1H18 INTERIM REPORT

mirvac

Reimagine urban life

Mirvac Group Interim Report

For the half year ended 31 December 2017

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

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About this report

The 1H18 Interim Report is a consolidated summary of Mirvac Group's operations, performance and financial position for the half year ended 31 December 2017.

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

References to a 'half year' refer to the first half of the year, that is. the period between 1 July 2017 and 31 December 2017. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

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

This Interim Report does not include all the information and disclosures usually included in an annual financial report. Accordingly, this report should be read in conjunction with the 2017 Annual Report and any public announcements made by Mirvac during the interim reporting period.

Mirvac's Interim Report can be viewed on, or downloaded from, Mirvac's website, www.mirvac.com.

About us

Mirvac is a leading, integrated urban property group, principally located in Australia's four key cities of Sydney, Melbourne, Brisbane and Perth.

We own and manage assets across the office, industrial and retail sectors, with approximately $18bn of assets currently under management. Our development activities allow us to create and deliver innovative and high-quality commercial assets and residential projects for our customers, while driving long-term value for our stapled securityholders.

Our integrated approach gives us a competitive advantage across the entire lifecycle of a project; from planning through to design, development and construction, leasing, property management and long-term ownership. Meanwhile, our purpose, Reimagine Urban Life, inspires us to think about how we can redefine the landscape and create more sustainable, connected and vibrant urban environments for our customers, leaving a lasting legacy for generations to come.

Established in 1972, Mirvac has 45 years of experience in the property industry and an unmatched reputation for delivering superior products and services across our businesses.

Review of operations and activities

FINANCIAL REVIEW

Mirvac delivered a solid financial result for the half year ended 31 December 2017, maintaining a strong capital position and flexible balance sheet, supported by a prudent approach to capital management. Despite a reduction in profit for the six months to 31 December 2017, Mirvac is confident in its ability to deliver operating earnings growth of between 6 and 8 per cent in FY18, along with distributions growth of 6 per cent.

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

- profit attributable to stapled securityholders of $465m (December 2016: $508m), due to a reduction in property revaluation gains in the investment portfolio and the timing of residential lot settlements;
- operating profit after tax of $215m[1] (December 2016: $230m), representing 5.8 cents per stapled security;
- operating cash outflow of $20m, with a significant skew expected to the second half of the financial year due to the timing of residential lot settlements;
- half year distribution of $186m, representing 5.0 cents per stapled security;
- total assets of $12.9bn and net assets of $8.2bn; and
- net tangible assets (NTA) per stapled security[2] increased to $2.20 (June 2017: $2.13).

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

- gearing of 23.8 per cent[3], within the Group's target range of 20 to 30 per cent;
- substantial available liquidity of approximately $913m in cash and committed undrawn bank facilities held;
- weighted average debt maturity increased to 6.8 years from 6.2 years (June 2017), following the issuance of US$400m Reg S European Medium Term Notes during the six months to 31 December 2017;
- average borrowing costs remained stable at 4.8 per cent per annum (June 2017: 4.8 per cent per annum), including margins and line fees, following the issuance of new debt and the repayment of maturing debt;
- received a credit rating upgrade from Moody's Investors Service from Baa1 to A3; and
- received a revised credit rating outlook from Standard & Poor's from a stable to positive, with the Group's BBB+ credit rating maintained.

OUTLOOK[4]

Mirvac's diversified urban portfolio and proven asset creation capability across each of its sectors has ensured good earnings visibility for FY18. Future cash flows are supported by a modern investment portfolio with strong metrics, a robust commercial development pipeline, and $2.9bn of exchanged residential pre-sales.

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

Mirvac will continue to enhance its capabilities as a world-class Australian property group concentrating on a secure income stream from its investment portfolio, which underpins Group distributions, maintaining the return on invested capital achieved by its development activities, and positioning Mirvac for the future by investing in safety, technology, innovation, sustainability and its people.

RISKS

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

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

OFFICE & INDUSTRIAL

Mirvac has a clear focus to create, own and manage high-quality office assets. Its office portfolio is comprised of over 95 per cent Prime or A-grade office assets, with an 82 per cent overweight to the strong Sydney and Melbourne markets.

Meanwhile, the Group's well-located industrial portfolio, concentrated around key logistics nodes in Sydney, continues to deliver strong metrics.

For the half year ended 31 December 2017, Mirvac's Office & Industrial division delivered earnings before interest and tax of $173m, up 4.2 per cent on the prior corresponding period.

1. Excludes specific non-cash items, significant items and related taxation.
2. NTA per stapled security, based on ordinary securities including Employee Incentive Scheme securities.
3. Net debt (at foreign exchange hedged rate) excluding leases/(total tangible assets – cash).
4. These future looking statements should be read in conjunction with future releases to the ASX.

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

- high occupancy of 98.1 per cent per cent[1] up from 97.6 per cent at 30 June 2017, with a WALE of 6.7 years[2];
- like-for-like net operating income growth of 9.7 per cent, up from 2.5 per cent at 31 December 2016;
- total office asset revaluations provided a net uplift of $168.5m (or 3.3 per cent) over the previous book value for the six months to 31 December 2017, supported by an overweight to high-quality assets in Sydney and Melbourne;
- completed approximately 50,250 square metres of leasing activity[3];
- achieved positive leasing spreads of 12.2 per cent;
- incentives remained low at 21.4 per cent; and
- exchanged contracts to acquire 75 George Street, Paramatta NSW for a total consideration of $86.3m.

During the half year ended 31 December 2017, Mirvac progressed its $2.1bn office development pipeline, which is 84 per cent pre-leased. Project updates are as follows:

- 664 Collins Street, Melbourne VIC: construction works are well progressed, with structural and façade works complete, and commissioning and integrated fit-outs for tenants, Pitcher Partners and Exxon, well underway. The building is 75 per cent pre-leased, with over 6,000 square metres currently under heads of agreement. Once executed, this will take the building to 100 per cent pre-leased. Practical completion is targeted for the second half of FY18;
- 477 Collins Street, Melbourne VIC: demolition, excavation and foundation works have been completed, with concrete structural works underway. The 56,000 square metre building is approximately 40 per cent pre-leased to professional services firm, Deloitte, with a further 5,100 square metres in the sky rise currently under heads of agreement. Once executed, this will take occupancy to approximately 49 per cent. Interest for the balance of space remains strong. The Group is on track to reach practical completion in FY20; and
- Australian Technology Park, Sydney NSW: structural works on Building 1 are well progressed and construction continues to track to schedule. Remediation and piling works for Building 2 are now complete, and structural works have commenced. Preliminary works on Building 3 commenced in October 2017, with ground work and piling now complete. The project's major tenant, Commonwealth Bank, has committed to 100 per cent of office space for a 15-year lease term. Practical completion of Building 1 and Building 3 is targeted for FY19, and FY20 for Building 2.

OUTLOOK[4]

Market conditions in Sydney and Melbourne remain positive, with both markets recording low and tightening vacancy rates, as well as double digit effective rent growth. Rents in Brisbane are growing at more modest levels, while the Perth market is showing early signs of stabilisation. Mirvac 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 Group, while improving the quality of the portfolio.

RISKS

Tenant demand for office space remains challenging in Brisbane and Perth, however, Mirvac's overweight position to Sydney and Melbourne means it is well placed against this backdrop. The office portfolio metrics, comprising a long WALE and solid occupancy, along with a quality tenant covenant, also demonstrate Mirvac's ability to maintain a strong and robust portfolio through the cycles of demand.

In terms of its office developments, the Group seeks to manage uncertainty around tenant demand in a number of ways, such as substantially pre-letting development projects ahead of construction and by partially selling down office developments to capital partners in advance of completion.

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

- high occupancy of 99.3 per cent[5], up from 95.3 per cent at 30 June 2017, with a WALE of 7.0 years[6];
- like-for-like net operating income growth of 4.6 per cent;
- completed over 44,000 square metres of leasing activity;
- formed the Mirvac Industrial Logistics Partnership with Morgan Stanley Real Estate Investing. The partnership was seeded by two industrial assets, 47 Westgate Drive, Altona North and 26 Harcourt Road, Altona, both in Victoria, that were sold by Mirvac to the partnership for a total consideration of $65.5m. Mirvac will retain a 10 per cent interest in the partnership;
- completed the sale of 1900-2000 Pratt Boulevard, Chicago USA for a total consideration of $52.4m, slightly above previous book value, with settlement occurring in October 2017; and
- Calibre, Eastern Creek NSW: construction of Building 3, a 21,000 square metre high-quality speculative facility, has progressed, with practical completion expected in 2018. Construction is underway on Building 4, a 31,100 square metre quality facility, which is 100 per cent pre-leased to Sheldon & Hammond on a 10-year term. Practical completion is expected in the second half of 2018. Mirvac has finalised a seven-year lease deal with appliance giant, Miele, for Building 2, which comprises approximately 17,000 square metres and is expected to achieve practical completion in the first half of FY19. Strong tenant interest has been received for the next facility and balance of the estate.

1. By area, including investments in joint ventures and excluding assets held for development.
2. By income, including investments in joint ventures and excluding assets held for development.
3. Excludes leasing of assets under development.
4. These future looking statements should be read in conjunction with future releases to the ASX.
5. By area.
6. By income.

Review of operations and activities

continued

OUTLOOK[1]

Leasing activity in Sydney has been tracking well above the past 10-year average, driven by strong demand from wholesale and retail tenants. The industrial sector in Sydney has also benefited from solid lifts in container trade movement through the major ports over the past year, as well as strong public investment. Mirvac's strategic overweight to the strong performing Sydney market ensures that the industrial portfolio will continue to provide secure stable income to the Group.

RISKS

Continuing investor demand for prime grade industrial assets in key locations is resulting in compressed capitalisation rates, weighting predominantly towards the stronger markets of Sydney and Melbourne. Mirvac continues to focus on properties with long lease terms and secure cash flow profiles.

RETAIL

Mirvac's Retail division is focused on densely populated urban catchment areas, with an overweight position to the strong performing Sydney market.

For the half year ended 31 December 2017, the Retail portfolio delivered operating earnings before interest and tax of $83m, up 2.5 per cent on the prior corresponding period.

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

- high occupancy maintained at 99.4 per cent[2];
- achieved total sales productivity of $10,149 per square metre, and comparable specialty sales productivity to $10,034 per square metre, up from $9,864 at 30 June 2017;
- achieved comparable MAT sales growth of 3.7 per cent and comparable specialty sales growth of 5.2 per cent;
- specialty occupancy costs increased slightly to 15.3 per cent (June 2017: 15.0 per cent);
- completed over 29,000 square metres of leasing activity, with leasing spreads of 2.2 per cent;
- acquired a 50.1 per cent interest in East Village, Zetland for a total consideration of $155.3m, following the purchase of a 49.9 per cent interest in July 2016. The centre continues to trade well and was ranked number 1 in Australia in the Shopping Centre News Little Guns survey for total centre sales per square metre for the second consecutive year;
- announced an agreement to acquire the remaining interest in the proposed South Village Shopping Centre, Kirrawee following an agreement to purchase a 50 per cent interest in October 2016. PAYCE will undertake development of the project, with Mirvac to pay an amount based on a 6.0 per cent capitalisation rate of the leased net income on completion. Mirvac will also provide development leasing services, including tenancy co-ordination and retail design management prior to practical completion, and will retain management rights and leasing services following practical completion;
- completed the sale of a 50 per cent interest in Kawana Shoppingworld, QLD to ISPT in December 2017 for a total consideration of $186m, with Mirvac to retain property management, leasing and development management services. Construction on the 6,800 square metre development commenced during the period, which will see the delivery of an Event cinema and an expanded dining precinct. The project is scheduled for completion in mid-FY19 and is 88 per cent pre-leased;
- commenced construction on the 3,700 square metre development of Rhodes Waterside, introducing ALDI and relocating Bing Lee to strengthen the fresh food and homewares offer. The project is 99 per cent pre-leased and is scheduled for completion in mid FY19; and
- completed the $19m development of Birkenhead Point Outlet Centre, introducing a new premium precinct which includes Bally, Coach, Harrolds, Michael Kors and Peters of Kensington. The development was 100 per cent pre-leased on completion.

OUTLOOK[1]

While the broader retail environment remains challenging, shopping centres with strong, urban catchment fundamentals are well supported. 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 employment growth and denser populations than in regional areas. Mirvac's focus on high-quality asset management in urban catchments with strong fundamentals is expected to support continued outperformance in the retail sector.

RISKS

Retail sales in Mirvac's portfolio continue to grow overall, however, certain retailer 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. Mirvac's active management has seen a reduced weighting to discount department stores and an increased weighting to more resilient and experiential categories such as food and beverage, entertainment and non-retail. Furthermore, Mirvac maintains a focus on key urban and metropolitan markets and having a diversified retailer mix, where no single specialty retailer contributes greater than 1.5 per cent of the total portfolio's gross rent.

RESIDENTIAL

Mirvac has a 45-year history and a strong reputation of delivering outstanding residential product in Australia's key cities of Sydney, Melbourne, Brisbane and Perth. Its residential business has approximately $1.9bn of invested capital, and a development pipeline of over 28,000 lots.

For the half year ended 31 December 2017, Residential delivered earnings before interest and tax of $35m, down 49 per cent on the prior corresponding period. This is in line with expectations due to the significant skew of residential settlements to the second half of FY18.

1. These future looking statements should be read in conjunction with future releases to the ASX.
2. By area.

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

- settled 735 residential lots in the six month period, with a further 429 lots settled in January 2018. The Group is targeting approximately 3,400 residential lot settlements in FY18. Defaults in the period remained at below 2 per cent;
- secured future income with residential pre-sales of $2.9bn[1]. Mirvac's existing pipeline supports over 13,000 lot settlements over the next four years;
- delivered gross development margins of 22.5 per cent[2], in line with the Group's target of between 18 and 22 per cent;
- secured 92 per cent of expected Residential EBIT for FY18; and
- released over 1,100 residential lots during the six months to 31 December 2017 across both new and existing projects, with 69 per cent of all released lots pre-sold. Successful releases included:
  - Brighton Lakes, NSW: 100 per cent of released lots pre-sold;
  - Alex Avenue, NSW: 85 per cent of released lots pre-sold;
  - Crest, Gledswood Hills NSW: 83 per cent of released lots pre-sold;
  - Olivine, Melbourne VIC: 96 per cent of released lots pre-sold; and
  - Woodlea, VIC: 93 per cent of released lots pre-sold.

Mirvac expects to release approximately 1,300 lots in the second half of the financial year, supporting future sales momentum.

MARKET OUTLOOK[2]

The outlook for residential markets remains mixed, varying from state to state and at a sub-market level. Regulation activity has cooled the strong price gains of recent years, particularly in Sydney, however, record net migration levels in both New South Wales and Victoria, along with strong employment growth, is underpinning market demand. In Brisbane, employment levels and population gains continue to improve confidence for select markets, while in Perth, consumer views around purchasing dwellings has increased significantly. Strong urbanisation is expected in Australia's major cities, resulting in ongoing demand for quality, well-located urban dwellings, further supporting Mirvac's urban-focused strategy.

RISKS

Stricter lending criteria, both domestically and offshore, has sparked concern over the ability of residential property purchasers to settle. To mitigate settlement risk, Mirvac has a range of strategies in place, and carefully and proactively monitors its settlement risk profile. In addition to a requirement of a 10 per cent deposit from purchasers, Mirvac has a structured communication and engagement program with its customers and lenders, and undertakes a thorough risk assessment of its exposure to foreign investment. Mirvac's proven track record of managing its settlement risk is demonstrated by a history of low defaults, with a long-term average of less than one per cent. Subdued market conditions in apartments in some of Australia's capital cities has also been identified as a risk to the Group. To manage this risk, Mirvac has a limited exposure to apartments projects in Victoria and Queensland, and has approximately 88 per cent of its New South Wales exposure secured through pre-sales.

SUSTAINABILITY

Mirvac continued to add value to the business through its sustainability strategy, This Changes Everything.

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

- named the world's most sustainable real estate company by the globally renowned Dow Jones Sustainability Index for the first time. Mirvac's overall score of 83 per cent was nine points higher than Australia's real estate average and 10 points higher than the global real estate average;
- achieved a 3 Star Green Star performance rating across the office and retail portfolio, while maintaining a 5.1 Star NABERS average energy rating;
- 200 George Street, Sydney NSW: received the Architecture & Design Sustainability Award for innovation in commercial development;
- 477 Collins Street, Melbourne VIC: achieved a Platinum Core and Shell Pre-Certification from the International WELL Building Institute, which recognises excellence in delivering healthy buildings. The building is also targeting a 6 Star Green Star rating and a 5.1 Star NABERS Energy rating; and
- progressed with The House with No Bills initiative at Mirvac's Jack Road development in Cheltenham VIC, with a search for a family to live in the house, rent free for a year, currently underway. The house has been designed to look and feel like a typical house, while reducing the occupants' reliance on energy.

1. Adjusted for Mirvac's share of JVA and Mirvac managed funds.
2. Excludes previously provisioned projects.
3. These future looking statements should be read in conjunction with future releases to the ASX.

Directors' report

The Directors of Mirvac Limited present their report, together with the consolidated financial report of Mirvac Group (Mirvac or Group) for the half year ended 31 December 2017. Mirvac comprises Mirvac Limited (parent entity) and its controlled entities, which include Mirvac Property Trust and its controlled entities.

PRINCIPAL ACTIVITIES

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

DIRECTORS

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

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

REVIEW OF OPERATIONS

A review of the operations of the Group during the financial year and the results of those operations are detailed in the operating and financial review on pages 2 to 5.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Details of the state of affairs of the Group are disclosed on pages 2 to 5. Other than those matters disclosed, there were no significant changes to the state of affairs during the half year.

MATTERS SUBSEQUENT TO THE END OF THE HALF YEAR

As announced on 21 November 2017, the Group entered into a contract to acquire an A-Grade twin office tower at 75 George Street, Parramatta NSW for $86m. This transaction was completed on 31 January 2018.

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

AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING OF AMOUNTS

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

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

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
8 February 2018

Auditor's independence declaration

Auditor's Independence Declaration

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

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

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

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

JReilly

Jane Reilly
Partner
PricewaterhouseCoopers

Sydney
8 February 2018

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

Consolidated financial statements

For the half year ended 31 December 2017

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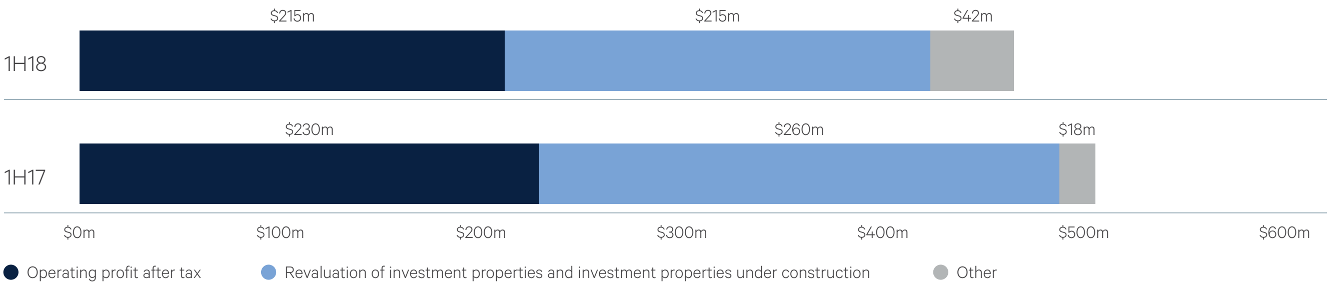
Consolidated statement of comprehensive income

For the half year ended 31 December 2017

	Note	31 December 2017 $m	31 December 2016 $m
Revenue	B1	**681**	967
Other income			
Revaluation of investment properties and investment properties under construction	C2	**215**	260
Share of net profit of joint ventures	C3	**72**	92
Gain on financial instruments		**16**	45
Total revenue and other income		**984**	1,364
Development expenses		**237**	518
Investment properties expenses and outgoings		**83**	77
Employee and other expenses	B2	**84**	83
Selling and marketing expenses		**20**	16
Depreciation and amortisation expenses		**22**	15
Finance costs	B2	**66**	63
Loss on financial instruments		**–**	84
Profit before income tax		**472**	508
Income tax expense	B4	**(7)**	–
Profit for the half year attributable to stapled securityholders		**465**	508
Other comprehensive income that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations, net of tax		**(2)**	2
Other comprehensive income that will not be reclassified to profit or loss			
Deferred tax on security-based payments transactions		**–**	1
Other comprehensive income for the half year		**(2)**	3
Total comprehensive income for the half year attributable to stapled securityholders		**463**	511
Earnings per stapled security (EPS) attributable to stapled securityholders		**Cents**	Cents
Basic EPS	F2	**12.5**	13.7
Diluted EPS	F2	**12.5**	13.7

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

Profit for the half year attributable to stapled securityholders



Consolidated statement of financial position

As at 31 December 2017

	Note	31 December 2017 $m	30 June 2017 $m
Current assets			
Cash and cash equivalents		**108**	106
Receivables		**126**	97
Inventories	C4	**999**	662
Derivative financial assets	D2	**–**	2
Other financial assets	D2	**80**	130
Other assets		**43**	30
Total current assets		**1,356**	1,027
Non-current assets			
Receivables		**65**	72
Inventories	C4	**1,070**	1,005
Investment properties	C2	**8,654**	8,278
Investments in joint ventures	C3	**958**	1,078
Derivative financial assets	D2	**96**	116
Other financial assets	D2	**33**	25
Property, plant and equipment		**35**	34
Intangible assets		**78**	78
Deferred tax assets	B4	**524**	395
Total non-current assets		**11,513**	11,081
Total assets		**12,869**	12,108
Current liabilities			
Payables		**437**	462
Deferred revenue		**149**	57
Borrowings	D1	**128**	200
Derivative financial liabilities	D2	**6**	6
Provisions		**201**	219
Total current liabilities		**921**	944
Non-current liabilities			
Payables		**68**	107
Deferred revenue		**187**	46
Borrowings	D1	**3,042**	2,765
Derivative financial liabilities	D2	**83**	83
Deferred tax liabilities	B4	**310**	179
Provisions		**10**	12
Total non-current liabilities		**3,700**	3,192
Total liabilities		**4,621**	4,136
Net assets		**8,248**	7,972
Equity			
Contributed equity	E2	**6,827**	6,819
Reserves		**25**	36
Retained earnings		**1,396**	1,117
Total equity attributable to the stapled securityholders		**8,248**	7,972

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

Consolidated statement of changes in equity

For the half year ended 31 December 2017

	Note	Attributable to stapled securityholders			
		Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance 1 July 2017		**6,819**	**36**	**1,117**	**7,972**
Profit for the half year		–	–	465	465
Other comprehensive income for the half year		–	(2)	–	(2)
Total comprehensive income for the half year		**–**	**(2)**	**465**	**463**
Transactions with owners of the Group					
Security-based payments					
Expense recognised – LTI and STI		–	6	–	6
LTI vested	E2	7	(8)	–	(1)
STI vested		–	(1)	–	(1)
Legacy schemes vested		1	–	–	1
Distributions	E1	–	–	(186)	(186)
Cash flow hedge reserve		–	(6)	–	(6)
Total transactions with owners of the Group		**8**	**(9)**	**(186)**	**(187)**
Balance 31 December 2017		**6,827**	**25**	**1,396**	**8,248**
Balance 1 July 2016		6,812	138	230	7,180
Profit for the half year		–	–	508	508
Other comprehensive income for the half year		–	3	–	3
Total comprehensive income for the half year		–	3	508	511
Transactions with owners of the Group					
Security-based payments					
Expense recognised – LTI and STI		–	9	–	9
LTI vested	E2	5	(5)	–	–
STI vested		–	(2)	–	(2)
Distributions	E1	–	–	(182)	(182)
Reclassification of owner-occupied properties		–	(109)	109	–
Total transactions with owners of the Group		5	(107)	(73)	(175)
Balance 31 December 2016		6,817	34	665	7,516

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

Consolidated statement of cash flows

For the half year ended 31 December 2017

	Note	31 December 2017 $m	31 December 2016 $m
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**1,052**	940
Payments to suppliers and employees (inclusive of GST)		**(1,027)**	(984)
		25	(44)
Interest received		**6**	7
Distributions received from joint ventures		**29**	22
Dividends received		**1**	–
Interest paid		**(78)**	(76)
Income tax paid		**(3)**	–
Net cash outflows from operating activities	F3	**(20)**	(91)
Cash flows from investing activities			
Payments for investment properties		**(336)**	(235)
Proceeds from sale of investment properties		**301**	–
Payments for property, plant and equipment		**(6)**	(6)
Proceeds from loans to unrelated entities		**51**	–
Contributions to joint ventures		**(14)**	(180)
Payments for investments		**(4)**	–
Proceeds from joint ventures		**5**	12
Net cash outflows from investing activities		**(3)**	(409)
Cash flows from financing activities			
Proceeds from borrowings		**2,141**	3,007
Repayments of borrowings		**(1,912)**	(2,610)
Distributions paid		**(204)**	(192)
Net cash inflows from financing activities		**25**	205
Net increase/(decrease) in cash and cash equivalents		**2**	(295)
Cash and cash equivalents at the beginning of the half year		**106**	354
Cash and cash equivalents at the end of half year		**108**	59

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

A Basis of preparation

MIRVAC GROUP – STAPLED SECURITIES

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

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

STATEMENT OF COMPLIANCE

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

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

BASIS OF PREPARATION

The accounting policies adopted are consistent with those adopted in the financial statements for the year ended 30 June 2017 except for the new policy of hedge accounting of foreign currency bonds from 1 July 2017.

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. The carrying values of recognised assets and liabilities that are the hedged items in fair value hedge relationships for the Group's foreign currency bonds, which are otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

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

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

ADOPTION OF HEDGE ACCOUNTING OF FOREIGN CURRENCY BONDS

Although Mirvac uses derivative financial instruments to economically hedge its borrowings, these instruments had not been formally designated as hedges for accounting purposes in previous reporting periods. In the 30 June 2017 annual report, the fair value movements were recognised in profit or loss.

From 1 July 2017, hedge accounting has been applied prospectively to the Group's portfolio of foreign currency bonds only (interest rate swaps excluded). The effect of hedge accounting has resulted in the fair value movements being classified as other comprehensive income in the consolidated SoCI and held in a separate hedging reserve in equity.

FAIR VALUE HEDGE

Changes in the fair value of derivatives (hedging instruments) that are designated and qualify as fair value hedges are recorded in the consolidated SoCI, together with any changes in the fair value of the hedged asset/liability (hedged item) that are attributable to the hedged risk . The net gain recognised in the SoCI during the period was $5 million.

CASH FLOW HEDGE

The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the consolidated SoCI in equity via the cash flow hedge reserve. Any gain/loss pertaining to ineffectiveness is recognised in the consolidated SoCI immediately. The net fair value gain for the period was $6m and was recognised in the cash flow hedge reserve within equity.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the 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 financial statements for the year ended 30 June 2017.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

There have been no new or amended standards adopted by the Group for the half year ended 31 December 2017.

B Results for the half year

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

B1 SEGMENT INFORMATION

The Group identifies its operating segments based on the internal reporting provided to the Executive Leadership Team, who are the Group's chief operating decision makers. The segments are consistent with those in the Annual Report for the year ended 30 June 2017.

The Group's operating segments are as follows:

Office & Industrial

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

This segment also manages joint ventures and properties for third party investors and owners.

Residential

Designs, develops, markets and sells residential properties to external customers including masterplanned communities and apartments in core metropolitan markets in conjunction with strategic partners.

Retail

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

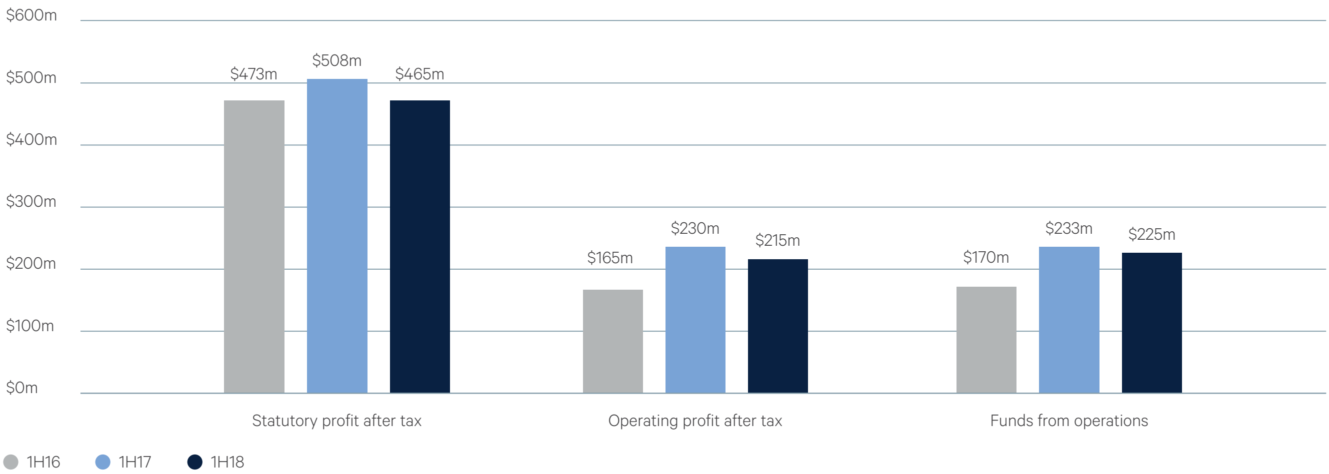
This segment also develops shopping centres and manages properties for third party investors and owners.

Corporate & other

Covers Group-level functions including governance, finance, legal, risk management and corporate secretarial. This segment holds an investment in the Tucker Box Hotel Group joint venture (refer to note C3).

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

THREE HALF YEAR PERFORMANCE REVIEW



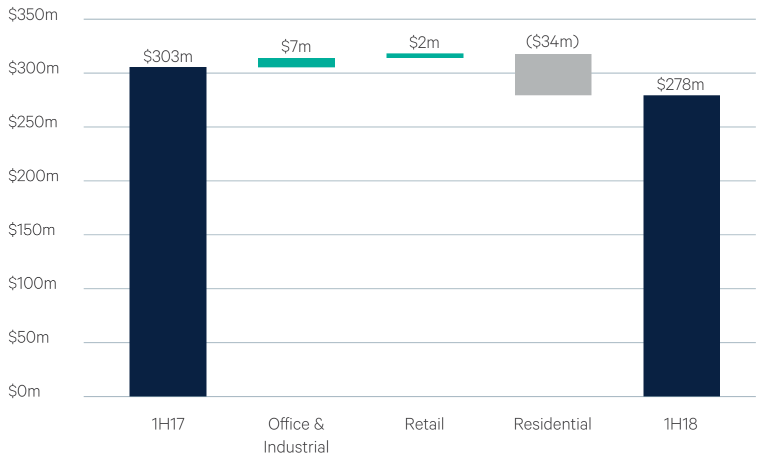
Presented below are the key profit metrics, a breakdown of revenue by function and other required information for each segment:

KEY PROFIT METRICS

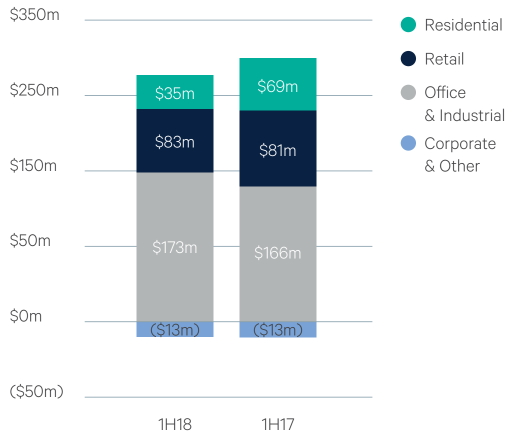
31 December	Office & Industrial 2017 $m	Office & Industrial 2016 $m	Retail 2017 $m	Retail 2016 $m	Residential 2017 $m	Residential 2016 $m	Corporate & other 2017 $m	Corporate & other 2016 $m	Total 2017 $m	Total 2016 $m
Property net operating income	**162**	138	**89**	85	**–**	–	**9**	9	**260**	232
Development EBIT	**10**	31	**–**	–	**44**	78	**–**	–	**54**	109
Asset and funds management EBIT	**8**	5	**–**	2	**–**	–	**1**	–	**9**	7
Management and administration expenses	**(7)**	(8)	**(6)**	(6)	**(9)**	(9)	**(23)**	(22)	**(45)**	(45)
Earnings before interest and taxes (EBIT)[1]	**173**	166	**83**	81	**35**	69	**(13)**	(13)	**278**	303
Development interest costs[2]	**–**	–	**–**	–	**(24)**	(26)	**–**	–	**(24)**	(26)
Other net interest costs[3]	**–**	–	**–**	–	**–**	–	**(36)**	(31)	**(36)**	(31)
Income tax expense	**–**	–	**–**	–	**–**	–	**(3)**	(16)	**(3)**	(16)
Operating profit after tax	**173**	166	**83**	81	**11**	43	**(52)**	(60)	**215**	230
Include security-based payments expense	**–**	–	**–**	–	**–**	–	**(6)**	(9)	**(6)**	(9)
Exclude amortisation	**12**	9	**4**	3	**–**	–	**–**	–	**16**	12
Funds from operations	**185**	175	**87**	84	**11**	43	**(58)**	(69)	**225**	233

1. EBIT includes share of net profit of joint ventures.
2. Includes cost of goods sold interest of $10m in Residential (December 2016: $16m in Residential).
3. Includes interest revenue of $6m (December 2016: $6m).

OPERATING EBIT: 1H17 TO 1H18



EBIT BY SEGMENT



B Results for the half year

continued

B1 SEGMENT INFORMATION CONTINUED

REVENUE BY FUNCTION

31 December	Office & Industrial 2017 $m	Office & Industrial 2016 $m	Retail 2017 $m	Retail 2016 $m	Residential 2017 $m	Residential 2016 $m	Corporate & other 2017 $m	Corporate & other 2016 $m	Total 2017 $m	Total 2016 $m
Property rental revenue[1]	**192**	168	**143**	128	**–**	–	**–**	–	**335**	296
Development revenue[2]	**11**	185	**3**	10	**292**	447	**–**	–	**306**	642
Asset and funds management revenue[3]	**9**	5	**6**	6	**–**	–	**1**	1	**16**	12
Other revenue	**4**	1	**2**	1	**7**	5	**7**	7	**20**	14
Total operating revenue	**216**	359	**154**	145	**299**	452	**8**	8	**677**	964
Share of net profit of joint ventures	**13**	13	**1**	4	**13**	12	**10**	9	**37**	38
Other income	**13**	13	**1**	4	**13**	12	**10**	9	**37**	38
Total operating revenue and other income	**229**	372	**155**	149	**312**	464	**18**	17	**714**	1,002
Non-operating items[4]	**191**	252	**52**	32	**–**	–	**27**	78	**270**	362
Total statutory revenue and other income	**420**	624	**207**	181	**312**	464	**45**	95	**984**	1,364

1 Excludes straight-lining of lease revenue of $4m in Office & Industrial (December 2016: $3m in Office & Industrial).
2. Includes management fees.
3. Property management revenue on the Group's investment properties of $3m in Office & Industrial and $4m in Retail has been eliminated (December 2016: $3m in Office & Industrial and $4m in Retail).
4. Relates mainly to fair value of investment properties and investment properties under construction.

OTHER INFORMATION

	Office & Industrial 31 December 2017 $m	Office & Industrial 30 June 2017 $m	Retail 31 December 2017 $m	Retail 30 June 2017 $m	Residential 31 December 2017 $m	Residential 30 June 2017 $m	Corporate & other 31 December 2017 $m	Corporate & other 30 June 2017 $m	Total 31 December 2017 $m	Total 30 June 2017 $m
Segment assets and liabilities										
Assets										
Investment properties[1]	**5,519**	5,371	**3,135**	2,907	**–**	–	**–**	–	**8,654**	8,278
Inventories	**297**	195	**5**	20	**1,767**	1,452	**–**	–	**2,069**	1,667
Indirect investments[2]	**605**	599	**3**	158	**316**	302	**228**	209	**1,152**	1,268
Other assets	**58**	23	**33**	24	**38**	38	**865**	810	**994**	895
Total assets	**6,479**	6,188	**3,176**	3,109	**2,121**	1,792	**1,093**	1,019	**12,869**	12,108
Total liabilities	**339**	155	**56**	63	**410**	387	**3,816**	3,531	**4,621**	4,136
Net assets	**6,140**	6,033	**3,120**	3,046	**1,711**	1,405	**(2,723)**	(2,512)	**8,248**	7,972

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

31 December	Office & Industrial 2017 $m	Office & Industrial 2016 $m	Retail 2017 $m	Retail 2016 $m	Residential 2017 $m	Residential 2016 $m	Corporate & other 2017 $m	Corporate & other 2016 $m	Total 2017 $m	Total 2016 $m
Other segment information										
Share of net profit of joint ventures	**29**	33	**1**	3	**13**	12	**29**	44	**72**	92
Depreciation and amortisation expenses	**9**	8	**8**	5	**1**	–	**4**	3	**22**	15
Acquisitions of investments and PPE	**120**	204	**197**	236	**15**	25	**4**	6	**336**	471

RECONCILIATION OF STATUTORY PROFIT TO OPERATING PROFIT AFTER TAX

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

	31 December 2017					31 December 2016
	Office & Industrial $m	Retail $m	Residential $m	Corporate & other $m	Total $m	Total $m
Profit for the half year attributable to stapled securityholders	**357**	**132**	**11**	**(35)**	**465**	508
Exclude specific non-cash items						
Revaluation of investment properties and investment properties under construction[1]	**(175)**	**(53)**	**–**	**–**	**(228)**	(277)
Share of net profit of joint ventures relating to movement of non-cash items[2]	**(3)**	**–**	**–**	**(18)**	**(21)**	(38)
Net (gain)/loss on financial instruments	**(8)**	**–**	**–**	**(8)**	**(16)**	40
Straight-lining of lease revenue[3]	**(5)**	**–**	**–**	**–**	**(5)**	(3)
Amortisation[4]	**7**	**4**	**–**	**–**	**11**	7
Security-based payments expense[5]	**–**	**–**	**–**	**6**	**6**	9
Tax effect						
Tax effect of non-cash and significant items[6]	**–**	**–**	**–**	**3**	**3**	(16)
Operating profit after tax	**173**	**83**	**11**	**(52)**	**215**	230

1. Includes Mirvac's share in the joint venture's revaluation of investment properties of $13m (December 2016: $17m) which is included within Share of net profit of joint ventures.
2. Included within Share of net profit of joint ventures.
3. Included within Revenue.
4. Included within Depreciation and amortisation expenses.
5. Included within Management and administration expenses.
6. Included within Income tax expense.

B2 EXPENSES

	31 December 2017 $m	31 December 2016 $m
Profit before income tax includes the following specific expenses:		
Employee benefits expenses	**47**	46
Security-based payments expense	**6**	9
Other expenses	**31**	28
Total employee and other expenses	**84**	83
Finance costs		
Interest paid/payable (net of inventory provision release)	**76**	67
Interest capitalised[1]	**(21)**	(21)
Interest previously capitalised and now expensed (net of inventory provision release)[2]	**10**	16
Borrowing costs amortised	**1**	1
Total finance costs	**66**	63

1. Relates to Residential $15m (December 2016: $17m) and commercial projects $6m (December 2016: $4m).
2. Relates to Residential $10m (December 2016: $16m).

B Results for the half year

continued

B3 EVENTS OCCURRING AFTER THE END OF THE HALF YEAR

On 21 November 2017, the Group entered into a contract to acquire an A-Grade twin office tower at 75 George Street, Parramatta NSW for $86m. This transaction was completed on 31 January 2018.

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

B4 INCOME TAX

Most of the Group'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.

RECOGNITION OF DEFERRED TAX ASSETS

Deferred tax assets, including those arising from tax losses, are only recognised to the extent it is probable that sufficient taxable profits will be available to utilise the losses in the foreseeable future. The net deferred tax asset and unrecognised tax losses are assessed for recoverability and recognition, respectively at each reporting period.

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

At 31 December 2017, the Group had $226m (June 2017: $226m) of unrecognised tax losses.

C Property and development assets

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

C1 PROPERTY PORTFOLIO

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

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

Investment properties

Investment properties are properties owned by Mirvac and not occupied by the Group. Investment properties include investment properties under construction, which will become investment properties once construction is completed. Mirvac accounts for its investment properties at fair value and revaluations are recognised as other income in the consolidated SoCI.

Investments in joint ventures (JV)

Mirvac enters into arrangements with third parties to jointly own investment properties. If Mirvac has joint control over the activities and joint rights to the net assets of an arrangement, then it is classified as a JV.

The JV hold investment property at fair value and Mirvac recognises its share of the JV's profit or loss as other income. For further details on accounting for JV, refer to note C3.

Judgements in fair value estimation

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

Lease incentives

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

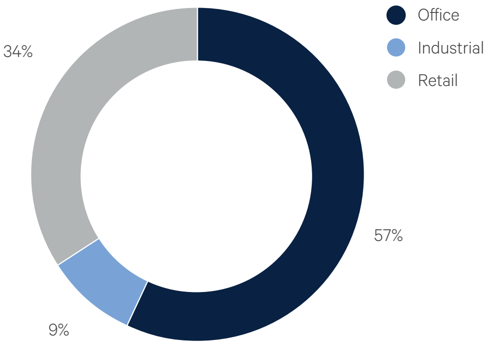
BREAKDOWN OF MIRVAC'S PROPERTY PORTFOLIO BY SECTOR

		31 December 2017				30 June 2017
	Note	Office $m	Industrial $m	Retail $m	Total $m	Total $m
Investment properties		4,515	733	3,085	**8,333**	8,064
Investment properties under construction		231	40	50	**321**	214
Total investment properties	C2	4,746	773	3,135	**8,654**	8,278
Investments in JV[1]	C3	455	–	–	**455**	594
Total property portfolio		**5,201**	**773**	**3,135**	**9,109**	8,872

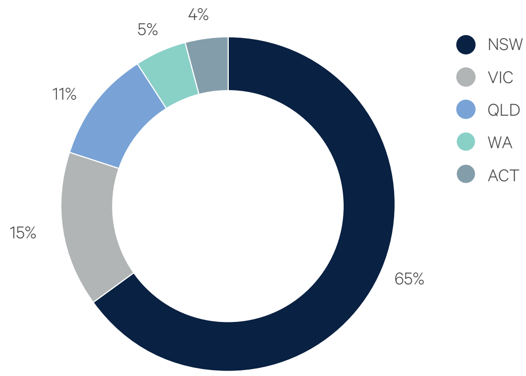
1. Represents Mirvac's share of the JVs' investment properties which is included within the carrying value of investments in JV.

PROPERTY PORTFOLIO AS AT 31 DECEMBER 2017

By Segment



By Geography



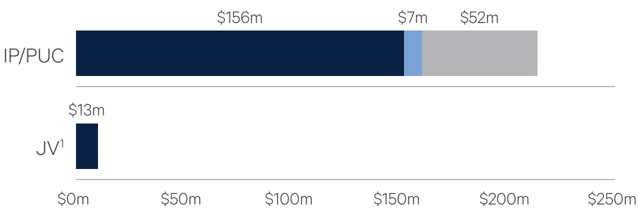
C Property and development assets

continued

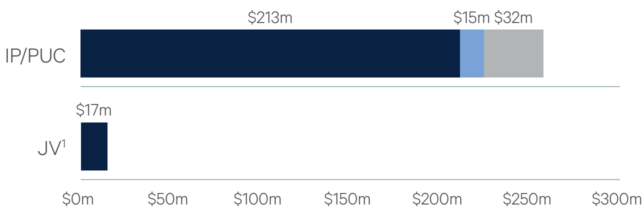
C1 PROPERTY PORTFOLIO CONTINUED

REVALUATION OF PROPERTY PORTFOLIO

1H18 Net revaluation gain ($228m)



1H17 Net revaluation gain ($277m)



1. Represents Mirvac's share of the JV's revaluation gain which is included within the Share of net profit of JV.

C2 INVESTMENT PROPERTIES

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

	31 December 2017				30 June 2017
	Office $m	Industrial $m	Retail $m	Total $m	Total $m
Balance 1 July	4,498	873	2,907	**8,278**	7,100
Expenditure capitalised	110	10	33	**153**	359
Acquisitions	–	–	164	**164**	106
Net revaluation gains from fair value adjustments	156	7	52	**215**	516
Transfers from joint ventures[1]	–	–	155	**155**	–
Exchange differences on translation of foreign operations	–	(1)	–	**(1)**	(2)
Disposals	–	(115)	(185)	**(300)**	–
Transfer from/(to) inventories	–	–	15	**15**	(42)
Transfer from property, plant and equipment[2]	–	–	–	**–**	284
Amortisation	(18)	(1)	(6)	**(25)**	(43)
Closing balance	**4,746**	**773**	**3,135**	**8,654**	8,278

1. Following the acquisition of 49.9% of the units in Joynton North Property Trust during the year ended 30 June 2017, the remaining 50.1% of units in the Joynton North Property Trust was acquired on 18 August 2017. Upon consolidation, the property is accounted for as an investment property.
2. In July 2016, Mirvac ceased its use of part of 60 Margaret Street, Sydney NSW as a head office. The property was transferred from owner-occupied properties to investment properties during the year ended 30 June 2017.

Fair value measurement and valuation basis

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

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

		Inputs used to measure fair value				
Segment	Level 3 fair value $m	Net market income $/sqm	10-year compound annual growth rate %	Capitalisation rate %	Terminal yield %	Discount rate %
31 December 2017						
Office	4,746	420 – 1,473	2.72 – 3.52	5.00 – 9.50	5.25 – 10.00	6.75 – 9.75
Industrial	773	114 – 405	2.50 – 3.00	5.75 – 7.75	5.75 – 8.00	7.00 – 8.25
Retail	3,135	214 – 1,361	3.19 – 4.36	4.75 – 8.99	5.00 – 8.25	7.25 – 9.50
30 June 2017						
Office	4,498	342 – 1,410	2.72 – 3.95	5.00 – 9.50	5.25 – 10.00	6.75 – 9.75
Industrial	873	52 – 393	2.00 – 3.00	5.25 – 7.75	5.75 – 8.00	7.25 – 8.25
Retail	2,907	214 – 1,361	3.19 – 4.36	4.75 – 8.00	5.00 – 8.25	7.25 – 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.

C3 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. Mirvac 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 those JV that are significant to the Group. The Group does not have any associates.

		31 December 2017		30 June 2017	
Joint venture	Principal activities	Interest %	Carrying value $m	Interest %	Carrying value $m
Joynton North Property Trust[1]	Property investment	**–**	**–**	50	155
Mirvac 8 Chifley Trust	Property investment	**50**	**226**	50	213
Mirvac (Old Treasury) Trust	Property investment	**50**	**206**	50	203
Mirvac SLS Development Trust	Residential development	**51**	**90**	51	78
Tucker Box Hotel Group	Hotel investment	**50**	**222**	50	203
Other joint ventures	Various		**214**		226
Total			**958**		1,078

1. Following the acquisition of 49.9% of the units in Joynton North Property Trust during the year ended 30 June 2017, the remaining 50.1% of units in the Joynton North Property Trust was acquired on 18 August 2017. The trust is therefore no longer accounted for as a joint venture and is consolidated as part of the Group.

C Property and development assets

continued

C4 INVENTORIES

The Group develops some residential and commercial properties for sale, and not to hold as an investment property.

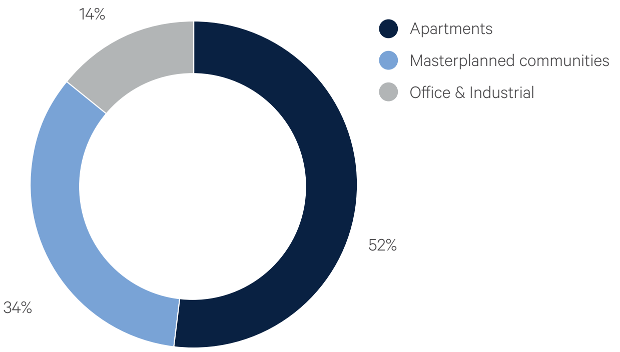
	31 December 2017		30 June 2017	
	Current $m	**Non-current $m**	Current $m	Non-current $m
Residential apartments				
Acquisition costs	**88**	**233**	113	170
Development costs	**464**	**275**	273	275
Interest capitalised during development	**32**	**41**	30	43
NRV write-downs provision	**(3)**	**(55)**	(2)	(74)
Total residential apartments	**581**	**494**	414	414
Residential masterplanned communities				
Acquisition costs	**178**	**330**	97	380
Development costs	**112**	**58**	63	68
Interest capitalised during development	**20**	**27**	17	37
NRV write-downs provision	**(25)**	**(8)**	(2)	(36)
Total residential masterplanned communities	**285**	**407**	175	449
Total Residential	**866**	**901**	589	863
Office & Industrial				
Acquisition costs	**36**	**61**	18	68
Development costs	**84**	**107**	47	55
Interest capitalised during development	**7**	**2**	3	4
Total Office & Industrial	**127**	**170**	68	128
Retail				
Acquisition costs	**–**	**–**	–	15
Development costs	**5**	**–**	5	–
Total Retail	**5**	**–**	5	15
Total inventories	**999**	**1,070**	662	1,005

JUDGEMENT IN CALCULATING NRV OF INVENTORIES

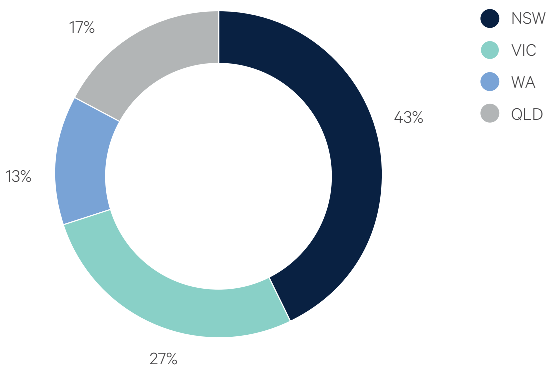
NRV is the estimated selling price in the ordinary course of business less the estimated costs to complete and sell the development. NRV is estimated using the most reliable evidence available at the time including expected fluctuations in selling price and estimated costs to complete and sell.

INVENTORIES AS AT 31 DECEMBER 2017

By Product Line



By Geography



Inventory movement	31 December 2017 $m	30 June 2017 $m
Balance 1 July	**1,667**	1,598
Costs incurred	**639**	1,254
Settlements	**(245)**	(1,247)
Provision utilisation	**23**	20
Transfer (to)/from investment properties	**(15)**	42
Closing balance	**2,069**	1,667

C5 COMMITMENTS

CAPITAL EXPENDITURE COMMITMENTS

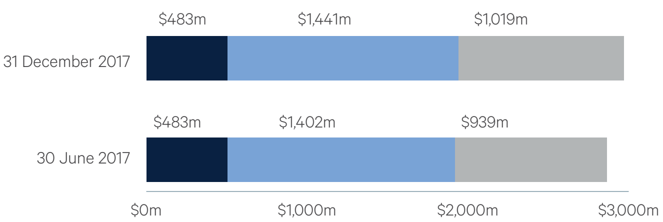
At 31 December 2017, capital commitments on Mirvac's existing property portfolio were $271m (June 2017: $383m). There are no properties pledged as security by the Group (June 2017: nil).

LEASE COMMITMENTS

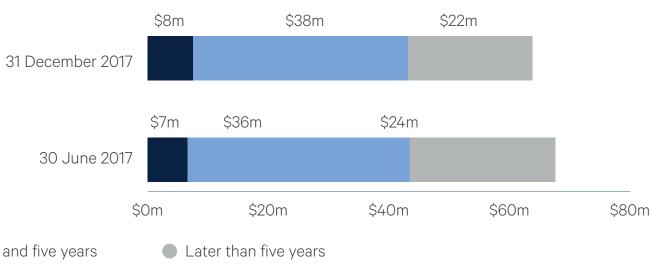
Property rental revenue is accounted for as operating leases. The revenue and expenses are recognised in the consolidated SoCI on a straight-line basis over the lease term. Payments for operating leases are made net of any lease incentives.

The future receipts and payments are shown as undiscounted contractual cash flows.

Future operating lease receipts as a lessor



Future operating lease payments as a lessee



D Capital structure

This section outlines how the Group manages its capital structure. Capital comprises stapled securityholders' equity and net debt (borrowings less cash).

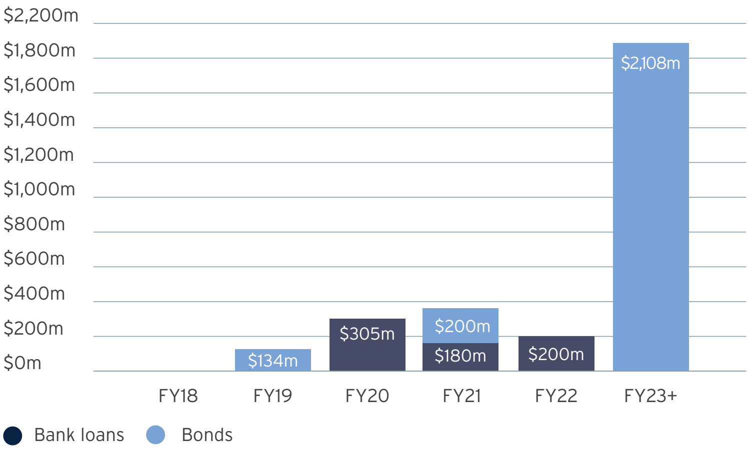
D1 BORROWINGS AND LIQUIDITY

The Group takes out borrowings at both fixed and floating interest rates and also uses interest rate derivatives to reduce the interest rate risk.

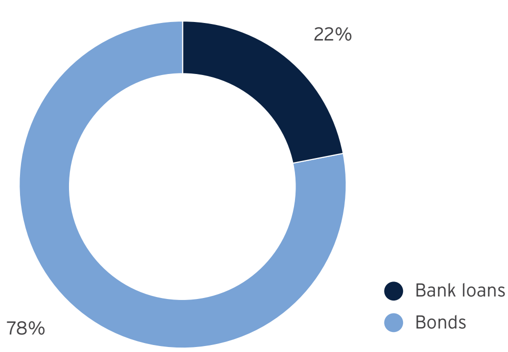
During the period, the Group issued Reg S European Medium Term Notes valued at approximately $500m, which is in line with the Group's stated objective to diversify its sources of debt. Of the capital raised, $200m was predominantly applied towards repaying bonds expiring during the half year.

At 31 December 2017, the Group had $913m of cash and committed undrawn bank facilities available.

DRAWN DEBT MATURITIES AS AT 31 DECEMBER 2017



DRAWN DEBT SOURCES AS AT 31 DECEMBER 2017



BORROWINGS

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

	31 December 2017				30 June 2017			
	Current $m	Non-current $m	Total carrying amount $m	Total fair value $m	Current $m	Non-current $m	Total carrying amount $m	Total fair value $m
Unsecured bank facilities								
Bank loans	–	685	685	685	–	757	757	757
Bonds	128	2,357	2,485	2,457	200	2,008	2,208	2,182
Total unsecured borrowings	128	3,042	3,170	3,142	200	2,765	2,965	2,939
Undrawn bank facilities			805				643	

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

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

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

Mirvac holds no Level 1 financial instruments.

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

Derivative financial instruments

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

Other financial assets

Other financial assets include units in unlisted 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. The valuation methods used by external valuers have not changed since 30 June 2017.

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 2017				30 June 2017			
	Level 1 $m	**Level 2 $m**	**Level 3 $m**	**Total $m**	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets carried at fair value								
Units in unlisted funds	–	–	32	**32**	–	–	24	24
Other financial assets	–	–	81	**81**	–	–	131	131
Derivative financial assets	–	96	–	**96**	–	118	–	118
	–	**96**	**113**	**209**	–	118	155	273
Financial liabilities carried at fair value								
Derivative financial liabilities	–	89	–	**89**	–	89	–	89
	–	**89**	**–**	**89**	–	89	–	89

There were no transfers between the fair value hierarchy levels in the six months to 31 December 2017. The following table presents a reconciliation of the carrying value of Level 3 instruments (excluding investment properties):

	31 December 2017	
	Unlisted securities $m	**Other financial assets $m**
Balance 1 July	24	131
Acquisitions	4	–
Net gain recognised in loss on financial instruments	4	–
Repayment[1]	–	(50)
Balance 31 December 2017	**32**	**81**

1. Relates to the repayment of Blackstone loan notes.

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

E Equity

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

E1 DISTRIBUTIONS

Half yearly ordinary distribution	CPSS	Amount payable/paid $m	Date payable/paid
31 December 2017	**5.0**	**186**	**28 February 2018**
31 December 2016	4.9	182	28 February 2017

All distributions in the current and prior periods were unfranked. Franking credits available for future years, based on a tax rate of 30 per cent, total $23m (June 2017: $23m).

E2 CONTRIBUTED EQUITY

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

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

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

CONTRIBUTED EQUITY

	31 December 2017		30 June 2017	
	No. securities m	**Securities $m**	No. securities m	Securities $m
Mirvac Limited – ordinary shares issued	**3,709**	**2,075**	3,703	2,074
MPT – ordinary units issued	**3,709**	**4,752**	3,703	4,745
Total contributed equity		**6,827**		6,819

The total number of stapled securities issued as listed on the ASX at 31 December 2017 was 3,711m (June 2017: 3,705m) which included 2m of stapled securities issued under the LTI plan and EIS (June 2017: 2m). Securities issued to employees under the Mirvac employee LTI plan and EIS are accounted for as options and are recognised in the security-based payments reserve, not in contributed equity.

MOVEMENTS IN PAID UP EQUITY

	31 December 2017		30 June 2017	
	No. securities m	**Securities $m**	No. securities m	Securities $m
Balance 1 July	**3,703**	**6,819**	3,699	6,812
LTI vested	**6**	**7**	4	5
Legacy schemes vested	**–**	**1**	–	1
Securities issued under EEP	**–**	**–**	–	1
Closing balance	**3,709**	**6,827**	3,703	6,819

Mirvac issues securities to employees as security-based payments.

F Other information

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

F1 CONTINGENT LIABILITIES

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

	31 December 2017 $m	30 June 2017 $m
Bank guarantees and performance bonds granted in the normal course of business	**285**	280
Health and safety claims	**1**	1

As at 31 December 2017, the Group had no contingent liabilities relating to joint ventures (June 2017: nil).

F2 EARNINGS PER STAPLED SECURITY

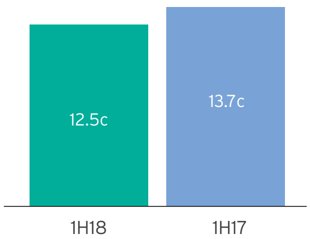
Basic earnings per stapled security (EPS) is calculated by dividing:

- the profit for the half year attributable to stapled securityholders; by
- the weighted average number of ordinary securities (WANOS) outstanding during the half year.

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

	31 December 2017 $m	31 December 2016 $m
Profit for the half year attributable to stapled securityholders used to calculate basic and diluted EPS ($m)	**465**	508
WANOS used in calculating basic EPS (m)	**3,707**	3,702
WANOS used in calculating diluted EPS (m)	**3,710**	3,704

Basic and diluted EPS (cents)



F3 RECONCILIATION OF PROFIT TO OPERATING CASH FLOW

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

	31 December 2017 $m	31 December 2016 $m
Profit for the half year attributable to stapled securityholders	**465**	508
Net gain on financial instruments	**(15)**	(1)
Net (gain)/loss on foreign exchange	**(1)**	40
Share of net profit of joint ventures	**(72)**	(92)
Joint venture distributions received	**29**	22
Revaluation of investment properties and investment properties under construction	**(215)**	(260)
Depreciation and amortisation expenses	**22**	15
Security-based payments expense	**6**	9
Change in operating assets and liabilities		
Increase in receivables	**(26)**	(92)
Increase in inventories	**(384)**	(237)
Increase in payables	**166**	6
Decrease/(increase) in other assets/liabilities	**8**	(9)
Decrease in provisions	**(3)**	–
Net cash outflows from operating activities	**(20)**	(91)

Directors' declaration

For the half year ended 31 December 2017

In the Directors' opinion:

(a) the financial statements and the notes set out on pages 9 to 27 are in accordance with the *Corporations Act 2001*, including:

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

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

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

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

Susan Lloyd-Hurwitz

Susan Lloyd-Hurwitz
Director

Sydney
8 February 2018

Independent auditor's review report

to the members of Mirvac Limited

Independent auditor's review report to the members of Mirvac Limited

Report on the Half-Year Financial Report

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

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

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

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

Independent auditor's review report

continued

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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 Limited is not in accordance with the *Corporations Act 2001* including:

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

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

PricewaterhouseCoopers

Jane Reilly
Partner

Sydney
8 February 2018

Glossary

1H17	Half year ended 31 December 2016
1H18	Half year ended 31 December 2017
AASB	Australian Accounting Standards Board
ABN	Australian Business Number
A-REIT	Australian Real Estate Investment Trust
ARSN	Australian Registered Scheme Number
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CPSS	Cents per stapled security
EBIT	Earnings before interest and taxes
EEP	Employee Exemption Plan
EIS	Employee Incentive Scheme
EPS	Earnings per stapled security
FY18	Year ending 30 June 2018
FY19	Year ending 30 June 2019
FY20	Year ending 30 June 2020
GST	Goods and services tax
IP	Investment properties
IPUC	Investment properties under construction
JV	Joint ventures
LTI	Long term incentives
MAT	Moving annual turnover
MPT	Mirvac Property Trust
NABERS	National Australian Built Environment Rating System
NRV	Net realisable value
PPE	Property, plant and equipment
PwC	PricewaterhouseCoopers
SoCI	Statement of comprehensive income
SoFP	Statement of financial position
STI	Short term incentives
WALE	Weighted average lease expiry
WANOS	Weighted average number of ordinary securities

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