 7.50
Retail	2,933.2	304 – 1,439	2.03 - 3.53	4.75 - 8.75	5.00 - 9.00	6.50 - 9.50
2019						
Office	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

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.

 **COVID-19 impacts on fair value measurement**

Whilst the current economic climate and the impacts of the COVID-19 pandemic are still unfolding and remain uncertain, the assessment undertaken to determine the fair value of the consolidated entity's portfolio is based on the assumptions and analysis performed and outlined below.

An evaluation of each investment property in the portfolio was undertaken considering the following factors:

- i) Location and asset quality across the markets that the consolidated entity invests in;
- ii) Capital expenditure including development and operational capital expenditure forecasts;
- iii) Tenancy schedules: Tenancy schedules including all contractual lease information are used as the basis of all forecasts and valuations, specifically the contracted cash flows from the tenants and including tenant size and weighted average lease expiry. Assets with long WALEs and a small number of large tenants are viewed as having the least risk in valuations;
- iv) Market rents: Rents that could be achieved if tenancy was leased on the open market as at valuation date. Passing rent refers to contractual rent as at the valuation date;
- v) Growth rates and incentives: Ten-year forecasts for incentives and growth rates applied to future leasing assumptions;
- vi) Downtime: Period of vacancy between leases on a tenancy;
- vii) COVID-19 impact on the tenancies, in particular rental relief requested, ability to trade and industry that the tenants operate in; and
- viii) Fair value inputs: Capitalisation rate, discount rate and terminal rate applied to capitalisation income, discounted cash flow and terminal capitalisation income.

Following this evaluation on a property basis, the valuations have been calibrated on a portfolio basis, by segment, to ensure consistency in any assumptions such as in the modelling of leasing retention rates, incentives, downtime, growth, COVID-19 support adjustments and the expected recovery period where relevant.

C1 INVESTMENT PROPERTIES (continued)

Sensitivity Analysis

Due to the significant judgement of fair value the COVID-19 pandemic presents, a sensitivity analysis has been undertaken to further stress test the consolidated entity's assessment of the fair value at 30 June 2020.

The following sensitivity analysis is based on a range of potential capitalisation rate and discount rate movements on a portfolio basis compared to the capitalisation rates and discount rates adopted by the consolidated entity at 30 June 2020, and are considered to be the key unobservable inputs that would be expected to have the most material impact on the fair values adopted if they moved.

As noted in note C1 the base case was the fair value for each property as at reporting date, where primarily the midpoint of the DCF and capitalisation approaches were adopted. The stress testing performed was based on the same approach adopted for each property. The stress testing was based on softening both the capitalisation rate and terminal yield and the discount rate by **0.125%** and **0.25%**.

The below table presents the outcome of the sensitivity analysis as the decrement to the fair value of the investment property portfolio (including JV but excluding investment property under construction and development assets), should the unobservable inputs move by the amount indicated. For example, a softening of 12.5bps of the capitalisation rate and terminal yield and the discount rate of 25bps across the investment property portfolio would have resulted in a decrement of \$297.0m in the fair value presented as at 30 June 2020.

		Capitalisation rate and terminal yield movement by		
		0%	0.125%	0.25%
Discount rate movement by	0%	-	(\$200.0m)	(\$395.0m)
	0.125%	(\$56.0m)	(\$247.0m)	(\$431.0m)
	0.25%	(\$99.0m)	(\$297.0m)	(\$473.0m)

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.

	2020 \$m	2019 \$m
Future operating lease receipts as a lessor		
Within one year	492.7	503.4
Between one and five years	1,558.6	1,505.6
Later than five years	1,415.2	1,437.6
Total future operating lease receipts as a lessor	3,466.5	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. Refer to note G1 for details on how the Trust decides if it controls an entity.

The Trust initially records its JVs at the cost of the investment and subsequently accounts for them using the equity method. Under the equity method, the Trust's share of the JVs' profit or loss is added to/deducted from the carrying amount each year. Distributions received or receivable are recognised by reducing the carrying amount of the JVs.

When transactions between the Trust and its JVs create an unrealised gain, the consolidated entity eliminates the unrealised gain relating to the Trust's proportional interest in the JVs. Unrealised losses are eliminated in the same way unless there is evidence of impairment, in which case the loss is realised.

Judgement in testing for impairment of investments in JVs

JVs are tested for impairment at the end of each year, and impaired if necessary, by comparing the carrying amount to the recoverable amount. The recoverable amount is calculated as the estimated present value of future distributions to be received from the JVs and from its ultimate disposal.



JVs held by the consolidated entity primarily hold investments in investment property. As the accounting policies of the consolidated entity are consistently applied to the JVs, the impacts from COVID-19 pertaining to Investment property, outlined in note C1 also apply to the underlying assets of the JVs.

Additionally, JVs have been assessed for their recoverability using COVID-19 impacted cashflows and assumptions. Their ability to continue as a going concern for at least 12 months post the date of this annual report has also been reviewed by assessing the cashflows, access to liquidity and impacts of COVID-19 to each JVs. Accordingly, at 30 June 2020, none of the consolidated entity's investments in JVs is considered to be impaired (2019: none).

All JVs are established or incorporated in Australia.

Mirvac Property Trust and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020



C2 INVESTMENTS IN JOINT VENTURES (continued)

The table below provides summarised financial information for those JVs that are significant to the Trust. The information below reflects the total amounts presented in the financial statements of the relevant JVs and not the Trust's share. The information has been amended to reflect any unrealised gains or losses on transactions between the Trust and its JVs.

Joynton North Property Trust and Tucker Box Hotel Group ceased to be investments in JVs by 30 June 2019.

	Mirvac 8 Chifley Trust		Mirvac (Old Treasury) Trust		Tucker Box Hotel Group		Joynton North Property Trust		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Principal activities	Property investment		Property investment		Hotel investment		Property investment			
Summarised SoFP										
Cash and cash equivalents	2.3	2.0	5.8	5.7	-	-	-	-	8.1	7.7
Other current assets	0.6	1.2	1.1	1.1	-	-	-	-	1.7	2.3
Total current assets	2.9	3.2	6.9	6.8	-	-	-	-	9.8	10.0
Total non-current assets	474.8	479.0	455.8	443.6	-	-	-	-	930.6	922.6
Other current liabilities	3.1	3.3	6.8	6.7	-	-	-	-	9.9	10.0
Total current liabilities	3.1	3.3	6.8	6.7	-	-	-	-	9.9	10.0
Total non-current liabilities	-	-	-	-	-	-	-	-	-	-
Net assets	474.6	478.9	455.9	443.7	-	-	-	-	930.5	922.6
Trust's share of net assets (%)	50.0	50.0	50.0	50.0	-	-	-	-		
Trust's share of net assets (\$m)	237.3	239.4	228.0	221.9	-	-	-	-	465.3	461.3
Carrying amount in consolidated SoFP	237.3	239.4	228.0	221.9	-	-	-	-	465.3	461.3

	Mirvac 8 Chifley Trust		Mirvac (Old Treasury) Trust		Tucker Box Hotel Group		Joynton North Property Trust		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Summarised SoCI										
Revenue	28.1	25.7	46.6	47.4	-	(17.5)	-	2.0	74.7	57.6
Interest income	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation	-	-	-	-	-	-	-	0.1	-	0.1
Interest expense	-	-	-	-	-	6.9	-	-	-	6.9
Income tax expense	-	-	-	-	-	0.1	-	-	-	0.1
Profit after tax	22.6	20.3	39.2	40.2	-	(27.6)	-	1.2	61.8	34.1
Total comprehensive income/(loss)	22.6	20.3	39.2	40.2	-	(27.6)	-	1.2	61.8	34.1
Trust's share of profit/(loss) after tax (%)	50.0	50.0	50.0	50.0	-	49.0	-	49.9		
Trust's share of profit/(loss) after tax (\$m)	11.3	10.2	19.6	20.1	-	(13.6)	-	0.6	30.9	17.3
Distributions received/receivable from JVs	13.7	12.8	13.4	13.0	0.8	16.6	-	1.1	27.9	43.5

Capital expenditure commitments

At 30 June 2020, the consolidated entity had no capital commitments approved but not yet provided for regarding its share of JVs (2019: nil).

C3 COMMITMENTS

At 30 June 2020, capital commitments on the consolidated entity's investment property portfolio were \$12.4m (2019: \$27.8m). There were no investment properties pledged as security by the consolidated entity (2019: nil).

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 (borrowings less cash).

D1 CAPITAL MANAGEMENT

The consolidated entity's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can provide returns to unitholders and aim to address the market, credit and liquidity risks while also meeting the Group's strategic objectives.

The consolidated entity's capital structure is monitored at the Group level. The Group seeks to maintain an investment grade credit rating of BBB+ to reduce the cost of capital and diversify its sources of debt capital. The Group's target gearing ratio is between 20 and 30 per cent.

If the Group wishes to change its gearing ratio, it could adjust its dividends/distributions, issue new equity (or buy back securities), or sell property to repay borrowings.

At 30 June 2020, the Group was in compliance with all debt covenants.

D2 BORROWINGS AND LIQUIDITY

The consolidated entity borrows using loans from related parties.

The consolidated entity has one loan facility from a related party. The total facility limit as at 30 June 2020 is \$2,500.0 million (2019: \$2,500.0 million) and can be drawn in Australian or US dollars. The facility 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 30 June 2020, the consolidated entity had \$734.0 million of undrawn facilities available (2019: \$1,053.0 million).

	2020						2019					
	Floating interest rate \$m	Fixed interest maturing in:				Total \$m	Floating interest rate \$m	Fixed interest maturing in:				Total \$m
		Less than 1 year \$m	1 to 2 years \$m	2 to 5 years \$m	Over 5 years \$m			Less than 1 year \$m	1 to 2 years \$m	2 to 5 years \$m	Over 5 years \$m	
Loans from related party	1,766.0	-	-	-	-	1,766.0	1,447.0	-	-	-	-	1,447.0

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 are then used as a basis for the interest on the consolidated entity's borrowings from the related party.



As part of its COVID-19 response the Group increased the amount of liquidity available via new undrawn bank debt facilities, and also extended the maturity date of some facilities that were due to expire within the next 15 months for a further 12 months. This effectively reduced the amount of debt that would need to be repaid in the next 2 years. Due to the wide-reaching impacts of COVID-19, many other companies also sought to extend their liquidity around the same time, which saw an increase in demand for credit facilities and pricing increases. As a result, credit availability did reduce however given Mirvac's strong statement of financial position, banking relationships and credit rating, the Group was able to obtain approvals for these increased facilities in excess of what was required and the increased cost of the facilities was not significant.

D2 BORROWINGS AND LIQUIDITY (continued)

	2020				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 bank facilities								
Bank loans	-	717.5	717.5	717.5	-	-	-	-
Bonds	200.0	3,396.0	3,596.0	3,709.0	-	3,448.4	3,448.4	3,486.0
Total unsecured borrowings	200.0	4,113.5	4,313.5	4,426.5	-	3,448.4	3,448.4	3,486.0
Prepaid borrowing costs	-	(14.0)	(14.0)	(14.0)	-	(13.0)	(13.0)	(13.0)
Total borrowings	200.0	4,099.5	4,299.5	4,412.5	-	3,435.4	3,435.4	3,473.0
Undrawn bank facilities			1,119.0				1,292.1	

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.

The following table sets out the Group's net exposure to interest rate risk by maturity periods. 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. Exposures arise predominantly from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

	2020						2019					
	Floating interest rate \$m	Fixed interest maturing in:				Total \$m	Floating interest rate \$m	Fixed interest maturing in:				Total \$m
		Less than 1 year \$m	1 to 2 years \$m	2 to 5 years \$m	Over 5 years \$m			Less than 1 year \$m	1 to 2 years \$m	2 to 5 years \$m	Over 5 years \$m	
Bank loans	717.5	-	-	-	-	717.5	-	-	-	-	-	-
Bonds	2,064.6	200.0	-	325.0	432.0	3,021.6	2,064.6	-	200.0	300.0	547.0	3,111.6
Interest rate swaps	(1,800.0)	300.0	400.0	800.0	300.0	-	(1,800.0)	100.0	300.0	1,000.0	400.0	-
Total	982.1	500.0	400.0	1,125.0	732.0	3,739.1	264.6	100.0	500.0	1,300.0	947.0	3,111.6

D3 FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The consolidated entity seeks to minimise the potential impact of these financial risks on financial performance, for example, by using derivative financial instruments to protect against interest rate and foreign exchange risk.

Financial risk management is carried out by a central treasury department (Mirvac Group Treasury) under policies approved by the Board. The Board provides overall risk management principles and policies covering specific areas. Mirvac Group Treasury identifies, evaluates, reports and manages financial risks in close cooperation with the consolidated entity in accordance with Board policy.

D3 FINANCIAL RISK MANAGEMENT (continued)

A summary of the Group's key risks identified, exposures and management of exposures is detailed in the table below:

Risk	Definition	Exposures arising from	Management of exposures
Market risk - interest rate	The risk that the fair value or cash flows of financial instruments will fluctuate due to changes in market interest rates	<ul style="list-style-type: none"> Borrowings issued at fixed rates and variable rates Derivatives 	<ul style="list-style-type: none"> Interest rate derivatives manage cash flow interest rate risk by converting floating rate borrowings to fixed or capped rates with target of 55 per cent. Mirvac does not manage the fair value risk for debt instruments from interest rates, as it does not have an impact on the cash flows paid by the business. Refer to note D2 for details on the interest rate exposure for borrowings.
Market risk - foreign exchange	The risk that the fair value of a financial commitment, asset or liability will fluctuate due to changes in foreign exchange rates	<ul style="list-style-type: none"> Bonds denominated in other currencies Receipts and payments which are denominated in other currencies 	<ul style="list-style-type: none"> Cross currency interest rate swaps to convert non-Australian dollar borrowings to Australian dollar exposures. These cross currency interest rate swaps have been designated as cash flow hedges with the movements in fair value recognised while they are still in an effective hedge relationship. Foreign currency borrowings as a natural hedge for foreign operations.
Market risk - price	The risk that the fair value of other financial assets at fair value through profit or loss will fluctuate due to changes in the underlying share/unit price	<ul style="list-style-type: none"> Other financial assets at fair value through profit or loss, with any resultant gain or loss recognised in other comprehensive income 	<ul style="list-style-type: none"> The Group is exposed to minimal price risk and so does not manage the exposures.
Credit risk	The risk that a counterparty will not make payments to the Mirvac as they fall due	<ul style="list-style-type: none"> Cash and cash equivalents Receivables Derivative financial assets Other financial assets 	<ul style="list-style-type: none"> Setting credit limits and obtaining collateral as security (where appropriate). Diversified trading spread across large financial institutions with investment grade credit ratings. Regularly monitoring the exposure to each counterparty and their credit ratings. Refer to note F1 for details on credit risk exposure on receivables. The Group deems the exposure to credit risk as not significant for all other classes of financial assets and liabilities.
Liquidity risk	The risk that Mirvac will not be able to meet its obligations as they fall due	<ul style="list-style-type: none"> Payables Borrowings Derivative financial liabilities 	<ul style="list-style-type: none"> Regular forecasts of the Group's liquidity requirements. Surplus funds are only invested in highly liquid instruments. Availability of cash, marketable securities and committed credit facilities. Ability to raise funds through issue of new securities through placements or DRP. Refer to note D2 for details of liquidity risk of the Group's financing arrangements.

Market risk - interest rate risk

In relation to the Group, borrowings issued at variable rates expose Mirvac to cash flow interest rate risk. Borrowings issued at fixed rates expose Mirvac to fair value interest rate risk. Mirvac manages its cash flow interest rate risk by using interest rate derivatives, thereby maintaining fixed rate exposures within the policy range. Such interest rate derivatives have the economic effect of converting borrowings from floating rates to fixed or capped rates or vice versa.

Sensitivity analysis

This sensitivity analysis shows the impact on profit after tax and equity if Australian interest rates changed by 25 basis points (bp). Given the low interest environment that the consolidated entity is operating in and with official interest rates holding for the medium term, a 25bps movement is a more appropriate sensitivity to consider for 30 June 2020.

Total impact on profit after tax and equity	2020		2019	
	25 bp ↑ \$m	25 bp ↓ \$m	50 bp ↑ \$m	50 bp ↓ \$m
Changes in:				
Australian interest rates	\$3.3 m decrease	\$3.3 m increase	\$7.3m decrease	\$7.3m increase

Based on current exposures, there is no material foreign exchange sensitivity in the consolidated entity.

D3 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Maturities of financial liabilities

The consolidated entity's maturity of financial liabilities is provided in the following table. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2020					2019					Total \$m
	Maturing in:				Total \$m	Maturing in:				Total \$m	
	Less than 1 year \$m	1 to 2 years \$m	2 to 5 years \$m	Over 5 years \$m		Less than 1 year \$m	1 to 2 years \$m	2 to 5 years \$m	Over 5 years \$m		
Payables	139.8	-	-	-	139.8	221.6	-	-	-	221.6	
Borrowings	71.6	72.9	1,876.9	-	2,021.4	63.4	63.4	1,613.0	-	1,739.8	
Lease liabilities	0.1	0.1	0.3	6.5	7.0	-	-	-	-	-	
	211.5	73.0	1,877.2	6.5	2,168.2	285.0	63.4	1,613.0	-	1,961.4	

D4 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

Other financial assets include units in unlisted funds and loan notes. The carrying value of other financial assets is equal to the fair value; refer to note F2 for further details.

Units in unlisted funds are traded in inactive markets. The fair value of investments that are not traded in an active market is determined by the unit price as advised by the trustee of the fund. The fair value of the security is determined based on the value of the underlying assets held by the fund. The assets of the fund are subject to regular external valuations. These valuations are based on discounted net cash inflows from expected future income and/or comparable sales of similar assets. Appropriate discount rates determined by the external valuer are used to determine the present value of the net cash inflows based on a market interest rate adjusted for the risk premium specific to each asset. The fair value is determined using valuation techniques that are not supported by prices from an observable market; so, the fair value recognised in the consolidated financial statements could change significantly if the underlying assumptions made in estimating the fair values were significantly changed.

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

	Note	2020				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	F2	-	-	65.6	65.6	-	-	58.0	58.0
		-	-	65.6	65.6	-	-	58.0	58.0

D4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

	2020		2019	
	Units in unlisted funds \$m		Units in unlisted funds \$m	Other financial assets \$m
Balance 1 July	58.0		39.9	79.7
Acquisitions	-		13.0	-
Net revaluation gain on financial instruments	7.6		5.1	-
Repayments	-		-	(79.7)
Balance 30 June	65.6		58.0	-

E EQUITY

This section includes distributions, unitholders' equity and reserves. It represents how the consolidated entity raised equity from unitholders in order to finance activities both now and in the future.

E1 DISTRIBUTIONS

Half-yearly ordinary distributions paid/payable per stapled security were as follows:

	Distribution Cents	Date paid/payable	Total amount \$m
Distributions for the year ended 30 June 2020			
31 December 2019	6.10	28 Feb 2020	240.0
30 June 2020	3.00	14 Sep 2020	118.0
Total distribution	9.10		358.0
Distributions for the year ended 30 June 2019			
31 December 2018	5.30	28 Feb 2019	193.9
30 June 2019	6.30	30 Aug 2019	246.4
Total distribution	11.60		440.3

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

	2020		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 EEP	0.3	0.9	0.4	1.0
Long-term performance plan, LTI and EIS stapled units converted, sold, vested or forfeited	6.9	9.6	6.7	7.4
Legacy schemes vested	0.2	0.6	0.3	0.7
Stapled unit issuance	15.9	39.7	252.5	645.0
Stapled unit buy-back	-	-	(58.1)	(113.6)
Balance 30 June	3,932.7	5,367.2	3,909.4	5,316.4

E2 CONTRIBUTED EQUITY (continued)

The number of stapled units issued as listed on the ASX at 30 June 2020 was 3,934.3 million (2019: 3,911.1million) which includes 1.6 million of stapled units issued under the LTI and EIS (2019: 1.7 million). Units issued to employees under the Mirvac LTI and EIS are accounted for as options and are recognised by the Group in the security-based payments reserve, not in contributed equity.

E3 RESERVES

Non-controlling interests (NCI) reserve

The NCI reserve was used to record the discount received on acquiring the NCI in Mirvac Real Estate Investment Trust, a controlled entity of the consolidated entity, in December 2009.

\$m	Capital reserve	NCI reserve	Total reserves
Balance 30 June 2019	(1.4)	6.8	5.4
Balance 30 June 2020	(1.4)	6.8	5.4

F OPERATING ASSETS AND LIABILITIES

F1 RECEIVABLES

Receivables are initially recognised at fair value. Receivables are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment if required. Due to the short-term nature of current receivables, their carrying amount (less loss allowance) is assumed to be the same as their fair value.

The ECL of receivables is reviewed on an ongoing basis. The consolidated entity applies the simplified 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 the consolidated entity's receivables 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 rates and the inputs to the impairment calculation, based on the consolidated entity's past history, existing market conditions and future looking estimates at the end of each reporting period. Receivables which are known to be uncollectable are written off.



The consolidated entity has considered the impact on its trade debtors in light of increased credit risk resulting from the impacts of COVID-19.

Trade debtors

For trade debtors relating to Retail, Office and Industrial for investment property rental income, trade debtors have significantly increased as at 30 June 2020, as a result of COVID-19. Many of the consolidated entity's tenants have experienced cash flow and financial difficulties due to mandatory closures, a halt on discretionary spending, employment instability and the general economic downturn. As a result, the Expected Credit Loss (ECL) which records a provision of uncollectable debts over the life of the lease with the debtor, has also significantly increased as at 30 June 2020.

The calculation of the ECL considers the historical bad debt write offs which is specific to each segment, less collateral held and adjusted for specific known factors such as the financial situation of a tenant. Further, with the impact of COVID-19, the consolidated entity has extended the ECL provision as at 30 June 2020 for two key areas:

1. For tenants with rental relief deals pending, where the arrears are likely to be written off but the lease amendment was not executed by 30 June 2020 or the negotiations finalised, this amount is considered to be at risk and likely to be converted into an incentive in the future and a provision taken for this amount in full. In these cases, where the consolidated entity has no reasonable expectations of recovering all or part of the receivable, the receivable has been reduced with a corresponding expense recognised; and
2. For trade debtors which are net of rental relief and collateral held, consideration has been given to the following factors in order to assess the severity by which the tenant has been impacted by the pandemic on a high, medium or low basis and an increase in ECL provision recorded accordingly:
 - > the industry in which the tenant operates and if this has been impacted by mandatory Government restrictions;
 - > the size and legal structure of the tenant;
 - > location and demographic information affecting the tenant; and
 - > sales data, rental relief requests and other impacts on trading activities during the pandemic.

F1 RECEIVABLES (continued)

	2020			2019		
	Gross \$m	Loss allowance \$m	Net \$m	Gross \$m	Loss allowance \$m	Net \$m
Trade receivables	46.0	(35.7)	10.3	5.7	(2.5)	3.2
Accrued income	7.9	-	7.9	8.1	-	8.1
Other receivables	-	-	-	2.9	-	2.9
Total receivables	53.9	(35.7)	18.2	16.7	(2.5)	14.2

Ageing

	Not past due	Days past due					Total
		1 - 30	31 - 60	61 - 90	91 - 120	Over 120	
2020							
Total receivables	7.0	15.7	13.5	11.5	3.2	3.0	53.9
Loss allowance	-	(10.3)	(10.9)	(9.5)	(2.8)	(2.2)	(35.7)
2019							
Total receivables	11.0	2.6	1.0	0.6	0.4	1.1	16.7
Loss allowance	-	(1.0)	(0.5)	(0.3)	(0.2)	(0.5)	(2.5)

Loss allowance

	2020 \$m	2019 \$m
Balance 1 July	(2.5)	(2.9)
Amounts utilised for write-off of receivables	-	0.4
Loss allowance recognised	(33.2)	-
Balance 30 June	(35.7)	(2.5)

The consolidated entity does not have any significant credit risk exposure to a single customer. The consolidated entity holds collateral over receivables of \$158.9 million (2019: \$159.9 million). The collateral held equals the carrying amount of the relevant receivables. The terms and conditions of the collateral are outlined in the lease agreements, however generally as a lessor, the consolidated entity has the right to call upon the collateral if a lessee breaches their lease. Refer to note D3 for further details on the consolidated entity's exposure to, and management of, credit risk.

F2 OTHER FINANCIAL ASSETS

Units in unlisted funds

The Trust may hold units in unlisted funds which do not give the Trust control, as explained in note G1, or significant influence, as explained in note C2. These units are accounted for at fair value. Distributions received are recognised in revenue and any changes in fair value are recognised in the gain or loss on foreign exchange and financial instruments in the consolidated SoCI.

Units in unlisted funds are traded in inactive markets and therefore the fair value is estimated based on the value of the underlying assets held by the funds. The underlying assets of the funds are valued by external valuers based on market sales comparison and/or discounted cash flows. Refer to note C1 for details of these valuation methods.

Impairment

Recoverability of other financial assets is reviewed on the same basis as receivables. Refer to note F1 for details.

	2020 \$m	2019 \$m
Non-current		
Units in unlisted funds	65.6	58.0
Total non-current other financial assets	65.6	58.0

F3 GOODWILL

	2020 \$m	2019 \$m
Balance 1 July	42.8	42.8
Balance 30 June	42.8	42.8

Impairment testing

Goodwill is tested annually for impairment. For the purpose of assessing impairment, assets are grouped at the lowest levels for which goodwill is monitored for internal management purposes and allocated to cash generating units (CGU). The allocation is made to groups of CGU identified according to operating segments.

An asset is impaired if the recoverable amount, calculated as the higher of value in use and the fair value less costs to sell, is less than its carrying amount.



The consolidated entity has assessed whether the impact of COVID-19 has led to any impairment of assets, including intangibles which involves assessing the financial performance, including estimates of future cash flows and earnings of the CGUs and which may be significantly affected by the direct or indirect impacts of the pandemic.

Indicators of impairment may include, but are not limited to, significant changes with an adverse effect on an entity that have taken place during the period, or will take place in the near future in the market or economic environment in which the entity operates; and the extent to which assets are used or are expected to be used.

Where indicators of impairment were present at 30 June 2020, an assessment of the recoverable amount has been undertaken of the relevant intangible asset. As at 30 June 2020 no intangibles were impaired (2019: none).

The CGU of the consolidated entity is investment property; the value in use is the discounted present value of estimated cash flows from net rental revenue that the CGU will generate. The cash flow projections are based on forecasts covering a 10-year period. AASB 136 *Impairment of Assets* recommends that cash flow projections should cover a maximum period of five years, unless a longer period can be justified. As the cash flow projections used for budgeting and forecasting are based on long-term, predictable and quantifiable leases, with renewal assumptions based on sector and industry experience, management is comfortable that a 10-year cash flow projection is more appropriate. The key assumptions used to determine the forecast cash flows include net market rent, capital expenditure, capitalisation rate, growth rate, discount rate and market conditions. The growth rate has been adjusted to reflect current market conditions and does not exceed the long-term average growth rate for the business in which the consolidated entity operates.

The growth rate applied beyond the initial period is noted in the table below. The growth rate does not exceed the long-term average growth rate for each CGU.

	Growth rate 30 June 2020 ¹ % pa	Discount rate 30 June 2020 % pa	Growth rate 30 June 2019 ¹ % pa	Discount rate 30 June 2019 % pa
Mirvac Property Trust	-	6.6	-	6.9

1. The value in use calculation is based on forecasts approved by management covering a 10-year period. No forecast growth rate is assumed as the value in use calculations are based on forecast cash flows from existing projects and investment properties.

No intangible assets were impaired in 2020 (2019: nil).

The Directors and management have considered reasonably possible changes to the key assumptions and have not identified any reasonably possible changes that could cause an impairment.

F4 PAYABLES

Payables are measured at amortised costs. Due to the short-term nature of current payables, their carrying amount is assumed to be the same as their fair value. For the majority of non-current payables, the carrying amount is also not significantly different to their fair value.

Trade payables due more than 12 months after year end are classified as non-current.

	Note	2020 \$m	2019 \$m
Current			
Trade payables		25.7	63.1
Rent in advance		18.7	23.3
Other accruals		22.6	47.4
Other creditors		1.7	0.7
Amounts due to entities related to Responsible Entity	H4	71.1	87.1
Total current payables		139.8	221.6
Non-current			
Other creditors		29.0	6.5
Total non-current payables		29.0	6.5

F5 PROVISIONS

A provision is made for the amount of any distribution declared at or before the end of the year but not distributed by the end of the year. Refer to note E1 for further details.

	2020 \$m	2019 \$m
Distributions payable		
Balance 1 July	246.4	222.6
Interim and final distributions declared	358.0	440.3
Payments made	(486.4)	(416.5)
Balance 30 June	118.0	246.4

G CONSOLIDATED ENTITY STRUCTURE

This section provides information on how the consolidated entity's structure affects its financial position and performance.

G1 CONTROLLED ENTITIES

Controlled entities

The consolidated financial statements of the consolidated entity incorporate the assets, liabilities and results of all controlled entities. Controlled entities are all entities over which the consolidated entity has power to direct the activities of the entity and an exposure to and ability to influence its variable returns from its involvement with the entity.

Controlled entities are fully consolidated from the date of control is obtained until the date that control ceases. Inter-entity transactions and balances are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred.

G1 CONTROLLED ENTITIES (continued)

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The consolidated entity considers that all funds and trusts in which it currently has an investment, or from which it currently earns income, to be structured entities. Depending on the consolidated entity's power to direct the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases, it may sponsor or have some form of exposure to a structured entity but not consolidate it.

If the consolidated entity does not control a structured entity but has significant influence, it is treated as an associate. Refer to note C2.

Funds and trusts

The consolidated entity invests in a number of funds and trusts which invest in real estate as investment properties. The investees finance their operations through borrowings and through equity issues. The consolidated entity determines whether it controls or has significant influence over these funds and trusts as discussed above.

The following entities were wholly owned and established in Australia and controlled by MPT as at the current year end:

10-20 Bond Street Trust	Mirvac Broadway Sub-Trust	Mirvac Property Trust No.7
367 Collins Street Trust	Mirvac Capital Partners 1 Trust	Mirvac Real Estate Investment Trust
367 Collins Street No. 2 Trust	Mirvac Collins Street No.1 Sub-Trust	Mirvac Retail Head Trust
380 St Kilda Road Trust ¹	Mirvac Commercial No.3 Sub Trust	Mirvac Retail Sub-Trust No. 1
477 Collins Street No. 1 Trust	Mirvac Commercial Trust ¹	Mirvac Retail Sub-Trust No. 2
Australian Office Partnership Trust	Mirvac Group Funding No.2 Pty Limited	Mirvac Retail Sub-Trust No. 3
Eveleigh Trust	Mirvac Group Funding No.3 Pty Limited	Mirvac Retail Sub-Trust No. 4
James Fielding Trust	Mirvac Hoxton Park Trust	Mirvac Rhodes Sub-Trust
Joynton North Property Trust	Mirvac Industrial No. 1 Sub-Trust	Mirvac Rydalmere Trust No. 1
Joynton Properties Trust	Mirvac Kensington Trust ²	Mirvac Rydalmere Trust No. 2
Meridian Investment Trust No. 1	Mirvac Kirrawee Trust No.1	Mirvac Smail Street Trust
Meridian Investment Trust No. 2	Mirvac Kirrawee Trust No.2	Mirvac Toombul Trust No. 1
Meridian Investment Trust No. 3	Mirvac La Trobe Office Trust	Mirvac Toombul Trust No. 2
Meridian Investment Trust No. 4	Mirvac Living Trust	Old Treasury Holding Trust
Meridian Investment Trust No. 5	Mirvac Padstow Trust No.1	Springfield Regional Shopping Centre Trust
Meridian Investment Trust No. 6	Mirvac Parramatta Sub-Trust No. 1	The George Street Trust
Mirvac 90 Collins Street Trust	Mirvac Pitt Street Trust	
Mirvac Allendale Square Trust	Mirvac Property Trust No.3	
Mirvac Ann Street Trust	Mirvac Property Trust No.4	
Mirvac Bay St Trust	Mirvac Property Trust No.5	
Mirvac Bourke Street No.1 Sub-Trust	Mirvac Property Trust No.6	

1. One unit on issue held by Mirvac Limited as custodian for MPT.

2. This entity was established during the year.

G2 PARENT ENTITY

The financial information for the parent entity, MPT, has been prepared on the same basis as the consolidated financial statements.

Parent entity	2020 \$m	2019 \$m
Current assets	73.7	1,415.4
Total assets	9,390.9	9,104.4
Current liabilities	633.1	802.9
Total liabilities	2,236.4	2,088.8
Equity		
Contributed equity	5,367.2	5,316.4
Reserves	7.6	7.6
Retained earnings	1,779.6	1,691.6
Total equity	7,154.4	7,015.6
Profit for the year	442.7	702.5
Total comprehensive income for the year	442.7	702.5

As outlined in note D2, MPT is a borrower under a loan facility from a related party of the Group. This related party mainly sources MPT's funding needs from external debt facilities. MPT is party to a guarantee deed poll to guarantee the external debt of the related party.

At 30 June 2020, the parent entity did not provide any other guarantees (2019: nil), have any contingent liabilities (2019: nil), or any capital commitments (2019: nil).

H OTHER DISCLOSURES

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

H1 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 probably to require payment/cannot be reliably measured. A provision is not recognised for contingent liabilities.

The consolidated entity had contingent liabilities at 30 June 2020 in respect of the following:

	2020 \$m	2019 \$m
Health and safety claims	0.2	0.2

The consolidated entity has no contingent liabilities relating to JVs (2019: nil).

H2 EARNINGS PER STAPLED UNIT

Basic earnings per stapled unit (EPU) is calculated by dividing:

- the profit attributable to stapled unitholders; by
- the weighted average number of ordinary units (WANOU) outstanding during the year.

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

Mirvac Property Trust and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020



H2 EARNINGS PER STAPLED UNIT (continued)

	2020	2019
Earnings per stapled unit		
Basic EPU (cents)	13.7	24.2
Diluted EPU (cents)	13.7	24.2
Profit for the year attributable to stapled unitholders (\$m) used to calculate basic and diluted EPU	538.4	893.1
WANOU used in calculating basic EPU (m)	3,931.6	3,695.8
WANOU used in calculating diluted EPU (m)	3,933.2	3,697.7

H3 KEY MANAGEMENT PERSONNEL

Key management personnel (KMP) compensation

KMP are employed by an entity controlled by Mirvac Limited. Payments made from the consolidated entity to Mirvac Limited and its controlled entities do not include any amounts directly attributable to the compensation of KMP. The total payments made to Mirvac Limited and its controlled entities are shown in note H4.

Equity instrument disclosures relating to KMP

Securityholdings

The number of ordinary securities in Mirvac held during the year by each Executive KMP, including their personally-related parties, is set out below:

	Balance 1 July 2019	Changes	Balance 30 June 2020	Value 30 June 2020 \$	Minimum securityholding guideline \$	Date securityholding to be attained ¹
Executive KMP						
Susan Lloyd-Hurwitz	3,260,835	1,142,105	4,402,940	9,554,380	2,250,000	June 2021
Brett Draffen	1,389,497	(544,497)	845,000	1,833,650	950,000	June 2021
Shane Gannon	48,913	568,286	617,199	1,339,322	900,000	June 2021
Campbell Hanan	240,000	225,428	465,428	1,009,979	800,000	June 2021
Susan MacDonald	612,831	157,606	770,437	1,671,848	800,000	June 2021
Stuart Penklis ²	-	74,099	74,099	160,795	800,000	May 2022

1. Attainment date is based on the minimum securityholding requirement effective for the 30 June 2019 financial year.

2. Stuart Penklis has five years from the date he became an Executive KMP in May 2017, to build his securityholding to the expected level.

Options

No options (i.e. a right to acquire a security upon payment of an exercise price) were granted as remuneration during the year ended 30 June 2020 and no unvested or unexercised options are held by Executive KMP as at 30 June 2020.

Performance rights held during the year

The number of performance rights in Mirvac held during the year by each Executive KMP, including their personally-related parties, is set out below:

	Balance 1 July 2019	Long-term Incentives		Deferred Short-term Incentives (STI)		Balance 30 June 2020
		Rights issued	Rights vested/forfeited relating to performance period ended 30 June 2020	Rights issued	Rights vested/forfeited	
Executive KMP						
Susan Lloyd-Hurwitz	2,513,678	770,547	(1,061,320)	124,797	(197,838)	2,149,864
Brett Draffen	1,032,059	292,808	(403,302)	80,154	(127,195)	874,524
Shane Gannon	978,134	277,397	(382,076)	76,095	(120,773)	828,777
Campbell Hanan	535,387	136,986	(188,680)	59,862	(95,084)	448,471
Susan MacDonald	529,539	136,986	(188,680)	59,862	(89,236)	448,471
Stuart Penklis	485,425	136,986	(165,094)	59,862	(74,099)	443,080

Mirvac Property Trust and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020



H3 KEY MANAGEMENT PERSONNEL (continued)

Details of the movement in the number and value of performance rights held by Executive KMP during the year are set out below:

Executive KMP	Plan	Grant date	Number of rights granted	Value at grant date ¹	Vesting date	Vested			Lapsed		
						Number of rights	% of total grant	Value of rights	Number of rights	% of total grant	Value of rights
Susan	STI	26 Sep 17	103,111	210,346	26 Sep 19	103,111	100.0%	210,346	-	0.0%	-
Lloyd-Hurwitz	LTI	6 Dec 17	1,061,320	1,599,940	30 Jun 20	460,612	43.4%	694,374	600,708	56.6%	905,566
	STI	1 Oct 18	94,727	214,083	30 Sep 19	94,727	100%	214,083	-	0.0%	-
	STI	1 Oct 18	94,727	204,610	30 Sep 20	-	-	-	-	-	-
	LTI	3 Dec 18	1,159,793	1,433,041	30 Jun 21	-	-	-	-	-	-
	STI	30 Sep 19	62,399	183,838	30 Sep 20	-	-	-	-	-	-
	STI	30 Sep 19	62,398	176,996	30 Sep 21	-	-	-	-	-	-
	STI	30 Sep 19	770,547	1,684,444	30 Jun 22	-	-	-	-	-	-
	Total			3,409,022	5,707,298		658,450		1,118,803	600,708	
Brett Draffen	STI	26 Sep 17	66,354	135,362	26 Sep 19	66,354	100.0%	135,362	-	0.0%	-
	LTI	6 Dec 17	403,302	607,977	30 Jun 20	175,033	43.4%	263,862	228,269	56.6%	344,115
	STI	1 Oct 18	60,841	137,501	30 Sep 19	60,841	100%	137,501	-	0.0%	-
	STI	1 Oct 18	60,841	131,417	30 Sep 20	-	-	-	-	-	-
	LTI	3 Dec 18	440,721	544,556	30 Jun 21	-	-	-	-	-	-
	STI	30 Sep 19	40,077	118,074	30 Sep 20	-	-	-	-	-	-
	STI	30 Sep 19	40,077	113,681	30 Sep 21	-	-	-	-	-	-
	LTI	2 Dec 19	292,808	640,089	30 Jun 22	-	-	-	-	-	-
Total			1,405,021	2,428,657		302,228		536,725	228,269		344,115
Shane Gannon	STI	26 Sep 17	63,012	128,544	26 Sep 19	63,012	100.0%	128,544	-	0.0%	-
	LTI	6 Dec 17	382,076	575,979	30 Jun 20	165,820	43.4%	249,975	216,256	56.6%	326,004
	STI	1 Oct 18	57,761	130,540	30 Sep 19	57,761	100%	130,540	-	0.0%	-
	STI	1 Oct 18	57,760	124,762	30 Sep 20	-	-	-	-	-	-
	LTI	3 Dec 18	417,525	515,894	30 Jun 21	-	-	-	-	-	-
	STI	30 Sep 19	38,048	112,096	30 Sep 20	-	-	-	-	-	-
	STI	30 Sep 19	38,047	107,923	30 Sep 21	-	-	-	-	-	-
	LTI	2 Dec 19	277,397	606,400	30 Jun 22	-	-	-	-	-	-
Total			1,331,626	2,302,138		286,593		509,059	216,256		326,004
Campbell Hanan	STI	26 Sep 17	49,646	101,278	26 Sep 19	49,646	100.0%	101,278	-	0.0%	-
	LTI	6 Dec 17	188,680	284,435	30 Jun 20	81,887	43.4%	123,445	106,793	56.6%	160,990
	STI	1 Oct 18	45,438	102,690	30 Sep 19	45,438	100%	102,690	-	0.0%	-
	STI	1 Oct 18	45,438	98,146	30 Sep 20	-	-	-	-	-	-
	LTI	3 Dec 18	206,185	254,762	30 Jun 21	-	-	-	-	-	-
	STI	30 Sep 19	29,931	88,182	30 Sep 20	-	-	-	-	-	-
	STI	30 Sep 19	29,931	84,901	30 Sep 21	-	-	-	-	-	-
	LTI	2 Dec 19	136,986	299,457	30 Jun 22	-	-	-	-	-	-
Total			732,235	1,313,851		176,971		327,413	106,793		160,990
Susan MacDonald	STI	26 Sep 17	43,798	89,348	26 Sep 19	43,798	100.0%	89,348	-	0.0%	-
	LTI	6 Dec 17	188,680	284,435	30 Jun 20	81,887	43.4%	123,445	106,793	56.6%	160,990
	STI	1 Oct 18	45,438	102,690	30 Sep 19	45,438	100%	102,690	-	0.0%	-
	STI	1 Oct 18	45,438	98,146	30 Sep 20	-	-	-	-	-	-
	LTI	3 Dec 18	206,185	254,762	30 Jun 21	-	-	-	-	-	-
	STI	30 Sep 19	29,931	88,182	30 Sep 20	-	-	-	-	-	-
	STI	30 Sep 19	29,931	84,901	30 Sep 21	-	-	-	-	-	-
	LTI	2 Dec 19	136,986	299,457	30 Jun 22	-	-	-	-	-	-
Total			726,387	1,301,921		171,123		315,483	106,793		160,990
Stuart Penklis	STI	26 Sep 17	34,052	69,466	26 Sep 19	34,052	100.0%	69,466	-	0.0%	-
	LTI	6 Dec 17	165,094	248,879	30 Jun 20	71,650	43.4%	108,013	93,444	56.6%	140,866
	STI	1 Oct 18	40,047	90,506	30 Sep 19	40,047	100%	90,506	-	0.0%	-
	STI	1 Oct 18	40,047	86,502	30 Sep 20	-	-	-	-	-	-
	LTI	3 Dec 18	206,185	254,762	30 Jun 21	-	-	-	-	-	-
	STI	30 Sep 19	29,931	88,182	30 Sep 20	-	-	-	-	-	-
	STI	30 Sep 19	29,931	84,901	30 Sep 21	-	-	-	-	-	-
	LTI	2 Dec 19	136,986	299,457	30 Jun 22	-	-	-	-	-	-
Total			682,273	1,222,655		145,749		267,985	93,444		140,866

1. The calculation of the value of performance rights used the fair value as determined at the time of grant. For the LTI grants subject to Return On Invested Capital (ROIC) performance, the initial accounting treatment assumes 75 per cent vesting, which is reflected in the above valuation.

H4 RELATED PARTIES

The Responsible Entity

The Responsible Entity of the Trust is Mirvac Funds Limited, an entity incorporated in New South Wales and ultimately controlled by Mirvac Limited.

As outlined in the Explanatory Memorandum dated 4 May 1999, Mirvac Funds Limited charges MPT Responsible Entity fees on a cost recovery basis. Fees charged by Mirvac Funds Limited for the year ended 30 June 2020 were \$31.6 million (2019: \$20.2 million).

Transactions with related parties

	Note	2020 \$000	2019 \$000
Property rental revenue from entities related to Responsible Entity		6,128	4,848
Fees paid to Responsible Entity		(31,610)	(20,202)
Interest paid to entities related to Responsible Entity		(69,046)	(84,947)
Property management fee expense paid to entities related to Responsible Entity		(24,527)	(23,599)
Capital expenditure paid to entities related to Responsible Entity		(240,361)	(323,540)
Sale of investment property to related party		80,500	-
Amounts due to entities related to Responsible Entity	F4	71,099	87,080
Loans from entities related to Responsible Entity	D2	1,766,000	1,447,000

Transactions between the consolidated entity and related parties were made on commercial terms and conditions.

Transactions between Mirvac and its JVs were made on commercial terms and conditions. Distributions received from JVs were on the same terms and conditions that applied to other unitholders.

H5 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.

	2020 \$m	2019 \$m
Profit for the year attributable to stapled unitholders	538.4	893.1
Net revaluation gain from investment properties and investment properties under construction	(154.5)	(523.3)
Amortisation expenses	88.6	71.1
Impairment loss on receivables	36.4	-
Lease incentives and straight-lining of lease revenue	(40.4)	(35.8)
Net gain on financial instruments	(7.6)	(5.1)
Net gain on sale of assets	(18.4)	-
Share of net profit of JVs net of distributions received	(3.0)	26.2
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(40.1)	1.6
Increase in other assets	(2.9)	(1.7)
(Decrease)/increase in payables	(24.3)	8.7
Net cash inflows from operating activities	372.2	434.8

H5 RECONCILIATION OF PROFIT TO OPERATING CASH FLOW (continued)

Net Debt Reconciliation

	Current lease liabilities \$m	Non-current lease liabilities \$m	Non-current borrowings \$m	Total liabilities \$m	Cash and cash equivalents \$m	Total \$m
Balance 1 July 2018	-	-	(1,322.0)	(1,322.0)	26.8	(1,295.2)
Net cash flow movements	-	-	(125.0)	(125.0)	(9.9)	(134.9)
Other non-cash movements	-	-	-	-	-	-
Balance 30 June 2019	-	-	(1,447.0)	(1,447.0)	16.9	(1,430.1)
Balance 1 July 2019	-	-	(1,447.0)	(1,447.0)	16.9	(1,430.1)
Recognised on adoption of AASB 16	0.1	7.0	-	7.1	-	7.1
Net cash flow movements	(0.1)	-	(319.0)	(319.1)	10.0	(309.0)
Other non-cash items	0.1	(0.1)	-	-	-	-
Balance 30 June 2020	0.1	6.9	(1,766.0)	(1,759.0)	26.9	(1,732.0)

H6 AUDITORS' REMUNERATION

	2020 \$000	2019 ¹ \$000
Audit services		
Audit and review of financial reports	699.0	639.0
Other assurance services	201.7	159.2
Total auditors' remuneration	900.7	798.2

1 2019 audit fee revised to reflect additional billing relating to the 30 June 2019 audit not agreed at the date of signing.

Mirvac Property Trust and its controlled entities
Directors' declaration
For the year ended 30 June 2020



In the Directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 42 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 30 June 2020 and of its performance for the financial 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 as issued by the International Accounting Standards Board.

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.

A handwritten signature in black ink that reads "Susan Lloyd-Hurwitz".

Susan Lloyd-Hurwitz
Director

Sydney
20 August 2020



Independent auditor's report

To the unitholders of Mirvac Property Trust

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Mirvac Property Trust (the registered scheme, MPT or Trust) and its controlled entities (together the consolidated entity) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The consolidated entity's financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the consolidated entity, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
<p>For the purpose of our audit we used overall consolidated entity materiality of \$18.6 million, which represents approximately 5% of the adjusted profit before tax of the consolidated entity.</p> <p>We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</p> <p>We chose adjusted profit before tax of the consolidated entity because, in our view, it is the benchmark against which the performance of the consolidated entity is most commonly measured.</p> <p>Profit before tax is adjusted for fair value movements in investment property, unlisted equity investments and foreign exchange movements because they are significant non-cash items.</p> <p>We utilised a 5% threshold based on our professional judgement, noting it is</p>	<p>Our audit focused on where the consolidated entity made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</p> <p>The consolidated entity owns and manages investment property assets across Sydney, Melbourne, Brisbane, Perth and Canberra. The accounting processes are structured around a consolidated entity finance function at its head office in Sydney. Our audit procedures were predominantly performed from Sydney, along with a number of property and development site visits being performed at various locations across the year.</p>	<p>Amongst other relevant topics, we communicated the following key audit matters to the Audit, Risk and Compliance Committee:</p> <ul style="list-style-type: none"> • Fair value of investment properties • Expected credit losses <p>These are further described in the <i>Key audit matters</i> section of our report.</p>



within the range of commonly acceptable thresholds.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p>Fair value of investment properties (Refer to note C1) \$10,187m</p> <p>Investment properties are recognised at fair value.</p> <p>The consolidated entity's estimate of fair value of investment properties includes assumptions about unobservable inputs including future market and economic conditions which are inherently subject to the risk of change. The economic impact of the COVID-19 pandemic in Australia has increased the level of judgement and uncertainty in the assumptions used in determining the fair value of investment properties as described in note C1.</p> <p>At each reporting period, the Directors determine the fair value of the consolidated entity's investment property portfolio having regard to the consolidated entity's valuation policy which requires all properties to be externally valued by valuation experts at least once every two years. In the period between external valuations the Directors' valuation is supported by internal valuation models.</p> <p>Fair value of investment properties was a key audit matter because:</p> <ul style="list-style-type: none">investment property balances are financially significant in the Consolidated Statement of Financial Position.the impact of changes in the fair value of investment properties can have a significant effect on the consolidated entity's total comprehensive income.investment property valuations are inherently subjective due to the use of unobservable inputs in the valuation methodology.	<p>We performed tests of selected controls related to:</p> <ul style="list-style-type: none">the consolidated entity's compliance with its policy to externally value all properties at least once in the last two years and to rotate valuation firms.the approval of the adopted fair values for all individual properties by the Directors of the Group. <p>We agreed the fair values of all properties to the external valuation or internal valuation model (together, the 'valuations') and assessed the competency, capability and objectivity of the relevant external or internal valuer.</p> <p>We read recent independent property market reports to develop our understanding of the prevailing market conditions in which the Group invests.</p> <p>We engaged PwC valuation experts to join our discussions with several valuation firms to obtain an understanding and assess the appropriateness of the methodology used by each of the firms to address the increased market uncertainty related to COVID-19 impacting the valuations.</p> <p>We met with management to discuss the specifics of the property portfolio including, amongst other things, any significant leasing activity, capital expenditure and vacancies impacting the portfolio.</p> <p>We evaluated the completeness and accuracy of tenancy schedules used in the valuations on a sample basis to evaluate whether the relevant leasing information had been correctly input.</p> <p>We performed a risk assessment over the consolidated entity's investment property portfolio to</p>



- fair values are highly sensitive to changes in key assumptions.

determine those properties at greater risk of fair value being materially misstated. Our risk assessment was informed by our understanding of each property, consideration of the results of the consolidated entity's estimate of fair value and our understanding of current market conditions including the impact of COVID-19.

For those properties which were assessed as being at greater risk, we performed procedures to assess the reasonableness of key assumptions used in the consolidated entity's assessment of fair value. In our audit procedures over the valuations we:

- Obtained the valuation and held discussions with management to develop an understanding of the basis for assumptions used.
- Assessed the appropriateness of the methodology adopted and the mathematical accuracy of the valuations.
- Assessed the reasonableness of the capitalisation rate, discount rate and market rents used in the valuation by comparing them against market data for comparable properties.
- Assessed the reasonableness of rental income data used in the valuation against rental income recorded in the general ledger in FY20 for each property.

We also assessed the appropriateness of the consolidated entity's disclosures against the requirements of Australian Accounting Standards, including the impact of COVID-19.

Key audit matter

Expected credit losses (Refer to note F1) \$36m

The consolidated entity assesses the recoverability of trade receivables using an Expected Credit Loss (ECL) model.

The consolidated entity has applied judgement in assessing the recoverability of the carrying value of gross tenant trade receivables, following the write off of receivables to the extent of contractually agreed rental relief at 30 June 2020.

For pending rental relief at balance date, the consolidated entity has applied judgement to

How our audit addressed the key audit matter

In our audit procedures over the ECL model we:

- Obtained the model and held discussions with management to develop an understanding of the methodology applied and basis for assumptions used in the models.
- Assessed the appropriateness of the methodology adopted including the treatment of agreed and pending rental relief and the mathematical accuracy of the model.
- We assessed the expected loss rates used in the consolidated entity's model for



determine whether all or part of the associated receivables will be recovered. The consolidated entity has recognised the amount of rental relief expected to be contractually agreed in the future in the expected credit loss provision.

Any remaining trade receivables were assessed for recoverability using the consolidated entity's ECL model. The future impact of the COVID-19 pandemic on the consolidated entity's tenants is uncertain and significant judgement was required to be exercised by the consolidated entity in calculating the ECL.

This included judgement applied in determining:

- appropriate groupings of tenants by risk ('risk category'); and
- the expected loss rate for each risk category.

We considered measurement of ECL to be a key audit matter because of the extent of judgement involved.

reasonableness against our understanding of the historical loss rates of the consolidated entity and the observed economic impact of COVID-19 on the industries in which the consolidated entity's tenants operate.

- For a sample of tenant trade receivables, we evaluated the allocation of tenant trade receivables to the risk categories by comparing the consolidated entity's assessed risk against our understanding of the tenant's business including industry, location and size.

We also assessed the appropriateness of the consolidated entity's disclosures against the requirements of Australian Accounting Standards, including the impact of COVID-19.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

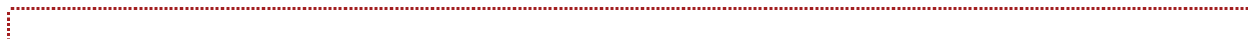
A handwritten signature in black ink that reads 'Reilly'.

Jane Reilly
Partner

A handwritten signature in black ink that reads 'Joe Sheeran'.

Joe Sheeran
Partner

Sydney
20 August 2020



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