MIRVAC GROUP

1H21 Interim Report

12 February 2021

Reimagine Urban Life

mirvac

Mirvac Group Interim Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

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

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About this report

This Interim Report 2021 is a consolidated summary of Mirvac Group's operational and financial performance for the half year ended 31 December 2020.

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

References to a 'half year' refer to the period between 1 July 2020 and 31 December 2020. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

The consolidated financial statements included in this report were authorised for issue by the Directors on 12 February 2021. The Directors have the power to amend and reissue the financial statements. This Interim Report does not include all the information and disclosures usually included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report FY20 and any public announcements made by Mirvac during the interim reporting period. Mirvac's Interim Report can be viewed on, or downloaded from Mirvac's website, www.mirvac.com.

About us

Mirvac is an Australian Securities Exchange (ASX) top 40 company and one of the nation's most innovative urban property groups. We have been making a positive contribution to the evolution of our cities for almost 50 years. Our purpose, to Reimagine Urban Life, inspires us to create solutions that enable our customers to live more connected and sustainable lives.

We own and manage office, industrial, retail and build to rent assets within our investment portfolio, with over $24bn of assets under management. With an active and future commercial development pipeline of approximately $12bn[1] and an active and future residential pipeline of approximately $16bn[1], Mirvac is well positioned to deliver landmark precincts that make a positive contribution to our customers, communities and the urban landscape, while driving long-term value for our securityholders.

Review of operations and activities

GROUP OPERATING MODEL RESTRUCTURE

During the half year, we restructured our business to ensure the Group is best placed to be able to respond to our customers' changing needs, and can continue to generate value for our securityholders.

The restructure included the creation of a new Commercial Property division, consolidating the award winning capabilities of our Office, Industrial, Retail and Build to Rent teams, to be led by Campbell Hanan as Head of Commercial Property.

A dedicated Commercial & Mixed-Use Development division was also created, under the leadership of Simon Healy, as Group General Manager, Commercial & Mixed-Use Development, within the portfolio of Brett Draffen as Chief Investment Officer.

As well as unlocking synergies and efficiencies across our operations, the changes will enhance our already considerable mixed-use development capability, so the Group can take on increasingly complex, city shaping, mixed-use projects that make a positive contribution to our urban landscape.

The new operating model is currently being implemented, following the announcement of the restructure during the half year. We are in the process of transitioning to the new segment structure for the purposes of financial reporting. It is intended that the Group will adopt the new operating segment structure for financial reporting from FY21.

FINANCE & CAPITAL MANAGEMENT

In spite of the challenges of the ongoing COVID-19 pandemic, Mirvac continued to show resilience and build towards recovery in 1H21, delivering earnings before interest and tax for the half year ended 31 December 2020 of $364m. The Group has provided operating earnings guidance of between 13.1 to 13.5 cpss for the full year ending 30 June 2021.

Key financial metrics for the half year ended 31 December 2020:

> operating profit after tax reduced by 22 per cent to $276m[2] (December 2019: $352m), driven by reduced development earnings (residential settlement profile) and COVID-19 impacts on investment property NOI;

> profit attributable to stapled securityholders reduced by 35 per cent to $396m (December 2019: $613m), driven by reduced profit and lower valuation gains on investment properties;

> operating cash flow of $450m (December 2019: $354m);

> net tangible assets (NTA) per stapled security[3] increased to $2.58 (June 2020: $2.54); and

> half year distribution of $188m, representing 4.8 cents per stapled security.

1. Estimated to be 100 per cent end value of committed and uncommitted future developments and is subject to planning approvals, market conditions and COVID-19 impacts.
2. Excludes specific non-cash items and related taxation.
3. NTA per stapled security, based on ordinary securities including Employee Incentive Scheme securities.

Review of operations and activities

Key capital management metrics for the half year ended 31 December 2020:

> gearing at the lower end of the Group's target range of 20 to 30 per cent at 21.4 per cent [1];

> substantial available liquidity of $1.3bn in cash and committed undrawn bank facilities held;

> weighted average debt maturity of 6.8 years;

> average borrowing costs reduced to 3.7 per cent per annum as at 31 December 2020 (June 2020: 4.0 per cent), including margins and line fees; and

> maintained A-/A3 ratings with stable outlooks from Fitch Ratings and Moody's Investors Service (equivalent to A-).

Group outlook [2]

The economic shock induced by the pandemic and the subsequent policy response is unparalleled. So too has been the social impact on households, workers and communities. Fortunately, Australia has experienced success in managing both the health and economic outcomes to date, but impacts will continue to be felt for some time, even post vaccine distribution.

Shorter term, residential real estate markets are benefiting from a strong recovery over 1H21 that consistently exceeded forecast expectations. Though more clusters of virus outbreaks may occur, the economic recovery underway is unlikely to be derailed. A successful vaccination program is likely to further support economic activity into FY22, driving confidence and dwell time in the built environment.

While some economic stimulus support measures will taper over the next six months, a significant amount of stimulus focused on new employment, construction, spending, and housing activity is likely to remain for some time. The Federal Government's Centre for Population expects overseas migration to gradually lift over the next few years, though exact timing remains uncertain. Capital cities are likely to continue to be the main drivers of Australia's population, which is expected to reach 28 million people before the end of the decade [3]. History shows that cities will also be the major driver of economic growth and activity for the Australian economy, which underpins Mirvac's Group strategy.

Group risk management

COVID-19 has demonstrated the need for organisations to remain resilient in the face of business disruption and unexpected risks. At Mirvac, we have a robust risk management framework in place to ensure the Group protects its business model and maintains resilient operations. Mirvac's risk management framework is integrated with operational business processes at all levels within the organisation and proactive risk management is the responsibility of all employees. The Executive Leadership Team is focused on generating sustainable returns for stakeholders through active management of strategic and emerging risks. In addition to managing the short-term impact of COVID-19 on the Group operations, work has commenced on positioning the Group for long-term success by proactively responding to structural shifts in consumer behaviours accelerated by COVID-19.

COMMERCIAL & MIXED-USE DEVELOPMENT

During the half year, Mirvac progressed its commercial development pipeline of next generation, value accretive, city shaping projects. With a currently anticipated total end value of $12bn [4], the majority of Mirvac's commercial and mixed-use development pipeline has current income or is held in capital efficient structures, providing flexibility and future value.

Key updates include:

> progressed construction at the Locomotive Workshops, South Eveleigh, Sydney. Eighty-one per cent of the office space is now pre-committed, as well as 100 per cent [5] of the retail space, with completion due in 2H21;

> progressed construction of Suncorp's new headquarters at 80 Ann Street, Brisbane. The 60,000 square metre office precinct is 73 per cent pre-committed and practical completion remains on track for FY22;

> received planning approval for our proposed mixed-use precinct at 7 Spencer Street, Melbourne. Plans include an innovative 45,000 square metre office tower and a build to rent offering, known as LIV Aston, featuring 472 apartments. Construction is expected to commence in FY22, and completion is estimated in FY24;

> lodged State Significant Development Applications with the NSW Department of Planning, Industry and Environment for Waterloo Metro Quarter, a $900m urban precinct integrated with the new Sydney Metro station in Waterloo, Sydney which will be delivered in collaboration with John Holland with completion expected in 2024;

> submitted a revised development application for the redevelopment of Harbourside Shopping Centre at Darling Harbour, Sydney, which has the potential to deliver a new public domain of over 8,200 square metres and generate more than 6,100 jobs;

> entered into a put and call option agreement with the Queensland Government to acquire 200 Turbot Street, Brisbane. The agreement provides Mirvac with a three-year option period to secure a leasing pre-commitment for a new office tower proposed on the site;

> submitted a State Significant Development Application for the first stage of development at Aspect Industrial Estate located in the Mamre Road precinct, Western Sydney;

> received rezoning approval for stage 1 of the Group's future 244-hectare industrial estate, known as Elizabeth Enterprise at Badgerys Creek, Sydney for employment uses in the NSW Government's Planning System Acceleration Program;

> progressed construction at LIV Munro, Melbourne comprising 490 purpose-built build to rent apartments together with a range of amenity adjacent to the City of Melbourne's $250m renewal of the Queen Victoria Market. Completion is estimated for FY23;

> lodged a planning application for LIV Albert Fields in Brunswick Melbourne, in collaboration with Milieu. The scheme comprises 527 build to rent apartments, subject to planning approval, and completion is estimated for late 2024; and

> selected as one of two proponents of the Queensland Government's Build to Rent Pilot Project for our LIV Newstead proposal in Brisbane, comprising 394 high quality rental apartments. Through the Pilot Project, the Queensland Government has committed to provide a rental subsidy in return for the delivery of affordable rental housing within build to rent developments in Brisbane that meet certain criteria.

1. Net debt (at foreign exchange hedged rate) excluding leases (total tangible assets – cash).
2. These statements are future looking and based on our reasonable belief at the time they were made.
They include possible outlooks for our operating environments, but are subject to the evolving nature and uncertain environment caused by the COVID-19 pandemic.
3. Source: Population Statement – Centre for Population, https://population.gov.au/index.html
4. Represents 100 per cent end value of committed and uncommitted future developments and is subject to planning approvals, market conditions and COVID-19 impacts.
5. As at 10 February 2021, includes Heads of Agreement.

Review of operations and activities

Commercial & Mixed-Use Development outlook [1]

Mixed-use environments can enable the revitalisation of urban areas, incorporating a variety of uses such as workplace, residential, restaurants and services in a site or precinct. Strong connectivity to public transport and urban cores completes a live, work and play dynamic for convenient and vibrant urban life.

While learnings from the pandemic will be studied for some time, a profound impact globally has been community isolation and missed human connections. This indicates a strong future demand for walkable, safe, sustainable and high-quality open space environments that offer workers and residents convenience and the opportunity for human connection.

Commercial & Mixed-Use Development risk management

In the last six months, Mirvac established a dedicated Commercial & Mixed-Use Development team to enhance our existing development capability. The Group manages uncertainty around tenant demand in several ways, including pre-letting development projects ahead of construction and partially selling down commercial and mixed-use developments to capital partners in advance of completion. In relation to COVID-19, it is clear that the pandemic has interrupted the way that most businesses have occupied their office environments with some evidence that short to medium term demand for new office space is being tempered as a result. Office occupancy and supply/demand dynamics over the longer term remain unclear, however Mirvac continues to closely monitor occupier and tenant requirements and market trends and will incorporate changing customer requirements into new developments.

COMMERCIAL PROPERTY

Office

With approximately $15bn of assets under management, Mirvac's Office team is responsible for the management of some of the country's most modern and exceptional workplaces. Its young, efficient and sustainable portfolio benefits from long WALE, low exposure to small tenants, and low capex, providing strength and resilience throughout the COVID-19 pandemic.

For the half year ended 31 December 2020, Mirvac's Office team delivered property NOI of $180m.

Key Office updates for the half year ended 31 December 2020:

> rent collection rate of 97 per cent [2];

> occupancy of 96 per cent [3], with a WALE of 6.7 years [4];

> like-for-like net operating income growth of 0.5 per cent including COVID-19 impacts (31 December 2019: 5.6 per cent);

> completed 18 lease deals over approximately 28,000 square metres [5]; and

> total office asset revaluations provided an uplift of $141m, with capitalisation rate compression of 8 basis points to 5.17 per cent.

Office outlook [1]

Office demand weakened significantly through calendar 2020, largely due to falls in corporate profits which were impacted by the pandemic. Vacancy rates rose sharply, albeit from low levels in Sydney and Melbourne [6]. Despite the economic recovery through 1H21, vacancy rates are expected to be close to peak levels. Firms have reported a lift in trading conditions and profitability [7]. Business conditions for Finance and Business/Property services firms have improved, however business investment and expansion plans are likely to remain muted until profits strengthen further.

Apart from cyclical impacts, the pandemic has brought the benefits of workplace flexibility including increased working from home into focus. The time since first lockdown has shown that the experience varies across industries, job requirements, tenure, and demographics, including seniority. Conversely the role of the office as integral to staff culture and cross-functional relationship building is widely acknowledged and evidenced by an emerging pick-up of leasing inquiries within CBDs [8].

Overall, datapoints from various surveys and firms are pointing to an acceleration in flexibility requirements with more days of office-based staff working from home than prior to the pandemic [9]. The impact on office demand is not clear, though it is likely to result in some reduction. However, this is expected to be most pronounced for older, secondary grade product as firms seek to upgrade to modern, highly sustainable spaces integrated with smart technology that enables them to seek efficiencies with their occupancies [10]. In this environment, modern high-quality office assets are likely to outperform.

Office risk management

Office occupancy continues to remain sensitive to levels of COVID-19 community transmission and individual tenant policies on remote working. Broadly, there is an increase in market vacancy and sub-lease activity in all major markets driven by the pandemic's economic impact on business. New leasing activity has increased marginally in the last six months, however in general, transactions remain comparatively scarce compared to pre COVID-19 levels. Organisations have started adapting to the change in workforce by reducing their office footprint and seeking greater flexibility particularly in respect to expansion and contraction rights. Within our portfolio, we are proactively managing cash collection which remains relatively strong.

Industrial

Our Industrial portfolio comprises high quality logistics facilities in key strategic locations and is 100 per cent weighted to Sydney. The division continues to benefit from the growth of e-commerce in Australia, accelerated by the COVID-19 pandemic which has continued to strengthen demand for premium industrial estates close to transport, and within 'last mile' locations.

1. These statements are future looking and based on our reasonable belief at the time they were made. They include possible outlooks for our operating environments, but are subject to the evolving nature and uncertain environment caused by the COVID-19 pandemic.
2. As at 10 February 2021.
3. By area, including investments in joint ventures and excluding assets held for development.
4. By income, including investments in joint ventures and excluding assets held for development.
5. Excludes leasing of assets under development.
6. Source: Real Estate Intelligence Services, JLL, December 2020, https://www.jll.com.au/en/reis
7. Source: NAB Monthly Business Survey, January 2021, https://business.nab.com.au/wp-content/uploads/2021/02/NAB-Monthly-Business-Survey-January-2021.pdf
8. Source: The Office Demand Index, Colliers, H2 2020, https://www.colliers.com.au/en-au/research/office-demand-index-h2-2020
9. Source: Evolving How We Work January 2021, Bluenotes, ANZ Bank, https://bluenotes.anz.com/posts/2021/01/anz-how-we-work-workplace-future-remote-blended-strategy?pid=bln-link-td-bln-01-21-tsk-NL28-ext-hww; Across the Globe, Workers Want a Hybrid Work Model, Dec 2020, Gensler https://www.gensler.com/research-insight/blog/across-the-globe-workers-want-a-hybrid-work-model
10. Source: JLL, Structural office demand study, August 2020, survey of global offices into post-crisis expectations of new office buildings

Review of operations and activities

Key Industrial updates for the half year ended 31 December 2020:

> rent collection rate of 100 per cent[1];

> occupancy at 99.7 per cent[2], with a WALE of 7.3 years[3];

> like-for-like NOI growth of 3.3 per cent (December 2019: 3.1 per cent);

> completed 8 lease deals over approximately 28,900 square metres[4]; and

> total industrial asset revaluations provided an uplift of $44m, with capitalisation rate compression of 33 basis points to 5.27 per cent.

Industrial outlook[5]

The pandemic has resulted in some positive structural tailwinds for the industrial sector from increased levels of online spending[6], and disruption to supply chains is likely to result in some increased inventory and space needs.

Near term, gross take-up of space[7] from these structural tailwinds and an expanding economy are expected to continue outpacing new supply levels. The Sydney market, which has tighter supply constraints[8] and a larger infrastructure pipeline than other cities is expected to record positive growth expectations in rental income and ongoing deep capital demand for core, well located assets.

Industrial risk management

The Industrial portfolio continues to experience strength in investor and tenant demand for quality industrial assets in major markets like Sydney. COVID-19 restrictions on movement have resulted in an increase in e-commerce, and online retail sales continue to drive demand for fulfilment and distribution facilities. In response, Mirvac continues to focus on properties based on proximity to infrastructure, long lease terms and secure cash flow profiles as well as asset creation capability to build new assets to cater for future demand.

Retail

The retail environment has been significantly impacted by the COVID-19 pandemic. Over the past nine months, it is evident that consumer sentiment is highly correlated to community transmission which has severely impacted centres in certain markets and locations.

While continuing to operate in a challenging environment, Mirvac's dynamic $3.1bn portfolio of urban shopping centres, focused on higher income, higher growth and densely populated catchment areas, is well positioned to attract customers who actively embrace innovation and disruption. This highly progressive consumer audience is more likely to have higher incomes and greater propensity to spend, as well as be more progressive in their attitudes.

For the half year ended 31 December 2020, the Retail portfolio delivered property NOI of $72m.

Key Retail updates for the half year ended 31 December 2020:

> comparable MAT sales movement was (8.6) per cent and comparable specialty sales movement was (18.6) per cent;

> achieved comparable specialty sales productivity of $8,867 per square metre on specialty occupancy costs of 16.8 per cent;

> maintained high occupancy of 98.4 per cent;

> rent collection rate of 84 per cent[1];

> store openings of 95 per cent (98 per cent excluding CBD centres);

> net property income movement of $21m mainly due to the COVID-19 impact;

> net revaluations declined $28.1m or (0.9) per cent; and

> executed 131 regular leasing deals across approximately 24,300 square metres, with spreads of (5.7) per cent.

Retail outlook[5]

Retail visitation and spending saw a significant improvement over 1H21 with the December quarter spend exceeding the September quarter[9]. However, the direction of retail sales at a category level continues to be shaped by risks associated with levels of COVID-19 community transmission. High frequency datasets from major banks and other sources show strong levels of instore spending, particularly from eased restrictions in Victoria. While tighter community restrictions in parts of Sydney and Brisbane over the recent summer break saw changes in momentum of categories like food and beverage[10], recent data indicates that confidence is still on a solid footing.

While some major stimulus policies, particularly JobKeeper, will continue to recede through 2H21, ongoing low interest rates and other major fiscal stimulus will provide significant support. In addition to this, households have accrued a large stock of savings through 2020 due to periods of restrictions, and fiscal and monetary stimulus[11]. Together with an improving employment market[12] and evidence of growth in wages and salaries[13], prospects for continued recovery in retail consumption are expected, subject to virus transmission risk containment.

Retail risk management

COVID-19 outbreaks in the second half of 2020 in some of our markets negatively impacted recovering consumer sentiment and foot traffic in centres. In addition, centres located in CBD locations or locations heavily dependent on workers and tourists have been significantly impacted.

The pandemic has also accelerated consumer preference for shopping through digital channels which has negatively impacted physical store sales. While leasing activity has generally been subdued, there is a strong focus on closing leasing deals in centres which have stabilised. Mirvac continues to focus on cash collection and working with retailers on a case by case basis to provide support.

CORPORATE & OTHER

Build to Rent

NOTE: Mirvac is transitioning to a new operating segment model for reporting purposes from FY21. Build to Rent will be included under Corporate & Other for the HY21 results, but will move into the Commercial Property segment for the FY21 results.

The emergence of the build to rent sector is gathering pace in Australia, in response to a lack of housing affordability, as well as demographic and lifestyle change. Mirvac is one of the pioneers of the sector, which received a boost during the period with the NSW Government reducing the land tax to developers who invest in build to rent projects by 50 per cent in July 2020.

1. As at 10 February 2021.
2. By area, including investments in joint ventures and excluding assets held for development.
3. By income, including investments in joint ventures and excluding assets held for development.
4. Excludes leasing of assets under development.
5. These statements are future looking and based on our reasonable belief at the time they were made. They include possible outlooks for our operating environments, but are subject to the evolving nature and uncertain environment caused by the COVID-19 pandemic.
6. Source: Retail Trade, ABS, www.abs.gov.au
7. Source: Real Estate Intelligence Services, JLL, December 2020, https://www.jll.com.au/en/reis
8. The squeeze on Sydney industrial land is a boon for Melbourne and Brisbane, Commercial Real Estate, https://www.commercialrealestate.com.au/news/industrial-feature-land-shortages-901095/
9. Source: Retail Trade, ABS, www.abs.gov.au
10. Source: CBA Card Spending, CBA Economics
11. Source: Australian National Accounts, ABS, www.abs.gov.au
12. Source: ABS Labour Force, Australia, www.abs.gov.au
13. Source: The Edge – CBA's latest internal data on income and savings in charts, CBA Economics, 21 January 2021

Review of operations and activities

Key Build to Rent updates for the half year ended 31 December 2020:

> opened our first Build to Rent property, LIV Indigo, Sydney Olympic Park with 48 per cent of leases signed as at 9 February 2021.

Build to Rent outlook [1]

Residential vacancy rates were impacted through the pandemic with weakening economic fundamentals, border closures restricting international visitors and migrants, and shorter-term restrictions driving some occupancy take-up in regional or outer urban areas. While international borders remain closed, an improving economy and easing of restrictions has seen residential rental markets stabilise, with Victoria lagging other states.

At a capital city level, vacancy rates have tightened a little since peaking [2] earlier in 2020. While a resumption in overseas migration remains at the discretion of the Federal Government, the impact of reduced net overseas migration is expected to contribute to supply surpluses in coming years for some areas. While significant uncertainty remains, the Federal Government's Centre for Population is forecasting a strong recovery in net overseas migration in FY23 strengthening further in FY24 at levels close to pre-pandemic growth.

The forward supply outlook presents a favourable dynamic for rental growth expectations in inner urban areas. Competing supply of units has been reducing for some time and commencement of attached dwellings is expected to decline further as new high-rise apartment approvals have been trending down since 2015-2016. As such, conditions are in place for a sustained tightening in inner urban vacancy over the next several years.

Build to Rent risk management

Overseas, the build to rent sector has been relatively more resilient than other asset classes. Locally, conditions for build to rent have been improving with the NSW and Victorian governments announcing changes to the land tax regime which, subject to detailed legislation being adopted, will improve feasibility on our future build to rent pipeline. Support has also been received from the Queensland Government's Build to Rent Pilot Project delivered through our LIV Newstead project in Brisbane.

In the first half of the year, we welcomed our first residents at LIV Indigo in Sydney Olympic Park. Our focus is on providing the residents with a unique rental experience while gathering learnings from the operation of our first live build to rent asset and importantly, incorporating and implementing these for the future build to rent pipeline.

RESIDENTIAL

Mirvac has earned a reputation for quality and design excellence, following almost a half-century of delivering premium homes and connected communities in Australia's key cities of Sydney, Melbourne, Brisbane and Perth. With a robust pipeline of approximately 27,800 lots [3], the Group is well positioned for future growth and remains focused on creating places people are proud to call home.

For the half year ended 31 December 2020, Residential delivered earnings before interest and tax of $76m, and achieved a strong gross development margin of 23 per cent.

Key Residential updates for the half year ended 31 December 2020:

> settled 1,076 residential lots driven by settlements at Pavilions, Sydney, Gainsborough Greens and Everleigh, Brisbane, Olivine, Melbourne, Googong, NSW, and Compass, the final stage of Leighton Beach, Perth;

> on track for first project settlements at Smiths Lane, Melbourne and Ashford, Brisbane in FY21;

> defaults at 3.5 per cent due to market factors exacerbated by COVID-19 (less than 2 per cent excluding Pavilions, Sydney Olympic Park);

> exchanged over 1,300 lots driven by masterplanned community (MPC) projects across all states;

> released over 1,260 residential lots, with 76 per cent [4] of all released lots sold, including the first releases at Portman on the Park at Green Square and Georges Cove both in Sydney, and Henley Brook, Perth;

> 50 per cent reduction in like-for-like completed apartment inventory;

> pre-sales of $946m with 51 per cent attributable to MPC projects and the balance to apartments;

> further supplemented the residential pipeline adding over 1,160 lots with an additional 600 lots acquired at Smiths Lane, Melbourne, 55 lots at Waverley Bowling Club, Sydney, and over 500 additional lots at Green Square, Sydney [5] post buy-out of Landcom; and

> won over 15 awards, including Marrick & Co's win in the 'Development Supported by Infrastructure' category at the Greater Sydney Planning Awards, Harcrest for Best Masterplanned Community at the Property Council of Australia 2020 National Innovation and Excellence Awards, and UDIA Excellence Awards for St Leonards Square, Sydney and Googong, NSW.

Residential outlook [1]

Dwelling investment and confidence in the residential market have continued to improve through 1H21 and into 2H21 [6]. The Federal Government's HomeBuilder program, designed to directly support residential construction activity, has contributed to a sharp lift in approvals for detached houses since mid-2020 [7]. Strong approval numbers are likely to start to taper in line with the cessation of the program and some state government housing initiatives in 2H21.

However, low interest rates have shown to be a larger driver of housing demand, particularly for upgrading owner occupiers – Australia's largest residential customer segment. Reserve Bank of Australia policy settings, including a record low official cash rate and quantitative easing lowering borrowing costs across the economy, have contributed to increased home buying confidence from households. Established market dwelling prices have been trending upwards and are expected to continue in 2H21 [8].

While overseas migration in the major cities is forecast by the Federal Government to improve gradually from FY22, positive sentiment is driving demand for households to upgrade to new, well located, high quality residences.

1. These statements are future looking and based on our reasonable belief at the time they were made. They include possible outlooks for our operating environments, but are subject to the evolving nature and uncertain environment caused by the COVID-19 pandemic.
2. Source: Residential vacancy rates, SQM Research, www.sqmresearch.com.au
3. Subject to planning, development and construction decisions and market conditions.
4. Includes conditional/deposits lots.
5. All lot numbers are subject to planning, development and construction decisions, and market conditions.
6. Source: Westpac-Melbourne Institute Survey of Consumer Sentiment, https://melbourneinstitute.unimelb.edu.au/
7. Source: Building Approvals, ABS, www.abs.gov.au
8. Source: CoreLogic Hedonic Home Value Index, https://www.corelogic.com.au/

Review of operations and activities

Residential risk management

The Government's fiscal and monetary stimulus measures in response to the pandemic have had a positive impact on the housing market, in particular the greenfield market. Proposed regulatory changes including changes to stamp duty reforms, will assist buyers by improving housing affordability. The Group continues to monitor macroeconomic factors such as unemployment, interest rates and population growth, particularly the impact of net overseas migration driven by international border closures. Mirvac is also tracking longer term, pandemic driven changes to customer preferences with regards to location, amenity and design. There is an ongoing focus on proactively working with purchasers to achieve settlement and manage settlement risk. In NSW, Mirvac received some benefit from the government's fast-tracking of development applications, however obtaining positive and timely planning outcomes generally remains a challenge.

SUSTAINABILITY

Mirvac's sustainability strategy, *This Changes Everything*, is focused on six key areas: climate change and natural resources (**environment**), our community and social inclusion (**social**), and our people and trusted partnerships (**transparent governance**). Through *This Changes Everything*, Mirvac seeks to be a force for good.

Key sustainability updates for the half year ended 31 December 2020:

> made significant emissions reductions through the purchase of renewable electricity (further information below);

> maintained a AAA rating in the MSCI ESG Index, reflecting Mirvac's robust green investment framework and ESG governance;

> achieved A+ ratings from the UN Principles for Responsible Investment for strategy and governance and property, demonstrating the effective integration of ESG issues into Mirvac's operations and processes;

> achieved an Advanced rating from the United Nations Global Compact, in recognition of the way Mirvac meets the fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption;

> received the Board Leadership of the Year award at the Climate Alliance Leadership Awards, in recognition of the Board's demonstrable commitment to managing the risks and opportunities of climate change across the Group, while taking a leadership role in climate response within the business community; and

> released the Group's first Modern Slavery Statement in accordance with Australia's national Modern Slavery Reporting Requirement under the Federal Government's *Modern Slavery Act 2018*.

Commercial

> signed renewable electricity supply agreements for Mirvac's commercial property portfolio in Queensland and Western Australia. As of 1 January 2021, 100 per cent of Mirvac's retail centres and 90 per cent of its office assets are operating on 100 per cent renewable electricity.

Office

> transferred to a renewable electricity supply at 101 Miller Street, Sydney, with the asset's cogeneration system switched to emergency generation. This will see carbon emissions reduce by approximately 1,780 tonnes per year, representing a 2 per cent reduction in Mirvac's overall Scope 1 and 2 emissions;

> commenced a trial of a Bintracker system at 275 Kent Street, Sydney that aims to enhance the monitoring and reporting of multiple waste streams, in line with Mirvac's *This Changes Everything* sustainability target to send zero waste to landfill by 2030; and

> undertook two physical climate resilience audits to review climate impacts and vulnerabilities, the results of which will be shared in Mirvac's 2021 report aligned with the Taskforce for Climate-related Financial Disclosures.

Retail

> transferred to a renewable electricity supply agreement at Greenwood Plaza, North Sydney, on 1 July 2020. This is expected to reduce carbon emissions by 1,895 tonnes per year, representing 2.2 per cent of total Group emissions; and

> commenced waste audits across Mirvac's retail centres in NSW as part of a Bin Trim program funded by the NSW Environment Protection Authority.

Industrial

> installed three 100kW solar PV systems across the industrial portfolio. The systems will generate approximately 390,000 kWh of renewable energy and eliminate over 310 tonnes of carbon emissions per year.

Build to Rent

> purchased renewable electricity for the two build to rent buildings at LIV Indigo, Sydney Olympic Park.

Residential

> set out Mirvac's Residential Energy Roadmap, which aligns with the Group's plan to be net positive carbon by 2030. The roadmap includes targets to enable Mirvac's customers to reduce their energy bills and provide them with access to renewable energy. As a part of this, Mirvac has also made key commitments to improve thermal performance standards and transition to fully-electric communities. Timeframes for the roadmap will be established following further customer research;

> installed renewable energy systems on 18 Mirvac homes within our Woodlea, Melbourne project. These homes are the first stage of 76 homes being delivered as part of a funding agreement with the Clean Energy Finance Corporation at Woodlea;

> commenced the Affordability Experiment at Iluma Private Estate, Perth in key partnership with Synergy, Keystart and TERRACE WA. Mirvac will study the utility consumption and lifestyle impacts of a family of four to progress its understanding of the cost savings that can be achieved by living in an efficient home. The family will also trial a rent-to-buy scheme, with the rent they pay in their first year to go towards their initial home deposit;

> opened a not-for-profit, social enterprise café, The Shared Cup, at Olivine in Melbourne, which has a focus on employing people from within the Olivine community and sourcing produce from the best local suppliers; and

> began working with the Green Building Council of Australia to pilot their Green Star Homes standard at one of Mirvac's future masterplanned community homes in Sydney.

Director's report

The Directors of Mirvac Limited present their report, together with the consolidated financial report of Mirvac Group (Mirvac or Group) for the half year ended 31 December 2020. Mirvac comprises Mirvac Limited (parent entity) and its controlled entities, which include Mirvac Property Trust and its controlled entities.

PRINCIPAL ACTIVITIES

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

DIRECTORS

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

> John Mulcahy

> Susan Lloyd-Hurwitz

> Christine Bartlett

> Peter Hawkins (resigned 19 November 2020)

> Jane Hewitt

> James M. Millar AM

> Samantha Mostyn AO

> Peter Nash

> Robert Sindel (appointed 1 September 2020)

REVIEW OF OPERATIONS

A review of operations of the Group during the half year and the results of those operations are detailed in the operating and financial review on pages 1 to 6.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Details of the state of affairs of the Group are disclosed on pages 1 to 6. Other than those matters disclosed, there were no significant changes to the state of affairs during the half year that are not otherwise disclosed in this interim report.

The impacts of the COVID-19 pandemic to the Group are outlined throughout the interim report and summarised under Note A – Basis of Preparation.

MATTERS SUBSEQUENT TO THE END OF THE HALF YEAR

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8 and forms part of the Directors' report.

ROUNDING OF AMOUNTS

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

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

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
12 February 2021

Auditor's independence declaration

Auditor's Independence Declaration

As lead auditor for the review of Mirvac Limited for the half-year ended 31 December 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 review; and

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

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

V. Papageorgiou

Voula Papageorgiou
Partner
PricewaterhouseCoopers

Sydney
12 February 2021

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

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

Financial report

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

Contents

Consolidated statement of comprehensive income

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020 $m	31 December 2019 $m
Revenue		998	1,253
Other income			
> Revaluation of investment properties and investment properties under construction	C2	151	243
> Share of net profit of joint ventures	B1	27	73
> Net gain on sale of assets		2	15
> Gain on financial instruments		18	34
Total revenue and other income	B1	1,196	1,618
Development expenses		449	665
Cost of goods sold interest	B2	10	11
Inventory write-downs and losses		7	5
Selling and marketing expenses		18	20
Investment property expenses and outgoings		96	96
Depreciation and amortisation expenses		38	34
Impairment loss on receivables		21	1
Employee and other expenses	B2	75	89
Finance costs	B2	58	58
Loss on financial instruments		8	—
Profit before income tax		416	639
Income tax expense		(20)	(26)
Profit from continuing operations	B1	396	613
Profit for the half year is attributable to:			
> Stapled securityholders	B1	396	613
> Non-controlling interests		—	—
Other comprehensive (loss)/income that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		(26)	5
Other comprehensive (loss)/income for the half year		(26)	5
Total comprehensive income for the half year		370	618
Total comprehensive income for the half year is attributable to:			
> Stapled securityholders		370	618
> Non-controlling interests		—	—
		370	618

Earnings per stapled security (EPS) attributable to stapled securityholders		Cents	Cents
Basic EPS	F3	10.1	15.6
Diluted EPS	F3	10.1	15.6

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

Consolidated statement of financial position

AS AT 31 DECEMBER 2020

	Note	31 December 2020 $m	30 June 2020 $m
Current assets			
Cash and cash equivalents		245	324
Receivables	F1	95	275
Inventories	C4	614	444
Other assets		56	37
Total current assets		1,010	1,080
Non-current assets			
Receivables	F1	106	128
Inventories	C4	1,399	1,240
Investment properties	C2	11,348	11,167
Investments in joint ventures	C3	748	744
Derivative financial assets	D2	245	607
Other financial assets	D2	70	68
Other assets		166	158
Property, plant and equipment		15	17
Right-of-use assets	F4	19	21
Intangible assets		106	102
Deferred tax assets		67	75
Total non-current assets		14,289	14,327
Total assets		15,299	15,407
Current liabilities			
Payables		504	373
Deferred revenue		61	26
Borrowings	D1	—	200
Derivative financial liabilities	D2	4	4
Lease liabilities	D1	4	4
Provisions		214	142
Total current liabilities		787	749
Non-current liabilities			
Payables		259	125
Deferred revenue		12	70
Borrowings	D1	3,688	4,100
Lease liabilities	D1	66	68
Derivative financial liabilities	D2	122	131
Provisions		5	6
Total non-current liabilities		4,152	4,500
Total liabilities		4,939	5,249
Net assets		10,360	10,158
Equity			
Contributed equity	E2	7,510	7,503
Reserves		(1)	28
Retained earnings		2,784	2,576
Total equity attributable to the stapled securityholders		10,293	10,107
Non-controlling interests		67	51
Total equity		10,360	10,158

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

Consolidated statement of changes in equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

		Attributable to stapled securityholders					
	Note	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance 1 July 2019		7,444	23	2,376	9,843	31	9,874
Change in accounting policy		—	—	(1)	(1)	—	(1)
Restated total equity at 1 July 2019		7,444	23	2,375	9,842	31	9,873
Profit for the half year		—	—	613	613	—	613
Other comprehensive income for the half year		—	5	—	5	—	5
Total comprehensive income for the half year		—	5	613	618	—	618
Transactions with owners of the Group							
Security-based payments							
> Expense recognised – LTI and STI		—	5	—	5	—	5
> LTI vested	E2	11	(11)	—	—	—	—
> STI vested		—	(2)	—	(2)	—	(2)
> Legacy schemes vested	E2	1	—	—	1	—	1
Distributions	E1	—	—	(240)	(240)	—	(240)
Stapled securities issued	E1	46	—	—	46	—	46
Transactions with non-controlling interests		—	—	—	—	7	7
Total transactions with owners of the Group		58	(8)	(240)	(190)	7	(183)
Balance 31 December 2019		7,502	20	2,748	10,270	38	10,308
Balance 1 July 2020		7,503	28	2,576	10,107	51	10,158
Profit for the half year		—	—	396	396	—	396
Other comprehensive (loss)/income for the half year		—	(26)	—	(26)	—	(26)
Total comprehensive income for the half year		—	(26)	396	370	—	370
Transactions with owners of the Group							
Security-based payments							
> Expense recognised – EEP		1	—	—	1	—	1
> Expense recognised – LTI and STI		—	6	—	6	—	6
> LTI vested	E2	6	(7)	—	(1)	—	(1)
> STI vested		—	(2)	—	(2)	—	(2)
Distributions	E1	—	—	(188)	(188)	—	(188)
Transactions with non-controlling interests		—	—	—	—	16	16
Total transactions with owners of the Group		7	(3)	(188)	(184)	16	(168)
Balance 31 December 2020		7,510	(1)	2,784	10,293	67	10,360

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

Consolidated statement of cash flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020 $m	31 December 2019 $m
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,339	1,285
Payments to suppliers and employees (inclusive of GST)		(846)	(936)
		493	349
Interest received		3	5
Distributions received from joint ventures		30	75
Interest paid		(76)	(75)
Net cash inflows from operating activities	F5	450	354
Cash flows from investing activities			
Payments for investment properties		(252)	(348)
Proceeds from sale of investment properties		85	68
Payments to related parties		—	(21)
Payments of loans to unrelated parties		—	(37)
Proceeds of loans from unrelated parties		46	3
Payments for property, plant and equipment		(3)	(3)
Contributions to joint ventures		(7)	(6)
Proceeds from joint ventures		3	62
Payments for software under development		(8)	(1)
Payments for investments		(1)	(1)
Net cash outflows from investing activities		(137)	(284)
Cash flows from financing activities			
Proceeds from borrowings		1,109	415
Repayments of borrowings		(1,398)	(320)
Distributions paid		(118)	(246)
Proceeds from stapled securities issued		1	46
Proceeds from non-controlling interests		16	7
Principal element of lease payments		(2)	(2)
Net cash outflows from financing activities		(392)	(100)
Net decrease in cash and cash equivalents		(79)	(30)
Cash and cash equivalents at the beginning of the half year		324	134
Cash and cash equivalents at the end of the half year		245	104

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

A Basis of preparation

MIRVAC GROUP – STAPLED SECURITIES

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

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

STATEMENT OF COMPLIANCE

The interim financial report for the half year ended 31 December 2020 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all the information and disclosures normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2020 and any public announcements made by Mirvac Group during the interim reporting period.

A Basis of preparation

BASIS OF PREPARATION

The accounting policies adopted are consistent with those adopted in the financial statements for the year ended 30 June 2020 except for the adoption of new and amended accounting standards. Refer to the below section on new and amended standards adopted by the Group.

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

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

IMPACT OF COVID-19 ON THE GROUP

The World Health Organization declared a global pandemic in March 2020 as a result of the novel coronavirus (COVID-19). The Group has considered the impact of COVID-19 in preparing its interim report for the half year.

The impact of COVID-19 increases the level of judgement required across a number of key areas for the Group, in particular the measurement of the assets of the Group. The areas involving a higher degree of estimation or judgement were the same as those applied in the financial statements for the year ended 30 June 2020. Further details are outlined in the following sections of this financial report:

Investment properties
Refer to Note C1

Inventories
Refer to Note C4

Receivables
Refer to Note F1

GOING CONCERN

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

As of 31 December 2020, the Group was in a strong capital position with $1,298m of cash and committed undrawn debt facilities available (June 2020: $1,443m) with no debt repayable in the next 12 months. As of 31 December 2020, the Group had capital commitments of $682m (June 2020: $654m). The Group's going concern assumption is supported by the following:

> the Group has cash of $245m as at 31 December 2020 and has available undrawn debt facilities of $1,053m;

> the Group's limited tenant and investment exposure to the severely COVID-19 impacted industries of hospitality, travel, accommodation and tourism;

> the Group's weighted average debt maturity is 6.8 years;

> the Group's gearing at 31 December 2020 is at 21.4%; and

> the Group does not expect any covenant breaches for a minimum 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 period's disclosures.

New and amended standards adopted by the Group

Amended standards and interpretations adopted by the Group for the half year ended 31 December 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. These are listed below:

> AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* [AASB 101 and AASB 108]

> AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business* [AASB 3]

> Revised *Conceptual Framework for Financial Reporting and* AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*

> AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* [AASB 7, AASB 9 and AASB 139].

B Results for the half year

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

B1 SEGMENT INFORMATION

The Group identifies its operating segments based on the internal reporting provided to the Executive Leadership Team, who are the Group's chief operating decision makers. The segments are consistent with those in the Annual Report for the year ended 30 June 2020.

The Group's operating segments are as follows:

OFFICE & INDUSTRIAL

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

This segment also develops properties and manages joint ventures and properties for capital partners.

RETAIL

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

This segment also develops shopping centres and manages properties for capital partners.

RESIDENTIAL

Designs, develops, markets and sells residential properties to external customers. These include masterplanned communities and apartments in core metropolitan markets at times in conjunction with capital partners.

CORPORATE & OTHER

Covers Group functions including governance, finance, legal, risk management and corporate secretarial. This segment holds the investment in the Tucker Box Hotel Group joint venture (refer to note C3). This segment also includes the Build to Rent business which invests in apartments to hold for the long term to produce rental income and capital appreciation.

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

Half year performance review

B Results for the half year

B1 SEGMENT INFORMATION continued

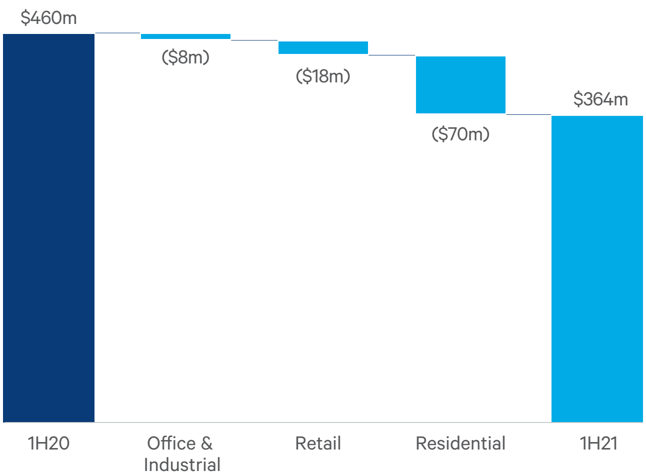
Presented below are the key profit metrics, a breakdown of revenue by function and other required information for each segment:

Key profit metrics

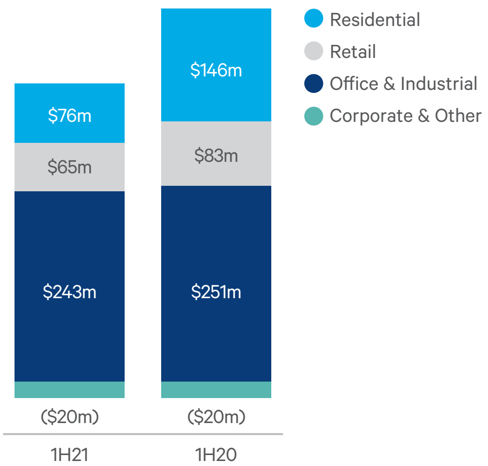
	Office & Industrial		Retail		Residential		Corporate & Other[5]		Total	
Half year ended 31 December	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Property NOI	209	205	72	91	—	—	1	9	282	305
Development EBIT	25	45	—	—	85	155	(1)	—	109	200
Asset and funds management EBIT	16	10	(2)	—	—	—	(2)	—	12	10
Management and administration expenses	(7)	(9)	(5)	(8)	(9)	(9)	(18)	(29)	(39)	(55)
Earnings before interest and tax (EBIT)[1]	243	251	65	83	76	146	(20)	(20)	364	460
Development finance costs[2]	(1)	(1)	—	—	(16)	(21)	—	—	(17)	(22)
Other net interest costs[3]	—	—	—	—	—	—	(48)	(42)	(48)	(42)
Income tax expense	—	—	—	—	—	—	(23)	(44)	(23)	(44)
Operating profit after tax	242	250	65	83	60	125	(91)	(106)	276	352
Development revaluation gain[4]	113	28	—	—	—	—	—	—	113	28
Other non-operating items	34	171	(38)	21	—	—	11	41	7	233
Statutory profit for the half year attributable to stapled securityholders	389	449	27	104	60	125	(80)	(65)	396	613

1. EBIT includes share of net profit of joint ventures.
2. Includes nil cost of goods sold interest in Office & Industrial (December 2019: $1m) and $10m in Residential (December 2019: $10m).
3. Includes interest revenue of $3m (December 2019: $5m).
4. Relates to the fair value gain on investment properties under construction (Locomotive Workshops, NSW) and the initial fair value uplift from the independent valuations of recently completed projects (477 Collins Street, VIC; South Eveleigh, NSW).
5. As of 1 July 2019, the Build to Rent operations have been included within the results of the Corporate & Other segment in line with how management view the results of the business.

EBIT: 1H20 TO 1H21



EBIT BY SEGMENT



B Results for the half year

B1 SEGMENT INFORMATION continued

Revenue by function

Half year ended 31 December	Office & Industrial 2020 $m	Office & Industrial 2019 $m	Retail 2020 $m	Retail 2019 $m	Residential 2020 $m	Residential 2019 $m	Corporate & Other 2020 $m	Corporate & Other 2019 $m	Total 2020 $m	Total 2019 $m
Property rental revenue	249	242	141	148	—	—	1	—	391	390
Development revenue[1]	126	222	—	—	452	620	—	—	578	842
Asset and funds management revenue[2]	17	9	4	5	—	—	1	1	22	15
Other revenue	3	4	3	3	7	5	15	7	28	19
Total operating revenue	395	477	148	156	459	625	17	8	1,019	1,266
Share of net profit of joint ventures	14	13	—	—	7	60	(1)	8	20	81
Other income	14	13	—	—	7	60	(1)	8	20	81
Total operating revenue and other income	409	490	148	156	466	685	16	16	1,039	1,347
Non-operating items[3]	171	218	(30)	29	—	—	16	24	157	271
Total statutory revenue and other income	580	708	118	185	466	685	32	40	1,196	1,618

1. Includes settlement revenue which is recognised at a point in time and construction and development revenue services which are recognised over time on a percentage of completion basis.
2. Property management revenue incurred on the Group's investment properties of $5m in Office & Industrial (December 2019: $6m) and $4m in Retail (December 2019: $4m) has been eliminated.
3. Relates mainly to fair value movements of investment properties and investment properties under construction.

Segment assets and liabilities

	Office & Industrial 31 December 2020 $m	Office & Industrial 30 June 2020 $m	Retail 31 December 2020 $m	Retail 30 June 2020 $m	Residential 31 December 2020 $m	Residential 30 June 2020 $m	Corporate & Other 31 December 2020 $m	Corporate & Other 30 June 2020 $m	Total 31 December 2020 $m	Total 30 June 2020 $m
Assets										
Investment properties[1]	7,933	7,748	3,175	3,191	—	—	240	228	11,348	11,167
Inventories	255	141	9	7	1,749	1,536	—	—	2,013	1,684
Indirect investments[2]	536	520	—	—	171	182	236	297	943	999
Other assets	217	346	35	29	48	57	695	1,125	995	1,557
Total assets	8,941	8,755	3,219	3,227	1,968	1,775	1,171	1,650	15,299	15,407
Total liabilities	397	291	184	136	399	253	3,959	4,569	4,939	5,249
Net assets	8,544	8,464	3,035	3,091	1,569	1,522	(2,788)	(2,919)	10,360	10,158

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

B Results for the half year

B1 SEGMENT INFORMATION continued

Other segment information

Half year ended 31 December	Office & Industrial 2020 $m	Office & Industrial 2019 $m	Retail 2020 $m	Retail 2019 $m	Residential 2020 $m	Residential 2019 $m	Corporate & Other[1] 2020 $m	Corporate & Other[1] 2019 $m	Total 2020 $m	Total 2019 $m
Share of net profit of joint ventures	21	15	—	—	7	60	(1)	(2)	27	73
Depreciation and amortisation expenses	22	19	8	8	1	1	7	6	38	34
Additions of investment properties	171	290	23	59	—	—	12	47	206	396
Additions of investments in joint ventures	4	—	—	—	3	—	—	—	7	—

1. As of 1 July 2019, the Build to Rent operations have been included within the results of the Corporate & Other segment in line with how management view the results of the business.

Reconciliation of statutory profit to operating profit after tax

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

	Office & Industrial $m	Retail $m	Residential $m	Corporate & Other $m	31 December 2020 Total $m	31 December 2019 Total $m
Profit for the half year attributable to stapled securityholders	389	27	60	(80)	396	613
Exclude specific non-cash items						
Revaluation of investment properties and investment properties under construction[1]	(179)	28	—	—	(151)	(243)
Net gain on financial instruments	(1)	—	—	(9)	(10)	(34)
Depreciation on right-of-use assets	—	—	—	3	3	—
Straight-lining of lease revenue[1]	(5)	—	—	—	(5)	(5)
Amortisation of lease incentives and leasing costs	47	10	—	—	57	45
Share of net profit/(loss) of joint ventures relating to movement of non-cash items[2]	(7)	—	—	—	(7)	9
AASB 16 *Leases* – net movement	—	—	—	(2)	(2)	—
Exclude other non-operating items						
Net gain on sale of assets	(2)	—	—	—	(2)	(15)
Tax effect						
Tax effect of non-cash and non-operating adjustments[3]	—	—	—	(3)	(3)	(18)
Operating profit after tax	242	65	60	(91)	276	352
Amortisation of software	—	1	1	—	2	2
FFO	242	66	61	(91)	278	354

1. Included within Revenue.
2. Included within Share of net profit of joint ventures.
3. Included within Income tax expense.

B Results for the half year

B2 EXPENSES

Profit before income tax includes the following specific expenses:	31 December 2020 $m	31 December 2019 $m
Total employee and other expenses		
Employee benefits expenses	45	51
Security-based payments expense	5	7
Total employee expenses	50	58
Compliance, consulting and professional fees	8	9
Office and administration expenses	5	11
IT infrastructure and other expenses	12	11
Total other expenses	25	31
Total employee and other expenses	75	89
Interest and borrowing costs		
Interest paid/payable	70	74
Interest on lease liabilities	1	—
Interest capitalised [1]	(15)	(18)
Borrowing costs amortised	2	2
Total finance costs	58	58
Add: cost of goods sold interest [2]	10	11
Total interest and borrowing costs	68	69

1. Relates to residential projects $7m (December 2019: $6m) and commercial projects $8m (December 2019: $12m).
2. This interest was previously capitalised and has been expensed in the current period. The interest relates to $10m in residential projects (December 2019: $10m in residential projects and $1m in commercial projects).

B3 EVENTS OCCURRING AFTER THE END OF THE HALF YEAR

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

B Results for the half year

B4 INCOME TAX

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

Accounting for income tax

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

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

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

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

At 31 December 2020, the Group had $214m (June 2020: $214m) of unrecognised capital losses.

Tax consolidation legislation

Mirvac Limited and its wholly-owned Australian controlled entities are in a tax consolidated group. The entities in the tax consolidated group have entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Mirvac Limited. Accordingly, the deferred tax assets and deferred tax liabilities are permitted to be offset in the consolidated SoFP.

The entities in the tax consolidated group have also entered into a tax funding agreement to fully compensate/be compensated by Mirvac Limited for current tax balances and the deferred tax assets for unused tax losses and credits transferred.

C Property and development assets

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

C1 PROPERTY PORTFOLIO

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

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

INVESTMENT PROPERTIES

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

Mirvac accounts for its investment properties at fair value and revaluations are recognised as Other income.

INVESTMENTS IN JOINT VENTURES

Mirvac enters into arrangements with third parties to jointly own investment properties. If Mirvac has joint control over the activities and joint rights to the net assets of an arrangement, then it is classified as a JV. The JV holds investment property at fair value and Mirvac recognises its share of the JV's profit or loss as Other income.

For further details on accounting for JVs, refer to note C3.

JUDGEMENTS IN FAIR VALUE ESTIMATION

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants.

For all investment property that is measured at fair value, the existing use of the property is considered the highest and best use.

The fair values of properties are calculated using a combination of market sales comparison, discounted cash flow and capitalisation rate.

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.

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.

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.

Note C2 explains the key inputs in the measurement of fair value of investment properties.

LEASE INCENTIVES

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

C Property and development assets

C1 PROPERTY PORTFOLIO continued

GROUND LEASES

A lease liability, reflecting the leasehold arrangements of investment properties, is 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 31 December 2020, $47m of lease liabilities for ground leases has been recognised in the consolidated SoFP (June 2020: $47m).

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.

In consideration of the COVID-19 pandemic, the assessment undertaken to determine the fair value of the Group'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:

1. Location and asset quality across the markets that the Group invests in;
2. Capital expenditure including development and operational capital expenditure forecasts;
3. Tenancy schedules: Tenancy schedules including all contractual lease information were 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 were viewed as having the least risk in valuations;
4. 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;
5. Growth rates and incentives: ten-year forecasts for incentives and growth rates applied to future leasing assumptions;
6. Downtime: period of vacancy between leases on a tenancy;
7. COVID-19 impact on the tenancies, in particular rental relief requested, ability to trade and industry that the tenants operate in; and
8. 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.

To assist with calculating reliable estimates, Mirvac uses independent valuers on a rotational basis. Approximately 25% of the portfolio is independently valued every six months, with management internally estimating the fair value of the remaining properties using estimation techniques by suitably qualified personnel. In response to COVID-19, the Group 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 more significant. As at 31 December 2020, the Group undertook independent valuations covering 33% of its investment property portfolio, by value.

C Property and development assets

C1 PROPERTY PORTFOLIO continued

Property portfolio as at 31 December 2020

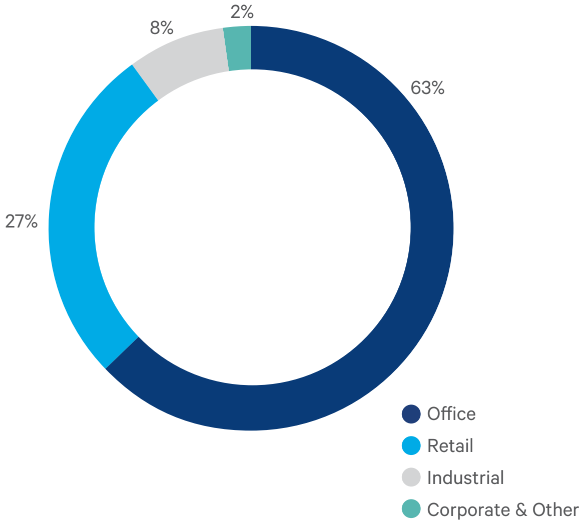
The composition of the Group's investment property portfolio includes:

Investment properties	Note	Office $m	Industrial $m	Retail $m	Corporate & Other $m	31 December 2020 Total $m	30 June 2020 Total $m
Investment properties		6,670	965	3,175	228	11,038	10,360
Investment properties under construction		271	27	—	12	310	807
Total investment properties	C2	6,941	992	3,175	240	11,348	11,167
Investments in JV [1]		472	—	—	—	472	465
Total property portfolio		7,413	992	3,175	240	11,820	11,632

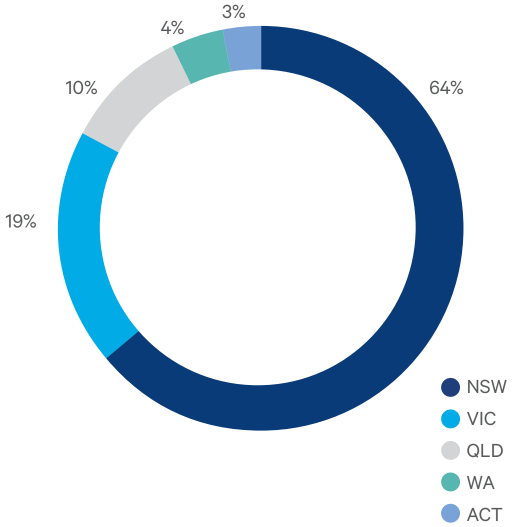
1. Represents Mirvac's share of the JV's investment properties which is included within the carrying value of investments in JV.

Property portfolio as at 31 December 2020

BY SEGMENT



BY GEOGRAPHY



1H21 NET REVALUATION GAIN $151M

1H20 NET REVALUATION GAIN $243M

Office Industrial Retail

C Property and development assets

C2 INVESTMENT PROPERTIES

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

Movements in investment properties	Office $m	Industrial $m	Retail $m	Corporate & Other $m	31 December 2020 Total $m	30 June 2020 Total $m
Balance 1 July	6,804	944	3,191	228	11,167	10,687
Expenditure capitalised	164	7	23	—	194	650
Acquisitions	—	—	—	12	12	35
Disposals	(82)	—	—	—	(82)	(50)
Net revaluation gain from fair value adjustments	135	44	(28)	—	151	14
Transfer to inventories	(36)	—	—	—	(36)	(77)
Amortisation expense	(44)	(3)	(11)	—	(58)	(92)
Closing balance	6,941	992	3,175	240	11,348	11,167

Fair value measurement and valuation basis

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

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

		Inputs used to measure fair value				
	Level 3 fair value $m	Net market income $/sqm	10-year compound annual growth rate %	Capitalisation rate %	Terminal yield %	Discount rate %
31 December 2020						
Office	6,941	416 – 1,517	2.65 – 3.79	4.63 – 7.50	4.88 – 7.50	6.00 – 8.25
Industrial	992	102.5 – 486.0	2.70 – 3.02	4.84 – 6.50	5.25 – 7.00	6.20 – 7.25
Retail	3,175	300 – 1,245	2.03 – 3.75	4.75 – 8.75	5.00 – 9.00	6.25 – 9.50
Corporate & Other	240	560 [1]	2.99	4.00	4.00	6.25
30 June 2020						
Office	6,804	312 – 1,480	2.64 – 3.97	4.63 – 7.50	4.88 – 7.50	6.25 – 8.25
Industrial	944	102.5 – 486	2.70 – 3.05	4.84 – 6.50	5.25 – 7.00	6.25 – 7.50
Retail	3,191	304 – 1,439	2.03 – 3.53	4.75 – 8.75	5.00 – 9.00	6.50 – 9.50
Corporate & Other	228	560 [1]	2.99	4.00	4.00	6.25

1. Average net market income per apartment per week.

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. For further detail regarding the sensitivity analysis of these assumptions, please refer to the 30 June 2020 Annual Report.

C Property and development assets

C3 INVESTMENTS IN JOINT VENTURES

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

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

		31 December 2020		30 June 2020	
Joint venture	**Principal activities**	**Interest %**	**Carrying value $m**	Interest %	Carrying value $m
Mirvac 8 Chifley Trust	Property investment	50	216	50	221
Mirvac (Old Treasury) Trust	Property investment	50	234	50	221
Tucker Box Hotel Group	Hotel investment	50	164	50	164
Other joint ventures	Various	—	134	—	138
Closing balance			748		744

Going Concern of Tucker Box Hotel Group

The COVID-19 pandemic has had a severe impact on occupancy of the hotels of the Tucker Box Hotel Group joint venture and accordingly the profit of this JV throughout the pandemic has decreased substantially. The unitholders of the joint venture have provided the Tucker Box Hotel Group with a Letter of Support of up to $1.5m each for a period extending to 31 December 2021. In addition, the syndicated lenders provided a waiver of the ICR covenant for the December 2020 half year and an amended covenant for the June 2021 half year.

C4 INVENTORIES

The Group develops residential and commercial properties for sale in the ordinary course of business.

JUDGEMENT IN CALCULATING NRV OF INVENTORIES

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

In undertaking the NRV assessments for the Group at 31 December 2020, consideration has been given to the impact of COVID-19 on key assumptions. These include sales rates, pricing, timing of settlements, expected incentives, estimated cost to complete and program duration.

The key assumptions used in the project forecasts for the Group's NRV assessments include:

Key estimate	Details of key assumption
Sales rates / volumes	The rate at which lots are sold over a given period.
Sales price	The price at which a given lot is sold to the general public.
Customer incentives	Recognised as a percentage of sales price, which is allocated to either direct or indirect expenditure (in the consolidated SoCI) to induce the sale of a lot.
Settlement volumes	The number of lot settlements expected over a given period.
Cost to complete	All remaining costs to complete the program of works and sell unsold stock, measured at reporting date.
Program duration	The duration of a project from commencement to completion of all stages, a project program generally extends from the approval to purchase through to the final settlement of lots and may extend over many years.

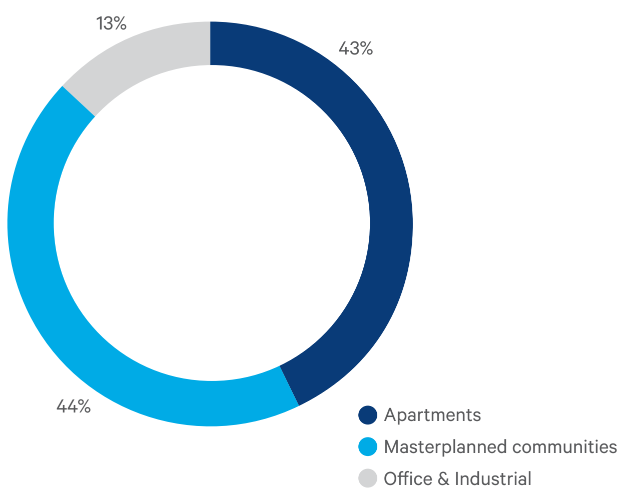
C Property and development assets

C4 INVENTORIES continued

	31 December 2020 Current $m	31 December 2020 Non-current $m	30 June 2020 Current $m	30 June 2020 Non-current $m
Residential apartments				
Acquisition costs	48	576	67	232
Development costs	145	113	177	369
Interest capitalised during development	10	27	12	32
Provision for impairment of inventories	(7)	(38)	(20)	(43)
Total residential apartments	196	678	236	590
Residential masterplanned communities				
Acquisition costs	152	518	102	477
Development costs	100	86	31	77
Interest capitalised during development	11	22	8	27
Provision for impairment of inventories	(8)	(6)	(2)	(10)
Total residential masterplanned communities	255	620	139	571
Total Residential	451	1,298	375	1,161
Office & Industrial				
Acquisition costs	25	46	19	6
Development costs	136	54	49	73
Interest capitalised during development	1	—	1	—
Provision for impairment of inventories	—	(7)	—	(7)
Total Office & Industrial	162	93	69	72
Retail				
Acquisition costs	—	1	—	—
Development costs	1	7	—	7
Total Retail	1	8	—	7
Total inventories	614	1,399	444	1,240

Inventories as at 31 December 2020

BY PRODUCT LINE



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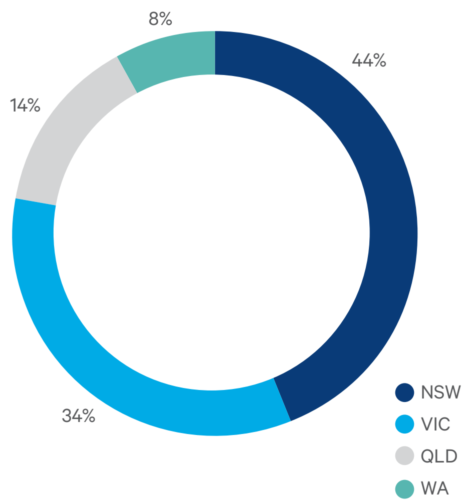


C Property and development assets

C4 INVENTORIES continued

Movements in inventories	31 December 2020 $m	30 June 2020 $m
Balance 1 July	1,684	1,709
Costs incurred	741	888
Settlements	(471)	(1,023)
Provision utilisation	16	3
Provision for impairment of inventories	—	7
Inventory costs written off	7	23
Transfer from investment properties	36	77
Closing balance	2,013	1,684

C5 COMMITMENTS

Capital expenditure commitments

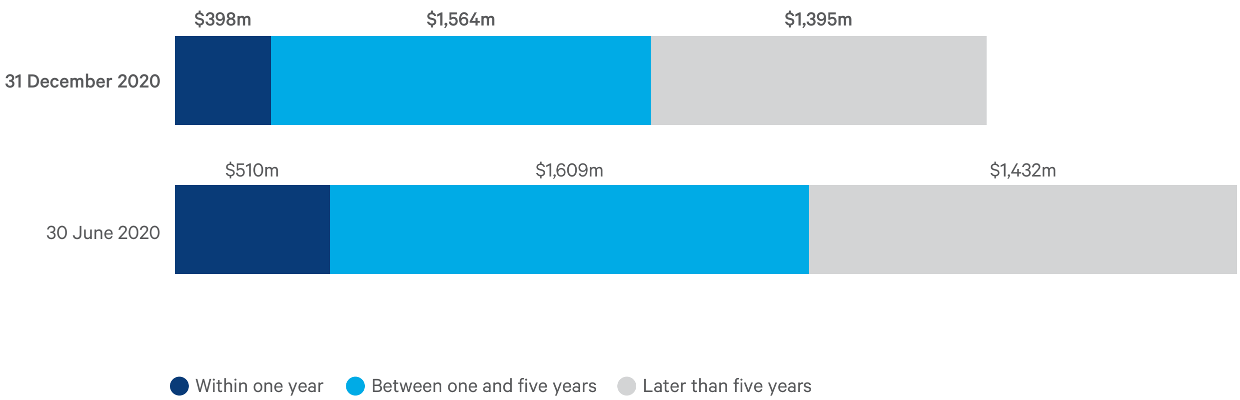
At 31 December 2020, capital commitments on Mirvac's investment property portfolio were $682m (June 2020: $654m). There were no investment properties pledged as security by the Group (June 2020: nil).

Lease commitments

Lease revenue from investment properties is accounted for as operating leases. The revenue from leases is recognised in the consolidated SoCI on a straight-line basis over the lease term.

The future receipts are shown as undiscounted contractual cash flows.

FUTURE OPERATING LEASE RECEIPTS AS A LESSOR



D Capital structure and risks

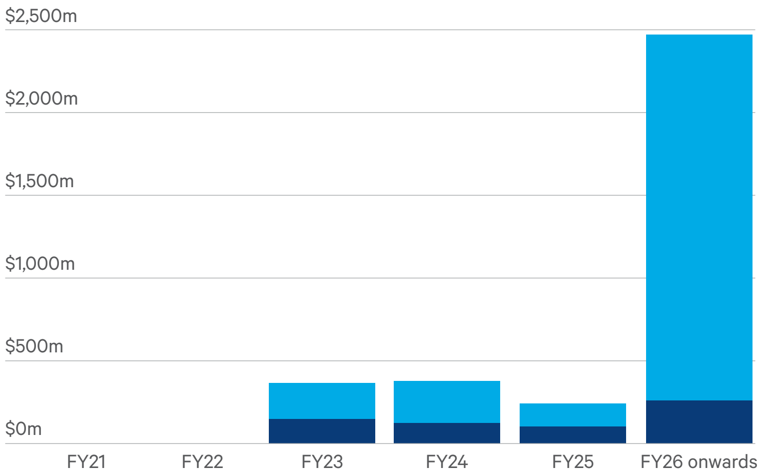
This section outlines the market, credit and liquidity risks that the Group is exposed to and how it manages these risks. Capital comprises stapled securityholders' equity and net debt (borrowings less cash).

D1 BORROWINGS AND LIQUIDITY

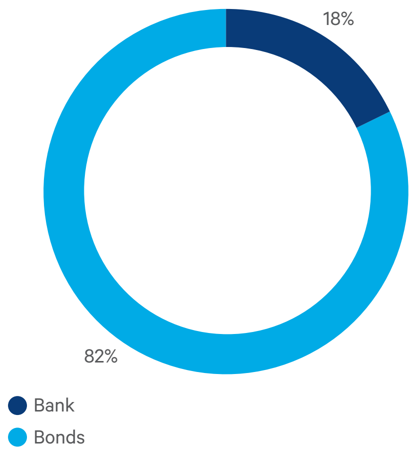
The Group enters into borrowings at both fixed and floating interest rates and also uses interest rate derivatives to reduce interest rate risks.

At 31 December 2020, the Group had $1,298m (June 2020: $1,443m) of cash and committed undrawn facilities available.

DRAWN DEBT MATURITIES AS AT 31 DECEMBER 2020



DRAWN DEBT SOURCES AS AT 31 DECEMBER 2020



Borrowings

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

	31 December 2020				30 June 2020			
	Current $m	Non-current $m	Total carrying amount $m	Total fair value $m	Current $m	Non-current $m	Total carrying amount $m	Total fair value $m
Unsecured facilities								
Bank loans	—	629	629	629	—	718	718	718
Bonds	—	3,072	3,072	3,569	200	3,396	3,596	3,709
Total unsecured borrowings	—	3,701	3,701	4,198	200	4,114	4,314	4,427
Prepaid borrowing costs	—	(13)	(13)	(13)	—	(14)	(14)	(14)
Total borrowings	—	3,688	3,688	4,185	200	4,100	4,300	4,413
Undrawn facilities			1,053				1,119	
Other								
Lease liabilities	4	66	70	70	4	68	72	72

The fair value of bank loans is considered to approximate their carrying amount. The fair value of bonds is calculated as the expected future cash flows discounted by the relevant current market rates.

D Capital structure and risks

D2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

> Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

> Level 2: not traded in an active market but calculated with significant inputs coming from observable market data; and

> Level 3: significant inputs to the calculation that are not based on observable market data (unobservable inputs).

Mirvac holds no Level 1 financial instruments.

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

Derivative financial instruments

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

Other financial assets

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

Investments in unlisted entities are traded in inactive markets and the fair value is determined by the unit or share price as advised by the trustee of the unlisted entity, based on the value of the underlying assets. The unlisted entity's assets are subject to regular external valuations. The valuation methods used by the external valuers have not changed since 30 June 2020.

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

	31 December 2020				30 June 2020			
	Level 1 $m	**Level 2 $m**	**Level 3 $m**	**Total $m**	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets carried at fair value								
Investments in unlisted entities	—	—	70	70	—	—	68	68
Derivative financial instruments	—	245	—	245	—	607	—	607
	—	245	70	315	—	607	68	675
Financial liabilities carried at fair value								
Derivative financial instruments	—	126	—	126	—	135	—	135
	—	126	—	126	—	135	—	135

There were no transfers between the fair value hierarchy levels during the half year. The following table presents a reconciliation of the carrying value of Level 3 instruments held by the Group (excluding investment properties):

	31 December 2020	30 June 2020
	Investments in unlisted entities $m	Investments in unlisted entities $m
Balance 1 July	68	60
Net gain recognised in gain on financial instruments	2	8
Closing balance	70	68

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

E Equity

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

E1 DISTRIBUTIONS

Half yearly ordinary distributions	CPSS	Amount payable/paid $m	Date payable/paid
31 December 2020	4.8	188	1 March 2021
31 December 2019	6.1	240	28 February 2020

All distributions in the current and prior periods were unfranked. Franking credits available for future years, based on a tax rate of 30 per cent, total $24m (June 2020: $24m).

E2 CONTRIBUTED EQUITY

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

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

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

Contributed equity

	31 December 2020		30 June 2020	
	No. securities m	Securities $m	No. securities m	Securities $m
Mirvac Limited — ordinary shares issued	3,936	2,163	3,933	2,162
MPT — ordinary units issued	3,936	5,347	3,933	5,341
Total contributed equity		7,510		7,503

The total number of stapled securities issued as listed on the ASX at 31 December 2020 was 3,938m (June 2020: 3,934m) which included 1m of stapled securities issued under the EIS (June 2020: 2m). Securities issued to employees under the Mirvac employee LTI plan and EIS are accounted for as options and are recognised in the security-based payments reserve, not in contributed equity.

Movements in paid up equity

	31 December 2020		30 June 2020	
	No. securities	Securities $m	No. securities	Securities $m
Balance 1 July	3,932,737,261	7,503	3,909,393,073	7,444
Securities issued under EEP	525,021	1	341,865	1
LTI vested[1]	2,746,083	6	6,882,196	11
Legacy schemes vested	86,731	—	205,883	1
Securities issued	—	—	15,914,244	46
Closing balance	3,936,095,096	7,510	3,932,737,261	7,503

1. Stapled securities issued for LTIs during the half year, relate to LTIs that vested in the prior year.

F Other disclosures

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

F1 RECEIVABLES

Receivables are initially recognised at their 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.

For the majority of the non-current receivables, the carrying amount is also not significantly different to their fair value. The expected credit loss (ECL) of receivables is reviewed on an ongoing basis. The Group applies the simplified approach to measuring ECL as appropriate based on the different characteristics of each financial asset class. To measure the ECL, management has grouped together its receivables based on shared credit risk characteristics and the days past due. The Group uses judgement in making assumptions about risk of default and ECL rates and the inputs to the impairment calculation, based on the Group's past history, existing market conditions and future looking estimates at the end of each reporting period. Receivables which are known to be uncollectable are written off.

For loans receivable, at inception of a loan, an ECL provision is recognised which considers the following:

> The historical bad debt write-offs incurred for similar loan arrangements; and
> The collateral held over the loan; and
> The creditworthiness of the borrower.

The Group has considered the impact on its trade debtors and loan receivables 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, many of the Group'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.

The calculation of the ECL considers the historical bad debt write-offs which are specific to each segment, less collateral held and adjusted for specific known factors, including:

> financial situation of a tenant;
> 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.

Loans receivable

The COVID-19 impacts for the Group's loans considers the qualitative factors surrounding the borrower and the risks that they may have or will be facing as a result of the impact of COVID-19 on their business operations and financial position. The assessment is made on an individual instrument level rather than a collective approach for all loans.

F Other disclosures

F1 RECEIVABLES continued

	31 December 2020			30 June 2020		
	Gross $m	Loss allowance $m	Net $m	Gross $m	Loss allowance $m	Net $m
Current receivables						
Trade receivables	81	(48)	33	99	(41)	58
Loans to unrelated parties	67	(39)	28	101	(39)	62
Other receivables	34	—	34	155	—	155
Total current receivables	182	(87)	95	355	(80)	275
Non-current receivables						
Loans to related parties	5	—	5	5	—	5
Loans to unrelated parties	92	—	92	103	—	103
Other receivables	9	—	9	20	—	20
Total non-current receivables	106	—	106	128	—	128
Total receivables	288	(87)	201	483	(80)	403

Loss allowance

	31 December 2020 $m	30 June 2020 $m
Balance 1 July	(80)	(39)
Amounts utilised for write-off of receivables	14	—
Loss allowance recognised	(21)	(41)
Closing balance	(87)	(80)

F2 CONTINGENT LIABILITIES

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

	31 December 2020 $m	30 June 2020 $m
Bank guarantees and performance bonds granted in the normal course of business	188	204
Health and safety claims	1	1
Payments for investment properties contingent on planning approvals	33	126

As at 31 December 2020, the Group had no contingent liabilities relating to joint ventures (June 2020: $nil).

F Other disclosures

F3 EARNINGS PER STAPLED SECURITY

Basic earnings per stapled security (EPS) is calculated by dividing:

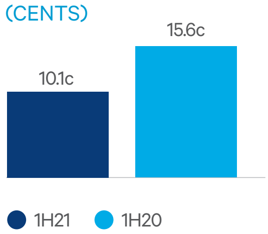
> the profit attributable to stapled securityholders; by

> the weighted average number of ordinary securities (WANOS) outstanding during the half year.

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

	31 December 2020	31 December 2019
Profit attributable to stapled securityholders used to calculate basic and diluted EPS ($m)	396	613
WANOS used in calculating basic EPS (m)	3,935	3,931
WANOS used in calculating diluted EPS (m)	3,937	3,932

BASIC AND DILUTED EPS (CENTS)



F4 LEASES

Right-of-use assets

The right-of-use assets recognised in the consolidated SoFP include:

	31 December 2020 $m	30 June 2020 $m
Property leases	19	21
Total right-of-use assets	19	21

There were no additions to the right-of-use assets during the half year.

Right-of-use assets amounts recognised in the consolidated SoCI

The consolidated SoCI shows the following amounts relating to leases:

	31 December 2020 $m	31 December 2019 $m
Depreciation on property leases	2	2
Total depreciation	2	2
Interest expense on property leases	—	—
Total interest expense (included in finance costs)	—	—

The Group's leasing activities and how these are accounted for

The Group leases include ground leases and property leases. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of property for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated SoCI over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use assets which meet the definition of an investment property form part of the investment property balance and are measured at fair value in accordance with AASB 140 Investment Property (refer to note C1).

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated SoCI. Short-term leases are leases with a lease term of 12 months or less.

F Other disclosures

F5 CASH FLOW INFORMATION

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.

Reconciliation of profit to operating cash flow

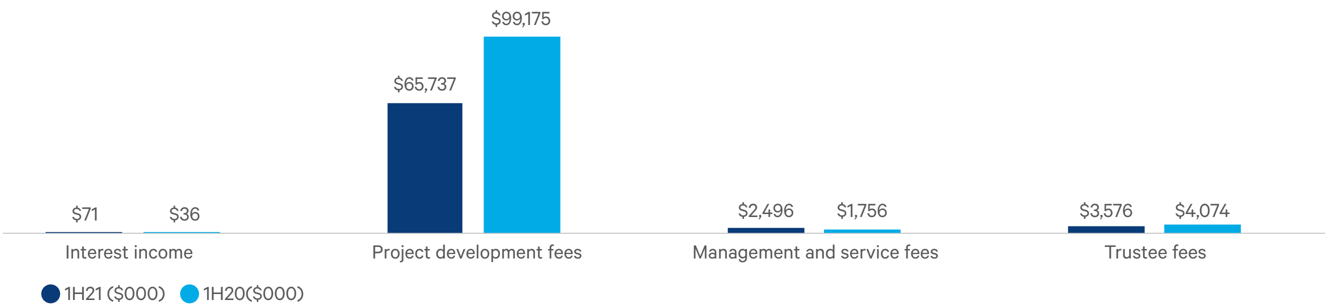
	31 December 2020 $m	31 December 2019 $m
Profit from continuing operations	396	613
Net gain on financial instruments	(10)	(34)
Share of net profit of joint ventures	(27)	(73)
Joint venture distributions received	30	74
Revaluation of investment properties and investment properties under construction	(151)	(242)
Depreciation and amortisation expenses	38	34
Net gain on sale of investment properties	(2)	(15)
Security-based payments expense	5	7
Change in operating assets and liabilities		
Decrease/(increase) in receivables	248	(53)
(Increase)/decrease in inventories	(329)	236
Increase/(decrease) in payables	258	(206)
Decrease in provisions	—	(3)
Decrease in tax effected balances	9	26
Decrease in other assets/liabilities	(15)	(10)
Net cash inflows from operating activities[1]	450	354

1. Includes receipts of $13m for government grants for the JobKeeper wage subsidy (December 2019: $nil).

F6 RELATED PARTIES

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Transactions with JVs



	31 December 2020 $000	30 June 2020 $000
Loans due from JVs and other related parties		
Balance 1 July	5,000	79,275
Loans advanced	—	287,200
Loan repayments received	—	(361,475)
Closing balance	5,000	5,000

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

Directors' declaration

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

In the Directors' opinion:

a) the financial statements and the notes set out on pages 10 to 35 are in accordance with the *Corporations Act 2001,* including:

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

   ii) giving a true and fair view of the consolidated entity's financial position at 31 December 2020 and of its performance for the financial half year ended on that date; and

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

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

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
12 February 2021

Independent auditor’s review report

TO THE MEMBERS OF MIRVAC LIMITED

Independent auditor's review report to the stapled securityholders of Mirvac Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Mirvac Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor’s responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the half-year financial report

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

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true

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

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

Independent auditor's review report

TO THE MEMBERS OF MIRVAC LIMITED

pwc

and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

V. Papageorgiou

Voula Papageorgiou
Partner

Joe Sheeran
Partner

Sydney
12 February 2021

Glossary

ASX	Australian Securities Exchange
CPSS	Cents per stapled security
EBIT	Earnings before interest and tax
EEP	Employee Exemption Plan
EIS	Employee Incentive Scheme
EPS	Earnings per stapled security
FFO	Funds From Operations
IP	Investment properties
IPUC	Investment properties under construction
JV	Joint venture
LTI	Long-term incentives
MAT	Moving annual turnover
MPT	Mirvac Property Trust
NOI	Net operating income
NRV	Net realisable value
PPE	Property, plant and equipment
SoCI	Statement of comprehensive income
SoFP	Statement of financial position
STI	Short term incentive
WALE	Weighted average lease expiry

MIRVAC GROUP (ASX:MGR)
Level 28, 200 George Street
Sydney, NSW 2000
Australia