MIRVAC PROPERTY TRUST

1H18 INTERIM REPORT

Reimagine urban life

MIRVAC PROPERTY TRUST
AND ITS CONTROLLED ENTITIES

Interim Report
For the half year ended 31 December 2017

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

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 2017 and any public announcements made by Mirvac Property Trust during the interim reporting period.

The Directors of Mirvac Funds Limited ABN 70 002 561 640, AFSL 233121, the Responsible Entity of Mirvac Property Trust (MPT or Trust) present their report, together with the consolidated report of MPT and its controlled entities (consolidated entity) for the half year ended 31 December 2017.

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

Responsible Entity

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

Directors

The following persons were Directors of Mirvac Funds Limited during the half year and up to the date of this report, unless otherwise stated:
- John Mulcahy
- Susan Lloyd-Hurwitz
- Christine Bartlett
- Peter Hawkins
- James M. Millar AM
- Samantha Mostyn
- John Peters
- Elana Rubin.

REVIEW OF OPERATIONS AND ACTIVITIES

FINANCIAL REVIEW

The Trust's prudent approach to capital management, supported by its urban strategy, delivered solid results for the half year ended 31 December 2017. The Trust is confident in its ability to deliver operating earnings growth of between 6 and 8 per cent in FY18, along with distributions growth of 6 per cent.

Key financial highlights for the half year ended 31 December 2017:

- profit attributable to stapled unitholders of $460.4m (December 2016: $497.7m), impacted by a decrease in net revaluation gains from investment properties in the six months to 31 December 2017;
- total assets of $8,749.0m and net assets of $7,306.6m;
- half year distribution of $185.5m, representing 5.0 cents per stapled unit; and
- net tangible assets (NTA) per stapled unit increased to $2.35 (June 2017: $2.32).

Key capital management highlights for the half year ended 31 December 2017:

The Trust's capital structure is monitored at the Group level. Key capital management highlights relating to the Group for the half year ended 31 December 2017 include:

- gearing of 23.8 per cent[1], with the Group's target range of 20 - 30 per cent;
- substantial available liquidity of approximately $913m in cash and committed undrawn bank facilities held;
- weighted average debt maturity increased to 6.8 years from 6.2 years (June 2017), following the issuance of US$400m of Reg S European medium term notes during the six months to 31 December 2017;
- average borrowing costs remained stable at 4.8 per cent per annum (June 2017: 4.8 per cent), including margins and line fees, following the issuance of new debt and the repayment of maturing debt;
- received a credit rating upgrade from Moody's Investor Service from Baa1 to A3; and
- received a revised credit rating outlook from Standard & Poor's from a stable to positive, with the Group's BBB+ credit rating maintained.

Outlook[2]

The Trust's diversified urban portfolio has ensured good earnings visibility for FY18. Future cash flows are supported by a modern portfolio. The Group's careful capital management is demonstrated by gearing within the Group's target range, a diversified debt portfolio with a long weighted average debt maturity, and clear visibility of future cash flows. Mirvac's focus on prudently managing its capital position will help to ensure the Group can continue to meet its strategic objectives without increasing its overall capital management risk profile.

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

Risks

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

For the half year ended 31 December 2017, the Trust continued to review both internal and external risks which have the potential to affect its targeted financial outcomes and implement strategies to minimise their impact. This includes debt refinancing and compliance with debt covenants, compliance with health, safety and environment regulations, as well as broader economic conditions.

Net current asset deficiency

As at 31 December 2017, the Trust was in a net current liability position of $191.1m. The Trust minimises its average cash balance using available funds to repay borrowings; however, it had access to $905.0m of unused borrowing facilities at 31 December 2017. Accordingly, the Directors of the Responsible Entity expect that the Trust will have sufficient cash flows to meet all financial obligations as and when they fall due.

Matters subsequent to the end of the half year

As announced on 21 November 2017, the Trust entered into a contract to acquire 50 per cent of an A-grade twin office tower at 75 George Street, Parramatta NSW for $43.2m (50 per cent share). This transaction was completed on 31 January 2018. A related party of the Responsible Entity acquired the remaining 50 per cent interest on the same day.

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of the Directors' report.

Rounding of amounts

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

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

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
8 February 2018

Auditor’s Independence Declaration

As lead auditor for the review of Mirvac Property Trust for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

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

JReilly

Jane Reilly
Partner
PricewaterhouseCoopers

Sydney
8 February 2018

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

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

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

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

The financial statements were authorised for issue by the Directors on 8 February 2018. The Directors have the power to amend and reissue the financial statements.

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

Mirvac Property Trust and its controlled entities
Consolidated statement of comprehensive income
For the half year ended 31 December 2017

	Note	31 December 2017 $m	31 December 2016 $m
Revenue		**305.4**	282.1
Other income			
Net revaluation gains from investment properties and investment properties under construction	C1	**221.2**	256.9
Share of net profit of joint ventures		**60.6**	79.2
Gain on foreign exchange and financial instruments		**3.8**	0.9
Net gain on sale of assets		**0.4**	0.6
Total other income		**286.0**	337.6
Total revenue and other income		**591.4**	619.7
Investment properties expenses and outgoings		**76.7**	74.8
Amortisation expenses		**14.7**	11.3
Finance costs	B2	**26.9**	27.0
Other expenses		**12.7**	8.7
Profit before income tax		**460.4**	497.9
Income tax expense		**-**	(0.2)
Profit for the half year attributable to stapled unitholders		**460.4**	497.7
Other comprehensive income that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(0.8)**	0.9
Other comprehensive (expense)/income for the half year		**(0.8)**	0.9
Total comprehensive income for the half year attributable to stapled unitholders		**459.6**	498.6
Earnings per stapled unit (EPU) for profit for the half year attributable to stapled unitholders		**Cents**	Cents
Basic EPU	F1	**12.4**	13.4
Diluted EPU	F1	**12.4**	13.4

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

Mirvac Property Trust and its controlled entities
Consolidated statement of financial position
As at 31 December 2017

	Note	31 December 2017 $m	30 June 2017 $m
Current assets			
Cash and cash equivalents		**34.0**	29.2
Receivables		**20.2**	16.1
Other financial assets		**79.9**	130.6
Other assets		**22.2**	11.2
Total current assets		**156.3**	187.1
Non-current assets			
Receivables		**0.7**	0.7
Investment properties	C1	**7,686.6**	7,596.4
Investments in joint ventures	C2	**830.3**	794.6
Other financial assets		**32.3**	24.0
Intangible assets		**42.8**	42.8
Total non-current assets		**8,592.7**	8,458.5
Total assets		**8,749.0**	8,645.6
Current liabilities			
Payables		**161.9**	144.2
Provisions		**185.5**	203.9
Borrowings	D1	**-**	23.5
Deferred tax liability		**-**	3.0
Total current liabilities		**347.4**	374.6
Non-current liabilities			
Borrowings	D1	**1,095.0**	1,245.6
Total non-current liabilities		**1,095.0**	1,245.6
Total liabilities		**1,442.4**	1,620.2
Net assets		**7,306.6**	7,025.4
Equity			
Contributed equity	E2	**4,778.1**	4,771.0
Reserves		**5.7**	10.2
Retained earnings		**2,522.8**	2,244.2
Total equity attributable to stapled unitholders		**7,306.6**	7,025.4

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

	Note	Attributable to stapled unitholders Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance 1 July 2017		**4,771.0**	**10.2**	**2,244.2**	**7,025.4**
Profit for the half year		-	-	460.4	460.4
Other comprehensive income for the half year		-	(4.5)	3.7	(0.8)
Total comprehensive (expense)/income for the half year		-	(4.5)	464.1	459.6
Transactions with owners in their capacity as owners					
Long term performance plan (LTP), long term incentive plan (LTIP) and Employee Incentive Scheme (EIS) stapled units converted, sold, vested or forfeited	E2	7.1	-	-	7.1
Distributions	E1	-	-	(185.5)	(185.5)
Balance 31 December 2017		**4,778.1**	**5.7**	**2,522.8**	**7,306.6**
Balance 1 July 2016		4,765.0	11.1	1,694.3	6,470.4
Profit for the half year		-	-	497.7	497.7
Other comprehensive income for the half year		-	0.9	-	0.9
Total comprehensive income for the half year		-	0.9	497.7	498.6
Transactions with owners in their capacity as owners					
LTP, LTIP and EIS stapled units converted, sold, vested or forfeited	E2	4.5	-	-	4.5
Distributions	E1	-	-	(181.6)	(181.6)
Balance 31 December 2016		4,769.5	12.0	2,010.4	6,791.9

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

Mirvac Property Trust and its controlled entities
Consolidated statement of cash flows
For the half year ended 31 December 2017

	Note	**31 December 2017 $m**	31 December 2016 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**317.8**	292.7
Payments to suppliers and employees (inclusive of goods and services tax)		**(106.2)**	(124.2)
		211.6	168.5
Interest received		**5.8**	5.7
Distributions received from joint ventures		**23.0**	21.7
Interest paid		**(30.2)**	(28.7)
Income tax paid		**(3.0)**	(0.2)
Net cash inflows from operating activities	F2	**207.2**	167.0
Cash flows from investing activities			
Payments for investment properties		**(178.8)**	(206.2)
Proceeds from sale of investment properties		**301.5**	253.4
Contributions to joint ventures		**(0.2)**	(154.5)
Return of capital from financial assets at fair value through profit or loss		**0.5**	0.6
Repayments of loans from unrelated parties		**50.2**	2.7
Payments for financial assets		**(4.3)**	-
Proceeds from financial assets		**0.4**	0.3
Net cash inflows/(outflows) from investing activities		**169.2**	(103.7)
Cash flows from financing activities			
Proceeds from loans from entities related to Responsible Entity		**308.0**	511.0
Repayments of loans to entities related to Responsible Entity		**(482.4)**	(377.6)
Proceeds from issued units		**6.5**	4.1
Distributions paid		**(203.8)**	(192.5)
Net cash outflows from financing activities		**(371.7)**	(55.0)
Net increase in cash and cash equivalents		**4.8**	8.3
Cash and cash equivalents at the beginning of the half year		**29.2**	28.5
Cash and cash equivalents at the end of the half year		**34.0**	36.8

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

A BASIS OF PREPARATION

Mirvac – stapled securities

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

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

Statement of compliance

This interim financial report for the six months ended 31 December 2017 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the information and disclosures normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2017 and any public announcements made by MPT during the interim reporting period.

Basis of preparation

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

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

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

Net current asset deficiency

As at 31 December 2017, the Trust was in a net current liability position of $191.1m. The Trust minimises its average cash balance using available funds to repay borrowings; however, it had access to $905.0m of unused borrowing facilities at 31 December 2017. Accordingly, the Directors of the Responsible Entity expect that the Trust will have sufficient cash flows to meet all financial obligations as and when they fall due.

Critical accounting estimates and judgements.

The preparation of interim financial statements requires estimation and judgement. The areas involving a higher degree of estimation or judgement were the same as those applied in the annual financial statements for the year ended 30 June 2017.

New and amended standards

The accounting policies adopted are consistent with those adopted in the financial statements for the year ended 30 June 2017.

There have been no new or revised accounting standards which are effective from the periods beginning on or after 1 July 2017 that impact the interim results. Refer to the 2017 Annual Report for details and the consolidated entity's assessment of new standards that have been published but are not yet mandatory.

B RESULTS FOR THE HALF YEAR

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

B1 SEGMENT INFORMATION

Since the comprehensive revision of the Group's operating model the consolidated entity is a single segment for reporting to the Executive Leadership Team. The Executive Leadership Team are the chief operating decision makers of the consolidated entity.

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

B2 EXPENSES

	31 December 2017 $m	31 December 2016 $m
Interest paid/payable	**30.2**	28.7
Borrowing costs capitalised	**(3.3)**	(1.7)
Total finance costs	**26.9**	27.0

B3 EVENTS OCCURRING AFTER THE END OF THE HALF YEAR

As announced on 21 November 2017, the Trust entered into a contract to acquire 50% of an A-grade twin office tower at 75 George Street, Parramatta NSW for $43.2m (50% share). This transaction was completed on 31 January 2018. A related party of the Responsible Entity acquired the remaining 50% interest on the same day.

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

C PROPERTY AND DEVELOPMENT ASSETS

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

C1 INVESTMENT PROPERTIES

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

Investment properties

Investment properties are properties owned by the consolidated entity. Investment properties include investment properties under construction, which will become investment properties once construction is completed.

The consolidated entity accounts for its investment properties at fair value and revaluations are recognised as other income. The fair value movements are non-cash and do not affect the consolidated entity's distributable income.

Judgement in fair value estimation

The judgements used to fair value the consolidated entity's properties have not changed since 30 June 2017. Refer to the 2017 financial statements for further details of the judgements and inputs applied.

Reconciliation of carrying amount of investment properties

	31 December 2017 $m	30 June 2017 $m
Balance 1 July	**7,596.4**	7,060.7
Expenditure capitalised	**150.7**	314.8
Acquisitions	**42.8**	106.3
Disposals	**(299.9)**	(343.7)
Net revaluation gains from fair value adjustments	**221.2**	500.3
Exchange differences on translation of foreign operations	**(0.9)**	(1.6)
Amortisation of lease fitout incentives, leasing costs and rent incentives	**(23.7)**	(40.4)
Balance 31 December/30 June	**7,686.6**	7,596.4
Total investment properties	**7,381.5**	7,427.1
Total investment properties under construction	**305.1**	169.3

C1 INVESTMENT PROPERTIES (continued)

Fair value measurement and valuation basis

Investment properties are measured as Level 3 financial instruments. Refer to note D2 for explanation of the levels of fair value measurement. The discounted cash flow, capitalisation rate and residual valuation methods all use unobservable inputs in determining fair value; ranges of the inputs are included below:

		Inputs used to measure fair value				
Sector	Level 3 fair value $m	Net market income $/sqm	10-year compound annual growth rate %	Capitalisation rate %	Terminal yield %	Discount rate %
31 December 2017						
Office[1]	**4,547.5**	**420-1,473**	**2.72-3.52**	**5.00-8.25**	**5.25-8.50**	**6.75-8.50**
Industrial	**561.5**	**114-405**	**2.50-3.00**	**6.25-7.25**	**5.75-8.00**	**7.25-8.25**
Retail	**2,577.6**	**214-1,361**	**2.58-4.36**	**4.75-8.00**	**5.00-7.25**	**7.25-9.50**
30 June 2017						
Office[1]	4,291.4	342-1,410	2.72-3.95	5.00-8.25	5.25-8.50	6.75-8.50
Industrial	664.9	52-393	2.00-3.00	6.25-7.75	6.50-8.00	7.25-8.25
Retail	2,640.1	214-1,361	2.58-4.36	4.75-7.00	5.00-7.25	7.75-9.00

1. Includes investment properties under construction.

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

Future committed operating lease receipts

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

The future receipts are shown as undiscounted contractual cash flows.

	31 December 2017 $m	30 June 2017 $m
Future operating lease receipts as a lessor		
Within one year	**429.8**	448.1
Between one and five years	**1,285.0**	1,319.7
Later than five years	**718.3**	792.3
Total future operating lease receipts as a lessor	**2,433.1**	2,560.1

C2 INVESTMENTS IN JOINT VENTURES

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

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

		31 December 2017		30 June 2017	
Joint venture	Principal activities	Interest %	Carrying value $m	Interest %	Carrying value $m
Joynton North Property Trust	Property investment	**49.9**	**156.8**	49.9	155.5
Mirvac 8 Chifley Trust	Property investment	**50.0**	**242.5**	50.0	229.8
Mirvac (Old Treasury) Trust	Property investment	**50.0**	**212.6**	50.0	209.6
Tucker Box Hotel Group	Hotel investment	**49.0**	**218.4**	49.0	199.7
Total			**830.3**		794.6

D CAPITAL STRUCTURE

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

D1 BORROWINGS AND LIQUIDITY

There is a related party loan facility totalling $2,000.0m (June 2017: $2,031.9m). The facility can be drawn in Australian or US dollars and expires on 18 December 2023. Interest accrues at the related party's cost of financing from their borrowing facilities, calculated including associated derivative financial instruments. At 31 December 2017, $905.0 (June 2017: $762.8m) was undrawn on the facility.

	31 December 2017				30 June 2017			
	Current $m	Non-current $m	Total carrying amount $m	Total fair value $m	Current $m	Non-current $m	Total carrying amount $m	Total fair value $m
Unsecured								
Loan from related party	**-**	**1,095.0**	**1,095.0**	**1,095.0**	-	1,269.1	1,269.1	1,269.1
Undrawn facilities[1]			**905.0**				762.8	

1. Available facilitates are subject to availably of undrawn bank facilities of the Group.

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

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

	31 December 2017				30 June 2017			
	Current $m	Non-current $m	Total carrying amount $m	Total fair value $m	Current $m	Non-current $m	Total carrying amount $m	Total fair value $m
Unsecured bank facilities								
Bank loans	**-**	**685.0**	**685.0**	**685.0**	-	756.6	756.6	756.6
Bonds	**127.7**	**2,357.1**	**2,484.9**	**2,457.0**	200.0	2,008.4	2,208.4	2,182.4
	127.7	**3,042.1**	**3,169.9**	**3,142.0**	200.0	2,765.0	2,965.0	2,939.0
Undrawn bank facilities			**805.0**				643.4	

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

D2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

D2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

Other financial assets

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

Units in unlisted funds are traded in inactive markets and the fair value is determined by the unit price as advised by the trustee of the fund, based on the value of the fund's underlying assets. The fund's assets are subject to regular external valuations using the valuation methods explained in note C1.

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

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

	31 December 2017				30 June 2017			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets carried at fair value								
Units in unlisted funds	-	-	32.5	**32.5**	-	-	24.2	24.2
Other financial assets	-	-	79.7	**79.7**	-	-	130.4	130.4
	-	**-**	**112.2**	**112.2**	-	-	154.6	154.6

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

	Unlisted securities $m	Other financial assets $m	Total $m
Balance 1 July	24.2	130.4	154.6
Acquisitions	4.3	-	4.3
Gains recognised in gains on foreign exchange and financial assets	4.0	-	4.0
Repayment[1]	-	(50.7)	(50.7)
Balance 31 December	**32.5**	**79.7**	**112.2**

1. Relates to the repayment of Blackstone loan notes.

E EQUITY

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

E1 DISTRIBUTIONS

Half yearly ordinary distribution	Distribution Cents per unit	Amount payable/paid $m	Date payable/paid
31 December 2017	**5.0**	**185.5**	**28 February 2018**
31 December 2016	4.9	181.6	28 February 2017

E2 CONTRIBUTED EQUITY

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

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

E2 CONTRIBUTED EQUITY (continued)

Movements in paid up equity

	31 December 2017		30 June 2017	
	No. units m	Units $m	No. units m	Units $m
Balance 1 July	3,703.3	4,771.0	3,699.1	4,765.0
Stapled units issued under Employee Exemption Plan	-	-	0.4	0.9
LTP, LTIP and EIS stapled units converted, sold, vested or forfeited and legacy schemes vested	5.5	7.1	3.8	5.1
Balance 31 December/30 June	**3,708.8**	**4,778.1**	3,703.3	4,771.0

The number of stapled units issued as listed on the ASX at 31 December 2017 was 3,710.9m (June 2017: 3,705.6m) which includes 2.0m of stapled units issued under the LTI plan and EIS (June 2017: 2.3m). Units issued to employees under the Mirvac LTI plan and EIS are accounted for as options and are recognised, by Mirvac Group in the security-based payments reserve, not in contributed equity.

F OTHER INFORMATION

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

F1 EARNINGS PER STAPLED UNIT

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

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

	31 December 2017	31 December 2016
Basic EPU (cents)	**12.4**	13.4
Diluted EPU (cents)	**12.4**	13.4
Profit for the half year attributable to stapled unitholders ($m) used to calculate basic and diluted EPU	**460.4**	497.7
WANOU used in calculating basic EPU (m)	**3,707.4**	3,701.7
WANOU used in calculating diluted EPU (m)	**3,709.5**	3,704.3

F2 RECONCILIATION OF PROFIT TO OPERATING CASH FLOW

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

	31 December 2017 $m	31 December 2016 $m
Profit for the half year attributable to stapled unitholders	**460.4**	497.7
Revaluation of investment properties and investment properties under construction	**(221.2)**	(256.9)
Amortisation expenses	**23.7**	18.2
Lease incentives	**(14.7)**	(12.6)
Net gain on financial instruments	**(4.0)**	(1.4)
Net loss on foreign exchange	**0.2**	0.5
Net gain on sale of assets	**(0.4)**	(0.6)
Share of net profit of JV net of distribution received	**(37.6)**	(57.5)
Change in operating assets and liabilities:		
Decrease/(increase) in receivables	**2.3**	(13.8)
Decrease/(increase) in other assets	**0.3**	(1.0)
Decrease in payables	**(1.8)**	(5.6)
Net cash inflows from operating activities	**207.2**	167.0

In the Directors' opinion:

(a) the financial statements and notes set out on pages 5 to 15 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial half year ended on that date; and

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

The basis of preparation note confirms that the financial statements also comply with IFRS as issued by the IASB.

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

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

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
8 February 2018

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mirvac Property Trust (the Registered Scheme, MPT or Trust), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the consolidated entity. The consolidated entity comprises the Registered Scheme and the entities it controlled during that half-year.

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

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mirvac Property Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

Jane Reilly
Partner

Sydney
8 February 2018


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