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MIRVAC PROPERTY  
TRUST  
INTERIM REPORT  
FOR THE HALF  
YEAR ENDED  
**31 DECEMBER 2016**

  
mirvac

# MIRVAC PROPERTY TRUST AND ITS CONTROLLED ENTITIES



## Interim Report For the half year ended 31 December 2016

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

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This Interim Report does not include all the information and disclosures usually included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report 2016 and any public announcements made by Mirvac Property Trust during the interim reporting period.

The Directors of Mirvac Funds Limited ABN 70 002 561 640, AFSL 233121, the Responsible Entity of Mirvac Property Trust (MPT or Trust), present their report, together with the consolidated report of MPT and its controlled entities (consolidated entity) for the half year ended 31 December 2016.

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

### **Responsible Entity**

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

### **Directors**

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

- John Mulcahy
- Susan Lloyd-Hurwitz
- Christine Bartlett
- Peter Hawkins
- James M. Millar AM
- Samantha Mostyn
- John Peters
- Elana Rubin.

## **OPERATING AND FINANCIAL REVIEW**

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

#### **Key financial highlights for the half year ended 31 December 2016:**

- profit attributable to the stapled unitholders of \$497.9m;
- distributions of \$181.6m, representing 4.9 cents per stapled unit; and
- net tangible assets per stapled unit of \$2.25 from \$2.12 (June 2016).

#### **Key capital management highlights for the half year ended 31 December 2016:**

The consolidated entity's capital structure is monitored at the Group level. Key capital management highlights relating to the Group for the half year ended 31 December 2016 include:

- substantial available liquidity of \$535m in cash and committed undrawn bank facilities held, with \$200m of debt due for repayment in December 2017;
- weighted average debt maturity increased significantly from 4.0 years (June 2016) to 6.4 years, following over \$1bn of debt issuance over the past six months, including:
  - o \$536m (US\$400m) of US Private Placement notes for terms of 11, 12 and 15 years;
  - o \$200m of medium term notes (MTN) for a term of seven years under the Group's MTN program;
  - o \$118m (JPY\$10bn) of Euro medium term notes (EMTN) for a term of 15 years, the first issuance under the Group's EMTN program;
  - o \$200m of bank debt was extended from 30 September 2017 to 30 September 2021; and
- average borrowing costs reduced to 4.7 per cent per annum as at 31 December 2016 (December 2015: 4.9 per cent), including margins and line fees, following the new debt issuance and the repayment of maturing debt.

Mirvac's strong capital management in FY16 means it is well-placed in FY17. This is demonstrated by low gearing, and with debt maturing in 1H17 due to be replaced with long term US debt, the Group's weighted average debt maturity will significantly increase while reducing the amount of debt due in any one year.

#### **Key operational highlights for the half year ended 31 December 2016:**

- investment property revaluations provided an uplift of \$256.9m for the 6 months to 31 December 2016;
- furthered our capital partnering strategy by acquiring a 49.9% of East Village Shopping Centre<sup>1</sup> Zetland and 50% of South Village Shopping Centre, Kirrawee, which is under construction.

1. Acquisition made by way of acquiring units in the Joynton North Property Trust.

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

### Outlook<sup>1</sup>.

**Office and Industrial:** Tenant demand remains buoyant in the service-orientated markets of Sydney and Melbourne, with both markets experiencing tightening vacancy rates and strong effective rental growth. Rents in Brisbane have shown signs of stabilising with preliminary signs of recovery. In Perth, further rental falls have been recorded, albeit at a more moderate rate, as the state works its way through the contraction in mining investment.

**Retail:** The service-based economies of Sydney and south east Queensland, where 95 per cent of Mirvac's retail portfolio is based, are supported by stronger dwelling prices, more solid population gains and lower unemployment than regional areas. Mirvac's focus on high-quality assets in urban catchments with strong fundamentals is expected to support a continued outperformance in this sector.

### Risk

**Office and Industrial:** While tenant demand for office space remains challenging in Brisbane and Perth, Mirvac's continued overweight position to Sydney and Melbourne means it is well-placed against this backdrop. The office portfolio metrics, comprising a long weighted average lease expiry and solid occupancy, also demonstrate Mirvac's ability to maintain a strong and robust portfolio through the cycles of demand.

**Retail:** While retail sales have largely continued to grow, certain retailer and category performance has softened and leasing demand remains variable. To mitigate these risks, Mirvac is focused on continually refreshing its retail assets (via refurbishment, redevelopment or tenant remixing) to adapt to changing market dynamics. In addition to its focus on key urban and metropolitan markets, Mirvac continues to ensure it has a diversified tenancy mix, where no single specialty retailer contributes greater than 1.6 per cent of the total portfolio's gross rent.

### Net current asset deficiency

As at 31 December 2016, the Trust was in a net current liability position of \$313.8m. The Trust minimises its average cash balance using available funds to repay borrowings, however had access to \$868.7m of unused borrowing facilities at 31 December 2016. Accordingly, the Directors of the Responsible Entity expect that the Trust will have sufficient cash flows to meet all financial obligations as and when they fall due

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

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

### Auditor's independence declaration

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

### Rounding of amounts

The amounts in the financial statements have been rounded off to the nearest tenth of a million (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  
Director

Sydney  
16 February 2017

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



## Auditor's Independence Declaration

As lead auditor for the review of Mirvac Property Trust for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'J A Dunning', with a large, stylized flourish at the end.

J A Dunning  
Partner  
PricewaterhouseCoopers

Sydney  
16 February 2017

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

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

#### **Mirvac Funds Limited**

Level 28  
 200 George Street  
 Sydney NSW 2000.

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

The financial statements were authorised for issue by the Directors on 16 February 2017. The Directors have the power to amend and reissue the financial statements.

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

**Mirvac Property Trust and its controlled entities**  
**Consolidated statement of comprehensive income**  
**For the half year ended 31 December 2016**



	Note	31 December 2016 \$m	31 December 2015 \$m
Revenue		282.1	295.1
<b>Other income</b>			
Revaluation of investment properties and investment properties under construction	C1	256.9	294.3
Share of net profit of joint ventures		79.2	60.7
Gain on foreign exchange and financial instruments		0.9	-
Net gain on sale of assets		0.6	0.7
<b>Total other income</b>		<b>337.6</b>	<b>355.7</b>
<b>Total revenue and other income</b>		<b>619.7</b>	<b>650.8</b>
Investment property expenses and outgoings		74.8	76.5
Amortisation expenses		11.3	11.0
Finance costs	B2	27.0	24.1
Loss on foreign exchange and financial instruments		-	1.6
Other expenses		8.7	6.6
<b>Profit before income tax</b>		<b>497.9</b>	<b>531.0</b>
Income tax expense		(0.2)	(0.4)
<b>Profit for the half year attributable to stapled unitholders</b>		<b>497.7</b>	<b>530.6</b>
<b>Other comprehensive income that may be reclassified to profit or loss</b>			
Exchange differences on translation of foreign operations		0.9	1.2
<b>Other comprehensive income for the half year</b>		<b>0.9</b>	<b>1.2</b>
<b>Total comprehensive income for the half year attributable to stapled unitholders</b>		<b>498.6</b>	<b>531.8</b>
<b>Earnings per stapled unit (EPU) attributable to stapled unitholders</b>		<b>Cents</b>	<b>Cents</b>
Basic EPU	F1	13.4	14.4
Diluted EPU	F1	13.4	14.3

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

**Mirvac Property Trust and its controlled entities**  
**Consolidated statement of financial position**  
**As at 31 December 2016**



	Note	31 December 2016 \$m	30 June 2016 \$m
<b>Current assets</b>			
Cash and cash equivalents		36.8	28.5
Receivables		25.9	21.2
Other financial assets		0.2	2.2
Other assets		20.0	10.9
Assets held for sale		45.2	-
<b>Total current assets</b>		<b>128.1</b>	<b>62.8</b>
<b>Non-current assets</b>			
Receivables		0.7	2.8
Investments in joint ventures	C2	784.1	574.0
Other financial assets		154.1	151.7
Investment properties	C1	7,263.8	7,060.7
Intangible assets		42.8	42.8
<b>Total non-current assets</b>		<b>8,245.5</b>	<b>7,832.0</b>
<b>Total assets</b>		<b>8,373.6</b>	<b>7,894.8</b>
<b>Current liabilities</b>			
Payables		234.7	201.1
Provisions		181.6	192.6
Borrowings		25.6	-
<b>Total current liabilities</b>		<b>441.9</b>	<b>393.7</b>
<b>Non-current liabilities</b>			
Borrowings	D1	1,139.8	1,030.7
<b>Total non-current liabilities</b>		<b>1,139.8</b>	<b>1,030.7</b>
<b>Total liabilities</b>		<b>1,581.7</b>	<b>1,424.4</b>
<b>Net assets</b>		<b>6,791.9</b>	<b>6,470.4</b>
<b>Equity</b>			
Contributed equity	E2	4,769.5	4,765.0
Reserves		12.0	11.1
Retained earnings		2,010.4	1,694.3
<b>Total equity attributable to stapled unitholders</b>		<b>6,791.9</b>	<b>6,470.4</b>

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



Mirvac Property Trust and its controlled entities  
 Consolidated statement of changes in equity  
 For the half year ended 31 December 2016



	Note	Attributable to stapled unitholders of MPT			
		Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total equity \$m
<b>Balance 1 July 2016</b>		4,765.0	11.1	1,694.3	6,470.4
Profit for the half year		-	-	497.7	497.7
Other comprehensive income for the half year		-	0.9	-	0.9
<b>Total comprehensive income for the half year</b>		-	0.9	497.7	498.6
<b>Transactions with owners in their capacity as owners</b>					
Long term performance plan (LTP), long term incentive plan (LTIP) and Employee Incentive Scheme (EIS) stapled units converted, sold, vested or forfeited	E2	4.5	-	-	4.5
Distributions	E1	-	-	(181.6)	(181.6)
<b>Balance 31 December 2016</b>		<b>4,769.5</b>	<b>12.0</b>	<b>2,010.4</b>	<b>6,791.9</b>
Balance 1 July 2015		4,758.6	10.4	1,082.5	5,851.5
Profit for the half year		-	-	530.6	530.6
Other comprehensive income for the half year		-	1.2	-	1.2
<b>Total comprehensive income for the half year</b>		-	1.2	530.6	531.8
<b>Transactions with owners in their capacity as owners</b>					
LTP, LTIP and EIS stapled units converted, sold, vested or forfeited		4.7	-	-	4.7
Distributions	E1	-	-	(174.0)	(174.0)
<b>Balance 31 December 2015</b>		<b>4,763.3</b>	<b>11.6</b>	<b>1,439.1</b>	<b>6,214.0</b>

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

**Mirvac Property Trust and its controlled entities**  
**Consolidated statement of cash flows**  
**For the half year ended 31 December 2016**



	Note	31 December 2016 \$m	31 December 2015 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		292.7	315.8
Payments to suppliers and employees (inclusive of GST)		(124.2)	(128.2)
		168.5	187.6
Interest received		5.7	4.2
Distributions received from joint ventures		21.7	12.1
Interest paid		(28.7)	(26.9)
Income tax paid		(0.2)	(0.4)
<b>Net cash inflows from operating activities</b>	F2	<b>167.0</b>	<b>176.6</b>
<b>Cash flows from investing activities</b>			
Payments for investment properties		(206.2)	(228.6)
Proceeds from sale of investment properties		253.4	8.2
Contributions to joint ventures		(154.5)	(0.3)
Return of capital from financial assets fair valued through profit or loss		0.6	0.2
Repayment of loans from unrelated parties		2.7	-
Proceeds from other financial assets		0.3	-
<b>Net cash inflows/(outflows) from investing activities</b>		<b>(103.7)</b>	<b>(220.5)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans from entities related to Responsible Entity		511.0	390.0
Repayments of loans to entities related to Responsible Entity		(377.6)	(151.8)
Proceeds for issued units		4.1	3.7
Distributions paid		(192.5)	(181.2)
<b>Net cash inflows/(outflows) from financing activities</b>		<b>(55.0)</b>	<b>60.7</b>
Net increase in cash and cash equivalents		8.3	16.8
Cash and cash equivalents at the beginning of the half year		28.5	20.2
<b>Cash and cash equivalents at the end of the half year</b>		<b>36.8</b>	<b>37.0</b>

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

## **A BASIS OF PREPARATION**

### **Mirvac – stapled securities**

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

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

### **Statement of compliance**

This interim financial report for the six months ended 31 December 2016 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the information and disclosures normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2016 and any public announcements made by MPT during the interim reporting period.

### **Basis of preparation**

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

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

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

### **Net current asset deficiency**

As at 31 December 2016, the Trust was in a net current liability position of \$313.8m. The Trust minimises its average cash balance using available funds to repay borrowings, however had access to \$868.7m of unused borrowing facilities at 31 December 2016. Accordingly, the Directors of the Responsible Entity expect that the Trust will have sufficient cash flows to meet all financial obligations as and when they fall due.

### **Critical accounting estimates and judgements.**

The preparation of interim financial statements requires estimation and judgement. The areas involving a higher degree of estimation or judgement were the same as those applied in the annual financial statements for the year ended 30 June 2016.

### **New and amended standards**

The accounting policies adopted are consistent with those adopted in the financial statements for the year ended 30 June 2016.

There have been no new or revised accounting standards which are effective from the periods beginning on or after 1 July 2016 that impact the interim results. Refer to the 2016 Annual Report for details and the consolidated entity’s assessment of new standards that have been published but are not yet mandatory.

## **B RESULTS FOR THE HALF YEAR**

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

### **B1 SEGMENT INFORMATION**

Since 1 July 2015, following the comprehensive revision of the Group’s operating model the consolidated entity is a single segment for reporting to the Executive Leadership Team. The Executive Leadership Team are the chief operating decision makers of the consolidated entity.

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

## B2 EXPENSES

	31 December 2016 \$m	31 December 2015 \$m
Interest paid/payable	28.7	26.9
Borrowing costs capitalised	(1.7)	(2.8)
<b>Total finance costs</b>	<b>27.0</b>	<b>24.1</b>

## B3 EVENTS OCCURRING AFTER THE END OF THE HALF YEAR

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

## C PROPERTY AND DEVELOPMENT ASSETS

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

### C1 INVESTMENT PROPERTIES

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

#### Investment properties

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

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

#### Judgement in fair value estimation

The judgements used to fair value the consolidated entity's properties have not changed since 30 June 2016. Refer to the 2016 financial statements for further details of the judgements and inputs applied.

#### Reconciliation of carrying amount of investment properties

	31 December 2016 \$m	30 June 2016 \$m
Balance 1 July	7,060.7	6,475.9
Expenditure capitalised	196.1	382.9
Acquisitions	71.8	337.6
Disposals	(260.0)	(599.2)
Asset classified as held for sale	(45.2)	-
Net revaluation gains from fair value adjustments	256.9	500.4
Exchange differences on translation of foreign operations	1.7	1.5
Amortisation of lease fitout incentives, leasing costs and rent incentives	(18.2)	(38.4)
<b>Balance 31 December/30 June</b>	<b>7,263.8</b>	<b>7,060.7</b>
<b>Total investment properties</b>	<b>7,120.9</b>	<b>6,892.7</b>
<b>Total investment properties under construction</b>	<b>142.9</b>	<b>168.0</b>

#### Fair value measurement and valuation basis

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

**C1 INVESTMENT PROPERTIES (continued)**

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

Sector	Level 3 Fair value \$m	Net market income \$/sqm	10 year compound annual growth rate %	Inputs used to measure fair value		
				Capitalisation rate %	Terminal yield %	Discount rate %
<b>31 December 2016</b>						
Office <sup>1</sup>	4,097.5	250-1,658	0.0-5.0	5.00-8.25	5.25-8.50	6.75-8.50
Industrial	658.9	65-438	0.0-0.5	6.25-7.75	6.50-8.00	7.25-8.25
Retail	2,507.4	224-1,309	2.6-4.2	5.25-7.00	5.50-7.25	7.75-9.00
<b>30 June 2016</b>						
Office <sup>1</sup>	3,820.9	325-1,590	0.0-3.75	5.38-9.50	5.75-10.00	7.13-9.50
Industrial	578.8	52-225	2.5-3.5	6.50-7.75	7.00-8.00	7.75-8.25
Retail	2,661.0	225-1,524	3.0-4.4	5.25-7.00	5.50-7.25	7.75-9.00

1. Includes investment properties under construction.

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

**Future committed operating lease receipts**

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

The future receipts are shown as undiscounted contractual cash flows.

	31 December 2016 \$m	30 June 2016 \$m
Within one year	469.4	416.8
Between one and five years	1,417.3	1,329.5
Later than five years	938.6	1,071.8
<b>Total future operating lease receipts as a lessor</b>	<b>2,825.3</b>	<b>2,818.1</b>

**C2 INVESTMENTS IN JOINT VENTURES**

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

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

Joint venture	Principal activities	31 December 2016		30 June 2016	
		Interest %	Carrying value \$m	Interest %	Carrying value \$m
Joynton North Property Trust	Investment property	50	155.2	-	-
Mirvac 8 Chifley Trust	Investment property	50	222.3	50	205.6
Mirvac (Old Treasury) Trust	Investment property	50	207.7	50	204.3
Tucker Box Hotel Group	Hotel investment	49	198.9	49	164.1
<b>Total</b>			<b>784.1</b>		<b>574.0</b>

## D CAPITAL STRUCTURE

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

### D1 BORROWINGS AND LIQUIDITY

The consolidated entity borrows using loans from related parties.

There are two loan facilities from related parties totalling \$2,034.1m (June 2016: \$2,033.0m):

- a \$2,000.0m facility which 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 derivatives;
- a \$US24.6m facility which expires on 7 December 2017. Interest accrues at USD LIBOR plus 1.25% per annum; and
- at 31 December 2016, \$868.7m was undrawn on the facilities (June 2016: \$1,002.3m).

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.

	31 December 2016				30 June 2016			
	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
<b>Unsecured</b>								
Loan from related parties	25.6	1,139.8	1,165.4	1,165.4	-	1,030.7	1,030.7	1,030.7
<b>Undrawn facilities</b>			<b>868.7</b>				<b>1,002.3</b>	

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

	31 December 2016				30 June 2016			
	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
<b>Unsecured</b>								
Bank loans	-	1,014.8	1,014.8	1,014.8	-	867.4	867.4	867.0
Bonds	200.0	2,037.7	2,237.7	2,206.9	604.0	1,343.6	1,947.6	2,090.0
	200.0	3,052.5	3,252.5	3,221.7	604.0	2,211.0	2,815.0	2,957.0
<b>Undrawn bank facilities</b>			<b>535.2</b>				<b>833.0</b>	

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

### D2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

## D2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

### Other financial assets

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

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

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

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

	31 December 2016				30 June 2016			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial assets carried at fair value</b>								
Units in unlisted funds	-	-	24.0	<b>24.0</b>	-	-	23.5	23.5
Other financial assets	-	-	130.4	<b>130.4</b>	-	-	130.4	130.4
	-	-	<b>154.4</b>	<b>154.4</b>	-	-	153.9	153.9

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

	Unlisted securities \$m	Other financial assets \$m	Total \$m
Balance 1 July	23.5	130.4	153.9
Gains recognised in gains on foreign exchange and financial instruments	1.4	-	1.4
Return of capital	(0.9)	-	(0.9)
<b>Balance 31 December</b>	<b>24.0</b>	<b>130.4</b>	<b>154.4</b>

## E EQUITY

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

### E1 DISTRIBUTIONS

Half yearly ordinary distribution	Distribution Cents per unit	Amount payable/paid \$m	Date payable/paid
<b>31 December 2016</b>	<b>4.9</b>	<b>181.6</b>	<b>28 February 2017</b>
31 December 2015	4.7	174.0	29 February 2016

### 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 and polls and to proceeds on wind up of the consolidated entity 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**

	31 December 2016		30 June 2016	
	No. units m	Units \$m	No. units m	Units \$m
Balance 1 July	3,699.0	4,765.0	3,694.3	4,758.6
Stapled units issued under Employee Exemption Plan	-	-	0.5	0.8
LTP, LTIP and EIS stapled units converted, sold, vested or forfeited	3.5	4.5	4.2	5.6
<b>Balance</b>	<b>3,702.5</b>	<b>4,769.5</b>	3,699.0	4,765.0

The number of stapled units issued as listed on the ASX at 31 December 2016 was 3,705.1m (June 2016: 3,702.0m) which includes 2.5m of stapled units issued under the long term incentive plan and EIS (June 2016: 2.6m). Units issued to employees under the Mirvac employee long term incentive plan and EIS are accounted for as options and are recognised, by Mirvac in the share-based payments reserve, not in contributed equity.

**F OTHER INFORMATION**

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

**F1 EARNINGS PER STAPLED UNIT**

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

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

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

	31 December 2016	31 December 2015
Basic EPU (cents)	13.4	14.4
Diluted EPU (cents)	13.4	14.3
Profit attributable to stapled unitholders (\$m) used to calculate basic and diluted EPU	497.7	530.6
WANOU used in calculating basic EPU (m)	3,701.7	3,696.2
WANOU used in calculating diluted EPU (m)	3,704.3	3,699.5

**F2 RECONCILIATION OF PROFIT TO OPERATING CASH FLOW**

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

	31 December 2016 \$m	31 December 2015 \$m
Profit for the half year attributable to stapled unitholders	497.7	530.6
Revaluation of investment properties and investment properties under construction	(256.9)	(294.3)
Amortisation expenses	18.2	17.6
Lease incentives	(12.6)	(8.7)
(Gain)/loss on financial assets	(1.4)	0.6
Net loss on foreign exchange	0.5	1.0
Net (gain)/loss on sale of assets	(0.6)	0.7
Share of net profit of joint ventures	(57.5)	(48.6)
<b>Change in operating assets and liabilities:</b>		
Increase in receivables	(13.8)	(15.4)
Increase in other assets	(1.0)	(1.9)
Decrease in payables	(5.6)	(5.0)
<b>Net cash inflows/(outflows) from operating activities</b>	<b>167.0</b>	176.6



**Mirvac Property Trust and its controlled entities**  
**Directors' declaration**  
**For the half year ended 31 December 2016**



In the Directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 15 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half year ended on that date; and
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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

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

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

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

Susan Lloyd-Hurwitz  
Director

Sydney  
16 February 2017



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

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Mirvac Property Trust (the trust), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Mirvac Property Trust Group (the consolidated entity). The consolidated entity comprises the trust and the entities it controlled during the half-year.

### ***Directors' responsibility for the financial report***

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

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mirvac Property Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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### *Independence*

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

### *Conclusion*

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'J A Dunning' in a cursive style.

J A Dunning  
Partner

Sydney  
16 February 2017



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