Annual Report

Mirvac Property Trust

8 August 2019

Contents

DIRECTORS' REPORT

The Directors of Mirvac Funds Limited (ABN 70 002 561 640, AFSL 233121), the Responsible Entity of Mirvac Property Trust (MPT or Trust), present their report, together with the consolidated report of MPT (ARSN 086 780 645) and its controlled entities (consolidated entity) for the year ended 30 June 2019.

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

Responsible Entity

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

Directors

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

- John Mulcahy
- Susan Lloyd-Hurwitz
- Christine Bartlett
- Peter Hawkins
- Jane Hewitt (appointed 10 December 2018)
- James M. Millar AM
- Samantha Mostyn
- Peter Nash (appointed 19 November 2018)
- 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 2019:

- profit attributable to the stapled unitholders of MPT of $893.1 million (2018: $921.7 million), driven by investment property portfolio growth and substantial revaluation gains on investment properties;
- operating cash inflow of $434.8 million (2018: $420.4 million);
- distributions of $440.3 million (2018: $408.1 million), representing 11.6 cents per stapled unit (2018: 11.0 cents per stapled unit); and
- net tangible assets per stapled unit of $2.17, up from $2.02 (June 2018).

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

Key capital management highlights for the year ended 30 June 2019:

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

- successfully completed a fully underwritten $750 million institutional placement and $46.2 million Security Share Plan in the fourth quarter. The placement was strongly supported and will assist the delivery of the next generation of value accretive office, industrial and mixed-use projects.
- completed 58 million of stapled security buy-backs, totalling $130 million during the first half, with a total of 59 million stapled securities purchased since the commencement of the buy-back on 23 February 2018;
- issued $665 million US Private Placement notes with tenors of 11,13, 15 and 20 years; and
- received an A- rating with a stable outlook from Fitch Ratings during the first half year and maintained its A3 rating from Moody's Investor Service (equivalent to A-).

FINANCIAL, CAPITAL MANAGEMENT AND OPERATIONAL HIGHLIGHTS (continued)

Key capital management highlights for the year ended 30 June 2019 (continued):

These actions have resulted in:
- reduced gearing to 20.5 per cent, within the Group's target range of 20 to 30 per cent;
- increased liquidity to $1,426.0 million in cash and committed undrawn bank facilities;
- increased weighted average debt maturity to 8.5 years from 6.8 years (June 2018); and
- stable average borrowing costs at 4.8 per cent per annum (June 2018: 4.8 per cent), including margins and line fees, following the issuance of new debt and the repayment of lower cost revolving bank debt following the capital raising.

Key operational highlights for the year ended 30 June 2019:

- investment property revaluations provided an uplift of $523.3 million for the 12 months to 30 June 2019;
- completed the sale of a controlled entity in June 2019 for $191.6 million, which effectively resulted the sale of the consolidated entity's 49.0 percent interest in its Tucker Box Hotel Group joint venture investment;
- completed the acquisition of 50.0 percent of 383 La Trobe Street, Melbourne VIC for $61.0 million in September 2018;
- practical completion on Building 2 and 5 at Calibre, Eastern Creek NSW (50.0 percent interest) was achieved in October 2018 and December 2018 respectively;
- development completion of South Village, Kirrawee NSW (50.0 percent interest) was achieved in November 2018;
- completed the acquisition of 50.0 percent interest of 80 Ann Street, Brisbane QLD for $46.0 million, including a deferred purchase price amount of $6.5 million, in August 2018;
- completed the acquisition of 50.0 percent interest of Hoxton Distribution Park, Hoxton Park NSW for $170.5 million in August 2018; and
- completed the acquisition of 50.1 percent interest in Joynton North Property Trust from a related party of the Responsible Entity for $160.4 million in July 2018.

Outlook[1] 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:
While global uncertainty and softer economic growth locally are likely to impact expansion plans of major office occupiers overall, the outlook for Sydney and Melbourne CBD markets remains well supported given vacancy rates for both markets are at 4 per cent. While vacancy is set to rise a little in the Melbourne CBD near term due to a large volume of new stock completing, the vast majority of this stock has been pre-leased as tenants seek better quality premises and space efficiencies. A more staggered and smaller supply pipeline in Sydney will mitigate vacancy rises over the next few years.

Tenant demand in Brisbane also reflects a flight to quality space as demand for prime-grade stock has more than doubled that for secondary in the past year, a trend that is expected to continue. Similarly, the Perth office market has seen a pick-up in net absorption over the past year as tenants consolidate from fringe locations into the CBD, with prime-grade stock outperforming secondary. With very limited supply near term, prospects for better rental growth have lifted.

The Group will continue to focus on the key urban markets of Sydney and Melbourne, as well as creating innovative, collaborative and flexible workplaces that generate value for the consolidated entity, while improving the quality of the portfolio.

Industrial:
Demand drivers for industrial are mixed with both weaker global trade and uncertainty impacting global production firms, while softer domestic indicators, such as forward orders and confidence of wholesale trade firms, point to softer take-up near term. Conversely, the structural shift from growing e-commerce volumes and customer demands for convenience and faster delivery times is spurring demand for logistics space. According to Knight Frank, the Sydney industrial market continues to record the lowest vacancy rate of any major industrial market, resulting in most major sub-markets recording annual rent growth greater than inflation.

The Group's strategic overweight to the strong performing Sydney market ensures that the industrial portfolio will continue to provide a secure stable income to the consolidated entity.

Retail:
While the broader retail environment faces some challenges, shopping centres with strong catchment fundamentals continue to be better 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 higher jobs growth than populations within regional areas. In addition, centres that offer vibrant customer experiences continue to attract quality tenants. The Group's focus on high-quality asset management 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).

Significant changes in the state of affairs

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

Interests in the Trust

	2019 No. units m	2018 No. units m
Total ordinary stapled units issued	**3,909.4**	3,707.6
Stapled units issued under Long-Term Incentive Plan and Employee Incentive Scheme	**1.7**	2.0
Total stapled units issued	**3,911.1**	3,709.6

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

Instruments held by Directors

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

Director	Mirvac stapled securities	Performance rights/rights to acquire stapled securities	Interests in securities of related entities or related bodies corporate
John Mulcahy	100,000	-	-
Susan Lloyd-Hurwitz	3,260,835	2,513,678	-
Christine Bartlett	50,000	-	-
Peter Hawkins	596,117	-	-
Jane Hewitt	-	-	-
James M. Millar AM	50,000	-	-
Samantha Mostyn	37,269	-	-
Peter Nash	20,445	-	-
John Peters	70,000	-	-
Elana Rubin	54,343	-	-

During the year ended 30 June 2018, the Board adopted a Fee Sacrifice Rights Plan for Non-Executive Directors whereby they can sacrifice a portion of their Directors' fees each month and use them to acquire Mirvac stapled securities. During the year ended 30 June 2019, Samantha Mostyn and Peter Nash participated in the Mirvac Group Non-Executive Director Fee Sacrifice Rights Plan. As at 30 June 2019, no Non-Executive Directors held rights to acquire stapled securities under the Fee Sacrifice Rights Plan, as disclosed in the table above.

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

Fees paid to the Responsible Entity or its associates

Fees paid to the Responsible Entity out of Trust property during the year were $20.2 million (2018: $23.0 million). Fees charged by the Responsible Entity represent recovery of costs. No fees were paid out of Trust property to the Directors of the Responsible Entity during the year. Fees paid to the Responsible Entity and its associates out of Trust property during the year are disclosed in note H4 to the consolidated financial statements.

Net current asset deficiency

As at 30 June 2019, the Trust was in a net current liability position of $422.3 million (2018: $333.2 million). The Trust repays its borrowings with excess cash, but had access to $1,053.0 million of unused borrowing facilities at 30 June 2019 (2018: $678.0 million). Accordingly, the Directors of the Responsible Entity expect that the Trust will have sufficient cash flows to meet all financial obligations as and when they fall due.

Matters subsequent to the end of the year

As announced on 3 July 2019, the Group confirmed the successful completion of the non-underwritten Security Purchase Plan (SPP). A total of $40.0 million attributable to the consolidated entity was raised under the SPP, with 15.9 million new stapled units issued to eligible applicants on 4 July 2019.

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

Environmental regulations

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

More information on Mirvac's sustainability strategy, actions and performance for the year ended 30 June 2019 can be found in the 30 June 2019 Annual Report of the Group.

Non-audit services

From time to time, the consolidated entity may engage its external auditor, PricewaterhouseCoopers, to perform services additional to their statutory audit duties. Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year ended 30 June 2019 are set out in note H6 to the consolidated financial statements.

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

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

Insurance of officers

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6 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.

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
8 August 2019

Auditor's Independence Declaration

As lead auditor for the audit of Mirvac Property Trust for the year ended 30 June 2019, 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.

JReilly

Jane Reilly
Partner

PricewaterhouseCoopers

Sydney
8 August 2019

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 5, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Directors on 8 August 2019. The Directors have the power to amend and reissue the financial statements.

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

Mirvac Property Trust and its controlled entities
Consolidated statement of comprehensive income
For the year ended 30 June 2019

	Note	2019 $m	2018 $m
Revenue	B2	**663.5**	602.7
Other income			
Net revaluation gain from investment properties and investment properties under construction	C1	**523.3**	487.7
Share of net profit of joint ventures	C2	**17.3**	92.1
Gain on foreign exchange and financial instruments	B2	**5.1**	12.3
Total other income		**545.7**	592.1
Total revenue and other income		**1,209.2**	1,194.8
Investment property expenses and outgoings		**180.7**	166.9
Amortisation expenses		**39.4**	28.8
Finance costs	B3	**72.4**	49.6
Net loss on sale of assets	B3	**-**	0.4
Responsible Entity fees	H4	**20.2**	23.0
Other expenses		**3.4**	4.4
Profit before income tax		**893.1**	921.7
Income tax expense	B5	**-**	-
Profit for the year attributable to stapled unitholders		**893.1**	921.7
Other comprehensive income that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**-**	(4.8)
Other comprehensive income for the year		**-**	(4.8)
Total comprehensive income for the year attributable to stapled unitholders		**893.1**	916.9
Earnings per stapled unit attributable to stapled unitholders		**Cents**	Cents
Basic earnings per stapled unit	H2	**24.2**	24.9
Diluted earnings per stapled unit	H2	**24.2**	24.8

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 2019

	Note	2019 $m	2018 $m
Current assets			
Cash and cash equivalents		**16.9**	26.8
Receivables	F1	**14.2**	16.0
Other financial assets	F2	**-**	79.7
Other assets		**14.6**	12.8
Total current assets		**45.7**	135.3
Non-current assets			
Investment properties	C1	**9,846.2**	8,274.2
Investments in joint ventures	C2	**461.3**	837.5
Other financial assets	F2	**58.0**	39.9
Intangible assets	F3	**42.8**	42.8
Total non-current assets		**10,408.3**	9,194.4
Total assets		**10,454.0**	9,329.7
Current liabilities			
Payables	F4	**221.6**	245.9
Provisions	F5	**246.4**	222.6
Total current liabilities		**468.0**	468.5
Non-current liabilities			
Payables	F4	**6.5**	-
Borrowings	D2	**1,447.0**	1,322.0
Total non-current liabilities		**1,453.5**	1,322.0
Total liabilities		**1,921.5**	1,790.5
Net assets		**8,532.5**	7,539.2
Equity			
Contributed equity	E2	**5,316.4**	4,775.9
Reserves	E3	**5.4**	5.4
Retained earnings		**3,210.7**	2,757.9
Total equity attributable to the stapled unitholders		**8,532.5**	7,539.2

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 2019

		Attributable to stapled unitholders			
	Note	Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
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)
Total comprehensive income for the year		-	(4.8)	921.7	916.9
Transactions with owners in their capacity as owners					
Unit-based payments					
Long-Term Incentives (LTI) vested	E2	6.5	-	-	6.5
Legacy schemes vested	E2	0.8	-	-	0.8
Stapled unit buy-back	E2	(2.4)	-	-	(2.4)
Distributions	E1	-	-	(408.0)	(408.0)
Total transactions with owners in their capacity as owners		4.9	-	(408.0)	(403.1)
Balance 30 June 2018		**4,775.9**	**5.4**	**2,757.9**	**7,539.2**
Profit for the year		**-**	**-**	**893.1**	**893.1**
Other comprehensive income for the year		**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**893.1**	**893.1**
Transactions with owners in their capacity as owners					
Unit-based payments					
Expense recognised – Employee Exemption Plan (EEP)	E2	**1.0**	**-**	**-**	**1.0**
LTI vested	E2	**7.4**	**-**	**-**	**7.4**
Legacy schemes vested	E2	**0.7**	**-**	**-**	**0.7**
Stapled units issued	E2	**645.0**	**-**	**-**	**645.0**
Stapled unit buy-back	E2	**(113.6)**	**-**	**-**	**(113.6)**
Distributions	E1	**-**	**-**	**(440.3)**	**(440.3)**
Total transactions with owners in their capacity as owners		**540.5**	**-**	**(440.3)**	**100.2**
Balance 30 June 2019		**5,316.4**	**5.4**	**3,210.7**	**8,532.5**

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 2019

	Note	2019 $m	2018 $m
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**718.1**	636.8
Payments to suppliers (inclusive of GST)		**(243.8)**	(214.0)
		474.3	422.8
Interest received		**0.1**	9.3
Distributions received from joint ventures	C2	**43.5**	49.4
Distributions received		**1.8**	1.2
Interest paid	B3	**(84.9)**	(59.3)
Income tax paid	B5	**-**	(3.0)
Net cash inflows from operating activities	H5	**434.8**	420.4
Cash flows from investing activities			
Payments for investment properties		**(794.1)**	(433.2)
Proceeds from sale of investment properties		**-**	299.2
Proceeds from sale of controlled entity	C2	**191.6**	-
Proceeds from loans to unrelated parties		**79.7**	50.7
Contributions to joint ventures		**-**	(0.2)
Payments for acquisition of controlled entity, net of cash acquired	C2	**(157.4)**	-
Payments for financial assets	D4	**(13.0)**	(7.3)
Net cash outflows from investing activities		**(693.2)**	(90.8)
Cash flows from financing activities			
Proceeds from loans from entities related to Responsible Entity		**1,403.5**	660.5
Repayments of loans to entities related to Responsible Entity		**(1,278.5)**	(607.4)
Proceeds from issue of stapled units		**663.9**	6.6
Payments for equity raising costs		**(10.3)**	-
Payments for stapled unit buy-back		**(113.6)**	(2.4)
Distributions paid		**(416.5)**	(389.3)
Net cash inflows/(outflows) from financing activities		**248.5**	(332.0)
Net decrease in cash and cash equivalents		**(9.9)**	(2.4)
Cash and cash equivalents at the beginning of the year		**26.8**	29.2
Cash and cash equivalents at the end of the year		**16.9**	26.8

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

A BASIS OF PREPARATION

Mirvac Group – stapled securities

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

The stapled security structure will cease to operate on the first of:
- Mirvac Limited or MPT resolving by special resolution in a general meeting, and in accordance with its Constitution, to terminate the stapled security structure; or
- Mirvac Limited or MPT commencing winding up.

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

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

Statement of compliance

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

Basis of preparation

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

These financial statements have been prepared on a going concern basis, using historical cost conventions except for:
- investment properties, investment properties under construction and other financial assets and financial liabilities which have been measured at fair value; and
- assets held for sale which are measured at lower of carrying value and fair value less costs to sell.

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

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 consolidated entity adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* during the current reporting period. As a result of adopting these new standards, the consolidated entity amended its accounting policies. There has been no impact to the 1 July 2018 opening retained earnings or net assets as a result of adoption of AASB 9 and AASB 15, with new disclosures included where required. Refer to the 'Changes in accounting policies' section below for further details.

Other amended standards and interpretations adopted by the consolidated entity for the year ended 30 June 2019 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. The other amendments are listed below:
- AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

Changes in accounting policies

This section explains the changes to accounting policies that have been applied from 1 July 2018 following the consolidated entity's adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*.

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

Accounting standard	**AASB 9 *Financial Instruments***
Nature of change	AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* requirements. AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging and a new impairment model for financial assets.
Application	The Trust has adopted AASB 9 from 1 July 2018. The standard has been applied retrospectively, with the practical expedients permitted under the standard. Comparatives for 30 June 2018 have not been restated; rather, any differences arising from the adoption are recognised in the opening retained earnings as at 1 July 2018.
Impact on financial statements	*Classification and measurement* From 1 July 2018, under AASB 9 the consolidated entity classifies its financial assets as measured at amortised cost; fair value through other comprehensive income; or fair value through profit or loss. Management has assessed the financial assets held by the consolidated entity and has classified its financial instruments into the new AASB 9 categories. The consolidated entity's receivables, other financial assets and other assets, previously classified as loans and receivables, are now classified as financial assets at amortised cost. This classification is based on the consolidated entity holding these assets to collect contractual cash flows and the contractual terms being solely payments of outstanding principal and interest. This change in classification has not impacted the carrying value of the consolidated entity's financial assets. There has been no impact on the consolidated entity's accounting for financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the consolidated entity does not have any such liabilities. *Impairment of financial assets* AASB 9 introduces a new impairment model which requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses. The new ECL model applies to the consolidated entity's trade receivables and any loans to unrelated parties. The consolidated entity applies the simplified or general approach to measuring ECL as appropriate based on the different characteristics of each financial asset class. To measure the ECL, management has grouped together its financial assets based on shared credit risk characteristics and the days past due. The consolidated entity uses judgement in making assumptions about risk of default and ECL rates and the inputs to the impairment calculation, based on the consolidated entity's past history, existing market conditions and future looking estimates at the end of each reporting period. There was no 1 July 2018 opening retained earnings adjustment required on adoption.

Changes in accounting policies (continued)

Accounting standard	**AASB 15 *Revenue from Contracts with Customers***
Nature of change	AASB 15 is based on the principle that revenue is recognised when control of a good or service is transferred to a customer. AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations.
Application	The Trust has adopted AASB 15 from 1 July 2018 using the modified retrospective approach. This means that the cumulative impact of the adoption will be recognised in 1 July 2018 opening retained earnings and comparatives have not been restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 July 2018.
Impact on financial statements	*Classification and measurement* Under AASB 15, revenue is recognised over time if: • the customer simultaneously receives and consumes the benefits as the entity performs the obligations; • the customer controls the asset as the entity creates or enhances it; or • the seller's performance does not create an asset for which the seller has alternative use and there is a right to payment for performance to date. Where the above criteria are not met, revenue is recognised at a point in time. Management's assessment of the changes with respect to the timing of revenue recognition following the adoption of AASB 15 is as follows: <u>Property rental revenue</u>: The consolidated entity derives revenue from investing in properties for rental yields and capital appreciation over time. For the 2019 financial year, property rental revenue was $661.4 million, of which $576.7 million related to tenant lease revenue which continues to be recognised and measured under AASB 117 *Leases*. Non-lease components primarily relating to property outgoings recovered from tenants were $84.7 million and are recognised and measured under AASB 15. No other changes to the measurement or timing of property rental revenue have arisen from adoption of AASB 15.

New standards not yet adopted

Certain new accounting standards have been published that are not mandatory for 30 June 2019 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:

Accounting standard	**AASB 16 *Leases***
Nature of change	AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard will result in almost all leases being recognised on the balance sheet of lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.
Impact on financial statements	*Consolidated entity as lessee* The consolidated entity enters into lease agreements as lessee for some commercial tenancies and operating equipment. Management has assessed the effects of applying the new standard on the consolidated entity's financial statements and on transition at 1 July 2019 expects a decrease in opening retained earnings and net assets to be less than $8.0 million. *Consolidated entity as lessor* Where the consolidated entity is the lessor in a lease agreement, adjustments may be required to align accounting for these leases with the new definitions of lease term, variable lease payments, and extension/termination options. However, there are no significant impacts expected.
Mandatory application date/expected adoption date	Mandatory for financial years commencing on or after 1 January 2019. Early adoption permitted if AASB 15 is also adopted. The Trust expects to adopt this standard for the year ending 30 June 2020.

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

B RESULTS FOR THE YEAR

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

B1 SEGMENT INFORMATION

The consolidated entity is a single segment for reporting to the Executive Leadership Team (ELT). The ELT are the chief operating decision makers of the consolidated entity.

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

B2 REVENUE

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

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

Property rental revenue

The consolidated entity invests in properties for rental yields and capital appreciation. Rental revenue from investment properties is recognised on a straight-line basis over the lease term, net of any incentives. The consolidated entity also provides services to the lessees which primarily consist of general building management and operations in accordance with their lease agreements. Service income, representing the recovery of associated costs from the lessees, are recognised over time when the services are provided.

	2019 $m	2018 $m
Revenue		
Lease revenue[1]	**576.7**	516.0
Service revenue	**84.7**	76.2
Total property rental revenue	**661.4**	592.2
Interest revenue	**0.1**	9.3
Other revenue	**2.0**	1.2
Total revenue	**663.5**	602.7
Gain on foreign exchange and financial instruments		
Foreign exchange gain on borrowings	**-**	3.7
Net revaluation gain on units in unlisted funds	**5.1**	8.6
Total gain on foreign exchange and financial instruments	**5.1**	12.3

1. Includes straight-lining of lease revenue of $7.2 million (2018: $5.6 million).

B3 EXPENSES

Investment property expenses and outgoings

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

	2019 $m	2018 $m
Profit before income tax includes the following specific expenses:		
Interest paid	**84.9**	59.3
Borrowing costs capitalised	**(12.5)**	(9.7)
Total finance costs	**72.4**	49.6
Net loss on sale of assets		
Net loss on sale of investment properties and investments	**-**	0.4
Total net loss on sale of assets	**-**	0.4

B4 EVENTS OCCURRING AFTER THE END OF THE YEAR

As announced on 3 July 2019, the Group confirmed the successful completion of the non-underwritten Security Purchase Plan (SPP). A total of $40.0 million attributable to the consolidated entity was raised under the SPP, with 15.9 million new stapled units issued to eligible applicants on 4 July 2019.

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

B5 INCOME TAX

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

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

C INVESTMENT ASSETS

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

C1 INVESTMENT PROPERTIES

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

Investment properties

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

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

Judgement in fair value estimation

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

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

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

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

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)

Movements in investment properties

	2019 Total $m	2018 Total $m
Balance 1 July	**8,274.2**	7,596.4
Expenditure capitalised	**522.4**	459.0
Acquisitions	**278.4**	88.5
Disposals	**-**	(300.0)
Transfer from joint venture	**319.0**	-
Net revaluation gain from fair value adjustments	**523.3**	487.7
Exchange differences on translation of foreign operations	**-**	(0.9)
Amortisation expenses	**(71.1)**	(56.5)
Balance 30 June	**9,846.2**	8,274.2
Total investment properties	**9,321.5**	8,007.1
Total investment properties under construction	**524.7**	267.1

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:

		Inputs used to measure fair value				
Sector	Level 3 fair value $m	Net market income $/sqm	10-year compound annual growth rate %	Capitalisation rate %	Terminal yield %	Discount rate %
2019						
Office	**5,890.1**	**300 - 1,531**	**3.10 - 4.00**	**4.75 - 6.50**	**5.00 - 7.50**	**6.25 - 7.75**
Industrial	**839.1**	**117 - 470**	**2.92 - 3.47**	**4.88 - 6.75**	**5.13 - 7.00**	**6.75 - 7.38**
Retail	**3,117.0**	**206 - 1,374**	**2.50 - 4.04**	**4.50 - 8.00**	**4.75 - 8.25**	**6.50 - 9.50**
2018						
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

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.

C1 INVESTMENT PROPERTIES (continued)

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.

	2019 $m	2018 $m
Future operating lease receipts as a lessor		
Within one year	**503.4**	395.4
Between one and five years	**1,505.6**	1,130.6
Later than five years	**1,437.6**	676.8
Total future operating lease receipts as a lessor	**3,446.6**	2,202.8

C2 INVESTMENTS IN JOINT VENTURES

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

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

Acquisition of Joynton North Property Trust

On 31 July 2018, the consolidated entity acquired a 50.1 percent interest in Joynton North Property Trust (JNPT) from a related party of the Responsible Entity for a cash consideration of $160.4 million. As a result, the consolidated entity gained control of JNPT and ceased accounting for JNPT as a JV, but rather as a controlled entity forming part of the consolidated entity.

At the acquisition date, the carrying amount of the consolidated entity's previously held 49.9 percent equity interest in JNPT approximated its fair value of $160.4 million. Accordingly, no gain or loss as a result of the remeasurement of the equity interest in JNPT to fair value was recognised in profit or loss.

A cash consideration of $160.4 million was paid to acquire the 50.1 percent interest in JNPT and no goodwill arose from the acquisition as the consideration approximated the fair value of assets acquired and liabilities assumed. On completion of the acquisition, the consolidated entity consolidated the assets and liabilities held by JNPT which included an investment property measured at fair value of $320.2 million.

Sale of Tucker Box Hotel Group

On 27 June 2019, the consolidated entity sold its 100 percent interest in controlled entity JFM Hotel Trust to a related party for cash consideration of $191.6 million. As a result, the consolidated entity's JV investment in Tucker Box Hotel Group, owned by JFM Hotel Trust, ceased to form part of the consolidated entity.

Judgement in testing for impairment of investments in JVs

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

At 30 June 2019, none of the investments in JVs is considered to be impaired (2018: nil).

All JVs are established or incorporated in Australia.

C2 INVESTMENTS IN JOINT VENTURES (continued)

The table below provides summarised financial information for those JVs that are significant to the Trust. The information below reflects the total amounts presented in the financial statements of the relevant 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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	$m	$m	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m
Principal activities		Property investment		Property investment		Property investment		Hotel investment		
Summarised SoFP										
Cash and cash equivalents	**-**	3.0	**2.0**	2.0	**5.7**	5.5	**-**	2.5	**7.7**	13.0
Other current assets	**-**	1.6	**1.2**	1.4	**1.1**	0.5	**-**	6.7	**2.3**	10.2
Total current assets	**-**	4.6	**3.2**	3.4	**6.8**	6.0	**-**	9.2	**10.0**	23.2
Total non-current assets	**-**	319.0	**479.0**	484.6	**443.6**	429.4	**-**	626.9	**922.6**	1,859.9
Other current liabilities	**-**	3.4	**3.3**	3.3	**6.7**	5.7	**-**	9.7	**10.0**	22.1
Total current liabilities	**-**	3.4	**3.3**	3.3	**6.7**	5.7	**-**	9.7	**10.0**	22.1
Non-current financial liabilities (excluding trade payables)	**-**	-	**-**	-	**-**	-	**-**	176.3	**-**	176.3
Other non-current liabilities	**-**	-	**-**	-	**-**	-	**-**	0.9	**-**	0.9
Total non-current liabilities	**-**	-	**-**	-	**-**	-	**-**	177.2	**-**	177.2
Net assets	**-**	320.2	**478.9**	484.7	**443.7**	429.7	**-**	449.2	**922.6**	1,683.8
Trust's share of net assets (%)	**-**	49.9	**50.0**	50.0	**50.0**	50.0	**-**	49.0		
Trust's share of net assets ($m)	**-**	159.8	**239.4**	242.3	**221.9**	214.9	**-**	220.1	**461.3**	837.1
Carrying amount in consolidated SoFP	**-**	160.2	**239.4**	242.3	**221.9**	214.9	**-**	220.1	**461.3**	837.5

	Joynton North Property Trust		Mirvac 8 Chifley Trust		Mirvac (Old Treasury) Trust		Tucker Box Hotel Group		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	$m	$m	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m
Summarised SoCI										
Revenue	**2.0**	23.3	**25.7**	54.8	**47.4**	42.8	**(17.5)**	86.0	**57.6**	206.9
Interest income	**-**	-	**-**	-	**-**	-	**-**	0.1	**-**	0.1
Depreciation and amortisation	**0.1**	1.7	**-**	-	**-**	-	**-**	-	**0.1**	1.7
Interest expense	**-**	-	**-**	-	**-**	-	**6.9**	7.0	**6.9**	7.0
Income tax expense	**-**	-	**-**	-	**-**	-	**0.1**	0.1	**0.1**	0.1
Profit after tax	**1.2**	23.7	**20.3**	49.9	**40.2**	35.7	**(27.6)**	76.4	**34.1**	185.7
Total comprehensive income/(loss)	**1.2**	23.7	**20.3**	49.9	**40.2**	35.7	**(27.6)**	76.4	**34.1**	185.7
Trust's share of profit after tax (%)	**49.9**	49.9	**50.0**	50.0	**50.0**	50.0	**49.0**	49.0		
Trust's share of profit/(loss) after tax ($m)	**0.6**	11.8	**10.2**	25.0	**20.1**	17.9	**(13.6)**	37.4	**17.3**	92.1
Distributions received/receivable from JV	**1.1**	7.1	**12.8**	12.7	**13.0**	12.6	**16.6**	17.0	**43.5**	49.4

Capital expenditure commitments

At 30 June 2019, the consolidated entity had no capital commitments approved but not yet provided for regarding its share JVs (2018: $1.7 million).

D CAPITAL STRUCTURE AND RISKS

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

D1 CAPITAL MANAGEMENT

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

The consolidated entity's capital structure is monitored at the Group level. The Group seeks to maintain an investment grade credit rating of BBB+ to reduce the cost of capital and diversify its sources of debt capital. The Group's target gearing ratio is between 20 and 30 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 2019, 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.

The consolidated entity has one loan facility from a related party. On 6 February 2019, a $500.0 million loan facility limit increase was approved, resulting in a total facility limit as at 30 June 2019 of $2,500.0 million (2018: $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.

At 30 June 2019, the consolidated entity had $1,053.0 million of undrawn facilities available (2018: $678.0 million).

	2019						2018					
		Fixed interest maturing in:						Fixed interest maturing in:				
	Floating interest rate $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	Total $m	Floating interest rate $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	Total $m
Loans from related party	1,447.0	-	-	-	-	**1,447.0**	1,322.0	-	-	-	-	1,322.0

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

D2 BORROWINGS AND LIQUIDITY (continued)

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

	2019				2018			
	Current $m	Non-current $m	Total carrying amount $m	Total fair value $m	Current $m	Non-current $m	Total carrying amount $m	Total fair value $m
Unsecured bank facilities								
Bank loans	-	-	-	-	-	415.0	415.0	415.0
Bonds	-	3,448.4	3,448.4	3,486.0	134.6	2,522.8	2,657.4	2,632.6
Total unsecured borrowings	-	3,448.4	3,448.4	3,486.0	134.6	2,937.8	3,072.4	3,047.6
Undrawn bank facilities			1,292.1				685.1	

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

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.

	2019						2018					
		Fixed interest maturing in:						Fixed interest maturing in:				
	Floating interest rate $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	Total $m	Floating interest rate $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	Total $m
Bank loans	-	-	-	-	-	-	415.0	-	-	-	-	415.0
Bonds	2,064.6	-	200.0	300.0	547.0	3,111.6	1,766.9	-	-	250.0	565.0	2,581.9
Interest rate swaps	(1,800.0)	100.0	300.0	1,000.0	400.0	-	(1,500.0)	200.0	100.0	800.0	400.0	-
Total	264.6	100.0	500.0	1,300.0	947.0	3,111.6	681.9	200.0	100.0	1,050.0	965.0	2,996.9

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	• Borrowings issued at fixed rates and variable rates • Derivatives	• Interest rate derivatives manage cash flow interest rate risk by converting floating rate borrowings to fixed or capped rates with target of 55 per cent. • Mirvac does not manage the fair value risk for debt instruments from interest rates, as it does not have an impact on the cash flows paid by the business. • Refer to note D2 for details on the interest rate exposure for borrowings.
Market risk - foreign exchange	The risk that the fair value of a financial commitment, asset or liability will fluctuate due to changes in foreign exchange rates	• Bonds denominated in other currencies • Receipts and payments which are denominated in other currencies	• Cross currency interest rate swaps to convert non-Australian dollar borrowings to Australian dollar exposures. These cross currency interest rate swaps have been designated as cash flow hedges with the movements in fair value recognised while they are still in an effective hedge relationship. • Foreign currency borrowings as a natural hedge for foreign operations.
Market risk - price	The risk that the fair value of other financial assets at fair value through profit or loss will fluctuate due to changes in the underlying share/unit price	• Other financial assets at fair value through profit or loss, with any resultant gain or loss recognised in other comprehensive income	• The Group is exposed to minimal price risk and so does not manage the exposures.
Credit risk	The risk that a counterparty will not make payments to the Mirvac as they fall due	• Cash and cash equivalents • Receivables • Derivative financial assets • Other financial assets	• Setting credit limits and obtaining collateral as security (where appropriate). • Diversified trading spread across large financial institutions with investment grade credit ratings. • Regularly monitoring the exposure to each counterparty and their credit ratings. • Refer to note F1 for details on credit risk exposure on receivables. The Group deems the exposure to credit risk as immaterial for all other classes of financial assets and liabilities.
Liquidity risk	The risk that Mirvac will not be able to meet its obligations as they fall due	• Payables • Borrowings • Derivative financial liabilities	• Regular forecasts of the Group's liquidity requirements. Surplus funds are only invested in highly liquid instruments. • Availability of cash, marketable securities and committed credit facilities. • Ability to raise funds through issue of new securities through placements or DRP. • Refer to note D2 for details of liquidity risk of the Group's financing arrangements.

Market risk - interest rate risk

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

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

Total impact on profit after tax and equity	**2019**		2018	
	50 bp ⇧ $m	**50 bp ⇩ $m**	50 bp ⇧ $m	50 bp ⇩ $m
Changes in:				
Australian interest rates	**$7.3m decrease**	**$7.3m increase**	$6.4m decrease	$6.4m 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:

	2019					2018				
	Maturing in:					Maturing in:				Total
	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	Total $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	$m
Payables	221.6	-	-	-	**221.6**	245.9	-	-	-	245.9
Borrowings	63.4	63.4	1,613.0	-	**1,739.8**	59.3	62.7	199.3	1,358.3	1,679.6
	285.0	63.4	1,613.0	-	**1,961.4**	305.2	62.7	199.3	1,358.3	1,925.5

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

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

The 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 a basis:

		2019				2018			
	Note	Level 1 $m	Level 2 $m	Level 3 $m	Total $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets carried at fair value									
Units in unlisted funds	F2	-	-	58.0	**58.0**	-	-	39.9	39.9
Other financial assets	F2	-	-	-	**-**	-	-	79.7	79.7
		-	-	58.0	**58.0**	-	-	119.6	119.6

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):

	2019		2018	
	Units in unlisted funds $m	**Other financial assets $m**	Units in unlisted funds $m	Other financial assets $m
Balance 1 July	**39.9**	**79.7**	24.2	130.4
Acquisitions	**13.0**	**-**	7.3	-
Net revaluation gain on financial instruments	**5.1**	**-**	8.4	-
Repayments	**-**	**(79.7)**	-	(50.7)
Balance 30 June	**58.0**	**-**	39.9	79.7

E EQUITY

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

E1 DISTRIBUTIONS

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

	Distribution Cents	Date paid/payable	Total amount $m
Distributions for the year ended 30 June 2019			
31 December 2018	5.30	28 Feb 2019	**193.9**
30 June 2019	6.30	30 Aug 2019	**246.4**
Total distribution	**11.60**		**440.3**
Distributions for the year ended 30 June 2018			
31 December 2017	5.00	28 Feb 2018	185.5
30 June 2018	6.00	31 Aug 2018	222.6
Total distribution	11.00		408.1

Refer to note F5 which outlines a prior year $0.1 million release of provision relating to the 30 June 2017 distribution. This has resulted in the noted prior year $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

	2019		2018	
	No. units m	Units $m	No. units m	Units $m
Balance 1 July	**3,707.6**	**4,775.9**	3,703.3	4,771.0
Stapled units issued under EEP	**0.4**	**1.0**	-	-
Long-term performance plan, LTI and EIS stapled units converted, sold, vested or forfeited	**6.7**	**7.4**	5.3	6.5
Legacy schemes vested	**0.3**	**0.7**	0.1	0.8
Stapled unit issuance	**252.5**	**645.0**	-	-
Stapled unit buy-back[1]	**(58.1)**	**(113.6)**	(1.1)	(2.4)
Balance 30 June	**3,909.4**	**5,316.4**	3,707.6	4,775.9

1. In February 2018, Mirvac announced the intention to buy-back up to 96,482,671 of MPT's stapled units (being 2.6% of MPT's stapled 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 2019 was 3,911.1 million (2018: 3,709.6 million) which includes 1.7 million of stapled units issued under the LTI and EIS (2018: 2.0 million). Units issued to employees under the Mirvac LTI and EIS are accounted for as options and are recognised by the Group in the security-based payments reserve, not in contributed equity.

E3 RESERVES

Foreign currency translation reserve

In the prior year, the consolidated entity had a controlled entity with a functional currency in US dollars. This was a result of the controlled entity having held an investment property in the USA. During the prior 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 SoCI.

Non-controlling interests (NCI) reserve

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

$m	Capital reserve	Foreign currency translation reserve	NCI reserve	Total reserves
Balance 30 June 2017	(1.4)	4.8	6.8	10.2
Reserve realised through OCI	-	(4.8)	-	(4.8)
Balance 30 June 2018	(1.4)	-	6.8	5.4
Reserve realised through OCI	-	-	-	-
Balance 30 June 2019	**(1.4)**	**-**	**6.8**	**5.4**

F OPERATING ASSETS AND LIABILITIES

F1 RECEIVABLES

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

The expected credit loss of receivables is reviewed on an ongoing basis. The consolidated entity applies the simplified or general approach to measuring ECL as appropriate based on the different characteristics of each financial asset class. To measure the ECL, management has grouped together its receivables based on shared credit risk characteristics and the days past due. The consolidated entity uses judgement in making assumptions about risk of default and ECL rates and the inputs to the impairment calculation, based on the consolidated entity's past history, existing market conditions and future looking estimates at the end of each reporting period. Receivables which are known to be uncollectable are written off.

	2019			2018		
	Gross $m	Loss allowance $m	Net $m	Gross $m	Loss allowance $m	Net $m
Trade receivables	**5.7**	**(2.5)**	**3.2**	3.2	(2.9)	0.3
Accrued income	**8.1**	**-**	**8.1**	14.8	-	14.8
Other receivables	**2.9**	**-**	**2.9**	0.9	-	0.9
Total receivables	**16.7**	**(2.5)**	**14.2**	18.9	(2.9)	16.0

	Not past due	Days past due					Total
		1 - 30	31 - 60	61 - 90	91 - 120	Over 120	
2019							
Total receivables	**11.0**	**2.6**	**1.0**	**0.6**	**0.4**	**1.1**	**16.7**
Loss allowance	**-**	**(1.0)**	**(0.5)**	**(0.3)**	**(0.2)**	**(0.5)**	**(2.5)**
2018							
Total receivables	15.7	1.1	0.6	0.4	0.5	0.6	18.9
Loss allowance	-	(1.0)	(0.5)	(0.3)	(0.5)	(0.6)	(2.9)

The consolidated entity does not have any significant credit risk exposure to a single customer. The consolidated entity holds collateral over receivables of $159.9 million (2018: $129.2 million). 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.

F2 OTHER FINANCIAL ASSETS (continued)

Repayment of of loan notes to unrelated parties

Loan notes were issued as partial payment for the sale of non-aligned assets during the 2015 financial year. The $79.7 million loan notes issued by unrelated parties were repaid in full on 5 July 2018.

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

Impairment

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

	2019 $m	2018 $m
Current		
Loan notes issued by unrelated parties	**-**	79.7
Total current other financial assets	**-**	79.7
Non-current		
Units in unlisted funds	**58.0**	39.9
Total non-current other financial assets	**58.0**	39.9

F3 GOODWILL

	2019 $m	2018 $m
Balance 1 July	**42.8**	42.8
Balance 30 June	**42.8**	42.8

Impairment testing

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

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

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

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

	Growth rate 30 June 2019[1] % pa	**Discount rate 30 June 2019 % pa**	Growth rate 30 June 2018[1] % pa	Discount rate 30 June 2018 % pa
Mirvac Property Trust	**-**	**6.9**	-	7.2

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

No intangible assets were impaired in 2019 (2018: nil).

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

F4 PAYABLES

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

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

	Note	2019 $m	2018 $m
Current			
Trade payables		**63.1**	59.4
Rent in advance		**23.3**	18.7
Other accruals		**47.4**	69.7
Other creditors		**0.7**	3.5
Amounts due to entities related to Responsible Entity	H4	**87.1**	94.6
Total current payables		**221.6**	245.9
Non-current			
Other creditors		**6.5**	-
Total non-current payables		**6.5**	-

F5 PROVISIONS

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

	2019 $m	2018 $m
Distributions payable		
Balance 1 July	**222.6**	203.9
Release of over provision of prior year distribution	**-**	(0.1)
Interim and final distributions declared	**440.3**	408.1
Payments made	**(416.5)**	(389.3)
Balance 30 June	**246.4**	222.6

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

1. One unit on issue held by Mirvac Limited as custodian for MPT.
2. This entity was previously accounted for as a joint venture; control was obtained during the year ended 30 June 2019. Refer to note C2.
3. This entity was acquired during the year.
4. This entity was established during the year.

G2 PARENT ENTITY

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

Parent entity	2019 $m	2018 $m
Current assets	**1,415.4**	952.8
Total assets	**9,104.4**	7,938.4
Current liabilities	**802.9**	562.5
Total liabilities	**2,088.8**	1,725.6
Equity		
Contributed equity	**5,316.4**	4,775.9
Reserves	**7.6**	7.6
Retained earnings	**1,691.6**	1,429.3
Total equity	**7,015.6**	6,212.8
Profit for the year	**702.5**	386.7
Total comprehensive income for the year	**702.5**	386.7

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

At 30 June 2019, the parent entity did not provide any other guarantees (2018: nil), have any contingent liabilities (2018: nil), or any capital commitments (2018: nil).

H OTHER DISCLOSURES

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

H1 CONTINGENT LIABILITIES

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

The consolidated entity had contingent liabilities at 30 June 2019 in respect of the following:

	2019 $m	2018 $m
Health and safety claims	**0.2**	0.3

The consolidated entity has no contingent liabilities relating to joint ventures (2018: nil).

H2 EARNINGS PER STAPLED UNIT

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

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

	2019	2018
Earnings per stapled unit		
Basic EPU (cents)	**24.2**	24.9
Diluted EPU (cents)	**24.2**	24.8
Profit for the year attributable to stapled unitholders ($m) used to calculate basic and diluted EPU	**893.1**	921.7
WANOU used in calculating basic EPU (m)	**3,695.8**	3,707.7
WANOU used in calculating diluted EPU (m)	**3,697.7**	3,709.8

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:

	Balance 1 July 2018	Changes	Balance 30 June 2019	Value 30 June 2019 $	Minimum securityholding guideline $	Date securityholding to be attained[1]
Executive KMP						
Susan Lloyd-Hurwitz	2,154,912	1,105,923	3,260,835	10,206,414	2,250,000	Jun 2021
Brett Draffen	1,262,492	127,005	1,389,497	4,349,126	950,000	Jun 2021
Shane Gannon	383,638	(334,725)	48,913	153,098	900,000	Jun 2021
Campbell Hanan	145,181	94,819	240,000	751,200	800,000	Jun 2021
Susan MacDonald	562,109	50,722	612,831	1,918,161	800,000	Jun 2021
Stuart Penklis[2]	2,272	(2,272)	-	-	800,000	May 2022

1. Attainment date is based on the minimum securityholding requirement effective for the 30 June 2019 financial year.
2. Stuart Penklis has five years from the date he became an Executive KMP, May 2017, to build his securityholding to the expected level.

Options
No options (i.e. a right to acquire a security upon payment of an exercise price) were granted as remuneration during the year ended 30 June 2019 and no unvested or unexercised options are held by Executive KMP as at 30 June 2019.

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:

		LTI		Deferred STI		
	Balance 1 July 2018	Rights issued	Rights relating to perf period ending 30 June 2019	Rights issued	Rights vested/ forfeited	Balance 30 June 2019
Executive KMP						
Susan Lloyd-Hurwitz	2,599,521	1,159,793	(1,243,093)	189,454	(191,997)	2,513,678
Brett Draffen	1,069,036	440,721	(472,375)	121,682	(127,005)	1,032,059
Shane Gannon	1,013,171	417,525	(447,513)	115,521	(120,570)	978,134
Campbell Hanan	554,148	206,185	(220,994)	90,876	(94,828)	535,387
Susan MacDonald	509,413	206,185	(193,370)	90,876	(83,565)	529,539
Stuart Penklis	343,695	206,185	(110,497)	80,094	(34,052)	485,425

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:

						Vested			Lapsed		
	Plan	Grant Date	Number of rights granted	Value at grant date[1]	Vesting Date	Number of rights	% of total grant	Value of rights	Number of rights	% of total grant	Value of rights
Executive KMP											
Susan	STI	23 Sep 16	88,885	178,659	23 Sep 18	88,885	100%	178,659	-	0%	-
Lloyd-	LTI	6 Dec 16	1,243,093	1,712,360	30 Jun 19	1,243,093	100%	1,712,360	-	0%	-
Hurwitz	STI	26 Sep 17	103,112	220,660	26 Sep 18	103,112	100%	220,660	-	0%	-
	STI	26 Sep 17	103,111	210,346	26 Sep 19	-		-	-		-
	LTI	6 Dec 17	1,061,320	1,599,940	30 Jun 20	-		-	-		-
	STI	1 Oct 18	94,727	214,083	30 Sep 19	-		-	-		-
	STI	1 Oct 18	94,727	204,610	30 Sep 20	-		-	-		-
	LTI	3 Dec 18	1,159,793	1,433,041	30 Jun 21	-		-	-		-
Total			**3,948,768**	**5,773,699**		**1,435,090**		**2,111,679**	**-**		**-**
Brett	STI	23 Sep 16	60,651	121,909	23 Sep 18	60,651	100%	121,909	-	0%	-
Draffen	LTI	6 Dec 16	472,375	650,696	30 Jun 19	472,375	100%	650,696	-	0%	-
	STI	26 Sep 17	66,354	141,998	26 Sep 18	66,354	100%	141,998	-	0%	-
	STI	26 Sep 17	66,354	135,362	26 Sep 19	-		-	-		-
	LTI	6 Dec 17	403,302	607,977	30 Jun 20	-		-	-		-
	STI	1 Oct 18	60,841	137,501	30 Sep 19	-		-	-		-
	STI	1 Oct 18	60,841	131,417	30 Sep 20	-		-	-		-
	LTI	3 Dec 18	440,721	544,556	30 Jun 21	-		-	-		-
Total			**1,631,439**	**2,471,416**		**599,380**		**914,603**	**-**		**-**
Shane	STI	23 Sep 16	57,557	115,690	23 Sep 18	57,557	100%	115,690	-	0%	-
Gannon	LTI	6 Dec 16	447,513	616,449	30 Jun 19	447,513	100%	616,449	-	0%	-
	STI	26 Sep 17	63,013	134,848	26 Sep 18	63,013	100%	134,848	-	0%	-
	STI	26 Sep 17	63,012	128,544	26 Sep 19	-		-	-		-
	LTI	6 Dec 17	382,076	575,979	30 Jun 20	-		-	-		-
	STI	1 Oct 18	57,761	130,540	30 Sep 19	-		-	-		-
	STI	1 Oct 18	57,760	124,762	30 Sep 20	-		-	-		-
	LTI	3 Dec 18	417,525	515,894	30 Jun 21	-		-	-		-
Total			**1,546,217**	**2,342,706**		**568,083**		**866,987**	**-**		**-**
Campbell	STI	23 Sep 16	45,181	90,814	23 Sep 18	45,181	100%	90,814	-	0%	-
Hanan	LTI	6 Dec 16	220,994	304,419	30 Jun 19	220,994	100%	304,419	-	0%	-
	STI	26 Sep 17	49,647	106,245	26 Sep 18	49,647	100%	106,245	-	0%	-
	STI	26 Sep 17	49,646	101,278	26 Sep 19	-		-	-		-
	LTI	6 Dec 17	188,680	284,435	30 Jun 20	-		-	-		-
	STI	1 Oct 18	45,438	102,690	30 Sep 19	-		-	-		-
	STI	1 Oct 18	45,438	98,146	30 Sep 20	-		-	-		-
	LTI	3 Dec 18	206,185	254,762	30 Jun 21	-		-	-		-
Total			**851,209**	**1,342,789**		**315,822**		**501,478**	**-**		**-**
Susan	STI	23 Sep 16	39,766	79,930	23 Sep 18	39,766	100%	79,930	-	0%	-
MacDonald	LTI	6 Dec 16	193,370	266,367	30 Jun 19	193,370	100%	266,367	-	0%	-
	STI	26 Sep 17	43,799	93,730	26 Sep 18	43,799	100%	93,730	-	0%	-
	STI	26 Sep 17	43,798	89,348	26 Sep 19	-		-	-		-
	LTI	6 Dec 17	188,680	284,435	30 Jun 20	-		-	-		-
	STI	1 Oct 18	45,438	102,690	30 Sep 19	-		-	-		-
	STI	1 Oct 18	45,438	98,146	30 Sep 20	-		-	-		-
	LTI	3 Dec 18	206,185	254,762	30 Jun 21	-		-	-		-
Total			**806,474**	**1,269,408**		**276,935**		**440,027**	**-**		**-**
Stuart	LTI	6 Dec 16	110,497	152,210	30 Jun 19	110,497	100%	152,210	-	0%	-
Penklis	STI	26 Sep 17	34,052	72,871	26 Sep 18	34,052	100%	72,871	-	0%	-
	STI	26 Sep 17	34,052	69,466	26 Sep 19	-		-	-		-
	LTI	6 Dec 17	165,094	248,879	30 Jun 20	-		-	-		-
	STI	1 Oct 18	40,047	90,506	30 Sep 19	-		-	-		-
	STI	1 Oct 18	40,047	86,502	30 Sep 20	-		-	-		-
	LTI	3 Dec 18	206,185	254,762	30 Jun 21	-		-	-		-
Total			**629,974**	**975,196**		**144,549**		**225,081**	**-**		**-**

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 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 2019 were $20.2 million (2018: $23.0 million).

Transactions with related parties

	Note	2019 $000	2018 $000
Property rental revenue from entities related to Responsible Entity		**4,848**	5,565
Fees paid to Responsible Entity		**(20,202)**	(23,032)
Interest paid to entities related to Responsible Entity		**(84,947)**	(59,083)
Property management fee expense paid to entities related to Responsible Entity		**(23,599)**	(20,579)
Capital expenditure paid to entities related to Responsible Entity		**(323,540)**	(88,767)
Amounts due to entities related to Responsible Entity	F4	**87,080**	94,554
Loans from entities related to Responsible Entity	D2	**1,447,000**	1,322,000

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

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

H5 RECONCILIATION OF PROFIT TO OPERATING CASH FLOW

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

	2019 $m	2018 $m
Profit for the year attributable to stapled unitholders	**893.1**	921.7
Net revaluation gain from investment properties and investment properties under construction	**(523.3)**	(487.7)
Amortisation expenses	**71.1**	56.5
Lease incentives and straight-lining of lease revenue	**(35.8)**	(15.8)
Net gain on financial instruments	**(5.1)**	(8.6)
Net gain on foreign exchange	**-**	(3.7)
Net loss on sale of assets	**-**	0.4
Share of net profit of JVs net of distributions received	**26.2**	(42.7)
Change in operating assets and liabilities		
Decrease in receivables	**1.6**	0.8
Increase in other assets	**(1.7)**	(1.6)
Increase in payables	**8.7**	1.1
Net cash inflows from operating activities	**434.8**	420.4

H6 AUDITORS' REMUNERATION

	2019 $000	2018 $000
Audit services		
Audit and review of financial reports	**550.3**	533.3
Compliance services and regulatory returns	**159.2**	134.5
Total auditors' remuneration	**709.5**	667.8

In the Directors' opinion:

(a) the financial statements and notes set out on pages 7 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 2019 and of its performance for the financial year ended on that date; and

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

The basis of preparation note confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
8 August 2019

Independent auditor's report

To the unitholders of Mirvac Property Trust

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 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 2019
- 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.

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.

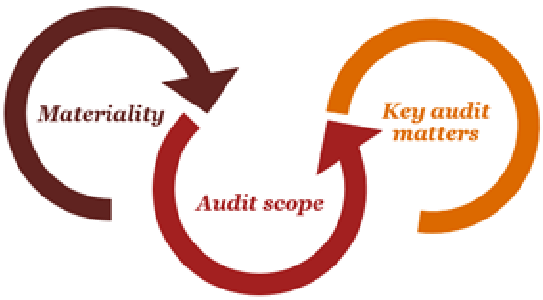
PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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

Our audit approach

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

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



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall materiality of $19.5 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 a metric against which the performance of the consolidated entity is measured. • Profit before tax is adjusted for fair value movements in investment property, unlisted	• 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 and manages investment property assets across Sydney, Melbourne, Brisbane and Perth. The accounting processes are structured around a Group finance function at its head office in Sydney. Our audit procedures were predominantly performed at the Group head office, along with a number of property site visits being performed across the year.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Fair value of investment properties • These are further described in the *Key audit matters* section of our report.

equity investments and foreign exchange movements because they are significant non-cash items.

- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Fair value of investment properties *Refer to note C1 $9,846.2m* The carrying value of investment properties is measured at the fair value of each property. 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. Amongst others, the capitalisation rate, discount rate, market rents and capital expenditure assumptions used in the valuation process are key in establishing fair value. At each reporting period the Directors determine the fair value of the consolidated entity's investment property portfolio having regard to the consolidated entity's valuation policy which requires all properties to be externally valued by independent valuation experts at least once every two years. In the period between external valuations the Directors' valuation is supported by internal Mirvac valuation models. This was a key audit matter because the:	For a sample of properties we checked compliance with the consolidated entity's policy that properties had been externally valued at least once in the last two years and checked that the consolidated entity followed its policy on rotation of valuation firms. For a sample of properties we agreed the fair values of those properties to the external valuations or internal valuation models and assessed the competency, capability and objectivity of the relevant valuer. We read recent independent property market reports to develop our understanding of the prevailing market conditions in locations in which the consolidated entity invests. We met with management to discuss the specifics of the property portfolio including any new leases entered into during the year, lease expiries, vacancy rates and planned capital expenditure. We performed a risk based assessment over the investment property portfolio to determine those properties at greater risk of being carried at an amount above fair value. Our risk based selection criteria include quantitative and qualitative measures and are informed by our knowledge of each property, site visits

- investment property balances are financially significant in the Consolidated Statement of Financial Position

- impact of changes in the fair value of investment properties can have a significant effect on the consolidated entity's comprehensive income

- investment property valuations are inherently subjective due to the use of assumptions in the valuation methodology

- sensitivity of valuations to key input assumptions, specifically capitalisation, discount rates and market rents.

during the year and our understanding of current market conditions.

For those properties which met our selection criteria, we performed procedures to assess the reasonableness of key assumptions used in the external valuations and internal valuation models (together the 'valuations'). These procedures included, amongst others:

- We assessed the reasonableness of the capitalisation rate, discount rate and market rents used in the valuations against market sales data for comparable properties.
- We reconciled the rental income and outgoings data used in the valuations with rental income and outgoings amounts recorded in the general ledger for each property.
- 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

PricewaterhouseCoopers

Jane Reilly
Partner

Sydney
8 August 2019

mirvac.com

mirvac