

Mirvac Property Trust

# 2018 ANNUAL REPORT



# MIRVAC PROPERTY TRUST AND ITS CONTROLLED ENTITIES



## Annual Report For the year ended 30 June 2018

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

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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 year ended 30 June 2018.

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

### **Responsible Entity**

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

### **Directors**

The following persons were Directors of Mirvac Funds Limited during the whole of the 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.

### **Principal activities**

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

## **REVIEW OF OPERATIONS AND ACTIVITIES**

### **FINANCIAL, CAPITAL MANAGEMENT AND OPERATIONAL HIGHLIGHTS**

#### **Key financial highlights for the year ended 30 June 2018:**

- profit attributable to the stapled unitholders of MPT of \$921.7m, driven by substantial revaluation gains on investment properties;
- operating cash inflow of \$419.2 million;
- distributions of \$408.1 million, representing 11.0 cents per stapled unit; and
- net tangible assets per stapled unit of \$2.50, up from \$2.32 (June 2017).

#### **Key capital management highlights for the year ended 30 June 2018:**

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

- gearing remained at the lower end of the Group's target range of 20.0 to 30.0 per cent, at 21.3 per cent;
- maintained substantial available liquidity, with \$906.0 million 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 European medium term notes maturing in March 2027; and
  - HK\$300m European medium term notes maturing in March 2028;
  - average borrowing costs remained stable at 4.8 per cent per annum, 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 Investors Service from Baa1 to A3; and
- received a revised credit rating outlook from Standard & Poor's from stable to positive, with the Group's BBB+ credit rating maintained.

**FINANCIAL, CAPITAL MANAGEMENT AND OPERATIONAL HIGHLIGHTS (continued)**

**Key operational highlights for the year ended 30 June 2018:**

- investment property revaluations provided an uplift of \$487.7 million for the 12 months to 30 June 2018;
- 275 Kent Street, Sydney NSW: renewed Westpac for 16,130 square metres for a six-year term;
- 101 Miller Street, Sydney NSW: secured Genworth for 5,900 square metres for a five-year term; and
- Allendale Square, 77 St Georges Terrace, Perth WA: renewed Minter Ellison for approximately 3,500 square metres for a five-year term;
- Calibre, Eastern Creek NSW: practical completion on building 3 and 4 was achieved in April 2018 and June 2018 respectively. Construction on remaining buildings 2 and 5 has commenced with practical completion expected in the first half and second half of FY19 respectively.
- completed the sale of 47 Westgate Drive, Altona North and 26 Harcourt Road, Altona, for a total consideration of \$65.5 million in August 2017;
- completed the sale of 1900-2060 Pratt Boulevard, Chicago USA in October 2017 for a total consideration of \$52.4 million;
- completed the sale of a 50% interest in Kawana Shoppingworld, Buddina QLD in December 2017 for a total consideration of \$185.6 million; and
- completed the acquisition of 50% of 75 George Street, Parramatta NSW for \$43.2 million on in January 2018.

**Outlook<sup>1</sup> and risks**

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

*Office:*

Solid net absorption in a tight leasing market has resulted in reduced vacancy in Sydney and Melbourne, with double digit effective rental growth recorded over the past year. The Brisbane leasing market continues to show tangible signs of improvement with both public sector hiring and expenditure supporting the Brisbane economy. Perth is seeing signs of stabilisation, with better commodity prices and some commitment for resource expansion resulting in take-up of surplus office vacancy. Positive financial market movement, growth in the services sector and the desire from tenants to upgrade to modern, flexible and efficient space continues to result in take-up of prime grade space. The consolidated entity will continue to focus its high-quality portfolio on the key urban markets of Sydney and Melbourne, as well as creating innovative, collaborative and flexible workplaces that generate value.

The consolidated entity has one of the youngest office portfolios in Australia with substantial overweight to Sydney and Melbourne, Australia's deepest and most attractive office markets. This ensures it is well-placed to capture demand from high-quality tenants.

*Industrial:*

Strong demand from logistics firms continues to support above-average leasing demand in the Sydney industrial markets. A limited availability of vacant stock in Sydney is starting to see upward pressure on rents for existing buildings. The consolidated entity's strategic overweight to the strong-performing Sydney market and focus on properties based on proximity to infrastructure, long lease terms and secure cash flow profiles ensures that the industrial portfolio will continue to provide a secure stable income.

*Retail:*

While the broader retail environment faces some challenges, shopping centres with strong catchment fundamentals continue to be well supported. The consolidated entity's retail portfolio is located in the service-based economies of Sydney, South East Queensland and Melbourne, which continue to record stronger employment and population growth than regional areas. In addition, well-performing centres that offer great customer experiences continue to attract quality tenants, ensuring secure income to the consolidated entity.

The consolidated entity is focused on continually refreshing its retail assets (via refurbishment, redevelopment or tenant remixing) to adapt to changing market dynamics. Further the consolidated entity's focus on centres in urban catchments with strong fundamentals is expected to support continued outperformance in the retail sector.

1. These future looking statements should be read in conjunction with future releases to the Australian Securities Exchange (ASX).

## Interests in the Trust

|   | 2018<br>No. units<br>m | 2017<br>No. units<br>m |
|---|------------------------|------------------------|
| Total ordinary stapled units issued   | 3,707.6                | 3,703.3                |
| Stapled units issued under long term incentive (LTI) plan and employee incentive scheme (EIS) | 2.0                    | 2.3                    |
| <b>Total stapled units issued</b>   | <b>3,709.6</b>         | <b>3,705.6</b>         |

Refer to note E2 to the consolidated financial statements for a reconciliation of the interests in the consolidated entity issued during the financial year.

## Environmental regulations

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

More information on Mirvac's sustainability strategy, actions and performance for the year ended 30 June 2018 can be found in the FY18 Annual Report of the Group.

## Instruments held by Directors

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

| Director                            | Mirvac stapled securities | Interests in securities of related entities or related bodies corporate |
|-------------------------------------|---------------------------|---|
| John Mulcahy (indirect)             | 100,000                   | -   |
| Susan Lloyd-Hurwitz (direct)        | 2,154,912                 | -   |
| - performance rights                | 2,599,521                 | -   |
| Christine Bartlett (direct)         | 50,000                    | -   |
| Peter Hawkins (direct and indirect) | 596,117                   | -   |
| James M. Millar AM (indirect)       | 50,000                    | -   |
| Samantha Mostyn (direct)            | 19,676                    | -   |
| John Peters (indirect)              | 70,000                    | -   |
| Elana Rubin (direct)                | 54,343                    | -   |

During the year ended 30 June 2009, Mirvac introduced a security acquisition plan for Non-Executive Directors whereby they could sacrifice a portion of their Directors' fees each month and use them to acquire additional Mirvac stapled securities. No Non-Executive Directors acquired securities under this plan during the year ended 30 June 2018 (2017: nil). However, securities purchased in previous years continue to be held in the plan.

## Non-audit services

From time to time, the consolidated entity may engage its external auditor, PricewaterhouseCoopers, to perform services additional to their statutory audit duties. Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year ended 30 June 2018 are set out in note H6 to the consolidated financial statements.

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

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

### **Net current asset deficiency**

As at 30 June 2018, the Trust is in a net current liability position of \$333.2 million. The Trust repays its borrowings with excess cash, but had access to \$678.0 million of unused borrowing facilities at 30 June 2018. 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.

### **Significant changes in the state of affairs**

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

### **Matters subsequent to the end of the year**

#### **Acquisition of 80 Ann Street, Brisbane QLD**

In July 2018, the Group exercised a put-and-call option to acquire 80 Ann Street, Brisbane QLD. The consolidated entity and M&G Real Estate will be tenants in common, each funding \$39.5 million for the acquisition based on their ownership share of 50 per cent. Settlement is expected to occur in the first quarter of the 30 June 2019 financial year.

Planning approval has been received for the development of a 31 level, 60,000 square metre tower at 80 Ann Street, with practical completion targeted in the 30 June 2022 financial year. The consolidated entity's intention is hold this property long term following the proposed development.

#### **Acquisition of Joynton North Property Trust**

On 31 July 2018, the consolidated entity acquired a 50.1% interest in Joynton North Property Trust (JNPT) from an entity related to the Responsible Entity for a cash consideration of \$155.8 million. As a result, the consolidated entity gained control of JNPT and consolidated JNPT's assets, liabilities and profit and loss from the acquisition date. No goodwill arose from the acquisition as the consideration paid approximated the fair value of assets acquired and liabilities assumed.

Prior to the acquisition, JNPT was accounted for as an investment in joint venture by the consolidated entity.

#### **Repayment of loan to unrelated party**

The \$79.7 million loan notes issued by unrelated parties and held as a current asset as at the 30 June 2018 were repaid in full on 5 July 2018.

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

#### **Insurance of officers**

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

#### **Fees paid to the Responsible Entity or its associates**

Fees paid to the Responsible Entity out of Trust property during the year were \$23.0 million (2017: \$14.5 million). Fees charged by the Responsible Entity represent recovery of costs. No fees were paid out of Trust property to the Directors of the Responsible Entity during the year. Fees paid to the Responsible Entity and its associates out of Trust property during the year are disclosed in note H4 to the consolidated financial statements.

#### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7 and forms part of the Directors' report.

**Rounding of amounts**

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

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

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

Susan Lloyd-Hurwitz  
Director

Sydney  
9 August 2018



## Auditor's Independence Declaration

As lead auditor for the audit of Mirvac Property Trust for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

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

Jane Reilly  
Partner  
PricewaterhouseCoopers

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

The financial statements were authorised for issue by the Directors on 9 August 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 year ended 30 June 2018**



|  | Note | 2018<br>\$m    | 2017<br>\$m    |
|--|------|----------------|----------------|
| Revenue  | B2   | 602.7          | 577.1          |
| <b>Other income</b>  |      |                |                |
| Net revaluation gain from investment properties and investment properties under construction | C1   | 487.7          | 500.3          |
| Share of net profit of joint ventures  | C2   | 92.1           | 112.5          |
| Gain on foreign exchange and financial instruments   | B2   | 12.3           | 2.1            |
| <b>Total other income</b>  |      | <b>592.1</b>   | <b>614.9</b>   |
| <b>Total revenue and other income</b>  |      | <b>1,194.8</b> | <b>1,192.0</b> |
| Investment property expenses and outgoings   |      | 166.9          | 156.9          |
| Amortisation expenses  |      | 28.8           | 25.4           |
| Finance costs  | B3   | 49.6           | 53.0           |
| Net loss/(gain) on sale of assets  | B3   | 0.4            | (0.3)          |
| Responsible Entity fees  | H4   | 23.0           | 14.5           |
| Other expenses   |      | 4.4            | 3.6            |
| <b>Profit before income tax</b>  |      | <b>921.7</b>   | <b>938.9</b>   |
| Income tax expense   | B5   | -              | 3.5            |
| <b>Profit for the year attributable to stapled unitholders</b>                               |      | <b>921.7</b>   | <b>935.4</b>   |
| <b>Other comprehensive income that may be reclassified to profit or loss</b>                 |      |                |                |
| Exchange differences on translation of foreign operations                                    |      | (4.8)          | (0.9)          |
| <b>Other comprehensive income for the year</b>   |      | <b>(4.8)</b>   | <b>(0.9)</b>   |
| <b>Total comprehensive income for the year attributable to stapled unitholders</b>           |      | <b>916.9</b>   | <b>934.5</b>   |
| <b>Earnings per stapled unit for profit for the year attributable to stapled unitholders</b> |      | <b>Cents</b>   | <b>Cents</b>   |
| Basic earnings per stapled unit  | H2   | 24.9           | 25.3           |
| Diluted earnings per stapled unit  | H2   | 24.8           | 25.2           |

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

Mirvac Property Trust and its controlled entities  
 Consolidated statement of financial position  
 As at 30 June 2018



|   | Note | 2018<br>\$m    | 2017<br>\$m    |
|---|------|----------------|----------------|
| <b>Current assets</b>                                       |      |                |                |
| Cash and cash equivalents                                   |      | 26.8           | 29.2           |
| Receivables   | F1   | 16.0           | 16.1           |
| Other financial assets                                      | F2   | 79.7           | 130.6          |
| Other assets  |      | 12.8           | 11.2           |
| <b>Total current assets</b>                                 |      | <b>135.3</b>   | <b>187.1</b>   |
| <b>Non-current assets</b>                                   |      |                |                |
| Receivables   | F1   | -              | 0.7            |
| Investments in joint ventures                               | C2   | 837.5          | 794.6          |
| Other financial assets                                      | F2   | 39.9           | 24.0           |
| Investment properties                                       | C1   | 8,274.2        | 7,596.4        |
| Intangible assets   | F3   | 42.8           | 42.8           |
| <b>Total non-current assets</b>                             |      | <b>9,194.4</b> | <b>8,458.5</b> |
| <b>Total assets</b>   |      | <b>9,329.7</b> | <b>8,645.6</b> |
| <b>Current liabilities</b>                                  |      |                |                |
| Payables  | F4   | 245.9          | 144.2          |
| Provisions  | F5   | 222.6          | 203.9          |
| Borrowings  | D2   | -              | 23.5           |
| Deferred tax liability                                      | B5   | -              | 3.0            |
| <b>Total current liabilities</b>                            |      | <b>468.5</b>   | <b>374.6</b>   |
| <b>Non-current liabilities</b>                              |      |                |                |
| Borrowings  | D2   | 1,322.0        | 1,245.6        |
| <b>Total non-current liabilities</b>                        |      | <b>1,322.0</b> | <b>1,245.6</b> |
| <b>Total liabilities</b>                                    |      | <b>1,790.5</b> | <b>1,620.2</b> |
| <b>Net assets</b>   |      | <b>7,539.2</b> | <b>7,025.4</b> |
| <b>Equity</b>   |      |                |                |
| Contributed equity  | E2   | 4,775.9        | 4,771.0        |
| Reserves  | E3   | 5.4            | 10.2           |
| Retained earnings   |      | 2,757.9        | 2,244.2        |
| <b>Total equity attributable to the stapled unitholders</b> |      | <b>7,539.2</b> | <b>7,025.4</b> |

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

Mirvac Property Trust and its controlled entities  
 Consolidated statement of changes in equity  
 For the year ended 30 June 2018



|   | Note | Attributable to stapled unitholders of MPT |                 |                          |                     |
|---|------|--|-----------------|--------------------------|---------------------|
|   |      | Contributed equity<br>\$m                  | Reserves<br>\$m | Retained earnings<br>\$m | Total equity<br>\$m |
| Balance 30 June 2016  |      | 4,765.0                                    | 11.1            | 1,694.3                  | 6,470.4             |
| Profit for the year   |      | -  | -               | 935.4                    | 935.4               |
| Other comprehensive income for the year                           |      | -  | (0.9)           | -                        | (0.9)               |
| <b>Total comprehensive income for the year</b>                    |      | -  | (0.9)           | 935.4                    | 934.5               |
| Transactions with owners in their capacity as owners              |      |  |                 |                          |                     |
| Unit-based payments   |      |  |                 |                          |                     |
| Expense recognised - Employee Exemption Plan (EEP)                | E2   | 0.9  | -               | -                        | 0.9                 |
| LTI vested  | E2   | 4.1  | -               | -                        | 4.1                 |
| Legacy schemes vested   | E2   | 1.0  | -               | -                        | 1.0                 |
| Distributions   | E1   | -  | -               | (385.5)                  | (385.5)             |
| <b>Total transactions with owners in their capacity as owners</b> |      | <b>6.0</b>                                 | <b>-</b>        | <b>(385.5)</b>           | <b>(379.5)</b>      |
| Balance 30 June 2017  |      | 4,771.0                                    | 10.2            | 2,244.2                  | 7,025.4             |
| Profit for the year   |      | -  | -               | 921.7                    | 921.7               |
| Other comprehensive income for the year                           |      | -  | (4.8)           | -                        | (4.8)               |
| <b>Total comprehensive income for the year</b>                    |      | -  | <b>(4.8)</b>    | <b>921.7</b>             | <b>916.9</b>        |
| Transactions with owners in their capacity as owners              |      |  |                 |                          |                     |
| Unit-based payments   |      |  |                 |                          |                     |
| LTI vested  | E2   | 6.5  | -               | -                        | 6.5                 |
| Legacy schemes vested   | E2   | 0.8  | -               | -                        | 0.8                 |
| Unit buy-back   | E2   | (2.4)                                      | -               | -                        | (2.4)               |
| Distributions   | E1   | -  | -               | (408.0)                  | (408.0)             |
| <b>Total transactions with owners in their capacity as owners</b> |      | <b>4.9</b>                                 | <b>-</b>        | <b>(408.0)</b>           | <b>(403.1)</b>      |
| <b>Balance 30 June 2018</b>                                       |      | <b>4,775.9</b>                             | <b>5.4</b>      | <b>2,757.9</b>           | <b>7,539.2</b>      |

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

**Mirvac Property Trust and its controlled entities**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2018**



|   | Note | 2018<br>\$m    | 2017<br>\$m    |
|---|------|----------------|----------------|
| <b>Cash flows from operating activities</b>                     |      |                |                |
| Receipts from customers (inclusive of goods and services tax)   |      | 636.8          | 614.7          |
| Payments to suppliers (inclusive of goods and services tax)     |      | (214.0)        | (236.2)        |
|   |      | 422.8          | 378.5          |
| Interest received   |      | 9.3            | 11.3           |
| Distributions received from joint ventures                      |      | 49.4           | 46.0           |
| Interest paid   | B3   | (59.3)         | (57.0)         |
| Income tax paid   | B5   | (3.0)          | (0.5)          |
| <b>Net cash inflows from operating activities</b>               | H5   | <b>419.2</b>   | <b>378.3</b>   |
| <b>Cash flows from investing activities</b>                     |      |                |                |
| Payments for investment properties                              |      | (433.2)        | (433.7)        |
| Proceeds from sale of investment properties                     |      | 299.2          | 335.6          |
| Proceeds from loans to unrelated parties                        |      | 50.7           | 2.7            |
| Contributions to joint ventures                                 |      | (0.2)          | (154.9)        |
| Payments for financial assets                                   |      | (7.3)          | -              |
| Proceeds from financial assets                                  |      | 1.2            | 2.1            |
| <b>Net cash outflows from investing activities</b>              |      | <b>(89.6)</b>  | <b>(248.2)</b> |
| <b>Cash flows from financing activities</b>                     |      |                |                |
| Proceeds from loans from entities related to Responsible Entity |      | 660.5          | 855.0          |
| Repayments of loans to entities related to Responsible Entity   |      | (607.4)        | (615.3)        |
| Proceeds from issued units                                      |      | 4.2            | 5.0            |
| Distributions paid  |      | (389.3)        | (374.1)        |
| <b>Net cash outflows from financing activities</b>              |      | <b>(332.0)</b> | <b>(129.4)</b> |
| Net (decrease)/increase in cash and cash equivalents            |      | (2.4)          | 0.7            |
| Cash and cash equivalents at the beginning of the year          |      | 29.2           | 28.5           |
| <b>Cash and cash equivalents at the end of the year</b>         |      | <b>26.8</b>    | <b>29.2</b>    |

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

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

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

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

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

### Statement of compliance

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

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

### 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; and
- assets held for sale which are measured at lower of carrying value and fair value less costs to sell.

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

Where necessary, comparative information has been restated to conform to the current year’s disclosures.

### Critical accounting estimates and judgements

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

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

### New and amended standards adopted by the Trust

The new and amended standards adopted by the consolidated entity for the year ended 30 June 2018 have not had a significant impact on the current period or any prior period and are not likely to have a significant impact in future periods.

**New standards not yet adopted**

Certain new accounting standards have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Trust. The Trust's assessment of the impact of these new standards is set out below:

|  |  |
|--|--|
| <b>Accounting standard</b>                               | <b>AASB 9 <i>Financial Instruments</i></b>   |
| <b>Nature of change</b>                                  | AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging and new impairment model for financial assets.   |
| <b>Impact on financial statements</b>                    | <p>The Trust has reviewed its financial assets and liabilities.</p> <p>There will be no impact on the Trust's accounting for financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Trust does not have any such liabilities. Further, the Trust does not expect the new standard to affect the classification and measurement of any financial asset.</p> <p>The standard's new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than incurred credit losses as is the case under current standards. Based on the assessments undertaken to date, the Trust expects a minimal impact in the loss allowance for its financial assets including trade debtors.</p> <p>The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Trust's disclosures about its financial instruments particularly in the year of the adopting the new standard.</p> |
| <b>Mandatory application date/expected adoption date</b> | <p>Mandatory for financial years commencing on or after 1 January 2018.</p> <p>The Trust will adopt AASB 9 for the year ending 30 June 2019 retrospectively. Comparatives for 30 June 2018 will not be restated.</p>   |

|  |  |
|--|--|
| <b>Accounting standard</b>                               | <b>AASB 15 <i>Revenue from Contracts with Customers</i></b>  |
| <b>Nature of change</b>                                  | <p>AASB 15 is based on the principle that revenue is recognised when control of a good or service is transferred to a customer.</p> <p>AASB 15 permits either a full retrospective or a modified retrospective approach for adoption.</p>  |
| <b>Impact on financial statements</b>                    | <p>The Trust has assessed the effects of applying the new standard.</p> <p>Currently, property rental revenue is recognised on a straight-line basis over the lease term. The new standard will have minimal impact to the Trust's rental revenue as the revenue is accounted for under AASB 117 <i>Leases</i>.</p>  |
| <b>Mandatory application date/expected adoption date</b> | <p>Mandatory for financial years commencing on or after 1 January 2018. The Trust will adopt AASB 15 for the year ending 30 June 2019.</p> <p>The Trust intends to adopt the standard using the modified retrospective approach which means any cumulative impact of the adoption will be recognised in the 1 July 2018 opening retained earnings balance and comparatives will not be restated.</p> |

|  |  |
|--|--|
| <b>Accounting standard</b>                               | <b>AASB 16 <i>Leases</i></b>   |
| <b>Nature of change</b>                                  | AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard will predominantly affect lessees, bringing all major leases on balance sheet.              |
| <b>Impact on financial statements</b>                    | As the Trust operates mainly as a lessor, the standard is not expected to impact the Trust's accounting for leases significantly.  |
| <b>Mandatory application date/expected adoption date</b> | <p>Mandatory for financial years commencing on or after 1 January 2019. Early adoption permitted if AASB 15 is also adopted.</p> <p>The Trust expects to adopt this standard for the year ending 30 June 2020.</p> |

## B RESULTS FOR THE YEAR

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

### B1 SEGMENT INFORMATION

Following the comprehensive revision of the Group's operating model, effective 1 July 2015, the consolidated entity is a single segment for reporting to the Executive Leadership Team (ELT). The ELT are the chief operating decision makers of the consolidated entity.

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

### B2 REVENUE

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

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade allowances and duties and taxes paid. The consolidated entity recognises revenue when it can be reliably measured and payment is probable.

Property rental revenue is recognised on a straight-line basis over the term of the lease net of any incentives.

|   | 2018<br>\$m  | 2017<br>\$m  |
|---|--------------|--------------|
| <b>Revenue</b>  |              |              |
| Property rental revenue   | 592.2        | 565.0        |
| Interest revenue  | 9.3          | 11.3         |
| Other revenue   | 1.2          | 0.8          |
| <b>Total revenue</b>  | <b>602.7</b> | <b>577.1</b> |
| <b>Gain on foreign exchange and financial instruments</b>       |              |              |
| Foreign exchange gain on borrowings                             | 3.7          | 0.5          |
| Net revaluation gain on units in unlisted funds                 | 8.6          | 1.6          |
| <b>Total gain on foreign exchange and financial instruments</b> | <b>12.3</b>  | <b>2.1</b>   |

### B3 EXPENSES

#### Investment property expenses and outgoings

Expenses and outgoings include rates and taxes and are recognised on an accruals basis.

|   | 2018<br>\$m | 2017<br>\$m  |
|---|-------------|--------------|
| <b>Profit before income tax includes the following specific expenses:</b> |             |              |
| Interest paid/payable   | 59.3        | 57.0         |
| Borrowing costs capitalised   | (9.7)       | (4.0)        |
| <b>Total finance costs</b>  | <b>49.6</b> | <b>53.0</b>  |
| <b>Net loss/(gain) on sale of assets</b>                                  |             |              |
| Net loss/(gain) on sale of investment properties and investments          | 0.4         | (0.3)        |
| <b>Total loss/(gain) on sale of assets</b>                                | <b>0.4</b>  | <b>(0.3)</b> |

**B4 EVENTS OCCURRING AFTER THE END OF THE YEAR**

**Acquisition of 80 Ann Street, Brisbane QLD**

In July 2018, the Group exercised a put-and-call option to acquire 80 Ann Street, Brisbane QLD. The consolidated entity and M&G Real Estate will be tenants in common, each funding \$39.5 million for the acquisition based on their ownership share of 50 per cent. Settlement is expected to occur in the first quarter of the 30 June 2019 financial year.

Planning approval has been received for the development of a 31 level, 60,000 square metre tower at 80 Ann Street, with practical completion targeted in the 30 June 2022 financial year. The consolidated entity's intention is hold this property long term following the proposed development.

**Acquisition of Joynton North Property Trust**

On 31 July 2018, the consolidated entity acquired a 50.1% interest in Joynton North Property Trust (JNPT) from an entity related to the Responsible Entity for a cash consideration of \$155.8 million. As a result, the consolidated entity gained control of JNPT and consolidated JNPT's assets, liabilities and profit and loss from the acquisition date. No goodwill arose from the acquisition as the consideration paid approximated the fair value of assets acquired and liabilities assumed.

Prior to the acquisition, as outlined in note C2, JNPT was accounted for as an investment in joint venture by the consolidated entity.

**Repayment of of loan to unrelated party**

The \$79.7 million loan notes issued by unrelated parties and outlined in note F2 were repaid in full on 5 July 2018.

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

**B5 INCOME TAX**

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

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

The Trust has a controlled entity based in the USA which is subject to Federal and State taxes in the USA. The tax expense relates to the USA controlled entity.

|                                 | 2018<br>\$m | 2017<br>\$m |
|---------------------------------|-------------|-------------|
| Current tax expense in the USA  | -           | 0.5         |
| Deferred tax expense in the USA | -           | 3.0         |
| <b>Total income tax expense</b> | <b>-</b>    | <b>3.5</b>  |

## C PROPERTY

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

Fair value is based on the highest and best use of an asset - for all of the consolidated entity's property portfolio, the existing use is its highest and best use.

The fair values of properties are calculated using a combination of market sales comparison, discounted cash flow and capitalisation rate. To assist with calculating reliable estimates, the consolidated entity uses external valuers on a rotational basis. Approximately half of the portfolio is externally valued each year with management internally estimating the fair value of the remaining properties.

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:** Capitalises the fully-leased net income for a property into perpetuity at an appropriate capitalisation rate.

The fully-leased 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.

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.

The key inputs and sensitivity to changes are explained below.

#### Lease incentives

The carrying amount of investment properties includes lease incentives provided to customers. Lease incentives are deferred and recognised on a straight-line basis over the lease term as a reduction of property rental income.

C1 INVESTMENT PROPERTIES (continued)

Reconciliation of carrying amount of investment properties

|  | 2018           | 2017           |
|--|----------------|----------------|
|  | Total<br>\$m   | Total<br>\$m   |
| Balance 1 July   | 7,596.4        | 7,060.7        |
| Expenditure capitalised  | 459.0          | 314.8          |
| Acquisitions   | 88.5           | 106.3          |
| Disposals  | (300.0)        | (343.7)        |
| Net revaluation gain from fair value adjustments                           | 487.7          | 500.3          |
| Exchange differences on translation of foreign operations                  | (0.9)          | (1.6)          |
| Amortisation of lease fitout incentives, leasing costs and rent incentives | (56.5)         | (40.4)         |
| <b>Balance 30 June</b>   | <b>8,274.2</b> | <b>7,596.4</b> |
| <b>Total investment properties</b>   | <b>8,007.1</b> | <b>7,427.1</b> |
| <b>Total investment properties under construction</b>                      | <b>267.1</b>   | <b>169.3</b>   |

Fair value measurement and valuation basis

Investment properties are measured as Level 3 financial instruments. Refer to note D4 for explanation of the levels of fair value measurement.

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

| Sector      | Level 3 fair value<br>\$m | Inputs used to measure fair value |  |                          |                     |                    |
|-------------|---------------------------|-----------------------------------|--|--------------------------|---------------------|--------------------|
|             |                           | Net market income<br>\$/sqm       | 10-year compound annual growth rate<br>% | Capitalisation rate<br>% | Terminal yield<br>% | Discount rate<br>% |
| <b>2018</b> |                           |                                   |  |                          |                     |                    |
| Office      | 5,055.0                   | 418 - 1,415                       | 3.19 - 3.77                              | 5.00 - 7.25              | 5.25 - 8.25         | 6.50 - 8.50        |
| Industrial  | 600.1                     | 98 - 450                          | 2.91 - 3.00                              | 6.00 - 7.25              | 6.25 - 7.50         | 7.25 - 8.25        |
| Retail      | 2,619.1                   | 203 - 1,402                       | 2.49 - 4.30                              | 4.50 - 8.00              | 4.75 - 8.25         | 6.50 - 9.50        |
| <b>2017</b> |                           |                                   |  |                          |                     |                    |
| Office      | 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        |

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.

|  | 2018<br>\$m    | 2017<br>\$m    |
|--|----------------|----------------|
| <b>Future operating lease receipts as a lessor</b>       |                |                |
| Within one year  | 395.4          | 448.1          |
| Between one and five years                               | 1,130.6        | 1,319.7        |
| Later than five years                                    | 676.8          | 792.3          |
| <b>Total future operating lease receipts as a lessor</b> | <b>2,202.8</b> | <b>2,560.1</b> |

## C2 INVESTMENTS IN JOINT VENTURES

A joint venture (JV) is an arrangement where the Trust has joint control over the activities and joint rights to the net assets. Refer to note G1 for details on how the Trust decides if it controls an entity.

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

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

### Judgement in testing for impairment of investments in JV

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

At 30 June 2018, none of the investments in JV is considered to be impaired (2017: nil).

All JV are established or incorporated in Australia.

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

|  | Joynton North Property Trust |              | Mirvac 8 Chifley Trust |              | Mirvac (Old Treasury) Trust |              | Tucker Box Hotel Group |              | Total          |                |
|--|------------------------------|--------------|------------------------|--------------|-----------------------------|--------------|------------------------|--------------|----------------|----------------|
|  | 2018<br>\$m                  | 2017<br>\$m  | 2018<br>\$m            | 2017<br>\$m  | 2018<br>\$m                 | 2017<br>\$m  | 2018<br>\$m            | 2017<br>\$m  | 2018<br>\$m    | 2017<br>\$m    |
| <b>Principal activities</b>                                  | Property investment          |              | Property investment    |              | Property investment         |              | Hotel investment       |              |                |                |
| <b>Summarised SoFP</b>                                       |                              |              |                        |              |                             |              |                        |              |                |                |
| Cash and cash equivalents                                    | 3.0                          | 1.9          | 2.0                    | 2.1          | 5.5                         | 5.9          | 2.5                    | 3.6          | 13.0           | 13.5           |
| Other current assets   | 1.6                          | 1.1          | 1.4                    | 0.5          | 0.5                         | 1.1          | 6.7                    | 7.1          | 10.2           | 9.8            |
| <b>Total current assets</b>                                  | <b>4.6</b>                   | <b>3.0</b>   | <b>3.4</b>             | <b>2.6</b>   | <b>6.0</b>                  | <b>7.0</b>   | <b>9.2</b>             | <b>10.7</b>  | <b>23.2</b>    | <b>23.3</b>    |
| <b>Total non-current assets</b>                              | <b>319.0</b>                 | <b>310.2</b> | <b>484.6</b>           | <b>460.0</b> | <b>429.4</b>                | <b>418.8</b> | <b>626.9</b>           | <b>581.6</b> | <b>1,859.9</b> | <b>1,770.6</b> |
| Other current liabilities                                    | 3.4                          | 2.5          | 3.3                    | 3.0          | 5.7                         | 6.7          | 9.7                    | 10.5         | 22.1           | 22.7           |
| <b>Total current liabilities</b>                             | <b>3.4</b>                   | <b>2.5</b>   | <b>3.3</b>             | <b>3.0</b>   | <b>5.7</b>                  | <b>6.7</b>   | <b>9.7</b>             | <b>10.5</b>  | <b>22.1</b>    | <b>22.7</b>    |
| Non-current financial liabilities (excluding trade payables) | -                            | -            | -                      | -            | -                           | -            | 176.3                  | 173.0        | 176.3          | 173.0          |
| Other non-current liabilities                                | -                            | -            | -                      | -            | -                           | -            | 0.9                    | 1.2          | 0.9            | 1.2            |
| <b>Total non-current liabilities</b>                         | <b>-</b>                     | <b>-</b>     | <b>-</b>               | <b>-</b>     | <b>-</b>                    | <b>-</b>     | <b>177.2</b>           | <b>174.2</b> | <b>177.2</b>   | <b>174.2</b>   |
| <b>Net assets</b>  | <b>320.2</b>                 | <b>310.7</b> | <b>484.7</b>           | <b>459.6</b> | <b>429.7</b>                | <b>419.1</b> | <b>449.2</b>           | <b>407.6</b> | <b>1,683.8</b> | <b>1,597.0</b> |
| Trust's share of net assets (%)                              | 49.9                         | 49.9         | 50.0                   | 50.0         | 50.0                        | 50.0         | 49.0                   | 49.0         |                |                |
| Trust's share of net assets (\$m)                            | 159.8                        | 155.0        | 242.3                  | 229.8        | 214.9                       | 209.6        | 220.1                  | 199.7        | 837.1          | 794.1          |
| <b>Carrying amount in consolidated SoFP</b>                  | <b>160.2</b>                 | <b>155.5</b> | <b>242.3</b>           | <b>229.8</b> | <b>214.9</b>                | <b>209.6</b> | <b>220.1</b>           | <b>199.7</b> | <b>837.5</b>   | <b>794.6</b>   |

C2 INVESTMENTS IN JOINT VENTURES (continued)

|   | Joynton North<br>Property Trust |             | Mirvac 8<br>Chifley Trust |             | Mirvac (Old<br>Treasury) Trust |             | Tucker Box<br>Hotel Group |              | Total        |              |
|---|---------------------------------|-------------|---------------------------|-------------|--------------------------------|-------------|---------------------------|--------------|--------------|--------------|
|   | 2018<br>\$m                     | 2017<br>\$m | 2018<br>\$m               | 2017<br>\$m | 2018<br>\$m                    | 2017<br>\$m | 2018<br>\$m               | 2017<br>\$m  | 2018<br>\$m  | 2017<br>\$m  |
| <b>Summarised SoCI</b>                                    |                                 |             |                           |             |                                |             |                           |              |              |              |
| Revenue   | 23.3                            | 22.6        | 54.8                      | 77.1        | 42.8                           | 40.3        | 86.0                      | 115.8        | 206.9        | 255.8        |
| Interest income   | -                               | -           | -                         | -           | -                              | -           | 0.1                       | 0.1          | 0.1          | 0.1          |
| Depreciation and<br>amortisation                          | 1.7                             | 2.0         | -                         | -           | -                              | -           | -                         | -            | 1.7          | 2.0          |
| Interest expense  | -                               | -           | -                         | -           | -                              | -           | 7.0                       | 7.3          | 7.0          | 7.3          |
| Income tax expense  | -                               | -           | -                         | -           | -                              | -           | 0.1                       | 0.1          | 0.1          | 0.1          |
| <b>Profit after tax</b>                                   | <b>23.7</b>                     | <b>13.7</b> | <b>49.9</b>               | <b>72.7</b> | <b>35.7</b>                    | <b>34.8</b> | <b>76.4</b>               | <b>106.0</b> | <b>185.7</b> | <b>227.2</b> |
| <b>Total comprehensive<br/>income</b>                     | <b>23.7</b>                     | <b>13.7</b> | <b>49.9</b>               | <b>72.7</b> | <b>35.7</b>                    | <b>34.8</b> | <b>76.4</b>               | <b>106.0</b> | <b>185.7</b> | <b>227.2</b> |
| Trust's share of profit<br>after tax (%)                  | 49.9                            | 49.9        | 50.0                      | 50.0        | 50.0                           | 50.0        | 49.0                      | 49.0         |              |              |
| Trust's share of profit<br>after tax (\$m)                | 11.8                            | 6.8         | 25.0                      | 36.4        | 17.9                           | 17.4        | 37.4                      | 51.9         | 92.1         | 112.5        |
| <b>Distributions<br/>received/receivable<br/>from JVs</b> | <b>7.1</b>                      | <b>6.3</b>  | <b>12.7</b>               | <b>12.2</b> | <b>12.6</b>                    | <b>12.3</b> | <b>17.0</b>               | <b>16.4</b>  | <b>49.4</b>  | <b>47.2</b>  |

**Capital expenditure commitments**

At 30 June 2018, the Trust's share of its JV's capital commitments which have been approved but not yet provided for was \$1.7 million (2017: \$nil).

## D CAPITAL STRUCTURE AND RISKS

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

### D1 CAPITAL MANAGEMENT

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

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

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

At 30 June 2018, the Group was in compliance with all regulatory and debt covenant ratios.

### D2 BORROWINGS AND LIQUIDITY

The consolidated entity borrows using loans from related parties.

As at the current year end there was one loan facility from related parties totalling \$2,000.0 million (2017: \$2,000.0 million). This facility can be drawn in Australian or US dollars and expires on 18 December 2023. Interest accrues at the related party's cost of financing from their borrowing facilities, calculated including associated derivative financial instruments.

During the current year, the consolidated entity's US loan facility from related parties was repaid in full.

At 30 June 2018 the consolidated entity had \$678.0 million of undrawn facilities available (2017: \$762.8 million).

|                          | 2018                          |                             |                     |                     |                     |              | 2017                          |                             |                     |                     |                     |              |
|--------------------------|-------------------------------|-----------------------------|---------------------|---------------------|---------------------|--------------|-------------------------------|-----------------------------|---------------------|---------------------|---------------------|--------------|
|                          | Floating interest rate<br>\$m | Fixed interest maturing in: |                     |                     |                     | Total<br>\$m | Floating interest rate<br>\$m | Fixed interest maturing in: |                     |                     |                     | Total<br>\$m |
|                          |                               | Less than 1 year<br>\$m     | 1 to 2 years<br>\$m | 2 to 5 years<br>\$m | Over 5 years<br>\$m |              |                               | Less than 1 year<br>\$m     | 1 to 2 years<br>\$m | 2 to 5 years<br>\$m | Over 5 years<br>\$m |              |
| Loans from related party | 1,322.0                       | -                           | -                   | -                   | -                   | 1,322.0      | 1,269.1                       | -                           | -                   | -                   | -                   | 1,269.1      |

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

## D2 BORROWINGS AND LIQUIDITY (continued)

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

|                                   | 2018           |                        |                                    |                            | 2017           |                        |                                    |                            |
|-----------------------------------|----------------|------------------------|------------------------------------|----------------------------|----------------|------------------------|------------------------------------|----------------------------|
|                                   | Current<br>\$m | Non-<br>current<br>\$m | Total<br>carrying<br>amount<br>\$m | Total<br>fair value<br>\$m | Current<br>\$m | Non-<br>current<br>\$m | Total<br>carrying<br>amount<br>\$m | Total<br>fair value<br>\$m |
| <b>Unsecured bank facilities</b>  |                |                        |                                    |                            |                |                        |                                    |                            |
| Bank loans                        | -              | 415.0                  | 415.0                              | 415.0                      | -              | 756.6                  | 756.6                              | 756.6                      |
| Bonds                             | 134.6          | 2,522.8                | 2,657.4                            | 2,632.6                    | 200.0          | 2,008.4                | 2,208.4                            | 2,182.4                    |
| <b>Total unsecured borrowings</b> | 134.6          | 2,937.8                | 3,072.4                            | 3,047.6                    | 200.0          | 2,765.0                | 2,965.0                            | 2,939.0                    |
| <b>Undrawn bank facilities</b>    |                |                        | 685.1                              |                            |                |                        | 643.4                              |                            |

The following table sets out the Group's net exposure to interest rate risk by maturity periods. These amounts do not represent the facilities of the consolidated entity but are relevant to the consolidated entity as this profile determines the facilities used to calculate the related party's cost of funds, which is then used as a basis for the interest on the consolidated entity's borrowings from the related party. Exposures arise predominantly from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

|                     | 2018                                |                               |                        |                        |                        |              | 2017                                |                               |                        |                        |                        |              |
|---------------------|-------------------------------------|-------------------------------|------------------------|------------------------|------------------------|--------------|-------------------------------------|-------------------------------|------------------------|------------------------|------------------------|--------------|
|                     | Floating<br>interest<br>rate<br>\$m | Fixed interest maturing in:   |                        |                        |                        | Total<br>\$m | Floating<br>interest<br>rate<br>\$m | Fixed interest maturing in:   |                        |                        |                        | Total<br>\$m |
|                     |                                     | Less<br>than 1<br>year<br>\$m | 1 to 2<br>years<br>\$m | 2 to 5<br>years<br>\$m | Over 5<br>years<br>\$m |              |                                     | Less<br>than 1<br>year<br>\$m | 1 to 2<br>years<br>\$m | 2 to 5<br>years<br>\$m | Over 5<br>years<br>\$m |              |
| Bank loans          | 415.0                               | -                             | -                      | -                      | -                      | 415.0        | 756.6                               | -                             | -                      | -                      | -                      | 756.6        |
| Bonds               | 1,766.9                             | -                             | -                      | 250.0                  | 565.0                  | 2,581.9      | 1,415.9                             | -                             | -                      | 200.0                  | 525.0                  | 2,140.9      |
| Interest rate swaps | (1,500.0)                           | 200.0                         | 100.0                  | 800.0                  | 400.0                  | -            | (1,400.0)                           | 200.0                         | 200.0                  | 600.0                  | 400.0                  | -            |
| <b>Total</b>        | 681.9                               | 200.0                         | 100.0                  | 1,050.0                | 965.0                  | 2,996.9      | 772.5                               | 200.0                         | 200.0                  | 800.0                  | 925.0                  | 2,897.5      |

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.

## D3 FINANCIAL RISK MANAGEMENT

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

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

D3 FINANCIAL RISK MANAGEMENT (continued)

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

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

Market risk - interest rate risk

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

Sensitivity analysis

This sensitivity analysis shows the impact on profit after tax and equity if Australian interest rates changed by 50 basis points (bp):

| Total impact on profit after tax and equity | 2018            |                 | 2017            |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 50 bp ↑<br>\$m  | 50 bp ↓<br>\$m  | 50 bp ↑<br>\$m  | 50 bp ↓<br>\$m  |
| <b>Changes in:</b>                          |                 |                 |                 |                 |
| Australian interest rates                   | \$6.4m decrease | \$6.4m increase | \$6.3m decrease | \$6.3m increase |

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

**D3 FINANCIAL RISK MANAGEMENT** (continued)

**Liquidity risk**

**Maturities of financial liabilities**

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

|            | 2018                    |                     |                     |                     |              | 2017                    |                     |                     |                     |              |
|------------|-------------------------|---------------------|---------------------|---------------------|--------------|-------------------------|---------------------|---------------------|---------------------|--------------|
|            | Maturing in:            |                     |                     |                     | Total<br>\$m | Maturing in:            |                     |                     |                     | Total<br>\$m |
|            | Less than 1 year<br>\$m | 1 to 2 years<br>\$m | 2 to 5 years<br>\$m | Over 5 years<br>\$m |              | Less than 1 year<br>\$m | 1 to 2 years<br>\$m | 2 to 5 years<br>\$m | Over 5 years<br>\$m |              |
| Payables   | 245.9                   | -                   | -                   | -                   | 245.9        | 144.2                   | -                   | -                   | -                   | 144.2        |
| Borrowings | 59.3                    | 62.7                | 199.3               | 1,358.3             | 1,679.6      | 83.0                    | 65.0                | 214.9               | 1,359.9             | 1,722.8      |
|            | 305.2                   | 62.7                | 199.3               | 1,358.3             | 1,925.5      | 227.2                   | 65.0                | 214.9               | 1,359.9             | 1,867.0      |

**D4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

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

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

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

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

**Other financial assets**

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

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

The fair value of loan notes is calculated based on the expected cash inflows. Expected cash inflows are determined based on the vendor financing agreement with fixed repayment terms based on fixed interest rates.

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

| Note  | 2018           |                |                |              | 2017           |                |                |              |       |
|---|----------------|----------------|----------------|--------------|----------------|----------------|----------------|--------------|-------|
|   | Level 1<br>\$m | Level 2<br>\$m | Level 3<br>\$m | Total<br>\$m | Level 1<br>\$m | Level 2<br>\$m | Level 3<br>\$m | Total<br>\$m |       |
| <b>Financial assets carried at fair value</b> |                |                |                |              |                |                |                |              |       |
| Units in unlisted funds                       | F2             | -              | -              | 39.9         | 39.9           | -              | -              | 24.2         | 24.2  |
| Other financial assets                        | F2             | -              | -              | 79.7         | 79.7           | -              | -              | 130.4        | 130.4 |
|   |                | -              | -              | 119.6        | 119.6          | -              | -              | 154.6        | 154.6 |

**D4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS** (continued)

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

|  | 2018                       |                               | 2017                       |                               |
|--|----------------------------|-------------------------------|----------------------------|-------------------------------|
|  | Unlisted securities<br>\$m | Other financial assets<br>\$m | Unlisted securities<br>\$m | Other financial assets<br>\$m |
| Balance 1 July   | 24.2                       | 130.4                         | 23.5                       | 130.4                         |
| Acquisitions   | 7.3                        | -                             | -                          | -                             |
| Net revaluation gain on foreign exchange and financial instruments | 8.4                        | -                             | 1.6                        | -                             |
| Repayment  | -                          | (50.7)                        | -                          | -                             |
| Return of capital  | -                          | -                             | (0.9)                      | -                             |
| <b>Balance 30 June</b>   | <b>39.9</b>                | <b>79.7</b>                   | <b>24.2</b>                | <b>130.4</b>                  |

## E EQUITY

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

### E1 DISTRIBUTIONS

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

|  | Distribution<br>(cents) | Date<br>paid/payable | Total amount<br>\$m |
|--|-------------------------|----------------------|---------------------|
| <b>Distributions for the year ended 30 June 2018</b> |                         |                      |                     |
| 31 December 2017                                     | 5.00                    | 28 Feb 2018          | 185.5               |
| 30 June 2018   | 6.00                    | 31 Aug 2018          | 222.6               |
| <b>Total distribution</b>                            | <b>11.00</b>            |                      | <b>408.1</b>        |
| <b>Distributions for the year ended 30 June 2017</b> |                         |                      |                     |
| 31 December 2016                                     | 4.90                    | 28 Feb 2017          | 181.6               |
| 30 June 2017   | 5.50                    | 31 Aug 2017          | 203.9               |
| <b>Total distribution</b>                            | <b>10.40</b>            |                      | <b>385.5</b>        |

Refer to note F5 which outlines a \$0.1 million release of provision relating to the 30 June 2017 distribution. This has resulted in the noted \$408.0 million on the consolidated statement of changes in equity rather than the \$408.1 million outlined in the table above.

### E2 CONTRIBUTED EQUITY

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

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

#### Movements in paid up equity

|   | 2018           |                | 2017           |                |
|---|----------------|----------------|----------------|----------------|
|   | No. units<br>m | Units<br>\$m   | No. units<br>m | Units<br>\$m   |
| Balance 1 July  | 3,703.3        | 4,771.0        | 3,699.1        | 4,765.0        |
| Stapled units issued under Employee Exemption Plan (EEP)  | -              | -              | 0.4            | 0.9            |
| Long term performance plan (LTP), long term incentive plan (LTI) and EIS stapled units converted, sold, vested or forfeited | 5.3            | 6.5            | 3.4            | 4.1            |
| Legacy schemes vested   | 0.1            | 0.8            | 0.4            | 1.0            |
| Unit buy-back <sup>1</sup>  | (1.1)          | (2.4)          | -              | -              |
| <b>Balance 30 June</b>  | <b>3,707.6</b> | <b>4,775.9</b> | <b>3,703.3</b> | <b>4,771.0</b> |

<sup>1</sup> In February 2018, Mirvac announced the intention to buy-back up to 96,482,671 of MPT's units (being 2.6% of MPT's units on issue) over a period from 23 February 2018 to 7 February 2019 (inclusive).

The number of stapled units issued as listed on the ASX at 30 June 2018 was 3,709.6m (2017: 3,705.6m) which includes 2.0m of stapled units issued under the LTI plan and EIS (2017: 2.3m). Units issued to employees under the Mirvac LTI plan and EIS are accounted for as options and are recognised, by the Group in the security-based payments reserve, not in contributed equity.

### E3 RESERVES

#### Foreign currency translation reserve

The consolidated entity has a controlled entity with a functional currency in US dollars. This is a result of the controlled entity having held an investment property in the USA. During the current year this investment property was sold and all assets and liabilities of the controlled entity were realised through other comprehensive income (OCI) on the consolidated statement of comprehensive income.

In the prior year the assets and liabilities of the controlled entity were translated to Australian dollars using the exchange rate at the end of the year; income and expenses are translated using an average exchange rate for the year. All exchange differences were recognised in other comprehensive income and the foreign currency translation reserve.

#### Non-controlling interests (NCI) reserve

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

| \$m                                      | Capital reserve | Foreign currency translation reserve | NCI reserve | Total reserves |
|--|-----------------|--------------------------------------|-------------|----------------|
| Balance 30 June 2016                     | (1.4)           | 5.7                                  | 6.8         | 11.1           |
| Foreign currency translation differences | -               | (0.9)                                | -           | (0.9)          |
| Balance 30 June 2017                     | (1.4)           | 4.8                                  | 6.8         | 10.2           |
| Reserve realised through OCI             | -               | (4.8)                                | -           | (4.8)          |
| <b>Balance 30 June 2018</b>              | <b>(1.4)</b>    | <b>-</b>                             | <b>6.8</b>  | <b>5.4</b>     |

## F OPERATING ASSETS AND LIABILITIES

### F1 RECEIVABLES

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

Collectability of receivables is reviewed on an ongoing basis. A provision for impairment is recognised when there is objective evidence that collection of the receivable is doubtful. The provision is calculated as the difference between the carrying amount and the estimated future repayments, discounted at the effective interest rate where relevant. Receivables which are known to be uncollectable are written off.

|                                      | 2018         |                                    |             | 2017         |                                    |             |
|--------------------------------------|--------------|------------------------------------|-------------|--------------|------------------------------------|-------------|
|                                      | Gross<br>\$m | Provision for<br>impairment<br>\$m | Net<br>\$m  | Gross<br>\$m | Provision for<br>impairment<br>\$m | Net<br>\$m  |
| <b>Current</b>                       |              |                                    |             |              |                                    |             |
| Trade receivables                    | 3.2          | (2.9)                              | 0.3         | 2.5          | (0.4)                              | 2.1         |
| Accrued income                       | 14.8         | -                                  | 14.8        | 13.0         | -                                  | 13.0        |
| Other receivables                    | 0.9          | -                                  | 0.9         | 1.0          | -                                  | 1.0         |
| <b>Total current receivables</b>     | <b>18.9</b>  | <b>(2.9)</b>                       | <b>16.0</b> | <b>16.5</b>  | <b>(0.4)</b>                       | <b>16.1</b> |
| <b>Non-current</b>                   |              |                                    |             |              |                                    |             |
| Other receivables                    | -            | -                                  | -           | 0.7          | -                                  | 0.7         |
| <b>Total non-current receivables</b> | <b>-</b>     | <b>-</b>                           | <b>-</b>    | <b>0.7</b>   | <b>-</b>                           | <b>0.7</b>  |
| <b>Total receivables</b>             | <b>18.9</b>  | <b>(2.9)</b>                       | <b>16.0</b> | <b>17.2</b>  | <b>(0.4)</b>                       | <b>16.8</b> |

|                          | Not past due | Days past due |         |         |          |          | Total |
|--------------------------|--------------|---------------|---------|---------|----------|----------|-------|
|                          |              | 1 - 30        | 31 - 60 | 61 - 90 | 91 - 120 | Over 120 |       |
| <b>2018</b>              |              |               |         |         |          |          |       |
| Total receivables        | 15.7         | 1.1           | 0.6     | 0.4     | 0.5      | 0.6      | 18.9  |
| Provision for impairment | -            | (1.0)         | (0.5)   | (0.3)   | (0.5)    | (0.6)    | (2.9) |
| <b>2017</b>              |              |               |         |         |          |          |       |
| Total receivables        | 16.0         | 0.4           | 0.4     | -       | 0.1      | 0.3      | 17.2  |
| Provision for impairment | -            | -             | -       | -       | (0.1)    | (0.3)    | (0.4) |

The consolidated entity does not have any significant credit risk exposure to a single customer. The consolidated entity holds collateral over receivables of \$129.2m (2017: \$124.3m). The collateral held equals the carrying amount of the relevant receivables. Refer to note D3 for further details on the consolidated entity's exposure to, and management of, credit risk.

### F2 OTHER FINANCIAL ASSETS

#### Units in unlisted funds

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

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

#### Loan notes

Loan notes were issued as partial payment for the sale of non-aligned assets during the 2015 financial year. Subsequent to the current year end and outlined in note B4, the loan notes were repaid in full.

Refer to note D4 for information about the methods and assumptions used in determining the fair value loan notes.

## F2 OTHER FINANCIAL ASSETS (continued)

### Impairment

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

|   | 2018<br>\$m | 2017<br>\$m  |
|---|-------------|--------------|
| <b>Current</b>                                  |             |              |
| Units in unlisted funds                         | -           | 0.2          |
| Loan notes issued by unrelated parties          | 79.7        | 130.4        |
| <b>Total current other financial assets</b>     | <b>79.7</b> | <b>130.6</b> |
| <b>Non-current</b>                              |             |              |
| Units in unlisted funds                         | 39.9        | 24.0         |
| <b>Total non-current other financial assets</b> | <b>39.9</b> | <b>24.0</b>  |

## F3 GOODWILL

|                        | 2018<br>\$m | 2017<br>\$m |
|------------------------|-------------|-------------|
| Balance 1 July         | 42.8        | 42.8        |
| <b>Balance 30 June</b> | <b>42.8</b> | <b>42.8</b> |

### Impairment testing

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

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

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

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

|                       | Growth rate<br>30 June 2018<br>% pa | Discount rate<br>30 June 2018<br>% pa | Growth rate<br>30 June 2017<br>% pa | Discount rate<br>30 June 2017<br>% pa |
|-----------------------|-------------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|
| Mirvac Property Trust | -                                   | 7.2                                   | -                                   | 7.5                                   |

No intangible assets were impaired in 2018 (2017: nil).

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

#### F4 PAYABLES

|   | Note | 2018<br>\$m  | 2017<br>\$m  |
|---|------|--------------|--------------|
| Trade payables  |      | 59.4         | 53.3         |
| Rent in advance                                       |      | 18.7         | 21.2         |
| Other accruals  |      | 69.7         | 15.2         |
| Other creditors                                       |      | 3.5          | 3.4          |
| Amounts due to entities related to Responsible Entity | H4   | 94.6         | 51.1         |
| <b>Total payables</b>                                 |      | <b>245.9</b> | <b>144.2</b> |

#### F5 PROVISIONS

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

|  | 2018<br>\$m  | 2017<br>\$m  |
|--|--------------|--------------|
| <b>Distributions payable</b>                         |              |              |
| Balance 1 July                                       | 203.9        | 192.5        |
| Release of over provision of prior year distribution | (0.1)        | -            |
| Interim and final distributions declared             | 408.1        | 385.5        |
| Payments made  | (389.3)      | (374.1)      |
| <b>Balance 30 June</b>                               | <b>222.6</b> | <b>203.9</b> |

## G CONSOLIDATED ENTITY STRUCTURE

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

### G1 CONTROLLED ENTITIES

#### Controlled entities

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

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

#### Structured entities

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

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

#### Funds and trusts

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

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

|                                      |  |  |
|--------------------------------------|--|--|
| 10-20 Bond Street Trust              | Mirvac Bourke Street No.1 Sub-Trust            | Mirvac Property Trust No.6                 |
| 1900-2000 Pratt Inc. <sup>1</sup>    | Mirvac Broadway Sub-Trust                      | Mirvac Property Trust No.7                 |
| 367 Collins Street Trust             | Mirvac Capital Partners 1 Trust                | Mirvac Real Estate Investment Trust        |
| 367 Collins Street No. 2 Trust       | Mirvac Collins Street No.1 Sub-Trust           | Mirvac Retail Head Trust                   |
| 380 St Kilda Road Trust <sup>2</sup> | Mirvac Commercial No.3 Sub Trust               | Mirvac Retail Sub-Trust No. 1              |
| 477 Collins Street No. 1 Trust       | Mirvac Commercial Trust <sup>2</sup>           | Mirvac Retail Sub-Trust No. 2              |
| Australian Office Partnership Trust  | Mirvac Group Funding No.2 Pty Limited          | Mirvac Retail Sub-Trust No. 3              |
| Eveleigh Trust                       | Mirvac Group Funding No.3 Pty Limited          | Mirvac Retail Sub-Trust No. 4              |
| James Fielding Trust                 | Mirvac Hoxton Park Trust <sup>4</sup>          | Mirvac Rhodes Sub-Trust                    |
| JFM Hotel Trust                      | Mirvac Industrial Fund                         | Mirvac Rydalmere Trust No. 1               |
| Meridian Investment Trust No. 1      | Mirvac Industrial No. 1 Sub Trust              | Mirvac Rydalmere Trust No. 2               |
| Meridian Investment Trust No. 2      | Mirvac Kirrawee Trust No.1                     | Mirvac Smail Street Trust                  |
| Meridian Investment Trust No. 3      | Mirvac Kirrawee Trust No.2                     | Mirvac Toombul Trust No. 1                 |
| Meridian Investment Trust No. 4      | Mirvac Living Trust                            | Mirvac Toombul Trust No. 2                 |
| Meridian Investment Trust No. 5      | Mirvac Padstow Trust No.1                      | Old Treasury Holding Trust                 |
| Meridian Investment Trust No. 6      | Mirvac Parramatta Sub Trust No. 1 <sup>5</sup> | Springfield Regional Shopping Centre Trust |
| Mirvac 90 Collins Street Trust       | Mirvac Pitt Street Trust                       | The George Street Trust                    |
| Mirvac Allendale Square Trust        | Mirvac Property Trust No.3                     |  |
| Mirvac Ann Street Trust <sup>3</sup> | Mirvac Property Trust No.4                     |  |
| Mirvac Bay St Trust                  | Mirvac Property Trust No.5                     |  |

- 1 This entity was established in the USA.
- 2 One unit on issue held by Mirvac Limited as custodian for MPT.
- 3 This entity was established during the year ended 30 June 2018.
- 4 Formerly named Mirvac Collins Street No.2 Sub-Trust.
- 5 Formerly named Mirvac Bourke Street No. 2 Sub-Trust.

**G2 PARENT ENTITY**

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

| <b>Parent entity</b>                           | <b>2018</b>    | <b>2017</b>    |
|--|----------------|----------------|
|  | <b>\$m</b>     | <b>\$m</b>     |
| Current assets                                 | 952.8          | 900.5          |
| Total assets                                   | 7,938.4        | 7,995.4        |
| Current liabilities                            | 562.5          | 508.8          |
| Total liabilities                              | 1,725.6        | 1,754.4        |
| <b>Equity</b>                                  |                |                |
| Contributed equity                             | 4,775.9        | 4,771.0        |
| Reserves                                       | 7.6            | 7.6            |
| Retained earnings                              | 1,429.3        | 1,450.6        |
| <b>Total equity</b>                            | <b>6,212.8</b> | <b>6,229.2</b> |
| Profit for the year                            | 386.7          | 519.6          |
| <b>Total comprehensive income for the year</b> | <b>386.7</b>   | <b>519.6</b>   |

MPT and a controlled entity are joint borrowers under the loan facilities from a related party explained in note D2. MPT, Mirvac Limited and a number of their controlled entities are party to a guarantee deed poll to guarantee the joint borrowers.

At 30 June 2018, the parent entity did not provide any other guarantees (2017: nil), have any contingent liabilities (2017: nil), or any capital commitments (2017: nil).

## H OTHER INFORMATION

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

### H1 CONTINGENT LIABILITIES

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

The consolidated entity had contingent liabilities at 30 June 2018 in respect of the following:

|                          | 2018<br>\$m | 2017<br>\$m |
|--------------------------|-------------|-------------|
| Health and safety claims | 0.3         | 0.3         |

The consolidated entity has no contingent liabilities relating to joint ventures and associates.

### H2 EARNINGS PER STAPLED UNIT

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

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

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

|  | 2018    | 2017    |
|--|---------|---------|
| <b>Earnings per stapled unit</b>   |         |         |
| Basic EPU (cents)  | 24.9    | 25.3    |
| Diluted EPU (cents)  | 24.8    | 25.2    |
| Profit attributable to stapled unitholders (\$m) used to calculate basic and diluted EPU | 921.7   | 935.4   |
| WANOU used in calculating basic EPU (m)  | 3,707.7 | 3,702.4 |
| WANOU used in calculating diluted EPU (m)  | 3,709.8 | 3,704.8 |

### H3 KEY MANAGEMENT PERSONNEL

#### Key management personnel (KMP) compensation

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

#### Equity instrument disclosures relating to KMP

##### Security holdings

The number of ordinary securities in Mirvac held during the year by each Director and other KMP, including their personally-related parties, is set out below. There were no securities granted during the year as compensation.

|                             | Balance 1 July 2017 | Changes | Balance 30 June 2018 | Value 30 June 2018 \$ | Minimum securityholding guideline \$ | Date securityholding to be attained <sup>1</sup> |
|-----------------------------|---------------------|---------|----------------------|-----------------------|--------------------------------------|--|
| <b>Executive KMP</b>        |                     |         |                      |                       |                                      |  |
| Susan Lloyd-Hurwitz         | 1,523,235           | 631,677 | 2,154,912            | 4,676,159             | 1,500,000                            | Nov 2017   |
| Brett Draffen               | 1,047,840           | 214,652 | 1,262,492            | 2,739,608             | 475,000                              | Jul 2017   |
| Shane Gannon                | 245,335             | 138,303 | 383,638              | 832,494               | 450,000                              | Dec 2018   |
| Campbell Hanan              | -                   | 145,181 | 145,181              | 315,043               | 400,000                              | Feb 2021   |
| Susan MacDonald             | 462,593             | 99,516  | 562,109              | 1,219,777             | 350,000                              | Jul 2019   |
| Stuart Penklis <sup>2</sup> | 2,272               | -       | 2,272                | 4,930                 | 350,000                              | May 2022   |

1. Attainment date is based on the minimum securityholding requirement effective for FY18.

2. Balance as at 1 July 2017 is different to the closing balance of 43,988 reported in the FY17 remuneration report. 41,716 securities were sold on market in FY17, and should have been excluded from his closing balance, leaving the remaining balance of 2,272 securities as reported above.

##### Options

No options (i.e. a right to acquire a security upon payment of an exercise price) were granted as remuneration during FY18 and no unvested or unexercised options are held by Executive KMP as at 30 June 2018.

##### Performance rights held during the year

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

|                      | Balance 1 July 2017 | LTI           |  | Deferred STI  |                         | Balance 30 June 2018 |
|----------------------|---------------------|---------------|--|---------------|-------------------------|----------------------|
|                      |                     | Rights issued | Rights relating to perf period ending 30 June 2018 | Rights issued | Rights vested/forfeited |                      |
| <b>Executive KMP</b> |                     |               |  |               |                         |                      |
| Susan Lloyd-Hurwitz  | 3,023,704           | 1,061,320     | (1,470,500)  | 206,223       | (221,226)               | 2,599,521            |
| Brett Draffen        | 1,241,904           | 403,302       | (558,823)  | 132,708       | (150,055)               | 1,069,036            |
| Shane Gannon         | 1,159,797           | 382,076       | (529,411)  | 126,025       | (125,316)               | 1,013,171            |
| Campbell Hanan       | 311,356             | 188,680       | -  | 99,293        | (45,181)                | 554,148              |
| Susan MacDonald      | 547,774             | 188,680       | (228,758)  | 87,597        | (85,880)                | 509,413              |
| Stuart Penklis       | 241,215             | 165,094       | (130,718)  | 68,104        | -                       | 343,695              |

Mirvac Property Trust and its controlled entities  
Notes to the consolidated financial statements  
For the year ended 30 June 2018



H3 KEY MANAGEMENT PERSONNEL (continued)

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

|                      | Plan | Grant Date | Number of rights granted | Value at grant date | Vesting Date | Vested           |                  |                  | Lapsed           |                  |                 |
|----------------------|------|------------|--------------------------|---------------------|--------------|------------------|------------------|------------------|------------------|------------------|-----------------|
|                      |      |            |                          |                     |              | Number of rights | % of total grant | Value of rights  | Number of rights | % of total grant | Value of rights |
| <b>Executive KMP</b> |      |            |                          |                     |              |                  |                  |                  |                  |                  |                 |
| Susan                | STI  | 18 Sep 15  | 132,341                  | 201,158             | 18 Sep 17    | 132,341          | 100%             | 201,158          | -                | 0%               | -               |
| Lloyd-Hurwitz        | LTI  | 7 Dec 15   | 1,470,500                | 1,146,990           | 30 Jun 18    | 1,235,220        | 84%              | 963,472          | 235,280          | 16%              | 183,518         |
|                      | STI  | 23 Sep 16  | 88,885                   | 186,659             | 23 Sep 17    | 88,885           | 100%             | 186,659          | -                | 0%               | -               |
|                      | STI  | 23 Sep 16  | 88,885                   | 178,659             | 23 Sep 18    | -                | -                | -                | -                | -                | -               |
|                      | LTI  | 6 Dec 16   | 1,243,093                | 1,712,360           | 30 Jun 19    | -                | -                | -                | -                | -                | -               |
|                      | STI  | 26 Sep 17  | 103,112                  | 220,660             | 26 Sep 18    | -                | -                | -                | -                | -                | -               |
|                      | STI  | 26 Sep 17  | 103,111                  | 210,346             | 26 Sep 19    | -                | -                | -                | -                | -                | -               |
|                      | LTI  | 6 Dec 17   | 1,061,320                | 1,599,940           | 30 Jun 20    | -                | -                | -                | -                | -                | -               |
| <b>Total</b>         |      |            | <b>4,291,247</b>         | <b>5,456,772</b>    |              | <b>1,456,446</b> |                  | <b>1,351,289</b> | <b>235,280</b>   |                  | <b>183,518</b>  |
| Brett Draffen        | STI  | 18 Sep 15  | 89,403                   | 135,893             | 18 Sep 17    | 89,403           | 100%             | 135,893          | -                | 0%               | -               |
|                      | LTI  | 7 Dec 15   | 558,823                  | 435,882             | 30 Jun 18    | 469,411          | 84%              | 366,141          | 89,412           | 16%              | 69,741          |
|                      | STI  | 23 Sep 16  | 60,652                   | 127,369             | 23 Sep 17    | 60,652           | 100%             | 127,369          | -                | 0%               | -               |
|                      | STI  | 23 Sep 16  | 60,651                   | 121,909             | 23 Sep 18    | -                | -                | -                | -                | -                | -               |
|                      | LTI  | 6 Dec 16   | 472,375                  | 650,696             | 30 Jun 19    | -                | -                | -                | -                | -                | -               |
|                      | STI  | 26 Sep 17  | 66,354                   | 141,998             | 26 Sep 18    | -                | -                | -                | -                | -                | -               |
|                      | STI  | 26 Sep 17  | 66,354                   | 135,362             | 26 Sep 19    | -                | -                | -                | -                | -                | -               |
|                      | LTI  | 6 Dec 17   | 403,302                  | 607,977             | 30 Jun 20    | -                | -                | -                | -                | -                | -               |
| <b>Total</b>         |      |            | <b>1,777,914</b>         | <b>2,357,086</b>    |              | <b>619,466</b>   |                  | <b>629,403</b>   | <b>89,412</b>    |                  | <b>69,741</b>   |
| Shane Gannon         | STI  | 18 Sep 15  | 67,758                   | 102,992             | 18 Sep 17    | 67,758           | 100%             | 102,992          | -                | 0%               | -               |
|                      | LTI  | 7 Dec 15   | 529,411                  | 412,941             | 30 Jun 18    | 444,705          | 84%              | 346,870          | 84,706           | 16%              | 66,071          |
|                      | STI  | 23 Sep 16  | 57,558                   | 120,872             | 23 Sep 17    | 57,558           | 100%             | 120,872          | -                | 0%               | -               |
|                      | STI  | 23 Sep 16  | 57,557                   | 115,690             | 23 Sep 18    | -                | -                | -                | -                | -                | -               |
|                      | LTI  | 6 Dec 16   | 447,513                  | 616,449             | 30 Jun 19    | -                | -                | -                | -                | -                | -               |
|                      | STI  | 26 Sep 17  | 63,013                   | 134,848             | 26 Sep 18    | -                | -                | -                | -                | -                | -               |
|                      | STI  | 26 Sep 17  | 63,012                   | 128,544             | 26 Sep 19    | -                | -                | -                | -                | -                | -               |
|                      | LTI  | 6 Dec 17   | 382,076                  | 575,979             | 30 Jun 20    | -                | -                | -                | -                | -                | -               |
| <b>Total</b>         |      |            | <b>1,667,898</b>         | <b>2,208,315</b>    |              | <b>570,021</b>   |                  | <b>570,734</b>   | <b>84,706</b>    |                  | <b>66,071</b>   |
| Campbell Hanan       | STI  | 23 Sep 16  | 45,181                   | 94,880              | 23 Sep 17    | 45,181           | 100%             | 94,880           | -                | 0%               | -               |
|                      | STI  | 23 Sep 16  | 45,181                   | 90,814              | 23 Sep 18    | -                | -                | -                | -                | -                | -               |
|                      | LTI  | 6 Dec 16   | 220,994                  | 304,419             | 30 Jun 19    | -                | -                | -                | -                | -                | -               |
|                      | STI  | 26 Sep 17  | 49,647                   | 106,245             | 26 Sep 18    | -                | -                | -                | -                | -                | -               |
|                      | STI  | 26 Sep 17  | 49,646                   | 101,278             | 26 Sep 19    | -                | -                | -                | -                | -                | -               |
|                      | LTI  | 6 Dec 17   | 188,680                  | 284,435             | 30 Jun 20    | -                | -                | -                | -                | -                | -               |
| <b>Total</b>         |      |            | <b>599,329</b>           | <b>982,071</b>      |              | <b>45,181</b>    |                  | <b>94,880</b>    | -                |                  | -               |
| Susan MacDonald      | STI  | 18 Sep 15  | 46,113                   | 70,092              | 18 Sep 17    | 46,113           | 100%             | 70,092           | -                | 0%               | -               |
|                      | LTI  | 7 Dec 15   | 228,758                  | 178,431             | 30 Jun 18    | 192,156          | 84%              | 149,882          | 36,602           | 16%              | 28,549          |
|                      | STI  | 23 Sep 16  | 39,767                   | 83,511              | 23 Sep 17    | 39,767           | 100%             | 83,511           | -                | 0%               | -               |
|                      | STI  | 23 Sep 16  | 39,766                   | 79,930              | 23 Sep 18    | -                | -                | -                | -                | -                | -               |
|                      | LTI  | 6 Dec 16   | 193,370                  | 266,367             | 30 Jun 19    | -                | -                | -                | -                | -                | -               |
|                      | STI  | 26 Sep 17  | 43,799                   | 93,730              | 26 Sep 18    | -                | -                | -                | -                | -                | -               |
|                      | STI  | 26 Sep 17  | 43,798                   | 89,348              | 26 Sep 19    | -                | -                | -                | -                | -                | -               |
|                      | LTI  | 6 Dec 17   | 188,680                  | 284,435             | 30 Jun 20    | -                | -                | -                | -                | -                | -               |
| <b>Total</b>         |      |            | <b>824,051</b>           | <b>1,145,844</b>    |              | <b>278,036</b>   |                  | <b>303,485</b>   | <b>36,602</b>    |                  | <b>28,549</b>   |
| Stuart Penklis       | LTI  | 7 Dec 15   | 130,718                  | 101,960             | 30 Jun 18    | 109,803          | 84%              | 85,646           | 20,915           | 16%              | 16,314          |
|                      | LTI  | 6 Dec 16   | 110,497                  | 152,210             | 30 Jun 19    | -                | -                | -                | -                | -                | -               |
|                      | STI  | 26 Sep 17  | 34,052                   | 72,871              | 26 Sep 18    | -                | -                | -                | -                | -                | -               |
|                      | STI  | 26 Sep 17  | 34,052                   | 69,466              | 26 Sep 19    | -                | -                | -                | -                | -                | -               |
|                      | LTI  | 6 Dec 17   | 165,094                  | 248,879             | 30 Jun 20    | -                | -                | -                | -                | -                | -               |
| <b>Total</b>         |      |            | <b>474,413</b>           | <b>645,386</b>      |              | <b>109,803</b>   |                  | <b>85,646</b>    | <b>20,915</b>    |                  | <b>16,314</b>   |

1. The calculation of the value of performance rights used the fair value as determined at the time of grant. For the LTI grants subject to ROIC performance, the initial accounting treatment for the FY15 and FY16 grants assumes 50 per cent vesting, and from FY17 onwards the grant assumes 75 per cent vesting, which is reflected in the above valuation.

#### H4 RELATED PARTIES

##### The Responsible Entity

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

As outlined in the Explanatory Memorandum dated 4 May 1999, Mirvac Funds Limited charges MPT Responsible Entity fees on a cost recovery basis. Fees charged by Mirvac Funds Limited for the year ended 30 June 2018 were \$23.0 million (2017: \$14.5 million).

##### Transactions with related parties

|   | Note | 2018<br>\$000 | 2017<br>\$000 |
|---|------|---------------|---------------|
| Investment property rental revenue from entities related to Responsible Entity    |      | 5,565         | 10,171        |
| Fees paid to Responsible Entity   |      | (23,032)      | (14,519)      |
| Interest paid to entities related to Responsible Entity                           |      | (59,083)      | (56,466)      |
| Property management fee expense paid to entities related to Responsibility Entity |      | (20,579)      | (12,485)      |
| Capital expenditure paid to entities related to Responsible Entity                |      | (88,767)      | (221,191)     |
| Amounts due to entities related to Responsible Entity                             | F4   | 94,554        | 51,110        |
| Loans from entities related to Responsible Entity                                 | D2   | 1,322,000     | 1,269,085     |

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

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

#### H5 RECONCILIATION OF PROFIT TO OPERATING CASH FLOW

f

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

|  | 2018<br>\$m  | 2017<br>\$m  |
|--|--------------|--------------|
| Profit for the year attributable to stapled unitholders                                      | 921.7        | 935.4        |
| Net revaluation gain from investment properties and investment properties under construction | (487.7)      | (500.3)      |
| Amortisation expenses  | 56.5         | 40.4         |
| Lease incentives and straight-lining of lease revenue  | (15.8)       | (27.0)       |
| Net gain on financial instruments  | (8.6)        | (1.6)        |
| Net gain on foreign exchange   | (3.7)        | (0.5)        |
| Net loss/(gain) on sale of assets  | 0.4          | (0.3)        |
| Share of net profit of JV's net of distributions received                                    | (42.7)       | (66.5)       |
| <b>Change in operating assets and liabilities</b>  |              |              |
| (Increase)/decrease in receivables   | (1.9)        | 2.9          |
| Increase in other assets   | (1.4)        | (3.4)        |
| Increase/(decrease) in payables  | 2.4          | (0.8)        |
| <b>Net cash inflows from operating activities</b>  | <b>419.2</b> | <b>378.3</b> |

#### H6 AUDITORS' REMUNERATION

|  | 2018<br>\$000 | 2017<br>\$000 |
|--|---------------|---------------|
| <b>Audit services</b>                      |               |               |
| Audit and review of financial reports      | 533.3         | 510.0         |
| Compliance services and regulatory returns | 206.0         | 162.4         |
| <b>Total auditors' remuneration</b>        | <b>739.3</b>  | <b>672.4</b>  |

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 36 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

The basis of preparation note confirms that the financial statements also comply with 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  
Director

Sydney  
9 August 2018



## *Independent auditor's report*

To the unitholders of Mirvac Property Trust

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### ***What we have audited***

The consolidated entity's financial report comprises:

- the consolidated statement of financial position as at 30 June 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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#### *Basis for opinion*

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

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

#### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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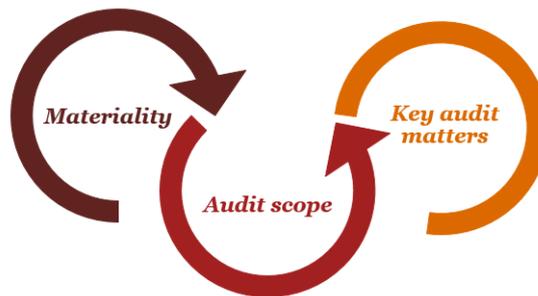
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## *Our audit approach*

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

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



### *Materiality*

- For the purpose of our audit we used overall consolidated entity materiality of \$19.69 million, which represents approximately 5% of the adjusted profit before tax of the consolidated entity.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose adjusted profit before tax of the consolidated entity as, in our view, it is the metric against which the performance of the consolidated entity is most commonly measured.
- Profit before tax is adjusted for fair value movements in investment property, unlisted equity investments and foreign exchange movements because they are non-cash items that are generally excluded when assessing the financial performance of a property investment trust.
- We selected 5% based on our professional judgment noting that it is within the range of commonly acceptable profit related thresholds.

### *Audit scope*

- Our audit focused on where the consolidated entity made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The consolidated entity owns investment property assets across Sydney, Melbourne, Brisbane and Perth. The accounting processes are structured around a consolidated entity finance function at its head office in Sydney. Our audit procedures were predominately performed at the consolidated entity head office, along with a number of property site visits being performed across the year.



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### *Key audit matters*

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

| <i>Key audit matter</i>   | <i>How our audit addressed the key audit matter</i>   |
|---|---|
| <p><b><i>Fair value of investment properties</i></b></p> <p><i>Refer to note C1 - \$8,274.2m</i></p> <p>The carrying value of investment properties is based on the fair value of each property.</p> <p>The fair value of investment property is inherently subjective and impacted by, among other factors, prevailing market conditions, the individual nature and condition of each property, its location and the expected future income for each property.</p> <p>At each reporting period the Directors of Mirvac Funds Limited (the Responsible Entity of MPT) determine the fair value of the consolidated entity's investment property portfolio having regard to the consolidated entity's valuation policy which requires all properties to be externally valued by independent valuation experts at least once every 2 years.</p> <p>In the period between external valuations, the Directors' valuation is supported by internal valuation models.</p> <p>This was a key audit matter because the:</p> <ul style="list-style-type: none"><li>• investment property balances are financially significant in the Consolidated Statement of Financial Position,</li><li>• impact of changes in the fair value of investment properties can have a significant effect on the consolidated entity's comprehensive income,</li></ul> | <p>We reconciled the list of investment property values to our prior and current year supporting evidence to check compliance with the consolidated entity's policy that all properties had been externally valued at least once in the last two years.</p> <p>We read recent independent property market reports to develop our understanding of the prevailing market conditions in which the consolidated entity invests.</p> <p>We met with management and discussed the specifics of selected individual properties including, amongst other things, any new leases entered into during the year, lease expiries, capital expenditure and vacancy rates.</p> <p>For a sample of properties we checked that the rental income data used in the valuation models tested was consistent with rental income for the property per the general ledger.</p> <p>For a sample of properties externally valued at balance date we agreed the fair values of those properties to the external valuations, assessed the competency and capabilities of the relevant external valuer and checked that the consolidated entity followed its policy on rotation of valuation firms.</p> |

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| <i>Key audit matter</i>  | <i>How our audit addressed the key audit matter</i>   |
|--|---|
| <ul style="list-style-type: none"><li>• investment property valuations are inherently subjective due to the use of assumptions in the valuation methodology; and</li><li>• sensitivity of valuations to key input assumptions, specifically capitalisation and discount rates.</li></ul> | <p>We then focused our testing on the key assumptions in the external valuations and the internal valuation models:</p> <ul style="list-style-type: none"><li>• We compared the capitalisation rates and discount rates used to an estimated range we independently determined via reference to benchmarks and market data. Where these rates fell outside of our anticipated ranges, we challenged the rationale by discussing with management the reasons to support the adopted values. We were satisfied that the variances appropriately related to the relative age, size or location of the property.</li><li>• We considered the reasonableness of other assumptions in the valuations that were not so readily available, such as vacancies, rent free periods and let up allowances and incentives.</li></ul> |

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### *Other information*

The directors are responsible for the other information. The other information comprises the Directors' report included in the consolidated entity's annual report for the year ended 30 June 2018 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### *Responsibilities of the directors for the financial report*

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

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

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### *Auditor's responsibilities for the audit of the financial report*

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

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PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Jane Reilly', with a stylized flourish at the end.

Jane Reilly  
Partner

Sydney  
9 August 2018

